From CFO Daily News Powered by SuccessFuel

CFO & CONTROLLER Alert

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

March 11, 2021

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	3.25	3.25	4.75
Fed Funds Rate	0.25	0.25	1.75
Money Market Rates %			
London Interbank (LIBOR)			
1 month	0.12	0.12	1.38
3 months	0.19	0.19	1.31
6 months	0.20	0.22	1.25
Stock & Bond Indexes			
DJIA	30,932	30,212	25,767
S&P 500	3,811	3,774	2,979
NASDAQ	13,589	13,403	8,566
5-Yr T-Bill	0.75	0.42	0.88
10-Yr T-Bill	1.44	1.09	1.10
Employment Stats			
Unemployment rate (%)	6.3	6.7	3.5
Payroll employment (thousands)	49	-227	315
Average hourly earnings ($)	0.06	0.29	0.07

*As of 03/01/21

The Cumulative Effect of *CFO & Controller Alert*

With the pace of change accelerating and the competition tougher, what's the best chance to keep up performance and get two steps ahead of the competition? A reliable source of continuous information.

It's the **cumulative effect** that helps, not any one reading. Our unique function is to deliver solid, focused information in your area of responsibility in a fast-read format twice a month to help performance.

The $900 million payment error this firm couldn't recoup

Citibank takes half-billion dollar loss from wire error

If your company accidentally wired someone $900 when it was only supposed to send them $8, you'd work to get that money back.

Now imagine you were talking about $900 million and $8 million respectively.

That's what happened to Citibank recently in what's seen as one of the biggest banking blunders in history.

Only trouble? When the banking behemoth tried to get its money back, it couldn't.

It's a story to chill any CFO to the bone.

Check out the details of what happened in this case to make sure you and your team don't end up getting burned by an innocent payment error.

Exception let them keep the cash

It's a battle of the big names here. Citibank was acting as a loan agent for Revlon.

The megabank was supposed to wire $8 million in interest payments to Revlon's lenders. Except it mistakenly wired $900 million to

*(Please see **$900 million ...** on Page 2)*

IRS adds new flexibility for FSAs in 2021

Notice 2021-15 *extends carryover periods, time to incur claims*

You can continue to be a bit more flexible with your company's cafeteria plan.

IRS Notice 2021-15 spells out the extensions to both flexible spending accounts (FSA) and dependent care assistance programs.

And they stem from *The Taxpayer Certainty and Disaster Tax Relief Act of 2020,* passed at the end of last year.

Music to employees' ears

Specifically, your company will now be able to:

- let employees carry over unused FSA amounts into the following plan year
- extend the permissible period for employees to incur claims for plan years ending in 2021
- allow for mid-year election changes for 2021, and
- extend the age for dependent care to 14 for employees' dependents who "aged out" during the pandemic.

Note: *Notice 2021-15* offers examples to help you navigate.

Info: IRS Notice 2021-15, *at irs.gov/pub/irs-drop/n-21-15.pdf*

$900 million …

(continued from Page 1)

those lenders instead. No foul play, just an honest mistake.

Some lenders returned the money quickly. But others didn't, leaving Citibank out some $500 million.

So they went to court to try to get their money back. But the judge ruled against the bank. The reason? A rule in New York known as the "discharge-for-value-defense."

Normally, the party who keeps an accidental payment can face charges. But under this exception, if someone is entitled to the money – even if not immediately – they may keep it.

In this case Revlon's lenders said they believed Citibank had been wiring them "prepayments" for their loans.

And that was good enough for the court: They could keep the cash.

Now not only is Citibank out half a billion dollars, but it had to go through the expense of a court battle.

An appeal is expected, but that will only add to the dollars spent trying to fix a single mistake.

Avoiding a similar fate

Granted, you and your team might not be dealing with numbers this size, but you still don't want to end up in a similar predicament.

Cultivate a culture where folks will speak up.

How can you avoid the same fate?

1. Make sure you create a culture where staffers feel safe speaking up about mistakes. Yes, finance and accounting is a job built on precision. And no doubt your staffers pride themselves on that.

But they're only human. Mistakes will happen. You need to cultivate a culture where folks feel comfortable 'fessing up to a mistake as soon as they spot it. That boosts your odds of getting your money back with the fewest headaches.

2. Get more from your controls. Hopefully, you have a dual approval system for wire transfers to minimize your risk of fraud, especially with the ever-present threat of business email compromise (BEC).

While your team is working hard to verify the recipient and its authenticity, be certain they're taking the time to double-check that the amounts are correct before that button gets pressed. It may be more challenging in a remote environment, but it's well worth it.

Adapted in part from "Citibank can't get back $500 million it wired by mistake, judge rules," by Ramishah Maruf, at cnn.com/2021/02/16/business/citibank-revlon-lawsuit-ruling/index.html

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.

Could company enforce this implied contract?

CFO Bill Keeper took a deep breath. "Let's walk through this again," he said to Rose, C&D Co.'s A/P manager. "Years ago, we entered into an agreement with Red Brick LLP, which said Red Brick would pay us for storage services. If invoices weren't paid within 45 days, it constituted an Event of Default."

"Then, years later, we acquired Red Brick," Rose confirmed.

"And kept using our services, which means you're bound by our agreement with Red Brick and must comply with its obligations," Bill interjected.

Assumed responsibility?

"We didn't take on that agreement," Rose said.

"But you did. And since your company didn't pay certain invoices, you're in default. That means you have to pay for charges associated with terminating your account and removing storage materials, plus any outstanding liabilities," Bill said.

"Our company wasn't a party in that original agreement. There's no written contract between us," Rose said.

"There may not be a written contract, but our companies have an implied contract," Bill maintained.

Bill's company sued for breach of contract; the customer fought to get claim dismissed.

Did Bill's firm have a case?

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

New collection rules for B2C firms coming up fast: Will you be ready?

■ *New disclosure rules effective Nov. 30*

They've been touted as the most significant changes in the 40 years since the Fair Debt Collections Practices Act was passed.

And for business-to-consumer (B2C) creditors, you're going to have to change up your process to collect money from customers.

The final rules amending Regulation F, 12 CFR part 1006, passed late last year.

And while you have until Nov. 30, 2021, there's no time to lose to prepare.

4 key factors

Among the major provisions in the new 354-page final rule, you get:

- an explanation of what information you must provide to a consumer when you begin debt collection communications
- a model notice containing such information
- an end to the practice of bringing or threatening legal action against a consumer to collect a time-barred debt, and
- a requirement that you take specific actions before you provide information about a consumer's debt to a consumer reporting agency.

If you're a B2C creditor, you won't want to wait to start prepping the disclosure notice and briefing collectors on new limits.

Info: *You can read the final rule at consumerfinance.gov/rules-policy/final-rules/debt-collection-practices-regulation-f-2020-12*

FOR MORE ...

For another recent change to b-to-c collection rules, go to *cfoandcontrolleralert.com/tougher-rules-on-collectors-coming-what-it-means-for-your-cash-flow*

IRS answers new questions on paid leave

■ *Latest FAQ update tackles extended tax credits*

Employers who continue to provide paid sick or paid FMLA leave to your people, here's new guidance.

IRS just updated its FAQs on the tax credits for that leave so your company can take advantage and remain in compliance.

You'll recall the COVID-related Tax Relief Act of 2020 extended the credits for periods of leave taken through March 31, 2021.

Where you get clarity

Specifically, the Taxman updated its position on key topics, including:

- what's included in "qualified sick leave wages"
- the rate of pay for qualified sick leave wages if an employee is unable to work or telework due to his or her own health needs
- how employees' hours are determined for purposes of the qualified paid sick leave requirements, and
- when amounts other than qualified sick leave wages get included in the tax credit for required sick leave.

Will the next round of COVID relief extend these tax credits further? We'll keep you posted.

Info: *IRS* IR-2021-26, *1/29/21, at irs.gov/newsroom/irs-updates-faqs-on-paid-sick-leave-credit-and-family-leave-credit*

ECONOMIC OUTLOOK

■ Fed weighs in on how banks have handled the past year

Every industry has faced its own unique set of challenges in the 12 months of the coronavirus pandemic.

But one has the ability to impact so many other businesses, consumers and the economy as a whole: banking.

So how have financial institutions fared during the past year?

The Federal Reserve recently offered up its opinion in its semiannual monetary policy report to Congress. And the news is promising.

Profitability up

Overall, banks have been viewed as resilient throughout this unprecedented time.

Financial institutions saw an increase in profitability and capital positions during the second half of last year.

And that tightening in lending that happened in the first half of 2020 moderated somewhat in the later part of the year.

Except for certain key groups, noted the Fed. And that could keep us from making the progress we need.

Who's still not getting the loans

According to the latest Fed report, small businesses and low-income consumers still aren't getting the financing they're after.

Seeing how disproportionately hard this financial crisis hit these groups, the continued inability to secure financing may stall our recovery.

(To read the complete Fed semiannual monetary policy report, go to federalreserve.gov/newsevents/testimony/powell20210223a.htm)

DOL's free mobile timetracking app: What your company needs to know

■ *Employees can track work hours, OT, etc., from their phones*

If your company doesn't offer employees a mobile time-tracking option just yet, you might consider tapping one from the ultimate expert: the Department of Labor (DOL).

The DOL has a free app employees can download to their phones to keep track of the hours they work.

You could even use it to supplement your existing time tracking system.

Of course, before you direct your workforce to the App Store, here's what you need to know to keep your company's compliance in check.

Latest version has enhanced options

It's a pretty comprehensive offering – you can log all types of hours and calculate pay. That includes regular work hours, break time and overtime hours.

The latest version even includes additional pay calculations and an enhanced comments feature.

But Payroll needs to know there are some things the app can't handle (at least not yet).

Presently the app can't track commissions, tips, deductions, holiday pay, bonuses, shift differentials, weekend pay or pay for regular rest days.

So those would have to be recorded separately.

Compliance still on you

One last thing you'll want to make Payroll aware of: Your company will still need to keep an eye out for federal changes that would impact how pay is calculated.

While the DOL says it keeps the app updated, it acknowledged there's sometimes a slight lag.

Info: *dol.gov/agencies/whd/timesheet-app*

First state imposes sales tax on digital ads

■ *Maryland to tax revenues from digital advertising services*

It was only a matter of time! States have started reaching their revenue-strapped hands into the digital advertising world.

First to make a move? Maryland.

The Old Line State recently enacted House Bill 732, which imposes a specific tax on revenues derived from digital advertising.

What qualifies: "Advertisements in the form of banner advertising, search engine advertising, interstitial advertising, and other comparable advertising services." And websites are fair game.

Of course this may be easier said than done. Not much guidance has been given on how a company determines which part of the digital advertising revenue is attributable specifically to Maryland.

Won't be the last

Don't expect Maryland to be the only state to start taxing these business-critical services.

These four states also have bills in the works: Connecticut, Indiana, Montana and New York.

And they likely won't be the last we see. We'll keep you posted on the bills' progress and let you know when new ones crop up.

Info: *To read MD HB 732, go to legiscan.com/MD/bill/HB732/2020*

MANAGING FOR RESULTS

■ Supporting the women in your workplace right now

The pandemic hit many employers and employees hard – but studies have found women are disproportionately negatively impacted.

Employment experts say women's mass exodus from the workplace will impact their long-term career prospects and hurt the quest for equal pay.

Diversity is key

It's critical your company not just stand by as women exit the workplace. If your company is seen as male-dominated, it can open itself up to costly gender discrimination claims.

These best practices ensure your firm is supporting women and offering them tools they need to succeed:

1. Evaluate workers' output; worry less about attendance. When working remotely, women tend to have more family responsibilities than men. So while male employees may be able to work uninterrupted all day, female workers may not. Be sure it's not held against your female workers if they can't attend <u>every</u> Zoom meeting or if they work odd hours. Focus on productivity over availability.

2. Conduct exit interviews. What's pushing women out the door? Ask them. Encourage your people to be frank about why they're leaving. To be more proactive, conduct anonymous surveys <u>before</u> people start to leave.

3. Recognize the problem lies with the system, not the women. Instead of wasting time and money training folks on time management, form policies and practices to support them in the way they need. Women want to be able to balance their jobs with childcare responsibilities – help them do so before they're forced to leave.

Info: *tinyurl.com/helpwomen621*

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 Attention to detail got premium costs in check

Too many high-cost health insurance claims can have a negative impact, especially on companies that go the route of a self-funded group health plan.

Self-funded organizations have more control over their employee plans, but assume more financial risk in the process.

At one point, we were facing a significant stop-loss premium increase because of employees who had serious and chronic medical conditions.

We needed to get in touch with the insurance carrier to take a closer look at the specific causes for what could potentially turn into a pain-point expense.

Found the source

Putting our heads together, we discovered that the issue triggering the increase concerned two employees in particular.

What the insurance carrier wasn't aware of was that one of them, unfortunately, had passed away.

The other was going to be eligible for Medicare coverage enrollment later in the year, lightening the healthcare load for the company.

Bringing those important details to their attention made a big difference.

We were able to negotiate down what was about to become an unnecessary ongoing cost.

(Matt Fowler, Vice President, Wilkinson Benefits Strategies, Boys Town, NE)

2 Culture of recognition prevents costly turnover

We wanted to drive a culture of recognition.

Every job – no matter how small – is important in helping us operate effectively and efficiently.

In order to impact engagement for our 3,700 employees, we wanted to drive daily recognition.

So we built a recognition and rewards platform called Driven powered by Achievers, where all staff could recognize each other in real-time.

We put a lot of effort into the program's roll-out that included passing out stickers for employees to wear.

It was fun seeing them walk around wearing Driven stickers and scrolling through recognitions on the newsfeed.

82% active users every month

Since launching in 2015, the program has seen a 95% activation rate and 82% monthly active usage.

We're able to give a sense of belonging, which is more important than ever before.

Recognition doesn't have to be associated with dollars, as it should bring joy to employees, motivate them and show they're valued.

(Lauren Brittingham, Director of Organizational Development, Bayhealth Medical Center, Dover, DE)

3 A/P problem-solving: Invoice/P.O. mismatches

For A/P, invoice and P.O. match discrepancies were a big problem, and we wanted to get to the bottom of it.

Whenever an invoice and a P.O. conflicted with each other, we couldn't pay the vendor until the discrepancy was resolved. This took up a lot of time, and it could negatively impact our vendor relationships if things got held up for too long.

After looking into the situation more, we discovered the main source of our match problem was that we had a really high volume of missing receipts.

Problem-solving mindset

We got together with the manager of Receiving and some of their team to discuss the issue.

We found out that some vendors weren't putting P.O.s on their packages. That meant Receiving had to open packages to get to the packing slip for specific numbers and details. In turn, the missing receipt problem flowed down to A/P for us to try to figure out and correct.

Here's what we did to fix it: We looked at the structure of P.O.s that get dispatched and decided to provide more information for vendors.

We also created a new policy that said each order's P.O. was required to be on the package.

This collaborative communication and problem-solving helped reduce our match discrepancies and missing receipts issues.

(Jill Ulliman, Director of A/P, OhioHealth Corp., as presented at the A/P P2P Conference & Expo, Las Vegas)

24 common wellness benefits: Where your peers will dedicate more (and fewer) dollars in 2021

■ *At a time where benefits are more important than ever, here's what your peers are prioritizing*

When it comes to wellness, odds are your company has both beefed up and added certain new offerings this past year.

So just how confident are you that's paying off the way you'd hoped?

Due to COVID-19-induced budget constraints, many of your peers are shining a brighter light on gauging the ROI of their benefit plans.

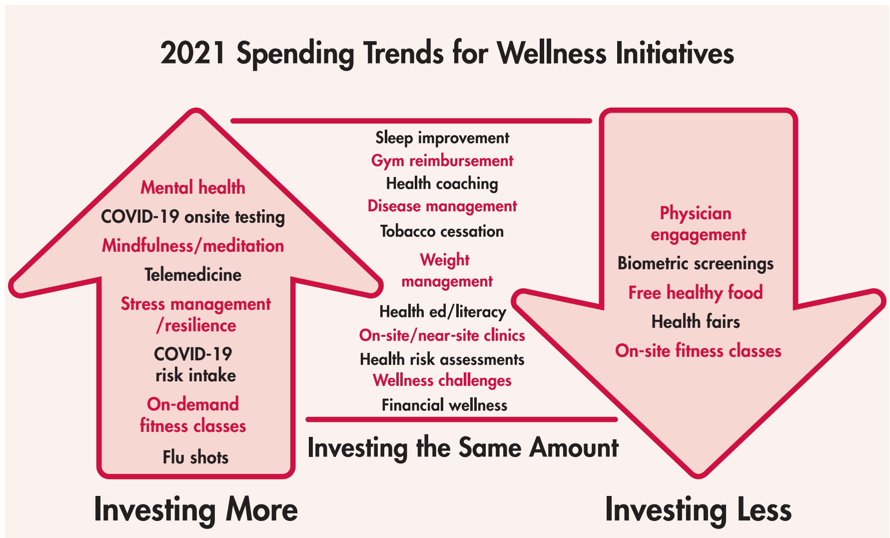
Gauging that ROI

That's something you not only want to do on the broadest level, but with each of the new initiatives you've put in place.

And by the very nature of some of them, you may be able to get a handle on your ROI relatively quickly.

Be sure someone's tracking everything from how many folks are logging in to on-demand fitness classes (make sure you offer for ALL levels of fitness) to the number of employees who got flu shots this season.

WHERE THE DOLLARS WILL GO



Source: *Wellable's "2021 Employee Wellness Industry Trends Report"*

The current remote work situation means it made no sense to devote dollars to some initiatives like on-site food and fitness classes. However, you can still secure the benefits from things like health fairs by holding them virtually. Attendance may even improve.

Sharpen your judgment… THE DECISION

Yes. The court refused to dismiss the breach of contract case against Bill's company's customer. It believed the case should be allowed to continue.

The customer argued that it hadn't assumed the old agreement and never had a new contract of its own with Bill's company.

But the supplier asserted that even without a written contract, there was an implied contract since the two parties continued to do business together.

And the court agreed.

It said to prove the existence of an implied contract, Bill's company had to show that services were performed and accepted with an understanding on both sides.

In this instance, there was clearly "a course of dealing between the parties from which an implied contract may be inferred," the court said.

Analysis: Clarify responsibilities in 'new' relationships

Sometimes relationships with trading partners evolve, like in the case of a merger or acquisition.

But even though it may look like it's still "business as usual" you'll want your team to take a step back and spell out – in writing – exactly what terms and costs customers are liable for. That can prevent costly (and even contentious) confusion down the road.

Cite: Cityside Archives LLC v Greenspoon Marder LLP, *Supreme Court, New York County, 2020 NY Slip Op. 30154(U), 1/7/20. 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.

Claiming COVID-related tax credits on Form 941

Q: We sent Form 7200 to IRS so we didn't have to wait until we filed our Form 941 to receive the employee retention credit (ERC). IRS issued a letter, saying it'd rejected our 7200. Can we still claim the tax credit on our quarterly tax return?

A: Yes, assuming you're eligible for the tax credit. Form 7200 lets employers receive advance payment of COVID-related tax credits. That includes the ERC under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other new credits from 2020.

IRS explained during its February Payroll Industry Call that it'd be mailing employers rejection letters after receiving a "huge influx" of Forms 7200 via fax.

A major reason employers receive Letter 6312 is that they've filed the 7200 too late for a quarter. The form must be filed before the due date of the 941 to which it corresponds or, in some cases, earlier.

Example: To claim advance payments related to the fourth quarter of 2020, you should have sent Form 7200 to IRS by Feb. 1, 2021, the due date for the fourth quarter return. But if you filed Form 941 earlier than that due date, the 7200 would likewise be due earlier.

The door has closed on the opportunity to claim advance payment for quarters two, three and four in 2020. Even though those quarterly due dates have passed, you still have the option of filing Form 941-X.

Plus, factor in this good news as you plan: The ERC and other COVID-related tax credits have been extended into 2021.

Emergency savings fund? Start with CFPB template

Q: We saw a sharp increase in employee hardship withdraws from our retirement plan in 2020. That brought to employees' attention, and ours, that they lacked emergency funds. How can we set up a savings program with automatic deposits through payroll deductions – and stay in compliance with Consumer Financial Protection Bureau (CFPB) regs?

A: Having an emergency savings fund gives employees a way to deal with a financial crisis, such as the coronavirus pandemic, without causing leakage to your defined contribution plan. You can set up a plan starting with a template straight from the CFPB.

The Compliance Assistance Statement of Terms Template helps employers get approval from the CFPB. Under an autosave program, employees would be able to direct a specified percentage of their earnings to the financial institution of their choice.

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

COMMUNICATION KEYS

■ Employee crying on Zoom: Your best ways to handle it

So you're having a virtual team meeting and mention that several staffers really dropped the ball on a project. In the corner square of your screen you spot a staffer crying.

What do you do? Depends.

If the staffer was just a little glassy-eyed, it's better to just ignore it. That individual might just be a crier and wouldn't want attention drawn.

But if that person is audibly crying, you're better off ending the meeting (too distracting) and reaching out to that team member individually.

■ Adding someone to an email thread? Say so

Five messages into that email exchange on the new budget process you decide your IT manager should be looped in.

When you CC someone new, be sure to let the rest of the participants know. Adding something like "+1 Ortiz" or "adding Ortiz" lets everyone know there's someone new in the mix.

Info: *ringcentral.com/us/en/blog/email-etiquette*

■ Vocabulary check: No 's' needed here

"Let's not look backwards, only forwards."

What's wrong with this sentence? Nothing … if you work across the pond.

An s on the end of forward, backward, toward, outward and onward is the Queen's English. They're not needed in the U.S.

Info: *entrepreneur.com/article/288603*

Recent developments that can help your business stay ahead

IRS pushes out 2 new codes for the 1095-C

Make sure Payroll doesn't miss the two new codes IRS just announced in February 2021. Your company may need them now as it's working on the 2020 Form 1095-C.

The codes pertain to employers offering individual coverage health reimbursement arrangements (ICHRAs), IRS explained during its February Payroll Industry Call.

Applicable large employers can now use these additional codes on line 14:

- Code 1T for an ICHRA offered to an employee and spouse (no dependents) with affordability determined using the employee's primary residence location ZIP code, and
- Code 1U for an ICHRA offered to an employee and spouse (no dependents) using the employee's primary employment site ZIP code affordability safe harbor.

Eight other new codes had already been added to Form 1095, as Tax Year 2020 was the first time employers could offer ICHRAs under the Affordable Care Act.

Those eight codes are: 1L, 1M, 1N, 1O, 1P, 1Q, 1R and 1S.

Info: bit.ly/ICHRA617

Tax court: Research tax credit denied!

Here's a great reminder if your company plans to take the research tax credit.

Be certain that *at least* 80% of your activities involve elements of a process of experimentation that counts as "qualified research" under section 41(d)(1)(C) and Treas. Reg. §1.41-4(a)(6).

One of your peers came up short of that number and was assessed not only for a tax deficiency but got hit with penalties, as well.

When the company went to tax court to appeal, it had no luck. Without proof of the 80% threshold, the company lost its case.

Cite: Little Sandy Coal Company, Inc. v. Commissioner, *T.C. Memo 2021-15, 2/11/21*

SEC awards $3M to two whistleblowers

Need another reason to make sure all whistleblower complaints are taken seriously and there's nothing that could be viewed as retaliation?

How about three million reasons? They come courtesy of the SEC, which just awarded a total of $3 million to whistleblowers in two separate cases.

Both whistleblowers had first raised concerns internally within their own organizations, then took them to the Commission. The SEC maintained they both took on "personal risk" by speaking up.

Info: *sec.gov/news/press-release/2021-30*

You'll lose prospective new hires if you do this

If you're in the fortunate position to be adding to your finance team, make sure HR and your department supervisors aren't moving too slowly.

It could cost you your best prospects. Nearly two thirds (62%) of folks lose interest in a job when they haven't heard anything new in 10 businesses days. And that jumps to 77% when things drag out for three weeks.

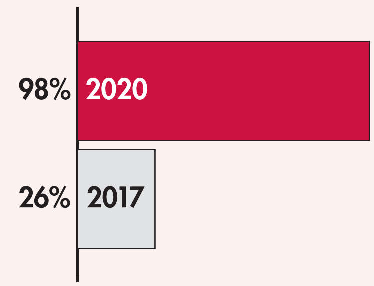
That's the finding of a recent research by Robert Half.

Worse yet, 41% say they won't consider any future opportunities with a company if they feel like they've been "bread-crumbed" the first time around.

Info: *rh-us.mediaroom.com/2021-02-10-How-To-Lose-A-Candidate-In-10-Business-Days*

MEASURE UP

Percentage of companies with a fully or partially integrated Enterprise Risk Management (ERM) program



Source: *RIMS 2020 Enterprise Risk Management Survey, rims.org*

See if the current top three priorities of your risk management program match your peers' focus now: business continuity, safety and health.

Lighter side: What's the buzz?

Many businesses try to adopt a "hive mentality" … but this probably isn't what they mean.

One California software company, like many others, moved to remote work last spring when the coronavirus pandemic hit.

That's when some 20,000 bees moved in. It took six months before the bees were discovered inhabiting a space between the second and third floors.

We bet that business has some buzz!