

The View from Level VII™

STRATEGIC PERFORMANCE MANAGEMENT

PROPER PREPERATION & STRATEGIC PLANNING

“Get Ready and Get Organized”. This may sound elementary, but you’d be surprised by the number of businesses that sabotage their strategic planning efforts by poor preparation. Take your time here; this is about your past, present and future. Identify the specific issues and choices your strategic plan should address.

- You should start thinking about where it is exactly you want your organization to go (i.e., start thinking “big picture” and “end game”).
- Determine your organizational readiness, (i.e., do you have complete commitment and support from top leadership and key management?)
- Is yours a culture that is open to looking beyond the status quo to find new ways of doing things?)
- Create your planning committee (i.e. who will you rely on to implement your strategic plan? Who will be you plan administrator and who will be your most valuable players?).
- And finally, identify the information which must be collected to help make sound decisions (i.e., what reporting is necessary to access your current situation and measure your efforts in reaching your goals?)

A plan is only as good as the information on which it’s based. Don’t rely on assumptions or hunches. Again, I can’t stress enough that you can never underestimate the power of preparation and research.

Stone & Associates stands ready to assist with performance measurement systems, or any of our other Strategic Performance Management, Financial Management Consulting or Business Performance review services.

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HUMAN RESOURCES

FAIR LABOR STANDARD LAWS

Few laws have caused American employers as much consternation as the Fair Labor Standards Act (FLSA)

A revision in 2004 increased its complexity. So much so that huge corporations have had trouble staying within its bounds. Wells Fargo recently settled an FLSA-related case at a cost of nearly \$13 million. IBM got nipped \$65 million. And the cost to investment house UBS for settling its FLSA problems was \$89 million.

Even a small jewelry store operator in Ohio had to pay over a million dollars to settle an FLSA case. What’s more, judgments and settlements are likely to accelerate. FLSA violations have now replaced discrimination claims as the DOL primary enforcement target.

Here are some of the areas you need to know about.

Exempt vs. Nonexempt: One area in which companies often misstep is classifying workers as exempt from payment for overtime when they shouldn’t be. Many cases come from simply misunderstanding the rules, which specify a number of tests based on minimum salary, salary basis, and an analysis of the employee’s job responsibilities.

Different Types of Exemptions: One determinant in status is whether the worker fits one of the FLSA exemptions, which include executive, administrative, professional, and sales.

Illegal Docking of Exempt Pay: There are exceptions to the general rule that exempt employees must receive their full pay if they work even 1 hour in a week, but they’re easily misunderstood. In fact, illegal docking of exempt pay is a key FLSA violation.

"Nonstandard" Hours: Nonexempts must be paid for every hour carrying out their primary job responsibilities, but what about training time, travel time, comp time, and hours on-call? You need to know what your obligations are or stand the risk of being fined.

Obviously, violations must be corrected and remuneration paid, but there are ways to do it that limit your legal exposure and control your risk. If your unfamiliar with this regulation you need to ask the help of an expert.

HR Professional Consultants, Inc. offers human resource services and outsourcing for businesses of various sizes. For additional information or assistance in developing such a program please contact

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In this and/or future issues you will find short, yet meaningful articles regarding:

- Strategic Performance Management
 - Human Resources
 - Risk Management
- Executive Compensation & Benefits
 - Employee Benefits
- Private Wealth Planning
- Business Succession

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EMPLOYEE BENEFITS

401K PLAN INVESTMENTS

Most 401(k) plans enjoyed better than average investment returns in 2006, due to generally favorable equity markets. Now may be a good time to review your plan's investment options to help produce the best possible 2007 results.

Retirement plan advisors often recommend diversification as a strategy to produce consistently positive returns. Diversification requires that plan participants understand and utilize a number of different types of equity and fixed-income investments.

Following are two options that you might not yet have in your plan:

- “Dynamic” LifeCycle Funds/Accounts – These are normally structured as a series of related funds/accounts targeted at specific estimated retirement dates. A professional investment manager creates unique, diversified portfolios appropriate for each estimated retirement date. These portfolios are automatically managed to become more conservative as the target date approaches. The manager also automatically “rebalances” these portfolios periodically to maintain appropriate asset allocation percentages. These funds/accounts are attractive to plan participants who want professional management at a reasonable cost.
- Real Estate Funds/Accounts – These can be structured as “owned” real estate funds/accounts which emphasize longer-term holdings and lease/rental income. They can also be structured as Real Estate Investment Trust (REIT) funds/accounts which emphasize shorter-term holdings and resale appreciation.

We would be happy to discuss 401(k) Plan investment options with you.

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EXECUTIVE BENEFITS

SAS 70 COMPLIANCE...YOU BETTER HAVE IT!

SAS 70 Overview: Statement on Auditing Standards (SAS) No. 70, is an auditing standard developed by the American Institute of Certified Public Accountants. SAS 70 generally apply to professional service type organizations, specifically their control activities related to accounting and information technology. The audit examines whether there are adequate controls and safeguards when hosting or processing client data. Upon conclusion of a SAS 70 examination, the report includes attestation of the audit by an independent accounting firm along with the auditor's opinion.

There are 2 types of SAS 70 reports:

Type I: Audit of the service organization's description of controls at a specific point in time.

Type II: Same as Type I and includes detailed testing of the controls over a minimum six month period.

Sarbanes-Oxley Act of 2002, IRC Section 404 and AJCA 409A brought renewed importance to documentation and evaluation of controls for financial reporting of, among other things, nonqualified plans. Accordingly, SAS 70 is now a critical element when auditing of the financial statements of an entity that utilizes services from a service organization that provides services to: data centers, claims processing centers, bank trust departments, or other data processing service bureaus.

Has your service provider provided you notice of its compliance (thus yours) with SAS 70? Your independent auditors will be asking, and so may Treasury! Don't get caught “operationally non-compliant”, it can cost you just the same as being out of compliance from a legal standpoint.

SAS 70 is an important enhancement that supports WFR's long-standing commitment to providing its clients with timely and reliable data. We can help with review of your plan and providers as it relates to this fundamental compliance concern.

Weir Financial Resources, LLC is a financial advisory firm offering information, ideas and solutions in Executive Benefits, Business Succession and Private Wealth Planning.

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