



Keep Up to Date on **ACCOUNTS PAYABLE™**

Inside information on how leading companies are managing cash and payments, in a fast-read format, twice a month.

May 2, 2022

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CFO DAILY NEWS

CFO Daily News, part of the SuccessFuel Network, provides the latest finance and employment law news for finance professionals in the trenches of small-to-medium-sized businesses. Rather than simply regurgitating the day's headlines, CFO Daily News delivers actionable insights, helping finance execs understand what finance trends mean to their business.

B notices: How to prevent common hassles with TINs

■ IRS sending out spring notices right now

Since IRS has sent out its second batch of CP2100/CP2100A notices, backup withholding and B notices may be on your mind right now.

While IRS notified many A/P pros of any taxpayer identification number (TIN) issues back in the fall, the agency recently notified those who submitted corrected returns of any TIN errors it discovered.

And this can be a big hassle for A/P. You'll have to send out B notices to your contractors and vendors, and coordinate backup withholding if you don't get a response.

Here's how you can stay on top of

things if you did receive a notice from IRS this spring – and what you can do to prevent any issues in the future with B notices.

Check Service's work

If it's the first notice you've received about a vendor, IRS says you'll need to send them a B notice with a Form W-9 attached.

However, be sure to do your due diligence first. The Service has been swamped lately due to pandemic staffing issues, so it's not uncommon to receive notices in error because

(Please see B notices ... on Page 2)

FBI: Video meetings scammers' latest tool for fraud

■ What you should watch for with latest scheme

You'd think that getting a request to wire money during a Zoom meeting with the CFO wouldn't be suspicious. Think again.

Scammers got creative during the COVID-19 pandemic. And one of their tools was video meetings.

Sophisticated scam

Here's how hackers fooled Finance pros into handing over cash and confidential data, according to the 2021 FBI Internet Crime Report.

First, they'd somehow compromise

or spoof the email of a CEO or CFO. Then, they'd initiate a video meeting.

Once the meeting started, there would either be a blank screen or a picture of the higher-up on the screen. The scammer would claim problems with the video and audio, then make a request for money or data through the video platform or the scam email.

To avoid falling victim to scams like these, make sure you closely examine email addresses before accepting requests for video meetings. Also, confirm cash transfers by phone.

Info: bit.ly/videoscam561

Ensuring TINs Are Accurate

B notices ...

(continued from Page 1)

of a processing issue. Double-check that the TIN you have on file for the vendor or contractor is correct. IRS offers a TIN matching service online at irs.gov/e-services.

If the TIN comes back as a match, reach out to IRS and notify the agency the number was verified and correct.

However, if there's a discrepancy, it's time to notify the vendor that they'll need to submit another W-9.

Second notice procedure

Remember that the process for sending B notices is different if you've received your second notice from IRS about the same vendor in three calendar years.

You don't have to send them a Form W-9, but you do have to send a slightly different second B notice with text telling them to contact IRS and SSA about the TIN issue.

Also, IRS won't let you know whether you're receiving another notice in this time frame. You'll have to keep track of that yourself.

Keeping track is critical since you don't have to send a second B notice in certain circumstances (e.g., you receive two IRS notices about the same vendor in the same calendar year).

Prevent mailing messes

You don't want to miss sending out a B notice to a vendor because

you didn't receive any notification from IRS at all. This could lead to more headaches that'll require you to do backup withholding while the problem's settled.

To prevent this, be proactive, especially if you have multiple locations. IRS may mail notices about a vendor to another one of your offices or to the main headquarters instead of your location.

Check in periodically with each location to be sure you aren't missing any mailings from IRS. And while you're at it, make sure your home mailroom is on the lookout, too.

And to ensure vendors and contractors open your B notices, be sure to clearly mark the mailing envelope with "Important tax information enclosed" or "Important tax return document enclosed," per IRS guidelines.

Stop problems before they start

The best way to avoid issues with vendors and TIN mismatches is prevention. When you start working with new vendors and contractors, ask for a completed Form W-9 up front before issuing any payments.

Then, each quarter, along with any other A/P or Finance audits you're doing, perform an audit of all your vendor and contractor TINs. This'll help you confirm whether they're correct. And it'll help you spot any mergers or name changes that impact a vendor's TIN so you can reach out to update the info you have on file.

Info: irs.gov/pub/irs-pdf/p1281.pdf

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 vendor be sued for not properly remitting sales tax?

A/P Manager Jenn Smith was submitting a request for PTO when she heard CFO Jeff Rizzo grumbling as he headed straight for her office.

"Jenn, I need to see our supplier invoices from the last two years," Jeff said.

"What's wrong?" she asked.

"I just got off the phone with the state department of revenue. They're auditing one of our vendors. It never registered with the state, so apparently none of the sales and use tax we paid them was ever remitted," he said.

"That can't be," Jenn replied. "Could they be in the state database under a different name?"

"I don't know, but this is a big problem," Jeff said. "The state says we're on the hook for use tax."

What happened to 'tax' money?

Jenn scrolled through the invoice files as Jeff looked over her shoulder. "We definitely paid them tax. There's a line item for it on every single invoice," she said.

"Well, I'm not sure what they did with the money we paid them if that's the case," Jeff said.

The firm sued the supplier to recover money it paid that was supposed to go to the state, but wasn't remitted as required.

The vendor said the case shouldn't go forward because it collected the tax on behalf of the state, so Jenn's company didn't have authority to sue for the money back.

Did it successfully convince the judge to throw out the lawsuit?

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



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6 cybersecurity best practices to help remote A/P staff keep data safe

■ Preventing issues when working outside the office

Whenever your people are working off-site, they still have to be vigilant about protecting sensitive financial data from different kinds of digital attacks.

To ensure remote A/P staffers don't unwittingly make your organization vulnerable to hackers while teleworking, here are some strategies from tech experts.

Remote work safeguards

Prevent data leaks with these steps:

- **Require employees to log on to a company virtual private network (VPN).** A VPN conceals a user's location and IP address, and encrypts online activity.
- **Encourage the use of secure password management tools.** Examples include 1Password and LastPass.
- **Train employees to think before they click.** Before clicking on a link,

A/P pros should ask themselves: "Do I know this person?" and "Is this link going to take me to an unknown site?"

- **Establish a routine to update employees' systems.** System updates often have security patches that better protect your data.
- **Encourage using factually incorrect answers to security questions.** Answers to questions like "What high school did you go to?" can be found online. Instead of using the correct security answers, staff can create random false answers so others can't easily guess them.
- **Establish rules about using off-site Wi-Fi networks.** Public Wi-Fi is a security risk because confidential data can be intercepted. When doing any work online in coffee shops, restaurants or hotels, it's best to use a personal hotspot or portable Wi-Fi.
Info: bit.ly/remote561

Regular cleaning tips for your Windows computer

■ Free up memory space to optimize speed, efficiency

It's amazing how quickly your computer can become cluttered with unnecessary files that cause it to run slower.

If you haven't yet cleared out junk that's been clogging up space on your computer for a while, now's a great time for it.

Where to start

These small clean-up actions can make a big difference:

1. Right-click the Recycle Bin icon on your desktop, then select "Empty Recycle Bin."
2. Click the file folder icon on your Windows taskbar. In the new File Explorer window that opens, click

"Downloads" in the left column. Either click on individual files you don't need, or press Ctrl and A to select all, then click "Delete"

3. Get rid of apps/programs you're absolutely sure you don't use. Click the Windows icon at the bottom left of your screen. Scroll down the list of programs and right-click what you want to uninstall from your machine, then select "Uninstall" from the dropdown menu.
4. Transfer large files to another storage device such as a hard drive, external server or a cloud-based storage like iCloud, SharePoint or Google Drive.

Info: bit.ly/springclean561

■ Contacted vendor about suspicious looking emails

Getting the majority of our vendors on board with emailing us invoices saved a lot of time. But it meant being constantly on the alert for cyberattacks.

Although one of our company's rules is to not open attachments in an unsolicited email, in A/P many invoices I get are unexpected because Purchasing doesn't always keep me in the loop.

I found that the top key for fraud prevention is awareness of who I should be receiving invoices from, double-checking sender names and addresses.

I also collaborated with IT to get training on the signs of phishing and business email compromise attempts. If something looks fishy, I'll send it to IT to screen and won't open or click on anything until they say it's OK.

But there was a certain vendor whose invoice emails always looked suspicious – no contact info, an embedded link and from a Microsoft360 account. I was afraid to open them.

Better safe than sorry

Instead of forwarding these emails to IT every time and delaying payment, I called my vendor contact to spell out my security concerns.

I told them I'm not comfortable with having to decide whether it's a legit invoice, or if they were hacked.

I said: "If this is the only way you can e-invoice, please just mail me a paper invoice instead."

I'd rather process a paper invoice than get stressed out about opening a suspicious looking email.

The vendor has gone back to paper invoicing until it comes up with something better. And I'm keeping my eye out for suspicious emails in the meantime.

(Ashley Risseuw, Accounts Payable Manager, York General Hospital, York, NE)

Does your company need a supplier performance management program?

■ Benchmarking to improve supplier management

Senior leadership wouldn't want your firm to remain loyal to suppliers that frequently raise their prices without warning or miss delivery deadlines.

But how should you go about making sure you're using the top suppliers? And what should you do with that data?

Essential elements

Experts suggest six best practices:

1. **Establish key performance indicators.** These are price, cost, quantity, quality, service, delivery, payment methods and terms, certifications, value additions, innovation culture, financial stability and contract compliance.
2. **Classify your suppliers.** Helpful categories for classifying suppliers include product types and geographical location.
3. **Centralize your data.** Because supplier info can be scattered across business systems in Finance, procurement, logistics, etc., try putting all your supplier data into one place.

4. **Develop an evaluation approach.** Select a performance evaluation period of monthly, quarterly or yearly, and an effective evaluation method that fits your workflow, e.g., contract management, supplier scorecards or Six Sigma.
5. **Give your suppliers feedback and collaborate on possible solutions.** Regular vendor meetings can turn into wins for your company and your suppliers. For example, the company can pledge a portion of the savings generated from improvements back to suppliers.
6. **Create an actionable plan.** After meeting with vendor reps, follow up by sending a performance report card to the supplier – highlighting specific action points to fine tune any issues. The goal is to foster communication, define what action steps are feasible and track measurable improvements.

It's also important to track action items and revise goals regularly for an effective supplier performance evaluation framework.

Info: bit.ly/SPM561

MISTAKES THAT COST

This regular feature shows how companies and individuals have run afoul of state or federal laws. See how others got off track so you can avoid similar problems.

A/P manager admits to \$1.7M fraud scheme

Individual: Theresa Walker, former accounts payable manager, Fairburn, FL.

Violation: After Walker's employer conducted an audit, it discovered that she'd been making false entries into the A/P system so money would be wired to her account during payment transactions. She also edited the info saved for existing vendors so the payments for any new invoices entered would be sent to her accounts instead.

Penalty: Walker pleaded guilty and faces up to 30 years in prison.

Note: To hide her A/P fraud, Walker created multiple fake invoices and credit memos. In all, she stole over \$1.7 million.

Cite: bit.ly/apfraud561

Stole company card to buy concert tickets

Individual: Matthew Hernandez, former manager, San Diego.

Violation: Since he managed both payroll and accounts payable at his former employer, Hernandez was able to steal money in multiple ways. He wrote checks payable to himself to cover his debts, made personal purchases with the company credit card and issued multiple paychecks to himself in a single pay period.

Penalty: Hernandez will spend two years in prison. He was also ordered to pay over \$356,000 in restitution to his ex-employer.

Note: Some of the items Hernandez purchased with the company card included a hot tub, a home gym, a knife set, airline tickets and tickets to the Coachella festival.

Cite: bit.ly/coachella561

Sharpen your judgment THE DECISION

(See case on Page 2)

No. The court ruled that the case against the vendor could proceed.

The vendor argued because the collected "tax" funds actually belong to the state, Jenn's company can't sue to get the money back.

However, the judge said that there's a legitimate fraud complaint that needs to be heard in court.

Allegedly, the vendor wasn't registered with the state to collect and remit tax as required by law, yet

it collected "tax" it claimed would be remitted to the proper authorities.

Analysis: Examining surcharges

This case is an example of why all charges on invoices, including those for taxes, need to be double-checked to make sure they're what you expect them to be.

If something's amiss, it's important to reach out to the vendor ASAP to straighten it out so you aren't caught in the middle of a tricky legal dispute.

Based on Rite Aid Headquarters Corp. v. Brines Refrigeration, Heating & Cooling. This case was fictionalized for dramatic effect.

Performance Boosters

PAYABLES NEWS

To help our readers improve payables operations, KAP selects the best ideas from a variety of sources and presents them in a quick-read format.

3 rules for keeping your master vendor file consistent

Some naming rules for your master vendor file that can prevent duplicate payments include defining how to use:

1. abbreviations in supplier names and addresses when the field size is limited
2. punctuation like periods, apostrophes, parentheses, hyphens, slashes, ampersands and other special characters, and
3. the word “The” when it’s the first word in a supplier name.

Info: bit.ly/mvfrules561

Vague words to avoid using at the start of meetings

When setting the tone for a work meeting (including virtual ones), *Harvard Business Review* recommends stating a clear purpose for the meeting up front to ensure that the goal gets met or confirmed by the end.

This includes avoiding vague phrases like “we’re exploring ___” or “we’re addressing the issue.”

Reason: The audience may interpret these words as talk without action to back it up. Instead, say what’s being done or what specifically is being decided, reviewed or accomplished.

Info: bit.ly/meeting561

3 keys to practicing good business email etiquette

Because email communication isn’t the same as talking with someone face-to-face or making a phone call, there are specific etiquette guidelines you should keep in mind:

1. If you need more time to think about something or gather info, respond with a short email saying that’s what you’re doing. This keeps the sender from worrying that you didn’t get their message, or perhaps were offended by something they

wrote.

2. Try to use one-word responses like “Great” or “Thanks” sparingly.
3. When your email doesn’t require an answer, it’s OK to include “No need to respond” at the end.

Info: bit.ly/email561

The time of year business travelers should book flights

According to travel website Hopper, the average price of a round-trip flight ticket in the U.S. is \$330 – up 40% from the start of this year.

With inflation and the price of fuel, airfare could increase through the spring before stabilizing in June.

Based on that forecast, *FastCompany.com* says it’ll be less expensive for business travelers to book plane tickets in late summer.

Info: bit.ly/airfare561

SOFTWARE SKILL BOOSTER

Make this critical update to Google Chrome browser

On its blog, Google warned that all users of Chrome need to perform an update on the popular internet browser for protection against multiple high-level security vulnerabilities that were recently discovered.

Here’s what to do:

- In Chrome, click the three dots in the upper-right corner, then Help.
- Click on “About Google Chrome.”

This will tell you which version of Chrome you have and automatically start the update. Remember, you’re not protected until you click “Relaunch” to restart Chrome.

Info: bit.ly/chrome560

If you have a story idea or comment to share, contact the editor at bbingaman@CFODailyNews.com

■ **Court reverses DOL decision on contractors: What’s next**

The DOL recently withdrew a Trump-era final rule creating an economic reality test favorable to employers to determine who counts as an independent contractor.

However, a federal judge in Texas said “not so fast,” and reinstated the rule, saying the DOL’s actions violated the Administrative Procedure Act (APA).

Reason: The agency delayed and revoked the rule without giving the public a proper notice and comment period after making those changes.

The DOL hasn’t yet decided if it’ll appeal the court’s decision or create a new rule. We’ll keep you posted.

Info: bit.ly/contractor561

■ **1 issue 68% of A/P pros still have after automating**

Is your technology helping or hindering your A/P process? For 68% of your peers, it may be the latter.

They’re still typing invoices into their enterprise resource planning (ERP) systems manually, even after they’ve gone digital – according to research from the Institute of Financial Operations & Leadership.

Any solution you’re using or considering should include a way to automatically recognize, input and store data when scanning invoices.

Info: bit.ly/data561

■ **Financial problems distracting employees from their jobs**

Over half of employees are thinking about finance during work – but not in the way you are.

Compared to the peak of the pandemic, 51% of employees are more worried about their finances now, according to new research. In fact, they spend 25% of the workweek dealing with financial issues. And that impacts their productivity.

To help: Ask your CFO about financial education for everyone.

Info: bit.ly/finance561

Taking the guesswork out of state tax compliance

Here's KAP's roundup of key state tax changes. Developments in other states often indicate trends to watch. Your state may be next.

SERVICES

ARKANSAS – In many states, janitorial and cleaning services aren't taxable. However, that's not the case in the Natural State. One business taxpayer learned this the hard way after a sales tax audit from the Dept. of Finance and Administration.

Per Arkansas law, any cleaning services, defined as those that are designed to get rid of dirt, impurities or extraneous matter, fall under the category of janitorial services. That means they're taxable.

The audit found the business hadn't paid sales tax on janitorial services for four years. So it was on the hook for back tax, plus penalties and interest.

Though the business appealed the decision, a judge upheld it, saying it was correctly assessed sales tax and late penalties under the law.

EQUIPMENT

IDAHO – Effective July 1, 2022, the purchase of any materials that are used to remodel, expand or construct a facility that makes semiconductors will be exempt from sales and use tax.

This is thanks to HB 678, or the Idaho Semiconductors for America Act.

Companies that are eligible for this exemption must submit a project outline to the state's Department of Commerce by Dec. 1, 2026 to qualify.

Info: bit.ly/id-561

MISSOURI – When claiming tax exemptions for purchasing supplies or equipment, it's important to meet all the requirements for the exemption – including location-based ones.

Engineering and architectural firms can purchase computers, software or computer security systems without paying sales and use tax.

One such firm had multiple locations, including an international office, and they were all treated as a single entity for tax purposes.

To qualify for the tax break, the headquarters of at least four of those locations had to be located in Missouri. The business met that requirement, the Dept. of Revenue said in a letter ruling. So even though some of its offices were outside the state (and the country), it could claim the exemption.

Info: bit.ly/mo-561

VIRGINIA – If your company's still providing workers with masks and other personal protective equipment (PPE) due to COVID-19, those purchases are now taxable.

Here's why: The temporary sales and use tax exemption for qualified PPE purchases by businesses expired on March 24, 2022. Since Virginia's no longer under a state of emergency and all COVID-related legislation has expired or been repealed, the tax exemption is also invalid.

Any PPE purchases made on or before March 23, 2022, still qualify for the exemption, however.

Info: bit.ly/va-561

TECHNOLOGY

MISSISSIPPI – Changes could be coming to the digital computing services subject to sales and use tax in the Magnolia State.

SB 2831 created a committee that's designed to review various cloud computing services to determine if and how they should be taxed. The committee must present its findings to state legislature by Oct. 1, 2022.

Along with this committee, the state supreme court's also reviewing a case that'll set precedent on whether the purchase of digital photographs is subject to sales tax.

A trial court initially ruled that digital photos shouldn't be subject to sales tax since they weren't specifically

listed as taxable "digital products" under state law. But the Dept. of Revenue is moving to specifically include them in the law.

We'll keep you posted.

Info: bit.ly/ms-561, bit.ly/ms2-561

GEORGIA – HB 1291 extends the sales tax exemption for purchases of computer equipment by high technology companies.

Instead of ending on June 30, 2023, the bill would make the new end date Dec. 31, 2028. However, other changes would also come along with the extension. Example: Starting in 2024, the first 10% of a company's first \$15 million of qualified tech purchases would be subject to tax.

Info: bit.ly/ga-561

Don't see your state listed? Our website has many more sales and use tax updates. Log in and visit bit.ly/KAPsalesusetax

FROM OUR SUBSCRIBERS

Over 90% of our readers say that Keep Up to Date on Accounts Payable (KAP), with its quick-read format, is more valuable than any other publication they read.

"The most helpful feature about the newsletter is its practical ideas on improving everyday procedures."

Matt Pohl
Senior Accountant
Pak West Paper

"KeeP Up to Date on Accounts Payable helps us see how others handle situations that we frequently deal with."

Leona Stepp
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