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CFO & CONTROLLER Alert

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

February 23, 2022

These are the 4 biggest risks to your revenue earnings

New AFP report identifies exposures

Quick: What would you say is the biggest threat that could derail your business in the coming months?

Unfortunately there are no shortage of them – if you ask your fellow finance pros.

The Association for Financial Professionals' (AFP) *2021 Risk Survey* identifies just where the greatest exposures lie.

And not just in the short term.

In the survey, your peers flagged what they see as the biggest threats to their revenue earnings for the next three years.

So how do their concerns stack up in comparison to yours?

Take a look at the top four risks AFP uncovered and how you can make sure they don't turn into a costly problem for you.

1. Strategic risks

This claimed the top spot when it comes to your peers' concerns. Nearly half (49%) of the survey respondents cited strategic risk as an issue.

More specifically, the types of strategic risks include things like:

- competitor disruptions

*(Please see **Biggest risks …** on Page 2)*

Same Day ACH dollar limit jumps March 18

The new per-transaction threshold: $1 million

Companies that do business in big numbers are getting new incentive to tap same day automated clearinghouse (ACH) payments.

The per-transaction dollar threshold for Same Day ACH jumps to $1 million on March 18.

That's up from the current $100,000 limit that's been in place since March 2020.

You can apply that higher limit to:

- business-to-business payments
- tax payments
- payroll funding
- Same Day Reversals of standard ACH payments, and
- business continuity, recovery from missed deadlines or outages.

Find your next targets now

Higher limits do get more of your peers signing on. Last time the limit was raised, the average amount of Same Day ACH payments increased by 46% within two months.

Now's the time to start flagging transactions and vendors where your company could take new advantage.

Info: *For more on the upcoming change, go to nacha.org/million*

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	0.13	0.11	0.12
3 months	0.37	0.24	0.19
6 months	0.64	0.39	0.22
Stock & Bond Indexes			
DJIA	35,768	35,132	30,932
S&P 500	4,587	4,516	3,811
NASDAQ	14,490	14,240	13,192
5-Yr T-Bill	1.82	1.50	0.48
10-Yr T-Bill	1.94	1.76	1.18
Employment Stats			
Unemployment rate (%)	4.0	3.9	6.4
Payroll employment (thousands)	467	510	520
Average hourly earnings ($)	0.23	0.17	0.01

*As of 2/9/22

Biggest risks …

(continued from Page 1)

- industry disruptions
- evolving customer demand, and
- purchasing behavior.

Early warning here can make all the difference. Be sure to enlist everyone who can help on these fronts and even spot warning signs before Finance does.

For example, Sales may be aware of customer situations that can impact purchasing behavior long before you'd see it in financials.

2. Business operations interruptions

This risk may have gotten the most attention in recent years, which is why 39% of your peers have it on their radar now.

But beyond the supply chain disruptions, which feel like the most obvious concern, your peers have ID'd several other threats to their business operations. Make sure you're also preparing for potential issues with:

- production interruptions
- litigation
- labor
- outsourcing, and
- IT.

Each of these has the potential to throw your business into a situation that could negatively impact your revenue for several years.

No time like the present to make sure the rest of the C-suite understand all the factors required in your business continuity plans.

3. Macroeconomic risks

Of course all businesses operate within the larger picture of the U.S. and even the global economy.

And those come with their own risks that have 36% of your fellow finance execs on alert. Specifically:

- the pace of GDP
- growth
- inflation, and
- interest rates.

The Fed didn't make a move at its last meeting. But it did signal that next month will likely be the first of its promised interest rate hikes of 2022.

4. Financial risks

Last, but certainly not least, 30% of your peers see the potential threats to their revenue lying in financial factors, such as:

- credit
- liquidity, and
- currency/FX.

As CFO, you're in the driver's seat on this front so you'll want to be ready to react.

Info: *For more on the AFP 2021 Risk Survey, go to afponline.org/publications-data-tools/reports/survey-research-economic-data/Details/risk-2017*

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.

Can customer sue for payment delayed by error?

Company lawyer Roy Yerk knocked on the door to CFO Bill Keeper's office. "Got some good news for me?" Bill asked him.

"I wish," Roy began. "Freelander Inc. is suing us because an online ACH payment didn't go through and they're mad about being assessed a late fee."

"I know Freelander likes to pay early to get a discount, but it's their mistake that caused the payment to be late," Bill replied.

Payer or processor at fault?

Bill continued, "Our payment processing vendor says Freelander entered their bank account number wrong on our website and triggered a payment error."

"What's the direct line for your contact at your payment processor?" Roy asked.

"Texting it to you now," said Bill.

"I need to ask them some questions to make sure it wasn't a system error that caused a processing delay," Roy said.

"Not likely," Bill said. "I've seen their quarterly reports for that period. Bank payment failure errors happen less than 1% of the time."

The customer company took Bill's firm to court to get the late fee and early payment discount refunded, plus court fees. Did it win?

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

Payment variance benchmarks: Who's handling them and how

■ *New survey data reveals how your peers tackle this pesky problem*

You and your team are numbers people, so it's pretty obvious when the amount of a payment doesn't match what you've billed.

Enter the payment variance. Some can be resolved in a few seconds (when it's a simple math mistake); others can eat up tons of time to handle (when a vendor is short-paying over an alleged quality problem).

So how are your peers handling variances these days?

FOR MORE …

To see how one firm made over its invoices, go to *cfoandcontrolleralert.com/whats-working-wednesday-invoicing-overhaul-saved-staffers-time-and-reduced-dso-by-25*

On Credit's shoulders

A recent poll by the National Association for Credit Management (NACM) offers some insight.

When members were asked how they handle payment overages (and the occasional shortage), here's what they said:

- 53% let the credit department resolve it
- 23% track and resolve by reason type
- 7% have a maximum dollar writeoff, while
- 3% have a separate dispute resolution team.

Of course, you might take several of these approaches simultaneously to protect your company's cash flow.

One case for having a specific dedicated staffer: Companies who do this say they recoup 50%-60% of the money in dispute, compared to nothing at all.

Info: NACM eNews, *1/27/22*

1 in 4 CFOs now update forecasts this often

■ *The old static models just don't cut it anymore*

More and more frequently CFOs are becoming CAOs.

And we don't mean Chief Accounting Officers … we mean Chief Agility Officers.

The prime example? Forecasting.

Today a full 25% of your peers update their company's forecasts on a weekly basis.

So finds *The Corporate Cash Management Playbook*, a PYMNTS collaboration with Red Hat, Infosys Finacle and Intel.

Old static models just won't cut it anymore. The past two years hammered that home hard with the cash flow shortages many companies, their customers and suppliers faced.

Now nearly all (93%) of your fellow CFOs say they've changed how often they reforecast liquidity.

In search of: real-time data

To get your company closer to the goal of a real-time view, you'll need to tap your bank's capacities via:

- cloud computing and application programming interfaces, and
- scenario-based forecasting enhanced through artificial intelligence.

Info: For more on the Playbook, go to pymnts.com/news/b2b-payments/2022/25-pct-cfos-update-forecasts-on-weekly-basis

ECONOMIC OUTLOOK

■ Small businesses making big moves in early 2022

To get more insight into the big picture of the U.S. economy now, you need to look small … as in at small businesses.

After all, there are 32.5 million small businesses in the country, employing 61.2 million people.

So their success has a massive impact on the entire economy.

Fortunately, there's some encouraging news on this front.

Nearly three-quarters (71%) of small business owners currently feel optimistic about their companies' own performance in 2022.

That's the word from a recent White House fact sheet.

Even better news: They're putting their money where their mouths are.

New employees, new businesses

The share of small businesses planning to create new jobs in the next three months has reached a five-year high.

So that will make a significant contribution to employment numbers in the coming months.

Not only are there new positions being created, but new businesses as well.

New business applications are increasing at a record rate, up about 30% vs. before the pandemic.

We'll be watching the ripple effects throughout the rest of 2022.

Stay tuned.

(To read the full fact sheet, go to whitehouse.gov/briefing-room/statements-releases/2022/01/25/fact-sheet-the-new-small-business-boom-under-the-biden-harris-administration)

How to keep SaaS spending under control: Only pay for what you use

Eliminate waste from overpayment, underutilization

From Zoom to Microsoft 365, software as a service (SaaS) apps are increasingly essential to your firm.

However, many companies are at risk for overspending on SaaS due to platform redundancies, overlooked auto-renews or missed opportunities to re-negotiate subscription/license terms.

Getting more value

According to Murali Saravu, founder of pricing and billing automation provider Monetize360, a growing number of your peers are talking to their vendors about usage-based payment as an alternative to standard SaaS subscription billing.

The reason? A usage-based approach saves you from a high up-front payment and allows you to get needed visibility into actual employee usage of services and evaluate whether the cost is justified.

Saravu suggested these moves to optimize SaaS contracts and spend:

1. Request service usage reports and metrics from your vendors.
2. Assess on a scale of 1-10 how critical all cloud/SaaS services are to the company. Get input from your IT team and software using stakeholders.
3. Revisit your contracts and explore what can be negotiated. Low-usage services are candidates for switching to a pay-as-you-go or a commitment/overage model. High-use services can move to an enterprise agreement approach.
4. If you have multiple services from the same vendor, request a virtual token model that can be used across services, and
5. Consider leveraging ramp-based usage adoption contracts (e.g., first year: one to 100 users, second year: 101-200, third year: 201-300, etc.).

Grabbing key images from Excel quicker

Extracting groups of graphs, charts, pictures from worksheets

Charts are a great way to convey the impact of finance data. But if you need multiple visuals from an Excel worksheet for your presentation, it can be time-consuming.

The Windows Command Line (CMD) tool can help speed that up.

Step by step

Here's how: Start by saving the Excel file as a Web Page. Click "Yes" when you're asked if you want to keep the format.

In the location you're saving it to, there'll be a file folder and a webpage file. For each graphic in the folder, there will be two files. Save the images with the larger file size.

Create another folder to store those files. While in that folder, type "cmd" in the directory box. The command syntax is: copy "[the name of your file]" "[the name of your destination folder]."

Excel can then be used to populate the commands by using the ampersand operator. For example: =$cell coordinate&" "&$cell coordinate&$cell coordinate&$cell coordinate&" "&$cell coordinate&$cell coordinate&$cell coordinate.

You can also rename the files using "cmd" with the command: ren "[old file name]" "[new file name]".

Info: *bit.ly/excelimages621*

MANAGING FOR RESULTS

Boost productivity by really getting to know employees

When meeting one-on-one with your people, it's easy to become laser-focused on output, results and productivity metrics.

But have you also considered those one-on-ones as an opportunity for gaining big-picture insight on the members of your team beyond just what he or she does in their job?

Learning about the complete person, such as personal priorities and well-being, could be the key to unlocking someone's full potential.

Holistic approach

Initiating open, honest conversations that go beyond work performance objectives can reveal a lot about an individual's circumstances and what motivates them. Some places to start:

- Do they feel like their work makes a difference?
- Do they feel like they're an effective part of the team?
- What challenges are they experiencing inside and outside of work?
- Do they have children and/or pets?
- What's the quality of the time they spend with family and friends?
- What do they do for fun?
- What do they like to do for exercise?

It's a good idea to break up these explorations of an employee's "whole self" over the course of several conversations.

(Adapted in part from "Understanding how holistic conversations drive employee productivity" at HRGrapevine.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 Managed supply chain issues by prioritizing

Supply chain delays had become the norm. The single biggest pain point for us was anything having to do with technology, namely data processing and hardware equipment.

An investigation into our supply chain problems found that the root cause is pandemic-driven demand.

Needs vs. wants

At that point, we had to focus on the things that we could control. We took an itemized look at the goods and services we relied on and the timetables for certain projects.

The first step was determining what the mission-critical inventory needs were and making them the highest priority. Anything that's not a need is a "want" and could be postponed.

Although it forced us to adjust our production calendars each week – sometimes twice a week – it's important to be flexible and strategize based on when we think things can reasonably be delivered.

Something else that's helped us manage supply chain shortages is that our team stepped up regular communication with our suppliers. We let them know that we'll be as patient with them as we possibly can.

Fortunately, this doesn't impact quarterly financial projections for the company. If I know I'm not going to be spending money on the nice-to-have "wants," I know we'll have more cash on hand.

(Mark Nannini, CFO, Illinois Municipal Retirement Fund, Oak Brook, IL)

2 How to tell if A/P team is at peak efficiency

The pandemic inspired companies we did business with to start using less time-consuming and paper-intensive workflows for processing invoices.

That's when the rest of the top brass started asking: "Are there more seamless ways we can be paying our suppliers, and managing cash flow and corporate spend, to get a competitive edge?"

We started looking for benchmark metrics that would show progress against goals, what best practices and A/P software are effective and what areas of A/P need improvement.

KPIs to watch

After doing some research online, we came up with five key performance indicators (KPIs) to start monitoring:

1. Average cost to process an invoice (with a goal of less than $3)
2. Average time it takes to approve an invoice (with a goal of around three days)
3. Invoice exception rate (with a goal of around 10%)
4. Number of duplicate payments, and
5. Number of early payment discounts captured.

Tracking those numbers over time ended up building a case for moving toward end-to-end A/P automation.

The next step is looking up vendors that provide the tools we most need.

(Mark Brousseau, President, Brousseau and Associates, as presented in the IOFM webinar "Five Strategies to Achieving Optimum A/P Efficiency and Effectiveness)

3 Learned from direct deposit with ACH switch

When something's working well in one area of Finance, it makes sense to see if we can expand the process into other functions of our organization.

That's what we learned recently.

And the catalyst for our expansion effort was the pandemic.

We'd paid employees using direct deposit for years. So when we, like many other organizations, suddenly found ourselves working remotely, we didn't need a Plan B for getting paychecks to people – they still received their pay as usual thanks to ACH.

But sending and receiving payments from vendors was a different story.

4 steps we took

That's when we launched our "make the switch to ACH" effort with vendors and clients. That meant:

- getting the entire team up to speed
- sending an informational mailing to vendors and clients (we used colored paper to grab their attention)
- flagging the effort during our interactions, personally encouraging clients to switch to ACH, and
- providing info with all invoices.

Before the pandemic, our organization paid 10% of its vendors via ACH.

Now, we're at 95%.

(Nicole Cornish, CEO, Subject Matter, adapted from "An ACH Success Story: Creative Advocacy Firm Encourages Making the Switch to ACH" on Nacha.org)

Does your invoice approval process earn a green light? Compare your policies against these benchmarks

■ *2-3 approvers the most popular option for your peers*

Of course you want the proper controls on purchases, so approvals are a must in many cases.

But requiring an additional four, five, even six sets of eyes on a single bill is overkill.

Your company is better off setting dollar thresholds for whether one or two approvals are required before A/P pays an invoice. Then see where blanket approvals are an option.

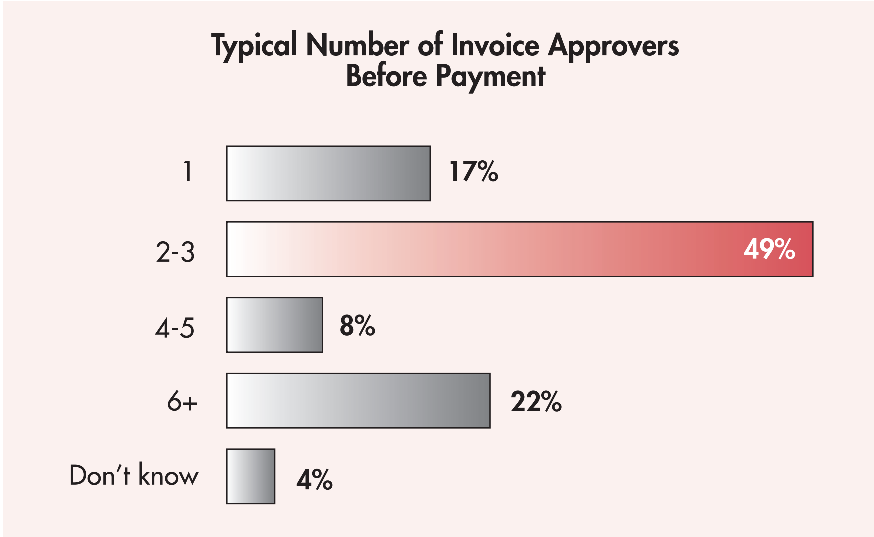
Tapping tech you may already have

Unfortunately, many of your peers say one of the biggest obstacles to faster payments – and more discounts – is a manual routing process.

Technology to the rescue! Workflow automation or project management programs can give everyone real-time visibility into where those approvals are.

Your company may already be using them for other things ... see if A/P can get in on them.

GIVING THEIR OK



Source: *Levvel Research,* levvel.io

The most troubling stat here? The small percentage that doesn't even know how many approval layers they have! While you most likely aren't in this boat, it's a good reminder to make sure all approver lists are up to date.

Sharpen your judgment… THE DECISION

(please see case on Page 2)

No, the court ruled the customer wasn't entitled to any refunds of fees or discounts.

The company argued that because other payers experienced rejected payment errors with the processing company Bill's firm used, it wasn't an isolated incident and an error in the system must be to blame for its payment being late.

The judge wasn't convinced. The most likely reason the payment got held up, the court said, was a glaring data entry error by the customer – the incorrect bank account number. When a mistake like that causes a bank to reject payment, a payer shouldn't expect to receive an early payment discount, the court said.

In addition, it's the responsibility of a payer to monitor their bank account for the withdrawal of funds, and to investigate if funds haven't been withdrawn in an expected time frame.

Analysis: How user-friendly is it to make e-payments?

Frequency of digital payments continues to rise. For the sake of the bottom line, your website needs to make them as easy as possible.

If usually dependable e-pay customers start paying late or falling behind, it's time to investigate. Are there lengthy and unnecessary steps in the e-payment process that can be streamlined? Could adding a mobile payment solution help?

Cite: Kusuma and Hasan v. Washington County Assessor, *No. TC-MD 210022R Oregon, 1/11/22. 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.

OSHA COVID rules withdrawn: What's next?

Q: So there's no more federal COVID-19 mandate for employers with 100 or more workers to require vaccination or weekly testing. Will OSHA issue another emergency temporary standard (ETS)? How worried should we be about expensive COVID-related OSHA fines?

A: Although the agency withdrew its ETS, OSHA could still potentially issue a single COVID rule for industries in which the virus may be considered a significant occupational hazard.

According to an online article by Courtney Malveaux, Melanie Paul, Patricia Anderson Pryor, Sheri Giger and Kristina Brooks of the law firm Jackson Lewis, the main thing to keep in mind is OSHA will fine workplaces found in violation of respiratory protection, personal protective equipment and sanitization standards.

Inspectors can also recommend penalties for recognized COVID hazards under the OSHA General Duty Clause.

Some good resources to keep from being fined are at *osha.gov/coronavirus*.

Can we still ask the IRS for a filing extension?

Q: Thanks to the pandemic, my finance team ran into problems with furnishing 1099s to our contractors in a timely manner. I've heard there's a way business taxpayers can ask the IRS for a 30-day filing extension to avoid getting penalized. But are we too late?

A: Bad news: The window to request an extension for Form 1099-NEC has closed.

Good news: Tricia Richardson, CPP, SPHR, SHRN-SCP, said in the Premier Learning Solutions webinar "Form 1099 Reporting: Updates for Timely, Compliant Filing" that there's still time to get an extension on all the other 1099 forms.

If filing by paper, the request has to be sent by February 28. If you're e-filing, the deadline is March 31.

Let your team know that Form 8809, the Application for Extension of Time to File Information Returns, needs to be faxed (not mailed), and accompanied by a letter, to 877-477-0572.

The letter should be addressed to: Internal Revenue Service Technical Services Operation, Attn: Extension of Time Coordinator.

It must include your taxpayer name, TIN, your address, the type of return(s) involved, an "authorized agent" signature and as much information as possible, including the reasons for the delay.

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

COMMUNICATION KEYS

Staffer getting off track? Ask these questions

When someone giving a presentation seems like he or she doesn't have a clear point or proposal, prompt one by asking politely, "What do you recommend?" or "What do you propose we do?"

Guiding questions like these help that person realize that you're ready to hear their main point.

Info: *bit.ly/guide621*

In companywide emails, write like you speak

When composing an email or memo for a large internal audience, keeping your tone conversational shortens the distance between you and your employees and lets them "hear your voice" in the message.

When reviewing what you've written, ask "Does this sound like me? Would I talk like this if I was speaking face-to-face with a colleague?" Reading it out loud is a good test.

Info: *bit.ly/writetone621*

Coach your finance team to retire these 3 limiting words

In helping your people achieve their goals, encourage them to swap these words with something else:

- **Can't.** Rather than saying "can't," focus on what you ***can*** do, or say, "I choose not to …"
- **Try.** Replace "I'll try" with "I will." If it's a request from someone that you don't want to do, you can just say "no."
- **Should.** Instead, say, "I choose to …" and finish the sentence with what you need to do and why you need to do it.

Info: *bit.ly/social620*

Recent developments that can help your business stay ahead

Businesses pushing back on latest OT revamp

They're expected in April, but it might be longer before you see the new proposed overtime rules.

About 110 associations and other groups representing employers sent the Department of Labor (DOL) a letter with a request: Hold stakeholder meetings before issuing a Notice of Proposed Rulemaking.

Under the past three administrations, the DOL released regs on the white-collar exemptions, but only after gathering input from stakeholders. The letter pointed out that a rule increasing the salary threshold would be significant in terms of cost and difficulty of implementation.

Info: *To read the letter, go to bit.ly/letter621*

Fines up for employer wage and hour missteps

Even compliance missteps aren't immune to inflation! The cost of fines for Fair Labor Standards Act (FLSA) violations are going up.

The Department of Labor recently announced its latest penalty amounts in the *Federal Register*.

Here's what's changed for 2022 as it pertains to the FLSA and some other laws administered by the Wage and Hour Division:

- Repeated or willful violations of the FLSA's minimum wage or overtime provisions: $2,203 (up from $2,074)
- Child labor provisions of the FLSA: $14,050 (up from $13,227), and
- Willfully breaking the Family and Medical Leave Act poster rules: $189 (up from $178).

Info: *federalregister.gov/documents/2022/01/14/2022-00144/department-of-labor-federal-civil-penalties-inflation-adjustment-act-annual-adjustments-for-2022*

Does your T&E policy address this travel trend?

If your company has yet to address how to handle "workcations," you have no time to lose.

The added work flexibility created by the pandemic has many employees considering more long-term getaways without unplugging from the office.

Especially if you have a lot of younger employees – 40% of Gen Z employees plan to take a workcation this year, reports Kayak.

It's tricky enough to draw lines when employees use their personal time during a normal business trip ("bleisure travel").

Since the employee is traveling with no intention of taking time off during a workcation, what – if any – expenses are reimbursable after the trip? Time to spell that out.

Who's most likely to leave your company next

The Great Resignation may be hitting just about everywhere, but certain folks are more likely than others to look for greener pastures in the coming months.

New research from Robert Half shows you who's most at risk now. Think about which staffers fit these descriptions:

- a member of Generation Z
- with your company for two to four years, and
- a technology worker.

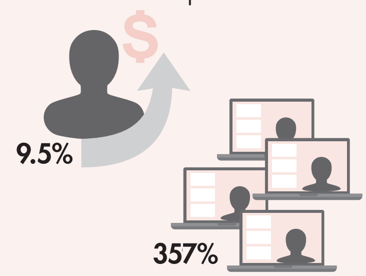
Those are the groups most likely to look for a new job in the first half of 2022.

Info: *rh-us.mediaroom.com/2021-12-15-4-IN-10-WORKERS-PLAN-TO-LOOK-FOR-A-NEW-JOB-IN-FIRST-HALF-OF-2022*

MEASURE UP

Market-value compensation in IT

Average salary increase across major tech hubs for experienced hires



Increase in remote IT jobs

Source: *Motion Recruitment's 2022 Tech Salary Guide*

With the explosion in remote IT positions, be careful about basing salaries on location, rather than market value. You could lose out on great hires. Many of your peers now offer nearly 5x more than usual in sign-on bonuses.

Lighter side: Don't forget to check your spam folder

How many times has someone told you they sent you an email you never received, only to find it in your spam folder?

We bet $3 million would motivate you to check it regularly.

A Michigan woman recently looked in her junk file to discover a message from the state lottery, informing her she'd won a $3 million jackpot.

She said she's since added the lottery to her "safe senders" list should history repeat itself and she wins again.

Though now she can probably pay someone to check that email folder for her!