

RESOURCEFUL FINANCE PRO

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October 2023

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ESG climate rule on thin ice: Emissions reporting will burden smaller firms most**20**

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RESOURCEFUL FINANCE PRO

October 2023

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CFO News Briefs

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What does the SEC cybersecurity disclosure rule require companies to report?

September 13, 2023

Cyberattacks that disrupt a company's business must now be reported under a rule which went into effect last week. The stated goal of the rule is to inform potential investors of a company's cybersecurity and what it's spending to prevent attacks.

An unmentioned benefit of the Securities and Exchange Commission (SEC) cybersecurity disclosure rule: Other companies may learn valuable info regarding what their competitors are doing right or wrong to prevent hacks and ransomware attacks on company and customer data. The SEC will be sure to share statistics as well as companies' success stories (with the companies' names and locations redacted) starting sometime next year.

The SEC rule, which went into effect on September 5, requires registered, publicly traded companies to report "material cybersecurity incidents they experience and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy and governance." The rule also applies to foreign private issuers.

Companies are spending but attackers keep changing tactics

By now we've all heard the same warning from the feds and security firms: Ransomware attacks are on the rise. Companies are at greater risk than ever before, particularly as foreign hackers take aim at vulnerable systems.

Take the widespread foreign attack on MGM Resorts in Las Vegas, for example. Malicious hackers took aim at MGM's wide-ranging network. Customers' hotel key cards wouldn't work. Neither would slot machines and other electronic games.

So far MGM hasn't received a ransom demand from the hackers. The company was forced to shut down all of its hotels and casinos. This is the second major cyberattack on MGM – a similar incident in 2019 led to financial losses and interruption of normal business.

[Read the story online](#) 

Biden 2nd term will send costs soaring for companies in these sectors

September 20, 2023

President Biden doesn't plan to ease up on climate change initiatives if re-elected next year. In fact, it looks like the current commander-in-chief could increase the pressure on companies slow to embrace clean energy.

State-of-the-art pollution controls, which can cost upwards of \$100 million to implement, won't do enough to meet Biden's goal of dramatically slashing carbon emissions. Companies will be forced to embrace new methods of production, very expensive technologies and alternative fuels to comply with regulations from the Environmental Protection Agency and other departments, and avoid civil and criminal penalties.

The White House may also consider a carbon tariff on domestic and foreign companies doing business on American soil.

GOP winner is likely to wield a hatchet

The eventual Republican nominee – most likely Donald Trump – will want to slash EPA's budget and roll back climate change funding and regs.

Conservative groups wrote an action plan called Project 25 that's designed to "block the expansion of the electrical grid for wind and solar energy, slash funding for EPA's environmental justice office, shutter the Energy Department's renewable energy offices [and] prevent states from adopting California's car pollution standards," says *Politico*.

Voters don't share pols' disdain for oil & coal

Project 25 also calls for "nurturing" the fossil fuel industry rather than "over-regulating" it. A large percentage of the population may be on board with that sentiment.

Recent Pew Research Center surveys find 66% of the public think the government should "encourage" renewable energy production like solar and wind, but only 31% want to phase out fossil fuels.

[Read the story online](#) 

Is a prospective customer credit-worthy? Its banking history can provide a lot of clues

September 21, 2023

Extending credit to customers is riskier than ever. Whether it's an existing customer looking for more favorable terms or a newer client a company doesn't have a track record with, it's best to obtain as much info about the customer's payment habits as possible.

Exactly half of credit pros polled by the National Association of Credit Management (NACM) say their companies lose thousands of dollars per year, as high as \$100K in some cases, because they can't obtain sufficient customer credit data. One credit pro said, "In the last few years, we've had about \$80,000 worth of credit loss due to fraud and insufficient customer information. We've seen an increase in identity theft unfortunately not recognized until after we shipped the product, which resulted in the loss."

Bankruptcy, fraud keep credit pros awake at night

NACM asked credit pros "what's the biggest cause of credit loss in recent years?" The responses:

- bankruptcy (34%)
- unresolved invoice issues and discrepancies (31%)
- fraud (19%), and
- insufficient credit investigations (16%).

Bank references can help reduce the risk of all four of those factors due to the wealth of data they provide – current balance as a relative range and figure category, payment history, collateral, days overdrawn, number of returns in the past 12 months, average balance of outstanding loans, and more.

Getting trade references in lieu of banking history has its disadvantages. The info may be biased since "customers are unlikely to send their worst trade references." There's also no universal standard for trade references.

The sweet spot: Get both credit histories and trade references, despite the extra work and time investment, to assess both creditworthiness and financial stability.

[Read the story online](#) 

The top 15 ghost towns for businesses: Will return-to-work mandates change the trend?

September 27, 2023

One of the key reasons some businesses are scrapping their remote work policies and mandating that employees come back to the office is all about economics and location, location, location.

Translation: Companies in cities like New York and Houston either own their buildings or are stuck in ironclad, long-term leases. Owners and tenants of commercial real estate, and the local businesses employees patronize, are desperate to make downtown active again.

Some cities like Tampa-Saint Petersburg, Florida and Austin, Texas saw an influx of remote workers starting in 2020. Many bought homes in low-tax havens and worked from home during and after the COVID pandemic. Now those cities and others like it are red-hot areas for home sales. Plenty of folks are selling at below-market value due to high interest rates in order to keep their jobs.

Speaking of sinking real estate values ...

Every week it seems like a major company is shutting down operations in urban areas. Target, Nike, Nordstrom and Walmart are just some of the latest.

The Kobeissi Letter notes that roughly 18% of all U.S. office space is vacant and more than "\$1.5 trillion of commercial real estate debt is coming due by 2025. Most of this debt is held by regional banks and vacant properties struggling to pay the debt."

Some ghost towns are in worse shape than others. The highest vacancy rates for cities are:

- | | |
|-----------------------|-------------------|
| 1. San Francisco: 31% | 9. Houston: 19% |
| 2. Los Angeles: 26% | 10. Austin: 19% |
| 3. Chicago: 24% | 11. New York: 17% |
| 4. Phoenix: 24% | 12. Dallas: 17% |
| 5. Cleveland: 23% | 13. Miami: 16% |
| 6. Denver: 22% | 14. Detroit: 13% |
| 7. Philadelphia: 19% | 15. Seattle: 11% |
| 8. Boston: 19% | |

[Read the story online](#) 

Uh oh: ESG funds are drying up and the price of oil is soaring

October 4, 2023

Industry demand for crude oil is rising. The price of a barrel of oil could top \$100 before Halloween.

Since OPEC announced it would reduce output in the spring, energy prices flattened out for most of the year. That calm patch is over now as Saudi Arabia has refused to ramp up production despite the Biden administration's entreaties.

And now, green energy is taking hits even in usually friendly corners. For example, Democrat leaders in New Jersey now say they oppose offshore wind turbines. The Danish company building the controversial wind farms is teetering on bankruptcy.

From the 30,000-foot viewpoint, investors are clearly losing patience with environmental, social and governance (ESG) initiatives. ESG assets have plunged from their peak of \$17.1 trillion in 2020 to \$8.4 trillion in 2022. BlackRock and State Street are closing some of their least lucrative ESG funds.

EV mandates are running into brick walls

Electric vehicle (EV) production is also facing strong headwinds these days. And the federal regulations designed to reduce fossil fuel use appear to be coming up short.

Case in point: The National Highway Traffic Safety Administration (NHTSA) proposed tough fuel efficiency (FE) standards in August. Manufacturers would need to improve FE by 2% for passenger cars and by 4% for light-duty trucks, year over year, starting in 2027.

The FE regs would necessitate building more EVs and hybrid vehicles to comply. But NHTSA may have given industry groups all the ammo they need to kill the standards in court.

NHTSA's impact assessment concedes that "net benefits for passenger cars remain negative across alternatives." *The Wall Street Journal* notes how greenhouse gas emissions would be reduced by a mere 2% by 2040 under the standards.

Weighed against the costs and job losses for car and truck workers, 2% may be too high a price to pay. Federal appeals courts and the Supreme Court are routinely vacating rules that impose steep costs on companies and consumers.

China controls EV battery minerals

United Auto Workers (UAW) are on strike and demanding significant raises from the "big three" – General Motors, Ford and Stellantis (formerly Chrysler).

Since China controls access to critical minerals for EV batteries like lithium and cobalt, U.S. car makers won't be able to compete.

President Biden supports auto workers' call for a 40% pay hike. Donald Trump also sides with the UAW but argues Biden's EV mandate puts car and truck makers in a bind.

[Read the story online](#) 

A/P News Briefs

Stories You Might Have Missed

Payment errors and reconciliation delays are a consistent problem for 90% of CFOs

September 26, 2023

CFOs are desperate for more clarity, faster reconciliation and fewer errors in their payments and receivables. Automation solutions and artificial intelligence tools top finance chiefs' list of strategic solutions.

The third annual State of Payment Operations 2023 report (conducted for Modern Treasury by the Harris Poll) finds that 90% of CFOs' companies experience one or more problems when it comes to payments. The biggest problem – reconciling payments on the books with bank statements – takes “way too long” and leads to an incomplete picture of actual cash on hand.

Thirty-two percent of the decision makers from 500-plus companies polled said that payment reconciliation delays were their top pet peeve, followed closely by:

- a lack of real-time insight into cash balances (31%)
- a high rate of payment failures (27%)
- data errors (26%), and
- a low rate of accurate payment reconciliation (23%).

Seventy percent of decision makers say managing payments takes too long from start to finish, and 64% know their finance teams are wasting too much time on payment operations. CFOs don't see their staffers as the problem – it's outdated technology and siloed systems causing the delays and hiccups. Most CFOs want their employees focused on more important tasks, chiefly those that drive revenue.

Automation upgrades are well within reach

Unlike some problems that companies can't solve yet, CFOs are equally confident they can alleviate their payment headaches soon. According to the Modern Treasury survey, 93% of CFOs said they're

likely to invest in payment operations in the next 12 to 18 months. Their top goals: shorter payment processing times (55%), the ability to manage all bank accounts in one platform/system (53%) and automatic reconciliation (51%).

Instant payment rails like FedNow are quickly gaining converts. Sixty percent of CFOs are using instant payment rails and 28% say they're planning to use one within the next 12 months. As more and more payments begin to move instantly, companies will demand real-time, automatic reconciliation.

To prepare for the world of instant payments, CFOs will need to assess the compatibility of their current accounts payable, receivables and treasury management software, and whether their current vendors are capable of setting them up for success.

[Read the story online](#) 

T&E update: The latest on IRS per diem rates, high-cost localities

September 29, 2023

Pass it along to A/P: There are new IRS per diem rates for business travelers, effective Oct. 1, 2023 through Sept. 30, 2024.

Notice 2023-68 announced the special IRS per diem rates, which you can use to substantiate the amount of expenses for lodging and meals and incidental expenses (M&IE) for your road warriors.

While not mandatory, many employers prefer a per diem payment approach to T&E instead of tallying up and reimbursing actual expenses based on employee-submitted records and receipts, and keeping records of all those allowable expenses.

Important IRS per diem numbers

Inflation strikes again. For the purposes of the high-low substantiation method, the new IRS per diem rates are:

- \$309 when traveling to any high-cost locality (currently \$297), and
- \$214 for travel to any other locality within the continental U.S. (CONUS) (a \$10 increase over the current rate).

However, M&IE per diems will hold steady for the next year:

- \$74 for high-cost localities, and
- \$64 for any other locality within CONUS.

Also staying the same are the special per diem rates for companies in the transportation industry: \$69 for any area within CONUS and \$74 for areas outside of CONUS.

The IRS per diem rate for incidental-expenses-only deductions remains \$5 for all areas.

There's also the option to use the federal per diem rates published annually by the U.S. General Services Administration, which we reported earlier. IRS Rev. Proc. 2019-48 provides the complete rules for using per diem rates.

High-cost localities: Who's in, who's out?

As of Oct. 1, the following areas have been added to the list of high-cost localities:

- Yosemite National Park, CA
- Tampa/St. Petersburg, FL
- Atlanta
- Missoula, MT
- Saratoga Springs/Schenectady, NY
- Eugene/Florence, OR, and
- Montpelier, VT.

Here are the part-time high-cost locality changes to note:

- San Diego (year-round)
- Washington D.C., including the cities of Alexandria, Falls Church and Fairfax, and Arlington and Fairfax counties in Virginia; and Montgomery and Prince George's counties in Maryland (Oct. 31-June 30 and Sept. 1-30)
- Fort Lauderdale, FL (Jan. 1-April 30)
- Fort Myers, FL (Dec. 1-March 31)
- Fort Walton Beach/DeFuniak Springs, FL (June 1-July 31)
- Miami, FL (Dec. 1-May 31)
- Portland, ME (Oct. 1-31 and July 1-Sept. 30)
- Hilton Head, SC (March 1-Aug. 31)
- Manchester, VT (Oct. 1-31 and Aug. 1-Sept. 30), and
- Seattle (Oct. 1-31 and May 1-Sept. 30).

As of Oct. 1, the following cities drop off the list and become regular CONUS localities:

- Los Angeles
- Durango, CO
- Portland, OR, and
- Vancouver, WA.

[Read the story online](#) 

After holding steady for much of the year, IRS interest rates bumping up for Q4 of 2023

October 4, 2023

In case your finance team had been in cruise control heading into year-end because IRS's quarterly interest rates hadn't changed since the beginning of 2023 – surprise! There are new rates as of October 1, 2023.

IRS Rev. Ruling 2023-17 is setting Q4 2023 interest rates at:

- 7% for corporate overpayments of tax (up from 6%)
- 5.5% for the portion of a corporate overpayment that exceeds \$10,000 (up from 4.5%)
- 8% for underpayments (taxes owed but not fully paid) – a 1% increase, and
- 10% for large corporate underpayments (up from 9%).

What's behind the interest rate change?

According to the revenue ruling, interest rates were computed from the federal short-term rate, rounded to the nearest full percent and based on daily compounding determined during the month of July 2023. That rate is 5%.

The underpayment rate for corporations is generally the rate plus three percentage points, and the overpayment rate is the rate plus two percentage points. Five percentage points are added to the federal short-term rate to create the rate for large corporate underpayments, and half a percentage point is added to this rate to come up with the rate on corporate overpayments of taxes that exceed \$10,000.

Update on disaster area tax relief

Businesses in most of California, and in parts of Alabama and Georgia, that were granted natural disaster-related filing extensions for their TY 2022 tax returns need to file by October 16 – a deadline that's fast approaching.

Taxpayers affected by flooding in Illinois that were supposed to file returns on or after June 29 now have until Oct. 31.

Companies disrupted by flooding in Alaska also have an extended Oct. 31 deadline for federal filing that was due on or after May 12.

Those affected by flooding in Vermont have until Nov. 15 to file returns that were originally due July 7 and after.

For the areas of Maine and Massachusetts slammed by Hurricane Lee, time has been granted to file anything due on or after Sept. 15 by Feb. 15, 2024.

IRS also extended relief to those impacted by the Hawaiian wildfires in Maui and Hawaii counties. The deadline is Feb. 24, 2024 for what was originally due to be filed on or after Aug. 8.

That Feb. 24, 2024 extension also applies to the Hurricane Idalia-hit areas of:

- Florida (for filing deadlines originally between Aug. 27, 2023 and Feb. 15, 2024)
- South Carolina (filing deadlines originally between Aug. 29, 2023 and Feb. 15, 2024), and
- Georgia (filing deadlines originally between Aug. 30, 2023 and Feb. 15, 2024).

[Read the story online](#) 

Payroll News Briefs

Stories You Might Have Missed

Tax changes coming for certain catch-up contributions, but IRS allows extra prep time

September 8, 2023

IRS has given employers two extra years to implement a Secure 2.0 Act provision that's bringing tax changes for certain retirement plan catch-up contributions.

Section 603 of the Secure 2.0 Act says that if employees whose wages exceed \$145K in the preceding year want to make catch-up contributions to their employer-sponsored retirement plan, the contributions will need to be made to Roth accounts.

In other words, a pre-tax deduction will no longer be an option for these high-wage-earning workers age 50 and over for any catch-up contributions. That's a game changer for employees and employers alike.

The Secure 2.0 Act didn't have any prep time built into it, to deal with the so-called Rothification provision. That caused many industry groups to ask IRS for relief.

Now, in new guidance, IRS provided a two-year administrative transition period.

So, instead of needing to be up and running by January 1, 2024, employers have until January 1, 2026.

Tax implications

In Notice 2023-62, IRS not only provided additional time but also stated it's considering issuing further guidance on Section 603.

That guidance is expected to cover three topics which will help employers understand the tax implications of the new law:

- 1. Employees who don't earn FICA wages.** For example, some state or local government employees don't earn FICA wages. Therefore, IRS may issue guidance that clarifies the Section 603 requirements don't apply to them, even if they're high-wage earners.
- 2. The treatment of pre-tax elections.** The current thinking from IRS is this: If an employee who's subject to the Section 603 rules elected to make

catch-up contributions on a pre-tax basis, the plan administrator and employer would be able to treat that as an election to make catch-up contributions on a Roth basis. Again, look for official IRS guidance on this down the road.

- 3. Multi-employer plans.** IRS may also release guidance explaining that the wages from one participating employer wouldn't need to be aggregated with wages from another participating employer in the case of a multi-employer plan.

IRS is seeking comments on these and other topics that may warrant guidance. The deadline for comments is October 24, 2023.

[Read the story online](#) 

Employees want to join a union? What you should know about new NLRB ruling

September 19, 2023

Now more than ever, businesses should be prepared to understand and handle union contracts.

The reason? A new ruling from the National Labor Relations Board (NLRB) just paved the way for employees to unionize without an election.

According to the NLRB's decision in *Cemex Construction Materials Pacific, LLC*, when a union requests recognition based on the fact that a majority of employees in an appropriate bargaining unit have designated the union as their representative, an employer has two choices.

The choices are:

- recognizing and bargaining with the union, or
- filing a petition with the NLRB to get an election.

The ruling puts additional pressure on employers. Specifically, the petition can be dismissed without the opportunity for an election, if the employer commits unfair labor practices.

In fact, the NLRB will order the employer to recognize and bargain with the union.

In the *Cemex* case, the employer engaged in more than 20 instances of objectionable or unlawful misconduct during the period between when the election petition was filed and when the election was held.

Therefore, the building materials company must bargain with the union, the NLRB ruled on August 25, 2023.

Previous union cases

Here's a look at where we've been in the years leading up to *Cemex*:

A 1949 NLRB case, *Joy Silk Mills Inc.*, required employers to bargain with a union unless they had a good-faith doubt of the union's majority status.

Things shifted in 1969 with *NLRB v. Gissel Packing Co.* In that U.S. Supreme Court decision, the employer said the authorization cards the union had obtained from a majority of employees were "inherently unreliable." But because the employer had committed unfair labor practices, a fair election was unlikely. Therefore, the employer had to bargain with the union, the court said.

[Read the story online](#) 

What survey revealed about annual pay raises, W-4s, other Payroll topics

September 22, 2023

Most employers give out annual pay raises, according to a new survey. However, the increase isn't enough to keep up with inflation.

The survey, *Getting Paid in America*, is released each year by PayrollOrg (formerly the American Payroll Association).

In this year's survey, 68.7% of the respondents answered yes, when asked if they receive annual wage increases. Meanwhile, 20.64% answered no. A handful of participants, 10.66%, didn't know.

As for whether that raise would keep pace with the rising rate of inflation, 78.72% of those surveyed said it wouldn't, with 21.28% answering in the affirmative.

More employees than not (47.72% vs. 43.02%) had completed a new Form W-4 before the 2023 tax year began. However, 9.26% didn't know if they filled out a new withholding form.

Regardless, employees have confidence that their withholding and the net amount of their paychecks are correct each payday.

More than half (52.65%) are *very certain* about that, and 32.78% are *somewhat certain*. Only 7.82% are *not very certain*, while 4.02% are *not certain at all*. The remaining 2.73% said they don't know.

What happens on payday

The percent of employees being paid by direct deposit has continued to rise. In 2023, the number is 95.15%, compared with 93.26% last year.

Paper checks remains in the runner-up position, with 2.85% currently being paid that way, down from 3.62% in 2022. No other options broke the 1% barrier this year or last, whether it's:

- a payroll card
- an online payment system like PayPal or Venmo, or
- a prepaid reloadable card.

No matter what the method, Payroll continues to deliver on-time wages to employees, the PayrollOrg survey made clear. In fact, 91.01% of those surveyed attested to the timely paychecks. That's up from 90.69% in 2022.

Pay and benefits

Employees prefer higher wages to better health benefits. That sentiment is growing – 73% chose the wages as opposed to the benefits in 2023, up from 65.10% last year.

Finally, if employees have questions, most of them – 87.31% – can access their pay and benefits information online.

[Read the story online](#) 

2 bills bringing HSA expansion move forward in House

September 29, 2023

Heads up: Two pieces of legislation would provide more health savings account (HSA) flexibility for employees, increasing the value of this benefit.

On September 28, 2023, the House Ways and Means Committee approved both bills.

Here are some highlights from each one.

Bipartisan HSA Improvement Act of 2023

Under the Bipartisan HSA Improvement Act of 2023 (H.R. 5688), employees whose spouses have health flexible savings accounts (FSAs) would be able to make HSA contributions. Under current law, if one spouse is enrolled in an FSA, the other spouse isn't eligible for HSA participation.

H.R. 5688 contains other changes. For example, employees would have the opportunity to convert their own health FSA or health reimbursement arrangement funds into an HSA. This would be permitted if the employee enrolls in a high-deductible health plan (HDHP) HSA. There'd be a limit on the conversion amount – i.e., the annual health FSA contribution limit for individual coverage and twice that amount for family coverage.

HSA Modernization Act of 2023

The second piece of legislation, the HSA Modernization Act of 2023 (H.R. 5687), is welcome news if you have any employees who plan to work past retirement age or are already doing so. As the rules stand now, employees entitled to Part A of Medicare due to their age can't contribute to HSAs. But the legislation lifts that restriction.

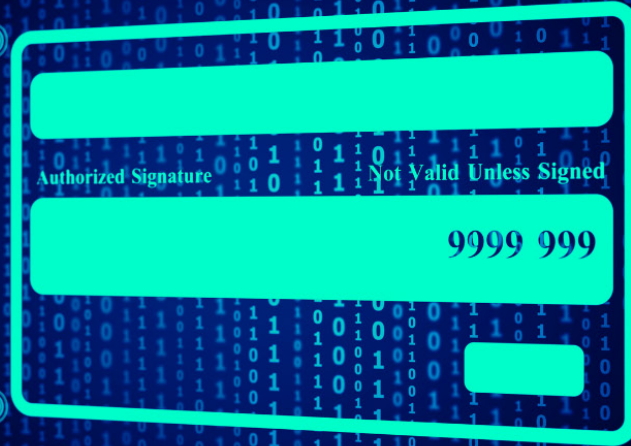
Next, employees may be more inclined to make catch-up contributions if H.R. 5687 becomes law. Right now, if both spouses are 55 or older and eligible to make catch-up contributions, both of them must make catch-up contributions to their own HSAs. But the legislation would allow married couples to contribute catch-up funds to the same HSA instead of having to set up separate accounts.

One final provision to highlight at this stage: The bill calls for flexibility when it comes to HSA contribution limits. The amounts would be increased to align with what someone might owe. Specifically, the limits would equal the amount of the annual deductible and out-of-pocket expenses permitted under an HDHP.

We'll keep an eye on these bills for you.

[Read the story online](#) 

CAN YOUR TECH STACK SUPPORT INSTANT PAYMENTS?



CFO Accounting Supercharging cash flow with FedNow instant payments: A/R software's next evolutionary step



by Brian Bingaman

How many times has your Finance team seen the word “processing” on their laptop screens this week? Instant payments, both via The Clearing House’s RTP (Real-Time Payment) Network and the Federal Reserve’s 24/7/365 FedNow Service, are poised to change that.

Imagine that a key piece of your business’s equipment has broken down. You need to order replacement parts right away, but they won’t ship until you’ve paid in full. An instant payment can settle with the vendor in seconds, speeding up delivery and significantly cutting the down time.

Since launching in July, FedNow’s modest growth continues, with

72 financial institutions, 20 settlement agents and liquidity providers, and 20 certified service providers on board. Zooming out on the world stage, however, there are predictions of instant payments becoming a major trend between now and 2027:

- Juniper Research in the UK is forecasting a 218% global growth in instant payments, and
- Instant payments will account for close to 28% of **all** global electronic transactions, according to the 2023 “Prime Time for Real-Time” report from ACI Worldwide.

And by the way, the demise of the paper check is accelerating. *The Guardian* reported that Australia is officially ending the use of check payments by 2030.

U.S. banks dragging their feet?

In an interview, Nick Chandi, the CEO and co-founder of ForwardAI, said that banks in the USA are far more enthusiastic about receiving instant payments in approximately 20 seconds than they are about sending them. Part of the reason is because it means they’re making less revenue from credit card fees and interest.

Supercharging cash flow with FedNow instant payments: A/R software's next evolutionary step

"If you look at ... major banks in the U.S. ... they are the primary insurers of credit cards or debit cards. ... Every time you swipe that card, they make money on the interchange. No one wants to lose money that's coming from an interchange. ... If you look at Zelle, most banks, they lose money on Zelle," he said.

"As it happens with every company ... they try to protect the technology they have. It's very difficult to go out, dump how you're making money today, and go after a new revenue stream, a new product, and completely rebuild your business model."

Meanwhile, BNY Mellon and Trustly have created their own open banking solution for faster payments called Bankify.

Chandi expects that almost all major financial institutions will commit to both sending and receiving on FedNow. However, he said, thousands of banks don't have, for example, \$70 million in liquid assets on hand. For them, sending out a lot of high-dollar instant payments is too risky right now. FedNow transactions are capped at a \$500,000 maximum, while RTP allows transactions up to \$1 million.

"They might be good with receive-only (for instant payments) just because they don't have the liquidity and they don't have the funds for the technology upgrades," he said.

Small business A/R as fast as Venmo?

With many banks testing the instant payment waters by receiving payments only for now, that puts the focus on the A/R side of Finance.

A/R software vendors that are paying attention to what's going on with faster payments may be looking to add FedNow- and RTP Network-friendly instant payment modules similar to ForwardAI's Forwardly platform, which is geared toward small businesses and accountants and performs automatic reconciliations in Xero and QuickBooks Online (with additional accounting systems integrations forthcoming).

Saving money with instant payments

It's not just the banks that love credit cards. Businesses that use them to make payments love them for the rewards programs.

But finance leaders are beginning to realize that, in addition to paying invoices efficiently, instant payments are more cost effective than credit cards, Chandi said, mentioning a Federal Reserve Bank of Atlanta study that found most cardholders actually lose money on their rewards programs.

You probably know from experience that you have to spend a lot with a credit card in order to get substantial rewards.

"Unless you have a premium credit card, like American Express Platinum or Capital One Spark or Chase Sapphire ... what happens is people end up spending more than what they can afford. And then there are penalties for the late payments. Or if you're just making a minimum payment, forget about coming out of that debt trap," he said. "It's a kind of toll most small businesses ... have to pay. But the

problem is the toll is like \$50 or \$100, instead of \$5 or \$10."

According to Chandi, Forwardly users cut their credit card fee expenses by 70-80%.

Evaluating vendors

When talking to fintech vendors about their instant payment capabilities, some questions to ask include:

- Are there transaction fees? You don't want to exchange credit card processing fees for something just as expensive.
- If my bank isn't on FedNow or the RTP Network, can you at least enable me for same-day ACH transactions that don't come with big fees?
- What are your fraud protection features and how do they work?

[Read this Story Online](#) 

Could sales tax reporting issues that led to employee lawsuit have been prevented?

CFO Bill Keeper and his business owner friend, Ben Hackett, had just begun a hike in the park.

"I'm power walking today. Try to keep up, Bill," Ben said.

"Stepping out some stress?" Bill asked.

"You remember my finance director, Joel Dibble?" said Ben, noticeably quickening his pace.

"Sure," Bill replied, scrambling to keep up.

"He's been having some problems with my A/P manager, Rachel. The state audited us because of some errors in our commercial activity tax reporting. Then things got really complicated when a state we do a lot of business in tried to tell us we owed them \$350,000 in unremitted sales tax," Ben said.

"Are you getting audited again?" Bill asked.

"Yep. So far, it looks like the issue is we were using multi-state resale certificates, which that state doesn't accept," Ben said.

Audit causes friction

"How did that happen?" Bill asked.
"Your A/P manager might be in over her head."

"It gets worse," Ben said. "Joel began holding daily meetings with Finance about the sales tax audit. I heard there was a lot of arguing. Then, Rachel complained to HR that she was being bullied. When she got a bad performance review, and didn't get a bonus, she claimed Joel was targeting other women in the office for mistakes they didn't make."

"What's the status of the investigation?" Bill asked.

"HR emailed me and recommended Joel for management training and said we should terminate him if there's another big incident," Ben replied. "But I think she's blowing things out of proportion to get Joel fired, which is a violation of our company code of conduct for lying."

Rachel was let go, but Joel was not. She sued her former employer for a hostile work environment based on her gender and the company asked the case be dismissed because of a code of conduct violation. Did the judge agree?

The decision

No. The judge allowed the suit to proceed.

The court said there was evidence of pervasive, discriminatory intimidation, ridicule and insult by the manager against female employees that altered the conditions of Rachel's employment –



Could sales tax reporting issues that led to employee lawsuit have been prevented?

in this case the performance review that was tied to compensation.

The judge highlighted the email from HR stating that the manager needed training and that termination was the next action for a misstep.

How up-to-date are you on sales tax compliance?

Besides overdue adjustments to the management style of the finance director, this legal battle may have been avoided had the company taken its sales tax compliance more seriously.

One root cause of the tension in the finance department was possibly having to pay a lot of back sales tax, plus interest and penalties. A lack of supporting documentation triggered

an audit, and it sounds like Finance was unclear about how different states treat resale certificates.

Sales tax exemption can be difficult to understand because of how much state rules vary. One resource to ensure your team is up to date is the Premier Learning Solutions on-demand workshop “Navigating Sales and Use Tax Compliance.”

Arroyave v. Universal Remote Control Inc., No. 20-CV-8040 (VB), U.S. D.C. Southern District New York, 9/14/23. Dramatized for effect.

[Read more You Be The Judge in your Membership Dashboard](#)



CFO: Case Study

Tightened up controls, data security on vulnerable vendor info to prevent fraud

I watched the documentary “All the Queen’s Horses” about a municipal finance director who embezzled \$53 million from the City of Dixon, IL. Later, I had a nightmare that something similar happened at our company. That’s when I decided it was time for a data security audit.

Back when pandemic stay-at-home orders were in effect, it sometimes became necessary to override internal controls and grant staffers extra access to records, systems and processes to keep transactions from getting held up.

But three years later, with Finance back in the office, there’s no need for all of that extra access anymore. IT has since reverted back to the pre-COVID data security controls, closing the door on potential internal fraud.

It was also time for a thorough management review on the segregation of duties we have in Finance:

1. Identify who has access to what areas of our accounting system



Tightened up controls, data security on vulnerable vendor info to prevent fraud

2. Identify everyone who has access to sensitive data and determine how necessary it is for their job, and
3. Ensure no one employee is able to create a vendor, create a purchase order, create an invoice and generate a payment.

That's when it was discovered that Purchasing had unnecessary access to a screen on our master vendor file. That issue was mitigated right away.

Master vendor file data security

There's a lot of sensitive data in our master vendor file to keep secure, specifically Employer Identification Numbers, Social Security Numbers, Individual Tax Identification Numbers and banking details.

I assigned IT to come up with an encryption/truncation system for keeping sensitive information in our accounting system from being compromised.

Other security measures

In addition, we began requiring the use of encrypted email any time Forms W-9 or W-8 were involved. To secure banking details, IT created a special embedded vendor form that's sent in an encrypted email.

To keep paper documents from becoming a data security risk, we enabled secure printing on our common printers, requiring employees to enter

a code into the printer before a print job is completed. We also started performing random desk audits to ensure no one was leaving sensitive info in plain sight or keeping it in an unsecured place.

We incentivized the desk audits by entering everyone who passed the audit into a drawing for extra time off.

With these data security measures in place, I'm sleeping a lot better at night.

Subject matter adapted from the ResourcefulFinancePro workshop "How to Secure Your Vendor Data to Avoid Internal and External Fraud."

[Read more Case Studies in your Membership Dashboard](#)

CFO Strategy

4 strategic moves CFOs need to be making now to thrive amid today's business challenges



by Brian Bingaman

Winning tech, security, talent, communication strategies for CFOs



Your CFO peers are dealing with unprecedented inflation, several bank failures and an unpredictable labor market. And don't forget about the new COVID-19 variant that the Centers for Disease Control says is now present in the U.S.

It's no wonder that a 2022 survey by PwC found that nearly half (47%) of CFOs said their top priority is building predictive models and scenario analysis capabilities to try to account for different "what-ifs" in their budgeting and forecasting.

To succeed in the current environment, these are some of the steps you need to take, according to CFO Leadership Council founder Jack McCullough.

Take charge of IT strategy creation

Your CFO peers are realizing that the IT investments of the past may not have formed a system that operates cohesively. For instance, point solutions that were good at solving one problem in Finance might not integrate with other solutions, leading to data silos that hinder decision making.

Moves to consider making:

- Automate A/P, A/R, payroll and account reconciliation
- Automate other areas of the business. One example: tech that enables customers to serve themselves as much as possible, and

- Work with your CIO to establish a spending decisions process that considers alignment with strategic priorities of the business, integration with the technology you already use, and a clear ROI that can be documented, measured and actively managed.

And don't miss the *ResourcefulFinancePro* webinar "AI-Powered Finance: The CFO's Guide to the Future" on September 28. Click [here](#) to find out more.

Prioritize cybersecurity compliance

Responsibility for an organization's financial integrity and the ability

4 strategic moves CFOs need to be making now to thrive amid today's business challenges

to evaluate regulatory mandates are key reasons why CFOs need to be involved in the decision making around cybersecurity risk responses and strategies.

More than three out of four CFOs (78%) plan to enhance their cyber risk management, according to PwC.

Working closely with your CIO and your board of directors will be essential, of course. And to catch potential risks that company insiders may miss, this may be a good time to consider asking a third-party partner to assess your cybersecurity measures, help craft the security plan you need (especially tailored training and protocols for Finance employees) and recommend software investments.

Here's a helpful benchmark from Statista: On average, companies worldwide allocate at least 12% of their IT budget to information security.

How's your cybersecurity insurance policy? Does the indemnity depend on minimum requirements for asset inventory, patching, vulnerability management and incident response?

And does it help pay for:

- notifying customers about a data breach
- services to help affected customers deal with the fallout from leaked personal information
- recovering data that may have been encrypted and held for ransom, and
- repairing damaged computer systems?

The Premier Learning Solutions workshop "How To Secure Your Vendor Data to Avoid Internal & External Fraud" on September 26 will arm you with some helpful information. Click [here](#) to find out more.

Also, download our free guide, "Top 10 Common Cybersecurity Mistakes in 2023" [here](#).

Get involved in your company's HR strategy

The talent landscape is complicated right now, with rising wages, labor shortages, increasing hiring costs, a lack of needed skills and a young generation of employees who want exciting, meaningful work and career growth opportunities.

Conversations need to take place with your CHRO about:

- digital initiatives that automate tedious, time-consuming tasks
- a deeper commitment to talent development through mentorships, etc.
- more transparency about internal career progression
- how to head off turnover costs (e.g., absenteeism metrics might indicate disengagement, overwork or personal struggles)
- identifying high-performing employees and ways to engage them
- compensation and benefits trends. Is giving an average performer a little extra pay and training less expensive than making a new hire? Should salary and other incentives be creatively combined based on an employee's performance?
- how to ensure departments are budgeting properly for new-hire requisitions.

Commit to being an effective communicator

CFOs who can tell a good story and adeptly translate data into insights everybody can understand will have

a major advantage in the current climate.

Some specific tips that McCullough had:

- Tailor your message to whoever your audience is by learning beforehand what data sets will speak to them.
- To avoid going overboard with numbers, choose a small bucket of relevant metrics that emphasize the point you're trying to make.
- Where possible, combine data points to create business insights. Numbers need clear context on the why and how behind them.
- Complement your narrative with dashboard visuals that display relevant KPIs (make sure you have the tools to produce compelling visuals), and
- Connect what has happened with what it means for the future.

ResourcefulFinancePro Insiders can check out "120 Proven Communications Tips for Today's CFO" by clicking [here](#).

When it comes to communicating with investors:

- Keep strong relationships through frequent and thorough updates.
- Communicate both wins and losses, and
- Always keep in mind investors can make introductions to potential customers, suppliers or even pre-sales beta testers of your product or service.

[Read this Story Online](#) 

ESG climate rule on thin ice: Emissions reporting will burden smaller firms most



by Scott Ball

Thousands of concerned stakeholders told the Biden administration to pare down or yank its controversial climate change disclosure rule. The sticking point is a requirement for companies to calculate and report indirect aka scope 3 emissions of greenhouse gases (GHGs).

Securities and Exchange Commission (SEC) chair Gary Gensler told the Senate Banking Committee he's holding off on finalizing the environmental, social and governance (ESG) reporting rule, which was on schedule for promulgation in October.

Gensler cited widespread concerns the rule would be especially onerous to smaller-sized companies based on many of the 16,000 comments the rule's received so far. He noted that the SEC has thus far promulgated 22 rules during the first three years of the Biden administration, on par with SEC rulemaking under past administrations, and isn't going to "rush" through a problematic rule.

As usual, the Democrats are urging Gensler to push the rule through while Republican lawmakers want the SEC to pull it outright. But are industry stakeholders (and Gensler) right about the potential burdens on smaller companies?



Bigger companies with wider supply chains can erase emissions overnight

Answer: There's no question they're right. Bigger companies will be able to find all kinds of ways to deduct their emissions of carbon dioxide, methane and hydrofluorocarbons used in refrigeration and air-conditioning equipment all along their supply chains.

Case in point: In 2017 Microsoft publicly reported it was responsible for 22 million metric tons (mmts) of GHGs. But then it took a second look at its carbon footprint using the Environmental Protection Agency's (EPA) guide on scope 3 emissions.

By the time the software giant was done, it managed to deduct

11 mmts of so-called global warming gases reported. Half of its GHG output wiped out overnight via clever accounting.

EPA defines scope 3 emissions as resulting from "activities from assets not owned or controlled by the reporting organization ... [that] indirectly impacts in its value chain. ... [scope 3 emissions] often represent the majority of an organization's total GHG[s]."

The SEC rule would require publicly traded companies to report material risks posed by climate change to their business and their financial statements, physical risks such as sea level rise and severe storms, and direct and indirect GHG emissions.

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Potential 55% overtime salary threshold increase: How worried should we be?

Q: If the Department of Labor's (DOL) proposed overtime rule is finalized, any employee not making at least \$1,059 per week/\$55,068 annually will be eligible for overtime pay if they work more than 40 hours in a week. What do we need to keep in mind when our Finance team needs to start working longer hours during year-end? We don't want to get in trouble with the DOL.

A: In a post on his Ohio Employer Law Blog, Jon Hyman, a partner in the employment and labor law practice at Wickens Herzer Panza in Avon and Sandusky, OH, said that despite what you may hear about the proposed rule, this change to the Fair Labor Standards Act (FLSA) salary test shouldn't wreck your payroll budget.

"If you're paying someone with whom you vest this level of discretion and judgment in your business an annual salary less than \$55,000 (which is only the 35th percentile of weekly earnings of full-time salaried workers in the lowest-wage Census Region), either you

are grossly underpaying them or they really aren't all that indispensable to your business (and therefore fail the duties test and aren't exempt anyway)," he wrote.

What's the duties test? Under the FLSA, an employee is exempt from overtime rules if he or she falls into any of these "white-collar" buckets:

- **Administrative**, meaning "office or non-manual work directly related to the management or general business operations of the employer or the employer's customers, and which includes the exercise of discretion and independent judgment with respect to matters of significance."
- **Professional**, meaning "work requiring advanced knowledge in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction, in which work is predominantly intellectual in character and which includes the consistent exercise of discretion and judgment."




Potential 55% overtime salary threshold increase: How worried should we be?

- **Executive**, meaning management of the enterprise or a customarily recognized department or subdivision of the enterprise, in which the employee customarily and regularly directs the work of at least two or more other full-time employees, and the employee has the authority to hire or fire other employees (or the employee's suggestions and recommendations as to such are given particular weight).

This may be the time for an audit of which employees are exempt and nonexempt, and identify who could be eligible for overtime pay under the new threshold.

Employers in some industries may consider investing in automation and artificial intelligence solutions to replace workers if paying overtime to more workers will take too big of a bite out of the bottom line.

[Read more Ask the Auditor in your Membership Dashboard](#) 



DEI hiring gone awry: The top companies are shutting out white job candidates

 by Scott Ball



The largest and most profitable companies in competitive markets apparently meant it when they promised to interview and hire a lot more minority job applicants.

Hiring data from 2020-21 of 88 companies on Standard & Poor's (S&P) 100 list bears that out. An eye-opening report from Bloomberg shows these companies increased their workforces by 323,000-plus following the George Floyd protests and riots.

The surge in hiring was dominated by diversity, equity and inclusion (DEI) initiatives. An eye-opening 94% of new hires could be categorized as "people of color." Whites – just over 70% of the U.S. population – accounted for only 6% of S&P 100 hires.

"White people held fewer [less-senior] roles in 2021 than they did in 2020, whereas thousands of

people of color were added to the ranks," notes Bloomberg. "But the trend continued up the job ladder in top, high-paid jobs too: Companies increased their racial diversity among executives, managers and professionals."

Many, if not most, of these companies laid off thousands of employees starting in fall 2022. Numerous reports show that DEI positions (as well as HR employees) were the top two choices for cuts. No doubt companies will claim the "last one hired, first one fired" doctrine factored into who they chose to let go if and when they're sued for discrimination.

DEI policies put smaller companies in a legal bind overnight

S&P 100 companies aren't just at risk for class-action lawsuits by

recently fired employees who can show race may have been a factor. Tens to hundreds of thousands of white job candidates who got passed over for jobs can more than reasonably claim discrimination.

Starbucks recently took it on the chin for firing a white regional manager in 2020. A New Jersey jury determined the company fired her, in part, due to race, and awarded her \$25.6 million. The negative publicity likely stung Starbucks worse than the payout.

Nearly 17% of HR professionals say they're being told by company executives not to hire white men and women. Maybe the actual percentage is significantly higher. Or perhaps the majority of smaller and private companies are following merit-based hiring practices unlike the biggest, publicly traded companies that clearly aren't.

To make matters even worse, "at companies where overall employment shrank in 2021, White workers made up 68.5% of the losses, another 16.5% were Black, 9.7% were Hispanic and 2.3% were Asian," according to the Bloomberg report.

The S&P 100 currently includes companies like 3M, Alphabet (Google), Amazon, Apple, Amgen, Cisco, Costco, CVS, Goldman Sachs, Meta (Facebook), Microsoft, Mondelez International, Netflix, Nike, Pepsi, UPS, Tesla, Walmart and Wells Fargo.

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80% of Excel users don't use pivot tables: Here's what they're missing out on

Data from Microsoft indicates that just two out of every 10 Excel users take advantage of the program's pivot tables feature to quickly generate reports, according to CPA David Ringstrom.

"Pivot tables unlock your data," he said during an on-demand *LearnExcelNow* workshop.

Instead of manually summarizing a list that's in a worksheet, you can turn it into a table and Excel handles most of the work:

1. Select any cell in your desired list.
2. Click the Insert tab in the ribbon.
3. Select Pivot Table in the Tables function section.
4. A Create Pivot Table dialog box appears. Make any changes in the Table/Range field that you need to and click the OK box.

Getting creative with a 'pivot table blank canvas'

Now you've created a new worksheet within your workbook. Ringstrom described it as a blank canvas. If it's going to be something you want to save, this is the time to give the sheet a name in the new "Sheet1" tab at the bottom of your screen.

Use the Pivot Table Fields section on the right side of your screen to select the worksheet data fields you want to include in your report. Excel automatically assigns the fields to either the Columns, Rows, Values or Filters quadrants and a report starts to assemble on the left side of your screen.

"Excel is full of quirks and nuances. And if you're using Excel for Mac, if you click a checkbox, you're going to find every field drops down into the Values quadrant – which is a nuisance. In Excel for Windows ... only fields that have numbers will show up in the Values quadrant. But if the fields are in the wrong place, you can just grab and drag them around," Ringstrom said.

As you experiment with moving the data fields around the quadrants of the Pivot Table Fields – moving things in Rows to Columns, for example – you'll notice the dragging and dropping changes the look of your report. Take note of what makes the report easier to read.

"There's nothing that you can do on the pivot table worksheet that's going to flow backwards and affect the original data," Ringstrom noted.

All in on AI in the workplace: Pilot programs have tripled in the last 6 months

 by Scott Ball

Businesses are quickly putting artificial intelligence (AI) to use in the workplace. The percentage of companies trying out an AI tool has tripled in just six months. Companies that are still in the research stage may risk falling behind their competitors.

A Gartner poll finds 55% of companies are either in “piloting” (experimenting) or production mode with generative/conversational AI tools. Gartner polled 1,400-plus executives with titles like CIO and CFO to gauge AI’s progress.

Companies’ adoption of AI is downright rapid: 45% are experimenting with AI to run everyday business functions compared to just 15% polled by Gartner in the spring. Nearly half are scaling AI across more than one business function, while 22% are piloting AI on three or more functions.

Ten percent of companies have put AI solutions like ChatGPT into production or regular use. That’s a big jump from 4% back in March. The No. 1 concern for decision makers remains the same – privacy and protection of company and customer data.

AI brings its share of risks, as many are learning

Despite the cybersecurity concerns, execs seem determined to barrel



EXECS SAY BENEFITS OF AI OUTWEIGH THE RISKS

ahead. Gartner found a whopping 78% of execs say the benefits of AI outweigh the risks. That includes business leaders whose organizations are still in the “dipping their toes” stage.

A Harvard and Boston Consulting Group (BCG) study found using AI on various work tasks boosted productivity by 12%. Even better, work got done 25% faster with “40% higher quality results compared to those not using AI.”

The downside? Errors spiked by 19% when consultants “pushed the envelope” with AI. (BCG consultants used Open AI’s GPT-4. GPT stands for generative pre-trained transformer.)

While “some tasks are easily done by AI ... others though seemingly similar in difficulty level are outside the current capability of AI.” Bottom line: People are better off working alone on more complex tasks and decisions that may require empathy.

Marketing, software development top users of AI

Customer-facing departments make up 47% of current AI experimentation or usage by businesses, according to the Gartner poll. Broken down, those subdivisions are marketing (19%), customer service (16%) and sales (12%). IT/IS usage of AI makes up 30% of the pie – 21% by software development teams and 9% in tech infrastructure and operational work.

The top three reasons execs cited for investing in generative AI are:

- growth initiatives (30%)
- cost optimization (26%), and
- customer experience/retention (24%).

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