

PCS Group Forum
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May 20th Agenda

- Introduce The CFO Solution/PCS Forum
- Today's first session
 Cybersecurity
- Second session-
 Best practices for managing facilities

What is the CFO Solution?

- We share best practices and best processes from peer CFOs.
- We don't know everything and our ideas are not always right for your situation but we believe it is helpful to share what your peers are doing.

You decide if you should consider-if we can help, just ask.

What we don't do (and do)

- We don't charge for our services.
- We don't consult or sell you anything.
- We don't compromise or embarrass you.

- We will take your call, discuss our ideas.
- We will introduce you to our SME expert and they will continue the conversation.

Quick review

- We have recently covered:
 - Running Finance like a profit center!
 - Reducing taxes-retro and going forward!
 - Process for human capital optimization
 - Reduce costs using contingency experts
 - Reducing energy usage and costs
- Thanks for your comments and success reports!

Cybersecurity

- Overview
- This is a CFO issue, not only the CIO
- It's all about risk assessment, having a plan (**S**ystem **S**ecurity **P**lan) and managing it
- Breaches are so common it is not “if but when” you will be breached. Call it an incident (for legal reasons!)
- Not limited to a retail business or even a business-we'll explain why you should be scared!

Startling metrics!

- Cyber crime \$400 million in 2015 (as rep.)
- 2019 estimate is was \$2 TRILLION
- Size of the events in 2021 is staggering
 - Facebook-533 million records lost
 - Microsoft-250 million records lost
 - Experian Brazil-220 million records lost

Cybercrime is worse than that!

- Not just mega firms with huge client count
- Small networks are hacked to use you as a bus stop or a terminal in their network
- Some don't know it. Many don't report it!
- You may unknowingly be an accessory!

WHY are cyber crimes exploding?

Little risk-not investigated under \$500k

Easier than robbing a gas station

Easy to get started-buy the software and get help desk

Highest growth curve in history is cyber growth!

Who is doing it?

- Technology enables individuals, organized crime and “military/ state” participants
- Unemployed and bored people are making a lot of money as hackers or assistants
- Insiders now comprise 20% of breaches
- This report was BEFORE Russian threats related to Ukraine and revenge for sanctions to cripple economics of their enemies!

How do they hack and why?

- Enter your network via malware and phishing
You must do the updates and patches!
IF IT is not doing it, outsource it asap!
- Many of us don't have retail or large client databases or commercial "risk" but hackers want to shut down your servers, intercept and redirect to another website or steal credit card, usernames and passwords for other reasons.

This is beyond IT

- Maintenance, patches and updates are critical
- Employee behavior slows phishing success-requires education, password security, multiple identification and monitoring. They will go elsewhere!
- Systems are vulnerable-CFOs have to provide the capital and expense to survive
- Insider risk is a human issue not an IT issue!

Back to risk management

- This is CFO's job

- Risks include

Regulatory and Compliance-new regs!

Loss of intellectual property

Shutdown (and then ransom)

Third party risks

Reputation risk-ask TJ Maxx or Target

Technology risk to your company

Buying cyber insurance

- Needed but only to remain in business
- Insurance carrier can't make the culture change, procedure / controls changes, manage the insider risk
- Much higher premiums, much high deductibles, narrow coverage and harder to get or even renew coverage
- Need an SSP!

Compliance

Remember ISO 9000 initiatives?

NIST 800 (53 && 171) and ISO 27001 are the guidelines for cybersecurity frameworks

Required standards and timelines to do business with DEP, OSHA, FDA ,etc.

NIST plan is publicly available and the place to start

Meanwhile visit our site and view the April 2022 working session

Facility Mgmt. Best Practices

It's not my job, is it?

Facility management

- Intersection of costs, risks, strategy and execution makes it crucial for CFO to be heavily involved in all aspects
- At highest level, facilities need to be strategically managed as we discussed earlier this year
- Practically, the branch manager or plant manager should not be making real estate decisions!

Five elements

- Rent, lease, buy decisions
- Location
- Operating cost decisions
- Tax best practices
- Energy usage and cost

Our catalog includes about 50 best practice writeups so this is a quick summary.

Rent, lease or buy

- Best practice is to think strategically but rarely is done.
- Must be long term
- For example, if you love location-you want to own it!
- If not sure, rent with an option to exit or purchase
- Entire session on it-value creating!

Location

- Before you commit, make sure you understand any incentives
 - Job creation, investment
 - There are best practices and land mines
- Get expert help. Your broker is not an expert!
- Could be worth millions!

Cost

- Understand your lease and responsibilities
- Spend the time on a new location to equip correctly-telecom, security, services, utilities-gas, power, waste, industrial gas because these can choke you.
- Maintenance is critical-roof, parking, lighting-sets the culture, impresses or depresses employees and customers

Tax Best Practices

- Get a property tax assessment done on all of your locations Use a performance based advisor
- Use cost segregation for tax depreciation optimization. One pager available.
Retro is a no brainer.
Don't do it yourself and most CPAs can't do it.
Careful on selecting an expert. Call us 1st.

Reduce energy use and costs

- Understand your utility costs and usage
 - For power, gas and waste disposal (semi utility)
 - Lots of ways to reduce usage-controls, LED lighting, HVAC and insulation game changers. See our website for examples.
- Get a baseline analysis for a variety of reasons for each location
 - May have grown or shrunk recently
 - Deregulated or semi regulated states
 - Energy is changing and get an advisor partner.
- See our session on this topic and call us

Examples

- Our Pa. utility just had a 33% rate increase, another 25% coming BUT they dramatically increased incentives for solar.
- NJ state just launched a great solar incentive.
- HVAC retrofit invention can reduce peak usage by 20% for very reasonable cost.
- State of the art insulation product is a game changer. Article on our website soon.
Disruptor-just named tech product of the year!

Pro SOLAR states

- No brainers DC Ma Hi Ca NJ Il Ct NYC
- Strongly consider Md RI Or Pa SC Col
- Others to evaluate Va Fl Tx Az Vt NH NV
- We have the models available, a great partner to work with and financing partners geared to green projects

Summary

- Again –GET AN ADVISOR PARTNER
- DO NOT expect Procurement to understand real estate and facility operations. Do not expect your general counsel to be a real estate lease or purchase expert. Use an expert!
We can help you.
- DO NOT expect your branch manager or plant manager to manage facilities-it is strategic and you are responsible!

To learn more

- Visit www.thecfosolution.org website and click on the west coast portal aka PCS Portal

Navigating our website

- Link to these sessions from PCS website or click on the PCS portal
- Visit www.thecfosolution.org, click on members button to see
Past content (over 75 sessions) and future working sessions (90 min)
 - View the table of contents
 - Slides and/ or zoom sessions
 - Testimonials, videos and examples

Any questions, send me an email at gbender@thecfosolution.org or call me at 215.421.8291
- Future session topics and dates (almost always 2 PM EST 3rd Wed. via zoom)

Comments ?

- Visit the website through the PCS portal
- Let me know your thoughts and questions

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Thanks for joining our group!