From CFO | Daily News:

CFO & CONTROLLER Alert

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

October 14, 2019

KEY FINANCE FIGURES

	Curr*	Lst Mo	Lst Yr
Leading Rates %			
Prime Rate	5.00	5.25	5.00
Fed Funds Rate	2.00	2.25	2.00
Money Market Rates %			
London Interbank (LIBOR)			
1 month	2.05	2.12	2.23
3 months	2.11	2.12	2.38
6 months	2.06	2.04	2.60
Stock & Bond Indexes			
DJIA	26,891	26,403	26,651
S&P 500	2,962	2,926	2,925
NASDAQ	7,940	7,963	8,037
5-Yr T-Bill	1.56	1.39	2.96
10-Yr T-Bill	1.69	1.50	3.09
Employment Stats			
Unemployment rate (%)	3.7	3.7	3.8
Payroll employment (thousands)	130	159	282
Average hourly earnings ($)	0.11	0.09	0.12

*As of 9/30/19

It's here! New overtime threshold effective Jan. 1

■ *New salary threshold set at $35,568*

Get ready to open your wallet wider! The Department of Labor (DOL) just released the final new overtime rules.

And they're expected to push 1.2 million U.S. workers into time-and-a-half territory.

The new standard salary level, effective Jan. 1, 2020, will be $35,568 a year, or $684 per week.

That's a significant jump from the current thresholds of $23,660 and $455 respectively.

And while everyone knew the new rules were coming, employers certainly aren't being given a ton of time to prepare.

Here's a rundown of the final rule – including what's changed from the proposed version – so you can be confident your company is ready come January 1.

1. Threshold up from proposed one

While it's only a few hundred dollars more, the new threshold is higher than the one in the original proposal.

If you've already been doing some scenario planning, it shouldn't be too hard to bump that figure up and you

*(Please see **Overtime …** on Page 2)*

Feds release new per-diems effective Oct. 1

■ *This is the new standard CONUS rate for FY2020*

It's that time again! You and your finance team have new per-diem rates to contend with.

The U.S. General Services Administration (GSA) has released the new numbers for fiscal year 2020, which are effective October 1.

The new rate for the continental U.S. (CONUS) increases to $151 (up from $149). That breaks down as:

- $96/day for lodging (up from $94), and
- $55/day for meals and incidental expenses (same as FY2019).

It applies to approximately 2,600 U.S. counties, including a handful of new ones.

Compliance on the go

Accounts Payable understanding the new rates is one thing – road warriors are another matter.

If your company relies on per-diems to streamline T&E, remind employees there's a mobile app they can download to access rates on the go: *gsa.gov/travel/plan-book/per-diem-rates/per-diem-mobile-app*

Info: *gsa.gov/travel/plan-book/per-diem-rates*

Overtime …

(continued from Page 1)

likely won't have too many employees to add to the overtime-eligible pile.

Now that the number is official, you can generate a definitive list of:

- which folks will now earn overtime, and
- how much that could cost you next year.

From there you can have the larger conversations about whether it might make sense to raise their salaries by just enough to put certain folks over the new limit.

2. New comp factors to consider

Of course, now you'll have to take more into account when you determine just how much employees make in a year.

The new overtime rule allows employers to use non-discretionary bonuses and incentive payments (that includes commissions) that are paid at least annually to satisfy up to 10% of the standard salary level.

That's in response to how many companies use these types of payments as part of their overall compensation strategy these days.

The DOL will adjust it every 4 years.

So Payroll will have some additional numbers to pull as you figure out who falls where in regard to the new threshold.

3. A new HCE salary level

As far as calculations go, you also have a new threshold for which salaried employees will qualify as overtime exempt as "highly compensated employees" (HCEs).

The new level will sit at \$107,432 per year, up from the current \$100,000.

That's significantly lower than the \$134,004 initially proposed.

Remember that aside from salary, you can include commissions, non-discretionary bonuses and other non-discretionary compensation to determine if an employee falls into that bucket.

(Credits for board or lodging, payments for medical or life insurance, or contributions to retirement plans or other fringe benefits don't count toward it.)

Lastly, make sure everyone from Payroll staffers to your CEO understand: We won't go several decades before we see more changes to the overtime threshold.

The DOL says it plans to adjust it every four years. So having a system now will serve you for years to come.

Info: *To read the final rule, go to dol.gov/whd/overtime2019/overtime_FR.pdf*

From CFO | Daily News:

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.

■ Poor-performing retirement plan: Can he sue employer?

HR Director Wendy Mills knocked on CFO Bill Keeper's door. "Got a minute, Bill?" she asked.

"Yes, come on in," said Bill.

"I wanted to talk to you about Ben Jameson, a recent new hire. He isn't happy with our retirement plan. He says our company is making awful investments with employee contributions," said Wendy.

"We take our role as fiduciary very seriously, choosing funds in the best interest of our employees. We carefully selected the funds we did to give our employees continued growth through the years," said Bill.

Not aggressive enough for him

"Ben wants more aggressive stocks, less fixed annuities. He said growth is so slow he's never going to retire. He also complained that the 2.5% early withdrawal fee, administrative fees and recordkeeping fees are excessive," said Wendy.

"Ben can chose to not participate in our plan, of course, but that seems foolish with our 6% match. Let him talk to our plan rep to steer him toward more aggressive funds," said Bill.

Ben chose instead to sue the firm, claiming it was negligent in its duties under ERISA because the plan had poor-performing investments and excessive fees.

Was the company on the hook?

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

Too many 'surprise' out-of-network medical bills? Here's the remedy

■ *Employers need to pressure their providers to negotiate these bills*

It's infuriating, especially when you're paying a small fortune for your employees' health insurance: An employee heads to an in-network hospital in an emergency, only to get a "surprise" medical bill in the mail.

It's most likely because they were treated by an out-of-network doctor.

This is becoming a huge issue. From 2010-2016, 39% of 13 million trips to the ER at an in-network hospital resulted in an out-of-network bill, says a *Journal of the American Medical Association* study.

Laws to prevent surprise bills

The good news: Employer groups are putting pressure on regulators to do something about it. Now, 25 state laws provide protections, such as dispute resolution processes and holding the insurer responsible for the balance.

You can also be proactive by re-evaluating your claims data to find out how widespread surprise billing is, and why (e.g., providers leaving your area), and work with your provider to find solutions.

For example, you can ask your insurer's provider-relations department to talk with the provider in question to help negotiate these bills, or agree to cover such expenses.

Adapted from "Surprise out-of-network bills are hurting workers' wallets and employers' bottom lines," by Evelina Nedlund, benefitsnews.com

FOR MORE …

For a unique way one of your peers offset the high cost of health care, go to *cfoandcontrolleralert.com/whats-working-wednesday-why-2-health-providers-are-better-than-1-for-us*

Prying the most from those trade references

■ *Best practices, courtesy of credit force Dun & Bradstreet*

Chances are, trade references comprise a critical component of your company's credit application.

But you know that just like with a job reference, you're likely only going to get the names that will offer up the most glowing feedback.

Not too insightful, right?

Fortunately there are some steps you can take to get more insight to minimize your risk.

More meaningful info

The folks at Dun & Bradstreet offered some best practices when it comes to trade references that will keep your company from unpleasant and expensive surprises.

You'll want to make sure the reference section of your credit application:

1. Requires the references include other businesses in your industry. You need to know how this potential customer pays suppliers like you, in similar volumes.

2. Excludes certain types of references. Some of your peers won't accept references from a utility or credit card company – after all who isn't going to pay to keep the lights on?

Adapted in part from "Best Practices in Online Business Credit Application Forms," at dnb.com

ECONOMIC OUTLOOK

■ Fed cuts rates again – and it's not done yet!

That's two in a row! For the second time in two consecutive policy meetings the Federal Reserve has lowered interest rates.

And it's all being done to keep our 10-year expansion going.

Don't count on this being the last cut you see, either. The Fed thinks it has one more in them before the end of the year.

Here's an idea of where the Central Bank's collective head is at now and what you might expect in the coming months.

What's behind the latest move

The Fed was quick to point out that all isn't bleak. There were plenty of positive economic factors this month: solid job gains, low unemployment and an increase in consumer spending.

However, two main indicators weakened which gave the Fed pause:

- business fixed investment, and
- exports.

In addition to that, inflation over the last 12 months is running below that ever-important 2% figure the Fed aims for.

And it's prepared to move again if this latest cut doesn't get us there.

The one wildcard that makes it tougher to know where the Fed will go?

You guessed it – the trade war with China. We'll all want to watch the upcoming negotiations carefully.

(To read the most recent Federal Open Market Committee announcement, go to federalreserve.gov/newsevents/pressreleases/monetary20190918a.htm)

Automate your month-end close for improved productivity, lower stress

■ *Use technology to optimize processes, drive efficiency and gain insight*

The month-end close is one Finance's most critical jobs. It's also one of the most stressful.

Automation can help streamline the effort, freeing your team to focus on what the numbers can tell you, rather than just the data itself.

Don't tackle everything at once

The good news is that automating almost any aspect of the close will provide real benefits so you don't need a total overhaul out of the gate. You can start where your team sees the biggest problems.

For example, finance pros rate manual, spreadsheet-intensive processes as their biggest close pain point. So see where you can pull people out of the process:

- **Reconciliation software.** You can automate chores like matching transactions to speed the process and improve accuracy.
- **Data transfer automation.** Look for solutions that eliminate or automate data transfers into or between Excel spreadsheets, a common source of errors and a perennial time-suck.
- **Process management.** Project management software tracks tasks, reconciliations, notes and sign-offs, – and keeps everyone on schedule.
- **Collaboration tools.** By making it easier for your team to review and finalize the numbers you can improve accuracy and efficiency.

CFOs can never trade speed for accuracy. A well-executed close automation strategy will improve both, giving you the time and data quality needed to deliver business insight and reliably accurate closes.

Adapted in part from "Automating the Close," by Mike Whitmire, Co-founder and CEO of FloQast, at journalofaccountancy.com

Fast[er] money! New ACH rules kicked in

■ *Same-day and traditional payments now available sooner*

This may be the best case you can make for direct deposit yet: Employees will now get their money faster than ever before.

New automated clearinghouse (ACH) rules just went into effect on September 20 to speed processing times.

And they apply to both same-day and traditional transactions.

In by noon, available by 1:30

Here's a reminder of the new windows:

- For same-day ACH credits: Funds processed in the existing first processing window (by noon ET) will be made available by 1:30 p.m. ET.
- For non-same-day ACH credits: Funds will be available by 9 a.m. on the Settlement Date, if the credits were available to the RDFI by 5 p.m. on the previous day.

Understandably, employees will love having access to their cash faster. Your team will definitely want to make your direct deposit holdouts aware of this latest development.

And remember there's still more to come – the next change kicks in March 2020.

Info: *For more details on the changes, go to nacha.org/rules/providing-faster-funds-availability*

MANAGING FOR RESULTS

■ Getting things done: Does it help if you're more 'agile'?

While "agile project management" may be a much ballyhooed business practice, does this new concept make sense for you and your Finance team?

Yes, in certain circumstances. Finance pros have stringent processes for how things get done, but agile practices may be useful when, say, an unexpected budget meeting gets called and you need a report pronto.

The agile process breaks down big projects into small tasks, or "sprints," and it keeps complex projects on schedule. It's all about teamwork and keeping the team on task.

75% of firms use agile practices

This concept must work, since 75% of employers use some agile practices, according to a Project Management Institute survey. The key is to tailor the agile principles to fit your particular team, says Jack Skeels, chief executive of consultant firm AgencyAgile.

Here are two guiding "agile" principles:

- **Hold daily 20-minute meetings:** Have each person report in 60-90 seconds what they're working on, what they plan to get done that day and describe what obstacles they face. Many firms also adopt a no-devices rule at meetings so people don't get distracted.
- **Make sure everyone gets it:** "We have a rule: 'Go no faster than the slowest person,'" says Skeels. In other words, ask, "Does everyone get that?" before moving on. Otherwise, that "stuck" person will impede progress.

(Adapted from "Are You Agile Enough for Agile Management?" by Sue Shellenbarger, at wsj.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.

1 401(k) savings: Small promise = big payoff

We didn't think our employees were taking full advantage of their 401(k)s.

We knew it was tempting, especially for younger employees, to get all the money they could out of a paycheck and not save for retirement.

The '1% Challenge'

So we started holding Lunch & Learn sessions in November of each year. We invited employees to come on their lunch break.

We provided lunch and our financial advisor spoke about the 401(k) plan and showed them the benefits of saving for retirement.

He showed how much of a difference saving even 1% can make over several years.

Then we invited employees to take "The 1% Challenge" and increase their 401(k) contribution by 1% for the following year.

Because we give salary increases in January and 401(k) changes can be made then, the timing of holding the sessions in November works well.

With the expectation of an increase in pay, they feel they can afford the additional deduction.

Our financial advisor uses this method for many of his clients and suggested the challenge to us. Our goal of educating employees about saving for retirement and increasing 401(k) contributions seems to be working.

(Jeanine Mennemeyer, Secretary/ Treasurer, Lincoln County Bancorp Inc., Troy, MO)

REAL PROBLEMS REAL SOLUTIONS

2 Offboarding helped everyone do jobs better

One of our biggest challenges was training new employees and getting them up to speed on our processes.

In our office, like most offices, everyone was already busy. No one had the time to step away from their daily duties to take part in training and onboarding.

We freed up time whenever we could, but understandably, employees weren't always happy about the distraction from their normal work.

Something had to change so we could adequately train new employees without stressing out current ones or demanding as much time on our end.

Staying 1 step ahead

Instead of focusing solely on the onboarding processes, we decided to start with the offboarding process.

Now, whenever an employee leaves the company, we ask them to prepare a "job aid" first. Each aid consists of a step-by-step guide for the position's specific duties, almost as if the previous employee had stuck around to show them the ropes.

After all, someone who has prior experience in the position would have the best understanding of the job.

This process helps us bring on new people without any hiccups. And other employees don't have to worry about splitting their attention between their own work and helping newer employees.

(LaDonna Vigil, Supervisor, Clinical Financial Services, Eugene, OR)

3 Our payroll department is audit-ready now

I was hired to work at a company with a Payroll department that had significant issues.

For the past five years, Payroll had failed all internal audits. Almost every core process, from handling garnishments to reconciling payroll, had flaws that needed correcting.

Needed: a major overhaul

At first, this seemed like a daunting task. But I dove in head-first and started making changes right away.

I started by using those years of failed audits as training tools for the team, focusing on the weak areas and teaching everyone what we needed to do to improve.

Along the way, we standardized all of our processes.

We documented everything we did and how it turned out, and we created checklists with the new steps we took for each process.

In addition, I implemented internal controls for Payroll.

At least two sets of eyes were required on every task we did each payroll to check for errors.

I used any problems we spotted as additional teaching opportunities.

All the effort paid off.

After failing audits for so long, we passed our next one with flying colors!

(Adapted from "How to Turn a Payroll Disaster Into a Payroll Win," presented at the 2019 American Payroll Association Congress, Long Beach, CA)

Payday Predicament! Why 1 in 5 employees has been left hanging in the past year

Paycheck delays create headaches for Finance and aggravation for workers

Hell hath no fury like an employee who hasn't received his paycheck on time.

And whether it's a tech glitch or a miscommunication, few folks are interested in the reason behind it – they just want their money.

It's understandable when you consider that four in five U.S. workers live paycheck to paycheck.

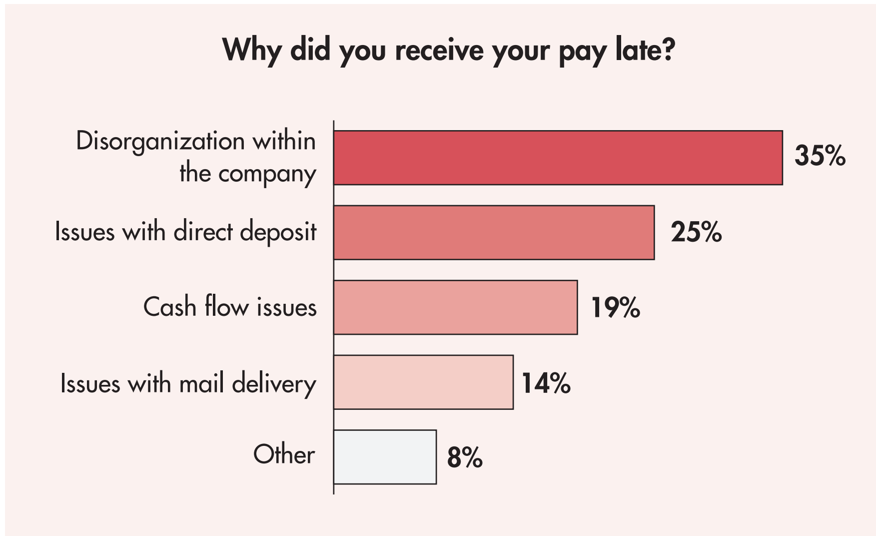
Attacking the top cause

Granted, sometimes holdups are unavoidable. But the No. 1 reason for late pay – corporate disorganization – certainly is.

Huddle with your Payroll team to discuss any potential stumbling blocks they see.

Then do a little scenario planning to make sure that even if things go off the rails, you can be confident you'll still get that money in employee accounts on time.

GIVES NEW MEANING TO 'SLOW PAYS'



Source: *Ceridian's 2019 Pay Experience Report, at* ceridian.com/resources/2019-pay-experience-report

Any company can be vulnerable to pay errors, no matter how careful your payroll staffers are. And it's happening all too often. One in five employees were paid late in the past year. Of that group, 8% had it happen multiple times this year.

Sharpen your judgment…

THE DECISION

(please see case on Page 2)

No, the employee's case didn't move forward. A court said he didn't have a valid claim of negligence under ERISA.

The employee accused the company of making poor investment choices. In response, the court said retirement plans aren't required to choose high-performing investments under the law.

"Excessive" plan fees also angered the employee – specifically the charges for early withdrawal of funds, as well as administrative and recordkeeping fees.

However, the employee wasn't harmed by the early withdrawal fee since he didn't attempt to make one, so it couldn't possibly count as negligence or a violation of ERISA. He also had no proof that any of the fees were excessive based on what the plan offered. Case closed.

Analysis: Help folks understand retirement plan options

New employees may have many questions about your retirement plan options, especially if you've set up automatic payroll deductions for contributions.

Even seasoned veterans might get confused from time to time. That's why it's a good idea to make sure that info about your retirement plan is easily accessible to workers.

Even better, find out if your plan rep can regularly visit your office. That way, employees can receive answers from an expert in person.

Cite: Wilcox et al. v. Georgetown University et al., *Civil Action No. 18-422 (RMC), U.S. D.C., District of Columbia, 1/8/19. 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.

No sales, no tax return?

Q: In some of the states where we have sales tax nexus, we don't always make any sales in a given year. Do we still have to file a state tax return?

A: It's an easy mistake to make, says state tax specialist LumaTax, and many new small business owners fall victim to this assumption. But in most states, you still have to file taxes on the regular filing schedule, even when you haven't sold anything since the last time you filed. By requiring businesses to file regardless of sales volume, states can keep track of which companies are still in business.

Controls for disappearing message apps

Q: We are concerned about records retention and other compliance implications of "ephemeral" messaging apps, like Snapchat and What'sApp, that delete and destroy messages after they're read. How can we address those risks?

A: You're right to be concerned, say Erin Schrantz and Andrew Philip Walker of Jenner & Block LLP – the DOJ in March 2019 reiterated corporations' obligations to implement "appropriate guidance and controls" to preserve instant and ephemeral messaging records in case of a bribery or corruption investigation.

While messaging app policies will vary depending on your risk profile, all should include clear examples of prohibited uses and employees must be trained on and acknowledge understanding of those policies.

Best practices include:

- Logging all instant messages sent or received on company-owned equipment.
- Establish restrictions on messaging between departments and with external parties.
- Create lists of approved and blacklisted apps and, for employee-owned devices, require employees to install secure containers that prevent sharing company data via unauthorized applications.

Salary transparency

Q: A lot of companies find it beneficial to be transparent about salaries. What are some advantages and disadvantages?

A: Many decide to make pay information public in an effort to garner trust, say Jackson Lewis Pay Equity Resource Group Co-Chairs Joy Chin *Joy.Chin@jacksonlewis.com* and Stephanie Lewis *Stephanie.Lewis@jacksonlewis.com*. Being up-front about salaries can make current and future employees, as well as the public, trust you.

However, one disadvantage is employees misinterpreting the reasons for salary disparities. If employees believe they're underpaid, they can use the public data in court.

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

COMMUNICATION KEYS

Overcoming writers block

Feel like you've been staring at that blank screen forever because you just can't find the right words?

Then write the wrong words. It's a proven trick to combat writers' block.

Just say "In other words …" and write down whatever you're thinking. Eloquent or not, it'll get the ball rolling and you can go back and revise later.

Info: *blog.reedsy.com/writers-block*

How to answer that confusing email you just got

Ever get to the end of a long rambling email that's full of details but you still can't figure out what you're supposed to do with it? Try this reply, courtesy of the folks at Mashable:

"Thanks so much for your email, [name]. There's a lot to think about here. In the interest of getting back to you promptly, could you help me understand exactly what you'd like me to assist with?"

Info: *mashable.com/2014/07/28/email-inquiry-responses*

Are staffers making these excuses for rudeness?

Keep your ear out for any of these phrases in your finance department:

- "He doesn't mean anything by it; that's just the way he talks."
- "We've all been on the receiving end of her temper. Ignore it."
- "He brings in the big sales, so we have to put up with it."
- "Welcome to the club!"

They're excuses folks make for rudeness, and you don't want to do it.

Info: *insperity.com/blog/workplace-incivility*

Recent developments that can help your business stay ahead

EEOC kills future pay data collection req

That pay data you broke down by job category, race, sex and ethnicity and sent to the feds by Sept. 30? You can rest easy knowing that's the one and only time you'll have to do it.

The EEOC just announced it will eliminate the Component 2 EEEO-1 reporting requirement (after this year's 2017 and 2018 pay data, that is).

The feds determined the burden on employers to collect all that info outweighs the value of what they learn from it.

Info: *eeoc.gov/eeoc/newsroom/wysk/eeo-1-notice.cfm*

New benchmarks: What firms want from the cloud

What's your company's current wishlist for the cloud? Compare your priorities against this new list courtesy of a recent global workplace study from Condeco Software.

The top goals your peers are after:

- reduced costs (49%)
- increased security (38%)
- greater collaboration efficiency (34%)
- decreased carbon footprint (29%)
- access to automatic updates (22%).

Info: *View the full report at condecosoftware.com/resources-hub/wp-content/uploads/sites/8/2019/05/Condeco-workplace-report-2019-Digital-Copy.pdf*

ACA penalty notices going to compliant companies!

Beware: Your company could find itself staring at an IRS notice claiming you owe an employer shared responsibility payment (ESRP) for past years … even if you don't!

The notices (226J) alert employers they didn't offer minimum affordable healthcare coverage for calendar years 2015, 2016 or 2017.

But many of the employees may have been offered affordable coverage after all, says an open letter from The ERISA Industry Committee to IRS.

What to do if you find yourself in this boat? You can respond to the 226J with info proving you shouldn't pay an ESRP because someone was incorrectly listed as full-time or a safe harbor applies.

Help wanted! Employees need financial resources

Of course you and your team can't be doling out financial advice to employees. But you probably do want to steer them in the direction of trustworthy resources.

Three in 10 folks turn to Google when they need some guidance on money matters, according to a recent survey by Lexington Law.

That makes a compelling case for some financial wellness initiatives.

Info: *lexingtonlaw.com/blog/news/financial-advice-survey.html*

Lighter side: An unhappy ending for all concerned

It's an unthinkable situation: An employee dies on the job. Of course your company would want to help out anyway you could.

But a French court just expanded how far employers there have to go.

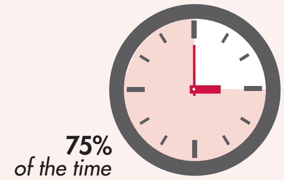
A French engineer had a heart attack while having sex on a business trip. And not with his wife.

The court ruled his employer was liable because having sex was a normal activity, "like taking a shower or a meal." So it counts as a "workplace accident."

Only in France!

MEASURE UP

Time in Top Finance Functions Devoted to Data Analysis and Insights



Source: *PWC's new report "Your finance function is ready for change, are you?" at* pwc.com

Quick check: How much of your own time are you able to devote to these strategic pursuits? If you're not hitting this benchmark you'll probably want to revisit how you could be better tapping resources – both people and tech.

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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.