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The CFO Advisor

Guidance for Small Business Success™



Welcome to the November 2021 edition of “The CFO Advisor” Newsletter. By now the colder weather is setting in no matter where you are, and the holiday season is upon us.



The feature article this month gives you tips on setting up an Accountable Plan, to avoid having any unnecessary tax impact on your employees. We also provide a list of the best business books for 2021 (let us know yours) and how to identify some signs of identity theft.

Don't forget to take some time out of your day to give THANKS for all that you have and have done as well as all of the clients, customers, employees, and family you have in your life. Happy Thanksgiving!

Until next month...

Dwight L. Hulse, CPA/CITP, CGMA

The Accountable Plan: A Win-Win Tax Move

Having an accountable plan has always been a great way for a business to give employees a tax-free benefit that's also deductible, but it's now more relevant than ever as companies are finding it difficult to attract and retain qualified employees.

If you haven't already, consider establishing an accountable plan to offer some financial relief to your workers for this lost tax benefit. Here's what you need to know:

The basics of an accountable plan

An accountable plan is a set of rules a business uses for employee reimbursement of business expenses. It's used to reimburse employees for travel expenses, supplies, tools, and home office expenses that employees initially pay out of their own pockets.

Businesses create accountable plans for two reasons: To ensure reimbursements won't be treated as taxable income for employees and to prevent the need to pay payroll taxes on reimbursements. It's a win-win for both parties.

Requirements to keep an accountable plan tax free

While there are tax benefits for both the employer and employee, there are a lot of tax rules that must be followed. Employees need to meet these three requirements in order for an accountable plan to qualify for the tax exemption:

- Deductible expenses must have been paid for or incurred while performing services as an employee.
- Expenses must be accounted for and reported to the employer within a reasonable time period.
- Any excess reimbursement or allowance must be returned to the employer within a reasonable time period.

If these requirements aren't met, reimbursements will be

taxable to employees and employers.

Don't let excess payments trip you up

Employers should consider potential excess payment issues that may come up with accountable plans. Typically, an excess payment occurs when a business provides an advance for a business trip and an employee spends less than the advance amount. In this case, the employee will have to return the excess within a reasonable amount of time.

So what's the definition of reasonable? The IRS says that the following actions are treated as having taken place within a reasonable period of time. Employees need to:

- Receive an advance within 30 days of the time he or she has an expense.
- Adequately account for expenses within 60 days after they were paid or incurred.
- Return any excess reimbursement within 120 days after the expense was paid or incurred.
- Receive a periodic statement (at least quarterly) that asks to either return or adequately account for outstanding advances and they comply within 120 days of the statement.

Create an audit-proof accountable plan

Although you don't have to formally submit an accountable plan to the IRS, it's important to create a plan in writing in case the IRS ever challenges the tax benefits. After employees properly substantiate their expenses, you should file and retain the documentation of these expenses.

Please consult your tax specialist to find out if an accountable plan may make sense for your business.





TIPS FOR DEALING WITH COMMON ACCOUNTS PAYABLE PROBLEMS

The accounts payable process is typically very labor-intensive for many small business owners. While moving to a paperless environment may help alleviate some of your accounts payable headaches, there will be new problems you'll have to successfully navigate.

Here are some of the most encountered accounts payable problems and several solutions to consider.

Common problems with accounts payable

- **Double payment.** A vendor sends you an invoice for \$100. Your company promptly pays this vendor \$100, but a short time later another payment for \$100 goes out to the vendor. Sometimes this can be the fault of the vendor sending an invoice in different ways (i.e. via fax and e-mail). Or the vendor moves to digital invoicing and emails more than one person in your company, effectively duplicating the invoice electronically. Or even worse, you print out a digital invoice twice.

- **Vanishing invoices.** Your company could get an invoice from a vendor and have that invoice get misplaced, or the invoice accidentally gets destroyed before ever making it into your A/P system. With digital invoices, how do you know which one is the original and which one is a duplicate?

- **Sending payment prior to delivery.** There are sometimes benefits to paying an invoice as soon as possible. However, if your company pays an invoice before a shipment arrives, that could lead to an awkward conversation with your vendor if any of the shipment arrives with damaged or missing items.

- **Matching errors.** A manual investigation is often required if a discrepancy is discovered between purchase orders, invoices, and other documents. This often happens when multiple invoices



are paid with one check, and the break-out of the invoices does not fit on the check stub or other payment documentation. It gets more complicated if your supplier applies payments haphazardly creating a past due account, all while you continue to pay the bills.

What you can do

- **Update your internal controls.**

Have your A/P team help update internal processes and document how invoices should be handled. Pay special attention to separation of duties and full use of purchase orders to ensure invoices are accurate.

- **Have one inbox for A/P.** All e-mails with invoices should go to one inbox. This will help reduce the chances that an invoice will be received or paid twice. Limit access to this billing address.

- **Limit access to cash accounts.** It's more important than ever for someone without authorization to your company's cash accounts to review bank reconciliations. Not only will this help to potentially uncover erroneous payments, but it could also help to uncover potential fraud that is occurring in your company.

- **Track key performance indicators.** Create a report each month of all unpaid invoices and another report that shows payments made. Explore bank security features to

identify duplicate payments and allows you to control checks that are confirmed for payment. Use your accounting software to help identify duplicate dollar amounts and duplicate invoice numbers.

- **Be cautious with ACH.**

Giving a vendor automatic access to your firm's checking account needs to be tightly controlled. Explore ways to ensure you are reviewing these auto payments on a timely basis and that you are receiving supporting invoicing of these payments.



Are You In Need of a Trusted Business Advisor?

If you are not my client and would like to explore whether we might be a good fit, please contact me. As an experienced business advisor, I have worked not only in private and public industries but also across many functional areas and can help you implement best practice solutions to improve profits.



Do You Have A Tough Accounting / Finance Question You Want Answered?

I love hearing from my small business clients and friends who enjoy reading my monthly newsletter. I'm always looking to answer pressing questions you might have relating to small business.

If you have a question, tip or idea, please call me at 352-450-2880 or email me at dwight@dlhulseconsulting.com. Perhaps I'll feature you in a future issue!



These Are the Six Best Business Books of 2021, According to the 'Financial Times' and McKinsey



The shortlist for the prestigious annual prize is out and full of intriguing fall reading ideas.

1. **The World for Sale by Javier Blas and Jack Farchy**

This book by a pair of former FT journalists “tells the story of how a group of international commodity trading houses rode the commodity boom,” explains the newspaper. Among many other positive reviews, Foreign Policy insists, “If you have the slightest interest in how the modern world was made, by whom, at what price, and at what profit, this is the book for you.”

2. Empire of Pain by Patrick Radden Keefe This book, described by critics as both riveting and enraging, was both a New York Times bestseller and one of President Obama’s summer book picks. It “explores the links between the Sackler family and the global epidemic of opioid addiction through the rise and fall of Purdue Pharma, a company owned by two of the Sackler brothers and their families.”

3. The Conversation by Robert Livingston A leading Harvard social psychologist “examines how to turn difficult discussions about race, at work and in society in general, into a meaningful promotion of change and racial justice” in this book, according to the FT.

4. The New Climate War by Michael E. Mann A climatologist argues “against climate ‘inactivists’ and lays out systemic measures to combat the global problem of climate change,” the FT says. The book’s Amazon page is chock full of glowing recommendations from everyone from Bill Nye to Greta Thunberg to Leonardo DiCaprio.

5. This Is How They Tell Me the World Ends by Nicole Perlroth The title of this one might not sound particularly cheery, but The New Yorker swears it’s actually a page-turner, describing the book as “part John le Carré and more parts Michael Crichton.” The FT praises it for its analysis of “the threat posed by the arms race between cyber criminals, spies, and hackers fighting to infiltrate essential computer systems.”

6. **The Aristocracy of Talent by Adrian Wooldridge**

This book by the journalist and historian Adrian Wooldridge offers “a wide-ranging analysis of the backlash against meritocracy” and “makes the controversial case for a revival of competition according to talent,” according to the FT.

IRS Warns of Identity Theft Signs



With identity thieves continuing to target the tax community, the IRS is urging you to learn the new signs of identity theft so you can react quickly to limit any damage.

The common signs of ID theft

Here are some of the common signs of identity theft according to the IRS:

- In early 2022, you receive a refund before filing your 2021 tax return.
- You receive a tax transcript you didn’t request from the IRS.
- A notice that someone created an IRS online account without your consent.
- You find out that more than one tax return was filed using your Social Security Number.
- You receive tax documents from an employer you do not know.

Other signs of identity theft include:

- Unexplained withdrawals on bank statements.
- Mysterious credit card charges.
- Your credit report shows accounts you didn’t open.
- You are billed for services you didn’t use or receive calls about phantom debts.

What you can do

If you discover that you’re a victim of identity theft, consider taking the following action:

- **Notify creditors and banks.** Most credit card companies offer protections to cardholders affected by ID theft. Generally, you can avoid liability for unauthorized charges exceeding \$50. But if your ATM or debit card is stolen, report the theft immediately to avoid dire consequences.
- **Place a fraud alert on your credit report.** To avoid long-lasting impact, contact any one of the three major credit reporting agencies — Equifax, Experian, or TransUnion — to request a fraud alert. This covers all three of your credit files.
- **Report the theft to the Federal Trade Commission (FTC).** Visit identitytheft.gov or call 877-438-4338. The FTC will provide a recovery plan and offer updates if you set up an account on the website.
- **Please contact your tax specialist if you suspect any tax-related identity theft.** If any of the previously mentioned signs of tax-related identity theft have happened to you, please contact your tax specialist.



Quotes: “Out of suffering have emerged the strongest souls; the most massive characters are seared with scars.” — *Kahlil Gibran*

“You have power over your mind – not outside events. Realize this, and you will find strength.” — *Marcus Aurelius*

“May your choices reflect your hopes, not your fears.” — *Nelson Mandela*





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See What's Inside...

The Accountable Plan: A Win-Win Tax Move
Tips For Dealing With Common Accounts Payable Problems
These Are the Six Best Business Books of 2021
IRS Warns of Identity Theft Signs
Get In The Habit Of Saving
Client Of The Month

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Get In The Habit Of Saving

Do you save regularly? If not, you should reconsider. Developing a saving habit is one of the best things you can do for your financial health.

In the short term, savings can provide you a cushion to deal with emergencies, such as a job loss, unexpected home repairs, medical bills, etc. It will also help you reduce or eliminate your need to take out loans or other financing. Most importantly, building up savings while you work can mean the difference between a comfortable retirement and scraping by on Social Security benefits.

There's no better time than now to start saving

If you're not a regular saver, where do you begin? Here are three tips to help you get started:

1. Set small, manageable goals. Remember the old adage that "what gets measured gets managed." Set specific goals, whether it's to save so many dollars per month or a set percentage of your earnings. Then track your progress toward your goal at frequent intervals. This will help you gradually expand your goals as you see your successes.

2. Save automatically wherever possible. Sign up for payroll deductions into your company 401(k) plan, or arrange for a portion of every paycheck to go straight into a savings account at your bank. Saving is much easier if you never get your hands on the money.

3. Track what you spend. Keep records for a month or two so you know where your money is going. Then figure out where you can cut back to generate some savings. For example, give up one espresso coffee per day, or make your own lunch two days each week instead of eating out. Or think up one creative, low-cost way to have fun with family or friends each week. Put aside the money you save so you can see the results.



"Honey... I'd rather not take a sleeping pill tonight... Why not talk about your business for a few minutes... that should help!"