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FINANCE PRO
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December 2022

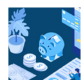
Want to keep productivity up with fewer employees? Finance tech can save the day

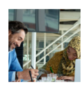
RESOURCEFUL FINANCE PRO December 2022

In This Month's Issue

Insider Content

Articles





CFO News Briefs

Stories You Might Have Missed

The economy's hard to read, so what goals should you be focusing on for 2023?

November 7, 2022

There are a lot of differing opinions about the economy right now because the indicators contradict each other.

Because of the unusual economic conditions, making business decisions based on future predictions is a challenge.

Dr. Lee Ohanian, a UCLA economics professor and advisor to the Federal Reserve Banks of Minneapolis and St. Louis, said that because of inflation and high interest rates the next six to nine months will be like navigating a boat through choppy water.

Read more

Could internal theft be robbing your bottom line?

November 15, 2022

In an economic climate where you might have to do some belt tightening, a cash leak from internal theft is unacceptable.

However, according to Aaron Evett, director of implementation of the expense management and business budgeting software company Divvy, a lot of companies don't realize how much money can be saved just by taking measures to mitigate internal theft.

"Monitoring things and having systems and tools in place will be super helpful," Evett said, mentioning that one of Divvy's clients didn't realize it had lost $50,000 over the course of a year due to employees inflating expenses, until it started using a software solution that provided spend visibility.

Read more

All's well that ends well: IRS catching cybercriminals, identity thieves

November 15, 2022

Cybercriminals are on the loose, stealing money from businesses and consumers and getting away with it!

That's the standard media line we hear all the time, but in actuality the feds are pursuing and catching a fair amount of crooks and making sure they pay a heavy price.

IRS-CI touted a handful of high-profile cases, including a substantial hack of cryptocurrency, as a warning to other would-be criminals.

Read more

No more snoozefests! 4 ways to improve finance meetings today

November 17, 2022

The coronavirus pandemic ushered in the Zoom meeting craze for many companies. But the more things change, the more they stay the same, and that certainly applies to meetings.

Bottom line: Most employees think meetings are by and large a waste of their time and frequently don't see their point!

You'll never win over all the meeting haters out there. But there are a few proactive steps you and other meeting holders can take to get people more engaged and reduce negativity in regards to your organization's meetings.

Read more

Boomerang employees: Is rehiring staffers with quitter's remorse an asset or a liability?

November 22, 2022

Some of the workers that quit during the Great Resignation may be trying to become boomerang employees – meaning they're turning around and coming back after realizing the grass wasn't greener on the other side.

Despite the perception of disloyalty, boomerang employees who leave and then return may be more cost-effective to hire for organizations like yours because they don't need as much time getting up to speed with company culture.

And unlike new hires – even ones who may be more qualified than a returning employee – boomerang employees don't need nearly as much training and can start working productively right away because of their experience.

In addition, rejoining workers may have acquired new skills, professional experiences and knowledge while they were away.

Read more

Before trying to collect, make sure staff is trained to ASK

November 22, 2022

Collections and accounts receivable professionals will develop more confidence in their abilities and rank ahead of their peers by following the ASK method.

What's the ASK method? It stands for Attitude, Speed and Knowledge. And it's a tried-and-true strategy that Pam Fagan, president of Audit Business Services, trains her employees and clients to master.

It takes reaching out to customers on a regular basis to understand what's going on in their business. Is there a stressor that's causing a customer to stretch payment? You won't know unless you seek the Knowledge needed to settle an account.

Read more

DOL rolls back ESG retirement investment restrictions: Time to adjust your strategy?

November 28, 2022

Thanks to a final rule issued November 22 by the U.S. Department of Labor (DOL), ESG retirement investment restrictions put in place back in 2020 by the Trump administration are being lifted.

However until now, there were two federal rules that limited plan fiduciaries' ability to consider ESG factors when choosing 401(k) investments, even when those factors financially benefitted plan participants.

But according to the DOL, after considering stakeholder input and the 2021 executive order by President Biden directing the federal government to identify and assess policies to protect Americans' life savings and pensions from "the threats of climate-related financial risk," the agency decided the restrictions were unnecessary.

Commenting in a press release, Assistant Secretary for the Employee Benefits Security Administration Lisa M. Gomez said, "Climate change and other environmental, social and governance factors can be useful for plan investors as they make decisions about how to best grow and protect the retirement savings of America's workers."

Read more

Wrongdoers on the run: SEC sets all-time records for fraud enforcement

November 29, 2022

Catching investment and retirement fund fraudsters is a never-ending job. So here's some good news: Enforcement by the feds is on the upswing, with more wrongdoers going to jail and victims being compensated for their losses.

In the small handful of contested cases, the SEC only racked up an 80% win rate. Not bad but not as strong, for example, as the Department of Justice's typical annual winning average.

The positive spin? Folks who might be tempted to pull a fast one with employees' and retirees' money should take heed – the feds are as serious about recovering stolen funds as they are about putting rule breakers behind bars. And that's welcome relief for the vast majority of finance professionals who act above board at all times.

Read more

How's your cybersecurity? 3 steps to fostering a culture of superior cyber hygiene

November 30, 2022

Cybersecurity – protecting sensitive corporate and customer data from falling into the hands of criminals – is vital to your organization's success.

When you evaluate new software vendors, of course you ask about functionality, integrations and capabilities. But don't forget to also ask questions about their cybersecurity protocols and data protection measures.

A great measuring stick is whether the vendor has American Institute of Certified Public Accountants SOC 2 certification. It means there's been an assessment of a service provider's internal controls and systems related to security, availability, processing integrity, confidentiality and data privacy to ensure there are adequate safeguards.

Read more

Will the Republicans be able to slow down the ESG train?

December 1, 2022

The predicted "red wave" for the midterm elections didn't pan out. But the Republican-majority House can derail some of President Biden's initiatives.

One of them is the ever-expanding Environmental, Social and Governance (ESG) movement and specifically a proposed Securities Exchange Commission (SEC) rule that would require publicly traded companies to disclose their greenhouse gas emissions and associated climate change-contributing factors.

Four states – Arizona, Indiana, Louisiana and Pennsylvania – are weighing laws and regulations to restrict ESG initiatives that use state taxpayer assets. And 10 states – Arizona, Florida, Idaho, Indiana, Kentucky, Louisiana, North Dakota, Oklahoma, Texas and West Virginia – adopted anti-ESG rules, several of which give state attorneys general (AGs) and treasurers the power to shut out pro-ESG employee pension plans and other funds.

Read more

'Tis the season for hacking! 5 steps to keep data safe

December 6, 2022

The IRS is warning small businesses once again – cybercriminals are seeking your companies' financial information any way they can. Often it's by targeting the "weak link" in your organization who opens an email despite being trained over and over on how not to fall for the obvious bait.

Finance employees are used to handling requests promptly and are busier than usual with year-end duties. Scam artists count on employees to let down their guard and give them the info they're seeking.

Chances are you're already following one or more best practices to keep your business data safe. There's no one practice that works better than others – you're always better off utilizing multiple protections to stay two steps ahead of the scammers.

Read more

Keep their attention & get your point across: 5 tips for a winning presentation

December 8, 2022

Whether speaking to a group of employees or a room full of industry peers, there's always room for assessing one's skills and improving on what's improvable. Just don't count on others to tell you the truth about your public speaking ability – most people will shy away from telling someone he's long-winded so as not to ruffle any feelings.

You're better off practicing part of a presentation at home, video recording it and playing it back for the most brutally honest person you know. If that's yourself, give it a go.

Practicing a presentation ahead of time brings two benefits:

- you're liable to correct an issue, such as rushing when you speak, once you've practiced, and
- the future presentations and speeches you give to groups will be better as a result.

Read more

Time to write off an aged account? Here's what the IRS expects

December 13, 2022

Among the many year-end duties finance teams are working on is identifying an aged account that isn't likely to pay. This is the type of customer that Accounts Receivable called and wrote to so many times to collect, it was handed off to Collections months ago, but all to no avail.

In cases like that, a written-off old debt should not be a topic of conversation between A/R and the client. An internal discussion and decision between Finance and Sales on whether to do business with someone that didn't pay off a debt is as far as it should go.

To write off a bad debt, the IRS requires:

- proof of a customer's debt (invoices for example)
- documentation showing the debt is part of your your gross income, and
- records showing the debt is fully or partially uncollectable.

Read more

A/P News Briefs

Stories You Might Have Missed

Time is money: $400K lost in phishing scam not reported to leadership until months later

November 9, 2022

Imagine that someone in A/P got fooled by a bogus invoice in a phishing email and paid hundreds of thousands of dollars to a cybercrook, but you didn't find out about it until long after the fact.

That's what happened to the city government of Chester, Pennsylvania. A hacker posing as an insurance broker emailed the director of accounts and finance regarding a monthly workers' compensation insurance invoice.

This incident is a reminder of how important it is to have a cyberattack disaster recovery plan and conduct periodic cybersecurity training so your entire workforce will be alert for fraud.

Read more

4 strategies to keep tech overload from stressing out your staff

November 14, 2022

Too many add-ons in an increasingly digital work environment can become overwhelming for some employees, leading to tech overload.

As more commitment, innovation and productivity is demanded from employees – especially in hybrid work models – tech overload can lead to burnout, then quitting, then loss of productivity and more turnover-related expenses for your company.

Your firm needs to continue to adopt new technology to stay competitive and profitable, yet you don't want to get stuck with a lot of high-priced apps that aren't producing the results you need.

Read more

IRS: Interest rates going up for first quarter of 2023

December 5, 2022

Rising interest rates across the board have been a fact of life lately. Therefore, it should be no surprise that the Service announced more interest rate bumps for Q1 2023 in Rev. Ruling 2022-23.

Effective January 1, 2023, the new interest rates will be:

- 6% for corporate overpayments of tax
- 4.5% for the portion of a corporate overpayment that exceeds $10,000
- 7% for underpayments (taxes owed but not fully paid), and
- 9% for large corporate underpayments.

Because it's important for your Finance team to stay on top of these interest rates – especially since they continue to go up each quarter – now's a great time to pass along the updated rates.

Read more

Paperless A/P in your New Year's resolutions? Make sure these internal controls are in place

December 7, 2022

Since about 80% of all your company's transactions go through A/P, if a totally paperless A/P department is one of your goals for 2023, robust controls to prevent waste and misuse of company funds will be essential.

In the *ResourcefulFinancePro* workshop "A/P Internal Control Best Practices: Going Paperless," consultant, author and former CFO Carl L. Young said that as you build your tech stack to achieve paperless A/P, you still need a level of internal controls similar to what you had in place pre-COVID when Finance staffers were all on site. They'll be especially important in a hybrid work model with no paper trail of purchase orders, approvals, receiving reports or check requests.

To protect company assets as A/P digitally transforms:

- Use a consistent electronic purchase authorization/order/receipt process that defines asset categories and specific item names. Young said, "Make certain you give them (an asset) name that can be recognized – not just 'chairs,' not just 'desks,' not just 'computers.' Give them a specific nomenclature, so you can now go back and understand where they are."
- Assign company identification tags to assets, including a control number.
- Set capitalization thresholds appropriate for the business. "Some folks set it as low as $100. … It should be set as high as you can reasonably afford. Most folks are setting that bar at about $1,500. … However, even if you don't capitalize (and you expense the asset right away), you must give them a tag and a number that you can control and still assign (responsibility) to some individual or group," he said.
- Create procedures for periodic electronic verification of assets and conduct quarterly physical inventory.
- Electronically match inventory numbers with the corresponding cash flow dollar figures in the books and make adjustments as necessary, and
- Update policies to include electronic reporting of transfer, loss, theft or obsolescence of goods.

Read more

Payroll News Briefs

Stories You Might Have Missed

2023 holidays Payroll should note – plus, time off for Veterans Day required?

November 7, 2022

Here are 12 dates to mark on your calendar – we've indicated whether they're legal (L) and/or banking (B) holidays:

Monday, January 2, 2023: Observation of New Year's Day (LB)

Monday, January 16, 2023: Martin Luther King, Jr. Day (LB)

Monday, February 20, 2023: Presidents' Day (LB)

Monday, April 17, 2023: Observation of DC Emancipation Day (L)

Monday, May 29, 2023: Memorial Day (LB)

Monday, June 19, 2023: Juneteenth (LB)

Tuesday, July 4, 2023: Independence Day (LB)

Monday, September 4, 2023: Labor Day (LB)

Monday, October 9, 2023: Columbus Day (LB)

Friday, November 10, 2023: Observation of Veterans Day (LB)

Thursday, November 23, 2023: Thanksgiving (LB)

Monday, December 25, 2023: Christmas Day (LB)

Read more

Forms W-2: Time to find (and fix!) errors for this tax year

November 18, 2022

If you can uncover and correct any mistakes before you run Forms W-2 for Tax Year 2022, you'll save yourself some time.

Best bet is to pore over year-to-date data before your last payroll of 2022. That'll help you avoid the complications of crossing over tax years to fix errors. But even if you miss that window, it's worth finding some time for doublechecking before you distribute the wage and tax statements to employees and file them with SSA.

IRS has a long list of payments – 23 to be exact – that employers should include in box 1. You probably don't have that memorized. So, take a moment to review the list which is found on page 16 of the *2022 General Instructions for Forms W-2 and W-3.*

Read more

Keep Payroll from getting tripped up this year-end with this 11-step checklist

November 21, 2022

Your Payroll pros may be distracted this year-end because IRS still hasn't committed to dropping the mandatory threshold for e-filing information returns in 2023, there's a new e-filing option for 1099s being rolled out in January, and Forms W-2, 1099 and 1095 will be subject to increased scrutiny by the Service.

However, the fact is your team can't afford to make mistakes with year-end planning and reporting that end up costing you money. So to set them up for success, here are some reasonable goals for getting ready for tax season right now.

Read more

SUI tax: Check these wage base changes for 2023

November 23, 2022

As you're getting ready for next year, don't miss these state unemployment insurance (SUI) tax updates.

Several states have announced a new taxable wage base – in some cases, it's been lowered.

Under the Federal Unemployment Tax Act (FUTA), states must set a taxable wage base of at least $7,000, which is the current federal wage base for FUTA tax.

Watch out for this: When you're completing the federal Form 940 for 2022, pay close attention to Schedule A. In four states, employers will find they owe a higher tax rate.

If you have employees in California, Connecticut, Illinois or New York, the credit for state tax paid will be reduced by 0.3%. In the Virgin Islands, the credit reduction will be 3.6%.

Read more

2 revamped withholding forms soon mandatory: What IRS requires

December 2, 2022

You've had a choice about whether to use the redesigned Form W-4P and new Form W-4R during 2022, but the withholding forms won't be optional much longer.

The draft version of Publication 15-T, F*ederal Income Tax Withholding Methods*, states that the 2023 W-4P and W-4R should be in use on Jan. 1, 2023. Update: The final version of the publication, posted Dec. 15, 2022, sets the same deadline.

IRS released a draft 2023 version of Form W-4P on Dec. 2, 2022. Update: The final version was posted on Dec. 19, 2022.

IRS released a draft 2023 version of the W-4R on Sept. 16, 2022. Update: The final version was posted on Dec. 15, 2022.

So, now the pressure's on to get the forms into use.

Read more

A/P **Payroll**

Many Finance pros unclear on Form 1099-NEC vs. 1099-MISC: Is your team in the know?

by Brian Bingaman

Form 1099-MISC and 1099-NEC deadlines are fast approaching, and you don't want an IRS audit revealing that your company sent vendors the wrong form.

Determining when to use 1099-NEC for payments of $600 or more to nonemployees can be tricky and 1099-MISC is a catch-all that many businesses like yours may still need to file. So how well do your A/P and Payroll staffers know the nuanced differences between them?

In many cases, Form 1099-NEC applies

Form 1099-NEC is used to report payments to vendors – primarily independent contractors and freelance workers, such as:

- sole proprietorships
- partnerships
- limited liability companies that don't file as C corporations or S corporations, and
- estates.

That covers a wide variety of vendors.

In the Premier Learning Solutions workshop "Form 1099 Reporting Updates for Timely, Compliant Filing," Tricia Richardson, CPP, SPHR and SHRM-SCP, said the Form W-9 you have on file for these vendors will be your guide.

"That W-9 comes from your contractor, from the vendor to you, to tell you what kind of company that they are," she said.

Richardson also noted that backup withholding of federal income tax for a vendor in any amount needs to be reported on 1099-NEC. That goes in Box 4.

In addition, 1099-NEC should be used for reporting attorney fees of $600 or more that were paid "in the course of your trade or business," she said. Some good examples are if you consult an attorney on labor law, accounting compliance or contract law matters.

Form 1099-NEC is for reporting board member compensation as well.

This is all information that used to be included on Form 1099-MISC. But starting with 2020 earnings, IRS expects this info to be captured on Form 1099-NEC. "If you don't file the right 1099, you will need to amend (the return). So make sure, as you prepare for year-end, that you have these set up correctly to the right folks," Richardson said.

The countdown is on! Form 1099-NEC is due to both the IRS and recipients by January 31, 2023.

Why Form 1099-MISC's still around

IRS says to file Form 1099-MISC for:

- rental income
- royalties, prizes and awards
- excess "golden parachute" termination agreement payments (e.g., severance pay, cash bonuses, stock options, etc.)
- payments to a trust (which requires issuing Forms 1099-MISC, each in the full amount, to the attorney and their client)
- fishing boat proceeds
- substitute payments in lieu of dividends or tax-exempt interest
- gross proceeds paid to an attorney as part of a settlement agreement that aren't reportable in Box 1 of 1099-NEC
- medical/healthcare payments to a provider, nurse or hospital for goods and services as part of the normal course of business (including workplace vaccinations, drug screenings, expert testimony and lab services), or
- cash payments for purchases of fish that will be resold.

Generally, corporations aren't supposed to receive Forms 1099. However, if any of those last four payment types were made to a corporation, those are exceptions and a 1099-MISC must be filed.

In another Premier Learning Solutions workshop, "1099-MISC & 1099-NEC Updates: Ensure Accurate Filing," Richardson named specific medical/healthcare payments that are not supposed to be reported on 1099-MISC:

- Prescription drugs purchased from pharmacies
- Payments to tax-exempt or any government-owned hospitals or extended care facilities
- Payments made from a flexible spending arrangement, and
- Payments from an employer-provided health reimbursement arrangement.

Form 1099-MISC is also for reporting direct sales of at least $5,000 of consumer products to a buyer for resale anywhere other than a permanent retail establishment.

The 1099-MISC Copy A is due to IRS by February 28, 2023 if you're filing paper forms, or by March 31, 2023 if filing electronically. Recipients must have Copy B by January 31, 2023, but if there are payments recorded in Boxes 8 or 10 then the deadline is February 15, 2023.

What they have in common

Richardson said that regardless of which 1099 forms you're using, it's important to remember that for each 1099 reporting type (MISC, NEC, etc.), the IRS needs you to file a separate Form 1096, "Annual Summary and Transmittal of U.S. Information Returns."

Both 1099-NEC and 1099-MISC are now evergreen, "continuous use" forms that don't have specific tax years printed on them. Instead, there's a box with "20___" and you fill in the rest of the year number. However, Richardson said to avoid handwriting the last two digits of the tax year, and to instead use a program that digitally fills out PDF documents.

Also, for now the IRS mandatory electronic filing threshold for information returns is still 250 or more. If the Treasury Department decides to lower that, per the Taxpayer First Act of 2019, we'll let you know.

Speaking of electronic filing, IRS is launching a new Information Return Intake System platform in January that's supposed to make it easier for taxpayers to file small or large volumes of Forms 1099 electronically without third-party software and to choose an electronic filing option (the FIRE system will still be available).

Certain state and local governments also have 1099 filing requirements, so make verifying thresholds and guidelines in the states you do business in part of your Finance team's year-end workflow.

[Read this Story Online](#)

CFO: You Be The Judge

Lack of communication causes payments to fall through the cracks: Breach of contract?

Out of the corner of his eye, CFO Bill Keeper noticed A/R Manager Abbey Greensberger briskly walking toward his office.

Before he could say anything, she stepped into the office and said, "Bill, the situation with Banks & Rutherford Distributing is getting out of hand. There are a dozen net-90-day invoices that are now overdue."

"I know your team's been doing everything it can to collect because they're CC'ing me on all the emails, like I asked," Bill replied. "There's a lot of behind-the-scenes nonsense going on at that company. I've lost my patience with them and I'm calling Legal today."

"I heard rumors they were getting bought out, but what else is going on?" Abbey asked.

"There was a merger, all right. Two weeks ago, the new CEO emailed me and said the original distribution agreement had 'fallen through the cracks in the transition' and he'd send a new assignment, assumption and consent agreement. Well, they failed the credit check, so I didn't sign it," said Bill.

"Oh, that's bad," she said.

"It gets worse," Bill said. "Banks & Rutherford and their new owners are actually in breach of contract. Third-party change of control can't happen unless we give written permission."

Liable for breach of contract?

"So we never gave the OK …" said Abbey.

"No. That's why it looks like this is heading to court," Bill said. "As you know, they owe us a lot of money and they're non-responsive when we demand payment."

"But the new owners didn't sign the original contract and they don't have an agreement with us now. Won't they try to get the suit thrown out?" Abbey asked.

"Hey, somebody has to pay their existing accounts payable," Bill replied.

"So the company changed hands, yet we continued to bill the old company. Maybe that's why their A/P department only just now said to stop billing them," Abbey said.

Bill's company sued for breach of contract, but the distributor's new ownership argued the case should be dismissed because it wasn't bound to the terms requiring Bill to give permission for transfer of the distributor agreement.

Did the judge think there was a breach of contract?

The decision

Yes. The judge allowed the breach of contract lawsuit to proceed.

When ownership of the business partner company transferred, so did responsibility for the financial loss Bill's company was facing as a result of non-payment of outstanding invoices, the court said.

The sale of the business shouldn't have happened without the old company checking in with Bill's company first, the court said, because the contract dictated that Bill had final say over whether an outside party may assume duties of the distributor agreement.

Analysis: Tie up all merger and acquisition (M&A) loose ends

To protect itself, the buyer entity that got sued in this case should've spelled out in writing that the seller was solely responsible for certain accounts payable liabilities. But because those loose ends were never tied up, they may be paying big bucks to Bill's company.

No matter which side of an M&A you're on, there has to be a plan to proactively address all existing contract obligations – especially any contract language that addresses change of control or involves a mediation process. Otherwise, inherited liabilities can be a ticking time bomb.

This is also a cautionary tale for A/P. If any invoices come in with irregularities – such as being billed to a previous entity – they should be handled promptly and not ignored or pushed to the back burner.

Based on Wistron Neweb Corporation v. Genesis Networks Telecom Services LLC and GNET ATC LLC, No. 22-cv-2538 (LJL), U.S. D.C. S.D., New York, 11/17/22. Dramatized for effect.

Read more You Be The Judge in your Membership Dashboard

CFO **Policy and Culture**

Is it time to reboot your company culture & values for the post-COVID business world?

by Brian Bingaman

If workplace morale still seems like it hasn't returned to pre-pandemic levels, it may be time to re-examine your company culture with your C-suite peers.

In a presentation during the 2022 BambooHR Virtual Summit, Liz Weber, the CEO of Weber Business Services LLC, presented some compelling survey data from Gallup. Employees that believe their employer's values align with their own personal values are:

- 3.7 times more likely to be engaged
- 55% less likely to leave their employer, and
- 5.2 times more likely to recommend their employer to their family and friends.

Those figures are significant considering how many companies are struggling with retaining qualified employees and with turnover costs from the Great Resignation.

Issues to address right now

Here are some key reasons, according to Weber, why you may need to come up with a strategic plan for clarifying, strengthening or developing your company culture:

1. Being attractive to prospective employees to accommodate staff sourcing needs
2. Having talent development and succession plans that will adequately keep your organization going for years to come
3. Diversity, Equity, Inclusion and Accessibility (DEIA). "It's fine to have a policy, but … are your daily operations actually demonstrating what you believe concerning DEIA?" she said.
4. Polarization of communities. "With the polarization of social issues and political viewpoints, it is more important than ever that you create a culture

> through your core values that when your employees are working with you and working together – regardless of their beliefs in the greater world … you have a unified focus and a sense of community and a (company) personality where they feel protected, respected and are viewed as a contributing member," Weber said.

The main goals are to perpetuate a company culture that your employees want to be a part of and maximizing trust in company leadership. So to weather these challenges and get your company culture where you want, and need, it to be, huddling up with the other members of the C-suite to share ideas to address these issues will be vital.

Rebooting your values reboots company culture

A good place to start the discussion is setting an appropriate tone, personality and focus for your organization by defining what its core values are and describing them as actionable behaviors.

Weber said these values should be written down so they can serve as an employee reference checklist of the things to stay true to when taking any important business action. For example, will doing business with that prospective vendor be compatible with company values?

An audit of your policies and procedures, as well as your equipment and supplies budget, may be in order to check if they're in alignment with your core values.

"If you're asking through your values for your team members to be innovative, but yet you are providing them with outdated equipment, that is going to be a clash between what you're asking your employees to do and how you're supporting them in actually helping you bring that culture alive," said Weber.

Your list of core values doesn't have to be long. Weber shared this list of core values of a hair salon client of hers:

- Represent products and services honestly
- Offer healthier alternatives that work
- Do our part to help the environment, and
- Give back to the local community and charities.

When reviewing your company's core values, are there any that your employees can easily ignore or respond to with, 'That doesn't apply to me'? If so, a revision is necessary.

Although you want your values to speak to all employees regardless of their job function, be careful that the behaviors that you decide you need to see every day from your team aren't too broad in scope. Trust, integrity, professionalism and continuous improvement are all positive ideas and themes, but aren't strong enough to serve as core values for a business, Weber said.

So for instance, some ways to re-write "professionalism" as actionable behaviors and core values include:

- Be respectful to all
- Be honest
- Be accountable, and
- Safeguard information.

Rolling it out

Once leadership is satisfied that your core values will keep your business relevant and successful, they need to be be shared so that people know what your values are. Besides posting them to the company website, your values need to be talked about in team meetings, as well as employee performance reviews and coaching sessions.

It's important for leadership to demonstrate those values in their own work behaviors day-in and day-out, embodying the revamped company culture and setting a good example for others to follow.

Rebooting company culture is also going to take accountability reinforcement from managers within their teams that your values are house rules everyone is expected to follow.

"And then those core values – the list of behaviors – become the non-negotiable behaviors … of everyone who takes a paycheck from your organization," Weber said. "You're just asking people to come and do their jobs and be engaged, participate, focus, think, be part of your culture. Now if someone doesn't like your values (or) those expectations, they can leave."

Read this Story Online

Ask the Auditor

Paying COBRA coverage for former employee, but don't want Finance to get tripped up on this

Q: We recently terminated an employee, and as part of the severance package we agreed to pay for health insurance coverage via the COBRA program through the end of the year. Should we pay the premiums directly to the health insurance carrier, or can Payroll just add the cost of the coverage to the final paycheck/severance payment (and leave it up to the former employee to execute the coverage continuation)? Is there another option that would be better?

A: Health benefit premiums for active employees typically get processed as non-taxable income, but what about the payment of COBRA premiums for ex-employees?

In a blog post on the website of Kansas City, MO-based benefits broker The Miller Group, Julie Athey, the company's director of compliance, noted that "when an employer pays COBRA premiums directly to a terminated employee, the amount paid can generally be treated as non-taxable income."

However, she also said, "If you pay the employee directly with only an understanding that she will use the money to purchase COBRA coverage, and you don't control or verify that she actually does so, then the payment would need to be included in her wages for employment tax purposes."

To avoid this, you can either:

- pay the premiums directly to the insurance carrier, or
- require the former employee to provide proof that they have COBRA coverage for the remainder of the year, as per the severance agreement.

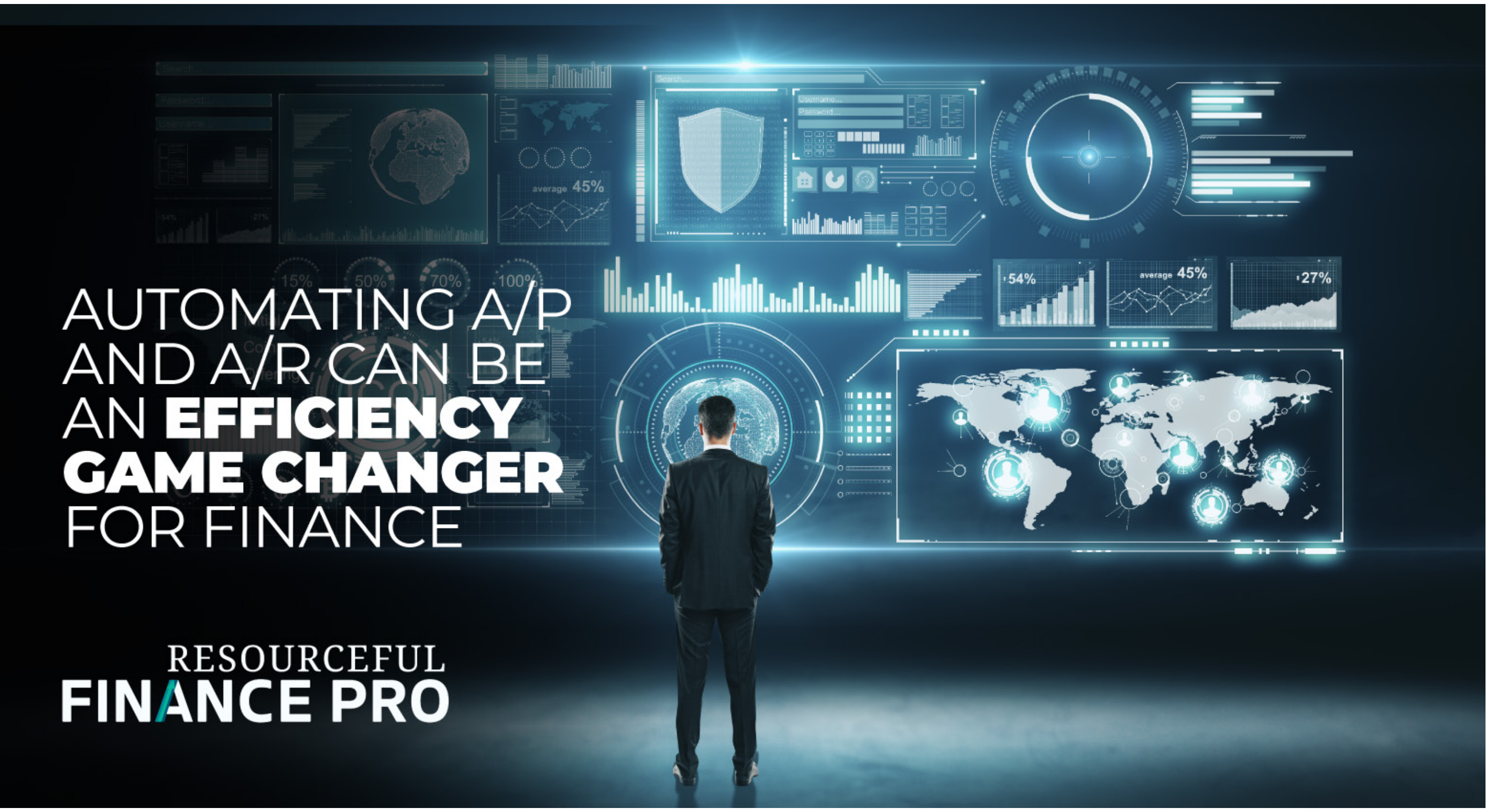
Before making a decision, it's a good idea to discuss all applicable tax issues with your organization's COBRA administrator, if you have one, or your tax advisor.

Read more Ask the Auditor in your Membership Dashboard

CFO **Finance Technology**

Want to keep productivity up with fewer employees? Finance tech can save the day

by Brian Bingaman



To keep your business competitive in the midst of a labor shortage it may take more implementation of digital finance technology which enables teams to get more done in less time.

Technology (including finance technology) has a lot to do with why overall worker productivity is noticeably higher than it was 40 years ago, according to Dr. Lee Ohanian, a UCLA economics professor and advisor to the Federal Reserve Banks of Minneapolis and St. Louis.

"One of today's workers produces the same amount of value as two workers did back in 1982 … That comes from technological advances and innovations (and) new products," he said during a panel discussion at the 2022 Checkr Forward conference.

And yet manual, high-touch accounts payable (A/P) and accounts receivable (A/R) processes that may have changed only a little since 1982 are holding many companies back. For example, according to the *ResourcefulFinancePro* report "The State of Automation in Finance: Second Edition":

- The average A/P department spends 16 hours getting vendor invoices approved each month
- 38% of businesses say their manual A/P process has led to errors in invoices, and
- 31% say suppliers and vendors have been paid late because of things like administrative errors and slow invoice validation.

Streamlining the back office with finance tech

Entering line-item and invoice info into an accounting system can cost both time and money, especially if a mistake gets made. And paper purchase orders and invoices can easily pile up and get misplaced.

Today's AI-enabled software solutions turn all that paper into digital data that's searchable and shareable among team members even if they're working from home – reducing errors and optimizing cash flow.

Also, digitizing A/R can cut the time staff spends collecting and reconciling the remittance data of paper checks, as well as ACH, credit, debit and virtual card, and other types of payments.

Data from "The State of Automation in Finance" shows that organizations that automate paper-based, time-consuming and repetitive tasks with end-to-end invoice data capture, approval and payment save significant time. Almost four out of 10 (39%) businesses report that A/P and A/R automation has removed most manual processes, while 27% say it's removed at least half of them.

In addition, the increased visibility A/P automation provides into your daily finance processes gives you better control over expense waste, misuse and fraud.

The time saved allows Finance team members to focus on strategic tasks that impact profitability, like improving margins and strengthening relationships with contractors and suppliers, which builds trust and loyalty. It's a productivity enhancement that can lead to improved morale.

Finance technology and A/R

A/R finance tech solutions on the market make it possible to:

- Easily match invoices, credits and payments with quotes and sales orders to ensure the correct amounts are being processed
- Provide workflows that can be used to define rules and exceptions for A/R processing
- Create customizable approval processes for all types of A/R transactions
- Deliver reports and analytics on the status of invoices, payments, customer credit and transaction history
- Save time on billing and cash recognition and reconciliation via real time connection of all transactions and accounting and information systems to your general ledger
- Automate invoice delivery and remittance collection
- Save time on manually logging in to retrieve remittance data from customer vendor portals, and
- Integrate A/R and A/P transactions with your banking, customer, working capital and fulfillment transactions.

In addition, A/R finance tech provides a valuable compliance assist by collecting and storing the information your team needs for the preparation of regulatory financial reporting.

Change management

Although finance technology can help your firm better manage workflows and cash flow, employees may be hesitant to adopt new ways of working. That's why perhaps the most important step in getting buy-in, and determining which tech solution is best for your company, is getting feedback from your end users about where the cash flow bottlenecks are and what they wish they had to do their jobs better. Any application that's not suited for your team's needs would be a wasted investment.

Next step: meet up with IT to collaborate on an audit of the tech you have and identify anything that's becoming obsolete or is no longer meeting your needs. Are there any potentially untapped software connections available within your tech stack that could save your Finance department time?

Before investing time in a product demo, it's important to know up-front if it will definitely integrate with your existing accounting software or accounting modules of your ERP.

When you've found a platform that checks all the boxes and is the right price, don't forget to create a change management plan for smoothing the transition and driving adoption to the new software. For some ideas on how to get started, click here.

So increasing productivity doesn't necessarily mean hiring more people – which is good news since finding qualified Finance people is a challenge right now. Leveraging the support finance tech provides can make A/P and A/R processes more efficient while protecting the bottom line.

Read this Story Online

Case Study

Implementing purchasing procedures got big-ticket spending under control

One of the first things I did after being hired as Controller at my organization was an audit of A/P and our existing purchasing procedures. I discovered there had been a bit too much decision-making autonomy when it came to big-ticket purchases and it was taking a toll on the budget.

To avoid too many imprudent, “shoot from the hip” decisions and overpaying for things that could require financing over several years, we needed to create a formal purchasing procedure.

More than one approval needed

Because big-ticket purchases require some planning – in some cases, coming up with strategies to save up money to afford them – allowing just one person, like a department manager, to sign off on major purchases didn’t make sense.

So we set a certain dollar amount threshold for purchase order (PO) requests that need to be approved by a procurement committee. The committee’s in charge of making sure the requestor gets at least three supplier price quotes, as well as vetting the vendors.

The committee’s responsible for reviewing all big-ticket POs by a certain period of time. If it’s denied, they need to explain why it wasn’t approved.

Executive approval

After these POs clear the committee, the CEO and I have to sign off on them because we may need to:

- explore different lending options, including the length of the loan, interest rates, and terms and conditions
- re-evaluate the business need for the item
- discuss hidden costs like installation fees, taxes, routine maintenance, delivery and shipping charges or training classes
- research lease options, or
- look at our financial records to understand how the new item will fit into our cash flow (the review may

also reveal a more optimal time to make the purchase).

When considering cash flow, it's important to compare the cost to the revenue the item will bring in.

Follow-up analysis

So whether it's equipment, vehicles or a capital improvement project, I also report these purchases to the board of directors. They appreciate the transparency.

My reports include a spreadsheet of big-ticket PO approvals that tracks KPIs like average approval time, missed approvals and successful approvals. That data can be used to streamline the process.

Getting employee buy-in with purchasing procedures hasn't been too difficult. They seem to understand why we need to take greater care with the expensive things. Our purchasing procedures have made a big difference in keeping company spend in compliance and have saved money.

(Doug Swigert, Controller, Great Lakes Heavy Haul, Wayland, MI)

Read more Case Studies in your Membership Dashboard

Excel Tips

The difference between a comment and a note in Excel: Are other people supposed to see it?

Sometimes the figures in your Excel spreadsheets need some supporting context, annotations or instructions, especially if you have a dispersed, hybrid workforce that depends on files that are stored on the cloud.

Whenever you click on the Review tab or right click on a cell in Excel, a menu appears that gives you the opportunity to add a "New Comment" or a "New Note" to that cell. At first glance, it looks like a comment and a note are the same thing – but they're not. And not knowing the difference could potentially lead to a breach of workplace etiquette on oversharing.

Does that Excel comment need a response?

A red triangle in the upper-right corner of a cell used to indicate something that needs your attention, and that you should hover your cursor over it and read it. However, since Microsoft added threaded comments to Excel, the indicator for an important comment is now a purple quote box in the upper-right corner.

Hovering on the purple quote box gives you the option to edit (the pencil in the upper-right corner) or delete (click on the three dots in the upper-right corner) a comment.

Clicking the Review tab opens up comment options in the ribbon – including reviewing all comments in a side window on the right.

In current versions of Excel, the red triangle now just means a note that's most likely somebody's personal reminder. That's why when you hover your cursor over it, it looks like a yellow sticky note with somebody's name bolded in the upper-left corner.

People can reply to comments by typing in the "Reply" box and pressing Ctrl and Enter, but they can't reply to notes.

So the rule of thumb when deciding to add either a comment or a note in Excel is if you don't intend to start a discussion thread about the data, then use a note. Remember, it may not be necessary to share all data background explanations with everyone that can access the file.

If you added a note to a sheet that you'd rather have hidden, you can right click the cell and select Show/Hide Note (or choose the Edit Note or Delete Note options). This can also be done by clicking the Review tab, then the Notes drop-down menu that appears in the ribbon (It also gives you the options to convert a note into a comment and Show All Notes).

Read more Excel Tips in your Membership Dashboard

What's your money being spent on? Spend management solutions are the key to cost control

by Brian Bingaman

With an unclear economic picture for 2023, it's important to take advantage of opportunities to make your business more efficient. But your spend management – which may be hindered by manual processes, and paper receipts, card statements, expense reports and invoices – can be a humongous speed bump on the road to efficiency.

If your current financial management system doesn't offer digital receipt/invoice capture, spend visibility besides at month-end close, and proactive spend policy compliance controls, it could be costing you more time and money than necessary.

Automating spend management

Many organizations are turning to automation software to streamline their spend management. A study by the Controller's Council found that the top finance and accounting systems your peers are automating right now are related to expense management, purchasing and accounts payable (A/P).

Spend management automation solutions can help Finance teams save time and cut costs by using algorithms to track expense claims and invoices. It reduces paper filing and the related risks of human error, provides real-time insight into cash flow status, and saves A/P from having to police company spending while keeping employees within company policies.

For example, Houston-based manufacturer Cardtronics was able to eliminate excessive spending and fraudulent charges by setting soft-stop and hard-stop approval thresholds in the platform it chose. And when employees use the app to book business travel arrangements, it directs them to preferred hotel, airline and car rental partners so the company can leverage a 10%-20% volume discount.

Spend management solutions on the market can also automatically reconcile transactions, minimizing the manual calculations required by your Finance team.

In addition, it streamlines the reimbursement process since employees can enter their expenses directly into the software. Spend management solutions often allow employees to scan in receipts and other supporting documentation, or take photos of them.

Spend management software helps companies control costs in other ways, as well. Particularly, it can help A/P avoid paying for the same invoice twice. Some solutions can even help you keep track of your petty cash.

When spend management is automated:

- the CFO/Controller gets more visibility into, and better control over, all company spend, gaining better insight for accurate budgeting and forecasting
- accounting teams can cut the time spent on month-end closing
- managers only have to review expenses that are flagged by the system, thanks to proactive spend policies tailored to your business
- reimbursements happen much faster, and
- employees no longer have to save receipts or manually provide expense report data.

The University of Alabama's move to an automated spend management solution shortened expense report and invoice processing times. Expenses are now paid within 2.5 days. The university also reported that digitizing purchase order invoices cut the time staff spent processing those transactions in half. And by reducing manual processes, at least three full-time employees could be reallocated to other, more strategic functions.

And the university isn't the only organization that's saved hours of work in the Finance department. According to management consulting firm Analysis Mason, after automating spend management, the businesses it surveyed "saw savings of 530 hours annually per Finance employee."

Meanwhile, at Penn State University in Pennsylvania, a spend management automation upgrade optimized system performance by standardizing expenses, dramatically reducing the number of expense types from 1,000 to 200.

What's right for you?

To stay competitive and optimize resources and efficiency, manual, paper-based spend management and retroactively approving business-related expenses are no longer going to cut it. But not all solutions out there will be right for your business.

For instance, when the marketing company Avocados From Mexico in Irving, Texas, started vetting vendors, it was looking for a solution that could be customized with existing modules.

Here are some (but probably not all) of the questions you'll want to ask prospective software vendors when shopping for a spend management solution:

- Will your solution work with my existing ERP system?
- How will it help us to cut costs?
- How much employee training will be involved on how the system works?
- How fast is the reimbursement process?
- Are there mobile capabilities for capturing expenses on the go?
- Is it a scalable solution with enough functionality to grow with my company's evolving needs?
- How do my Finance team members access approvals, receipts and email chains within the system?
- How quickly can users access spend data?
- Fraud protection is a top priority, so how secure is the platform?
- Because not every employee needs access to the same funds, can I make spend rules specific to certain departments?
- Are there auto-categorization, amortization, payment scheduling, general ledger syncing or other special capabilities that would help our business?
- What can be customized for our Finance team?
- What are the vendor's deployment options and implementation processes?
- What's the customer support experience like if there's a problem?
- Is the pricing model easy to understand?

In addition, *BetterBuys.com* offers insights on accounting software platforms that include expense management solutions as major features.

Read this Story Online

Ask the Auditor

How does the amount of use tax we owe get measured?

Q: We order goods from a handful of different states and we want to get our use tax compliance right to avoid paying penalties and interest. But I understand that the basis for measuring use tax varies from state to state. Can you shed some light on that?

A: Besides sales price and purchase price, there are five possible bases that states can use for measuring use tax. According to CPP and SPHR Pamela Fagan-Shull, they are:

1. Material cost (the value of the raw materials at purchased cost)
2. Inventory or standard cost (the cost of placing property into your inventory)
3. Full retail price at which the property is sold to your customers (Unfortunately, that can put you in a double taxation situation, Fagan-Shull said.)
4. Fair market value, or
5. Fair rental value of the property on the open market.

If you're not sure which one of these taxable measures is used (or what the use tax percentage is), try looking it up on that state's department of revenue (DOR) website or contacting the DOR directly to be certain.

In the Premier Learning Solutions workshop "Navigating Sales and Use Tax Compliance in 2022," Fagan-Shull said that when you're self-assessing for filing a state use tax return, it's important to identify:

- what, if any, elements of the purchase price can be excluded from the state's use tax measure, and
- transactions that trigger a "taxable moment," such as reselling something, or buying something and then using or storing it in another state.

Other examples of use taxable moments:

- ordering taxable items from states like Alaska, Delaware, Montana, New Hampshire or Oregon that don't assess sales tax
- importing items from another country
- rentals of equipment from an out-of-state supplier
- removing products from a finished goods inventory for in-house use/consumption
- transfers or sales of taxable property between divisions
- transfers of used equipment from a different state, and
- use of self-constructed assets.

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