NASHVILLE – The time may have come for companies to put their internal servers in mothballs, as the prevalence and capability of Cloud-based services is making in-house IT infrastructure obsolete, technology experts said.

“We took any peripheral service that was not core to our business and moved it to the cloud,” said Mauricio Parades, director of information technology for P&S Transportation, a Birmingham, Alabama-based carrier, during a session on Cloud computing held here on February 29 at the ATA Executive Leadership Forum. From basic services to the backbone of a company’s computing system, Cloud-based services offer fleets options to outsource IT to specialized providers, panelists said.

And that starts with email. “Email is low-hanging fruit,” Parades said. “People should not have their own email servers. We don’t have it in-house anymore. This is one of the easiest things you can do on the Cloud.”

“How truckers [send] email is the same has how bankers and dentists email,” added Marc Mitchell, vice president of LTL technologies with McLeod Software, also in Birmingham, “Some things are just pure utility.” He pointed specifically to Gmail, the now-ubiquitous email service from Google, as an example of Software as a Service (SaaS), or a Cloud-based product that provides a service that once required servers be installed on a company’s premises. Plus, as Mitchell noted, companies in years past built in-house systems and expertise out of pure necessity. “A lot of the core services we use today were built before the Cloud was in place,” he said.

But email is just the beginning; from there, other Cloud-based offerings can provide the very foundation of a company’s computing power, he said. For starters there is Infrastructure as a Service (IaaS), which entails servers, storage space and operation of virtual machines for a company’s staff. There is also Platform as a Service (PaaS), which can help companies that build their own software, such as databases, web servers and other

---

By Joe Howard
Editor

NASHVILLE – The business of freight brokerage is one that can help fleets fill their trailers and boost their bottom lines, but whether they’re looking to expand their business or simply fill backhaul capacity, carriers must first plan for how to utilize a third-party logistics provider’s services before choosing one to work with, industry executives said.

“Brokers are the travel agents for freight,” said Rob Moseley, an attorney with the law firm of Smith Moore Leatherwood, during a presentation at the ATA Executive Leadership Forum, held here on February 29. And...
programming applications. “Uber is an example of PaaS,” Mitchell said, referring to the popular ride-sharing site.

Parades noted that the availability of Cloud-based and other services provides companies with an opportunity to evaluate their IT departments, and see if an opportunity exists to make changes. “This is the evolution of how you should look at your services,” he said. “Why do you need to hire an expert when you have companies that specialize? You not only outsource the service, but also the expertise.”

According to the results of a trucking industry technology survey, 38% of respondents cite ease-of-use as the top benefit with use of Cloud-based services. That’s followed by ease/speed of deployment (25%); cost savings (12%); and improved data protection (8%).

But Cloud services are not simply plug-and-play; before signing a contract with a vendor, it is important for companies to understand what they need, and what is being offered, Mitchell said. “Know your network – your physical network,” he said. “How are your computers hooked to the outside world? The internet connection is mission-critical.”

Also critical is a complete understanding of what the vendor will provide. And those details are laid out in what are known as Service Level Contracts – the agreements Cloud vendors make with customers.

“The Cloud is not perfect,” Mitchell said. “Cloud does not mean it will be [functioning] all of the time. Know your solution provider’s service level agreements – speed, availability, redundancy, notifications, frequency of updates, data security and access rights.”

In fact, security and availability were the top two drawbacks survey respondents listed when it comes to Cloud-based services, at 33% and 29%, respectively. That was followed by cost (25%), and then performance (8%).

Those who are unsure should take a test-run of the service, Mitchell added. “You should be able to try before you buy,” he said, adding that tests during off-peak hours are one way to gauge a vendor’s capabilities. “How fast does it run on Saturday and Sunday?” he said. Parades added, “Any Cloud provider will give you a free trial. And if you want more time, ask for it.” Because only through taking the time needed to fully understand their Cloud options will trucking companies be able to maximize a trend that, Parades said, is revolutionizing computing.

“The time when you would just buy software and not look at it for three years are long gone,” he said. “With the Cloud, when you buy [a service], you are buying a service that changes and matures over time. It gets better on a monthly basis. They will not just sell you the service; they will make it better as you go along.”
Lawmakers Seek to Reinstate Federal Office for Technology

By Hannah Hess
E&E reporter

Concerned that Washington, D.C., is failing to keep pace with technological innovation, a small cadre of lawmakers from both sides of the aisle are trying to persuade their colleagues to restore the Office of Technology Assessment.

During its 23-year lifespan, the small congressional agency – with a professional staff of about 140 – produced some 750 reports on topics ranging from satellite weapons to solar power.

Since the office was defunded in 1995, supporters have argued that cutting its $20 million annual budget has cost Congress billions in potential policy solutions.

During the fiscal 2015 appropriations process, an amendment to a spending bill that would have provided $2.5 million to restart the office was defeated by a 248-164 vote. The amendment was introduced by then-Rep. Rush Holt, a New Jersey Democrat and physicist who left Capitol Hill to head the American Association for the Advancement of Science. Now, Rep. Bill Foster, an Illinois Democrat, is taking up the charge to reopen the office.

“Almost every issue we face has a technological edge to it,” said Foster, the only member of Congress who signed a letter calling on House Speaker Paul Ryan (R-Wis.) to bring back OTA. Foster and another signatory of the letter, Rep. Mark Takano of California, are working on an amendment to the fiscal 2017 legislative branch appropriations bill and a letter to the House Judiciary Committee in support of OTA. Committee member Jason Chaffetz, who has an interest in technology, also signed the letter.

Reinstatement of OTA also has backing from outside of Congress. More than 90 organizations, including the Clean Air Task Force, Defenders of Wildlife and Republicans for Environmental Protection, organized with the Union of Concerned Scientists to call on lawmakers to reinstate the bipartisan office. Since it was cut, “the government has spent billions on new technologies that have not worked as promised,” they claim.

In a New York Times opinion piece, Celia Wexler, senior representative at the Center for Science and Democracy, pointed to a 1994 report on the usefulness of technology upgrades at the Social Security Administration that stopped the agency from investing in a $368 million computer program. However, lawmakers have had trouble justifying $2.5 million to revive the office.

Rep. Debbie Wasserman Schultz, the Florida congresswoman who chairs the Democratic National Committee, opposed Holt’s amendment. She called it “well intended,” and noted that she had in previous years backed providing $2.5 million to the Government Accountability Office to fund work similar to that of OTA. In the case of Holt’s amendment, she did not support his proposal to shift money out of a fund to revive historic Capitol Hill buildings to reopen the office. Meanwhile, Rep. Tom Cole, an Oklahoma Republican, noted that GAO has developed the capability to do more technology-related investigations.

More broadly, there is resistance to a federal office developing information that some industries might view as harmful to their businesses, said Jim Moran, the former Democratic congressman from Virginia who now works for the law firm

continued on p. 4
McDermott Will & Emery LLP. “There are always going to be some people who are threatened by science [when it] takes away a conducive environment to generate revenue for their respective industries,” he said. “Some members are…averse to becoming apprised of scientific advancements. But the majority of members want the most expert knowledge available.” Moran added that if Congress were to reinstate OTA, he believes that the country, “will be the beneficiary, because [Congress] will pass legislation that is better informed.”

Holt added, “What we are talking about here is finding the low-hanging fruit on making government more efficient. That is what the OTA did. That is what the OTA would do.”


DOT Readyng Safety Standards As Prelude To Eventual Driverless Vehicle Rulemaking

By Ariel Wittenberg
E&E reporter

In what officials are calling the first step toward regulating driverless cars, the Department of Transportation has released a review of how existing safety standards could apply to autonomous vehicles.

The report from DOT’s John A. Volpe National Transportation Systems Center found that current regulations do not explicitly address the possibility of automated vehicles, and often assume the presence of human drivers. However, the report also found that “there are few barriers for automated vehicles to comply with [federal standards] as long as a vehicle does not significantly diverge from a conventional vehicle design.”

Most regulatory mentions of drivers refer to aspects of a vehicle, such as brakes, that must be accessible to a driver. Also, the rearview mirror must be visible. And such requirements generally do not pose a problem. The two areas where federal standards might pose a problem for conventional designs are those for theft protection and brake systems.

The standards for theft protection dictate that a vehicle should not be able to move unless the key is in the vehicle. That could pose a problem for some “automated valet” technologies, with which owners could use smartphone applications to park and retrieve their cars.

Another standard holds that a vehicle should not be able to shift into drive or reverse unless the brake pedal is “depressed.” If automated vehicles were to adapt a different braking system, such as only including hand emergency brakes, they would not comply with existing standards. Autonomous vehicles with rede-
like travel agents, they can only help if the customers have a clear view of the destination.

“Are you trying to expand into a new region with no existing customers, or has a customer put you into a new region where you need access to freight for backhaul opportunities?” said Chris McLoughlin, a claims and compliance manager with C.H. Robinson Worldwide, a 3PL based in Eden Prairie, Minnesota. Against that backdrop, he said, it’s important to ensure that you’re engaging the right company. “Are they a broad or niche 3PL? Think about the modes – what kinds of service are you trying to utilize or provide when you are engaging that 3PL? Are you primarily [dry] van, reefer? Is it LTL [or] flatbed freight? When you are engaging those 3PLs, are they able to provide you with freight within those service lines? Make sure the broker understands and supports your strategy.”

For the broker to have that understanding, it is up to the carrier to clearly define its goals, McLoughlin said. “This relationship that you’re setting up – and it is a relationship – you should have a very strategic, structured way to look, view, and evaluate that relationship,” he said. “It’s not just getting somebody under contract and letting them loose in your network and your world. From an efficiency standpoint, that is counter-productive. Have a structured way to approach it. Have it established, created and understood within your organization. Make sure you have a way for that information to look.”

Crunching that information will be made easier when the parties adopt the right technology, he added “We are gaining so much net efficiency through technology, and technology integration – it is huge,” McLoughlin said. “You shouldn’t be spending all day on the phone with your shippers, brokers, and other parties. That is what the technology is there for – to increase the efficiency of the parties that are working together. They can do that through technology integration. This is critical to making sure the relationships you have are mutually beneficial.” And the number of those relationships a carrier maintains can run the gamut, based on need, McLoughlin added. “What makes sense for you? Should you have 100 brokers, or should you narrow it to five, 10 or 15 that make sense for your business?”

Regardless of how many you’re working with, it’s important to ensure that all involved parties understand that some freight may be brokered. However, this is a detail that is often overlooked, Moseley said.

“Shippers and carriers may agree that a broker will be used, but that may not be in a contract,” he said. “A lot of contracts are signed between a carrier and a shipper, with the full intent from both parties that the freight is going to be brokered, but there is nothing in the contract about brokering freight. Or if there is, it says – you can broker the freight, but you will remain liable as the carrier if you broker the freight.”

In fact, assessing potential uninsured or other potential liabilities is an area that is still evolving in the brokerage industry, and one that is not receiving sufficient attention, said Ben Armistead, chairman of Greenwich Transportation Underwriters, Inc., a Brentwood, Tennessee-based provider of transportation logistics insurance.

“I see a lack of intellectual investment in protecting liability that could ruin a company overnight,” he told Technology & Finance in an interview. Noting that legal costs for a broker to defend itself against a lawsuit easily reach $125,000 or more, Armistead stressed that more brokerage companies should be scrutinizing their level of legal exposure, and protect against it. Especially considering the potential profits that are on the table; citing data from the Transportation Intermediaries Association, he said some companies are seeing profits in the range of 15% - 20% of revenue.

“If I have a $20 million brokerage business, that’s a $4 million profit scenario,” he said. Against that backdrop, he said, a $150,000 annual insurance coverage costs is “a blip on the radar screen.” The key, he said, is for leadership to sit down with financial executives and determine the company’s level of exposure.

“We are in the very early days of an evolving marketplace,” Armistead said. “If there was even an industry that needs to maximize best practices, this is it.”

Especially considering the amount of U.S. freight that moves through an intermediary, which he said is currently in the 40% range. “The brokerage business is a factor in the supply chain that is not going away,” he said. “But it is also one that is evolving. If you don’t understand this business, you’d better [start] learning it.”
Proposal for Awarding CPE Credits Amended

A proposal that would modify how accountants earn credits for professional development courses was amended after concerns were raised about how time spent in educational sessions should be recorded, the *Journal of Accountancy* reported.

Certified Public Accountants would be able to earn continuing professional education (CPE) credits in increments of one-fifth, one-half, or whole credits for all instructional delivery methods except so-called “nano-learning” under an amended proposal issued February 1 by the American Institute of Certified Public Accountants (AICPA) and the National Association of State Boards of Accountancy (NASBA). The groups jointly publish the Statement on Standards for Continuing Professional Education Programs, which is periodically reviewed to ensure its effectiveness.

In May, the groups issued a proposed revision that included two new instructional delivery methods, nano-learning and blended learning. Nano-learning refers to 10-minute educational sessions – typically video presentations – that cover specific topics, and can help CPAs master certain tasks. Blended learning combines multiple delivery methods, such as live instruction and on-demand self-study. Comments submitted on the first proposal revealed that allowable CPE credit increments were inconsistent across various instructional methods. Commenters stressed this could complicate the process of awarding and tracking CPE credits, but otherwise supported nano- and blending-learning initiatives.

Under the revised proposal, a minimum of one full credit must be awarded for group programs, independent study and blended learning before partial credits can be awarded. This would not apply to nano-learning, which is awarded only as one-fifth credit under the new proposal.

For self-study, one-half credit is the minimum required, followed by one full credit. Once one credit is exceeded, increments of one-fifth, one-half and full are permitted.

Event sponsors will have the discretion to round down CPE credits to the nearest one-fifth, one-half, or whole credit as appropriate.

“These proposed revisions to CPE standards take advantage of a range of available learning options and provide CPAs greater opportunities and increased flexibility in their professional education,” said AICPA vice president Clar Rosso in a news release. “This revised exposure draft makes clear that all CPE, regardless of delivery method, will continue to be held to a rigorous standard. Feedback from our stakeholders plays a valuable role in the CPE standards process, and we encourage all interested parties to review the updated exposure draft and submit their comments.”

The deadline to submit comments is April 30. If approved, policies for all new programs would take effect Sept. 1, 2016. Revisions to current programs would take effect on the next CPE program review/revision date.

Among the technical areas of study where CPE credits can be earned include accounting; auditing; business law; economics; finance; information technology; management services; regulatory ethics; specialized knowledge; statistics and taxes. Non-technical areas of study include behavioral ethics; business management and organization; communications and marketing; computer software and applications; personal development; personnel/human resources; and production.

The standards were last revised in 2012.
Mergers Can Lead to Intercompany Accounting Risks, Study Warns

A new report from Deloitte warns that mergers and acquisitions are prompting some companies to adopt risky accounting practices, Accounting Today reported.

The report dissects the practice of “intercompany accounting”—or ICA—which is defined as the processing and accounting for internal financial activities and events that affect multiple legal entities within a company. ICA can include sales of products and services, fee sharing, cost allocations, royalties, and financing activities. It’s a broad area that, while rooted in accounting, has extensions into various functions including tax, treasury, and finance.

The report—titled “Cleaning up the mess under the bed—Why intercompany accounting is increasing corporate risk”—cites several examples where improper ICA has landed companies in hot water:

• An unnamed manufacturing company is facing a federal grand-jury investigation involving intercompany cash transfers related to its tax planning.
• An insurance company was forced to restate financial results because it failed to eliminate certain intercompany transactions related to variable-interest entities.
• An oil company’s improper intercompany accounting resulted in a restatement of its financial statements followed by a lawsuit accusing the company of misleading investors about the effectiveness of its internal controls.
• An unnamed company’s weak internal controls over related-party transactions allowed insiders to fraudulently overstate inventory, leading not only to Securities and Exchange Commission-imposed fines but to two lawsuits.

The report says that consolidation is contributing to these missteps. “Stronger players snap up their weaker competitors, often inheriting heterogeneous financial systems, charts of accounts, and accounting processes with each new acquisition,” the Deloitte report says. “Companies grappling with myriad incompatible financial systems and inconsistent processes are often forced to use detective, ‘after the fact’ methods to try to catch the errors. These band aid tactics only postpone the inevitable—and the mess keeps growing.” What companies need, the report says, is a “holistic and preventative approach in which the primary stakeholders—accounting, tax and treasury—work hand-in-hand to create a vision for the future that streamlines ICA from governance to reporting.”

This kind of collaborative approach requires companies to develop a framework that incorporates and is followed by all departments, Deloitte says. “Getting everyone working from the same playbook and equipping them to clean up the ICA mess calls for a single vision for the future,” it says. “To describe that future, a company will first need a framework that provides a holistic perspective and incorporates every aspect of ICA, from governance to reporting. The advantage of a framework is that it can help visualize ICA as an interconnected, interdependent, end-to-end process while breaking it down into manageable pieces. Then, to address each component of the process, a company needs an approach that embeds both leading practices and a roadmap to adopting them.”

And the sooner a company adopts a framework, the better prepared will be as growth continues. “As companies grow, they frequently introduce centralized business service centers, which increase the number of

continued on p. 8
Peer-to-Peer Lending Offers Funding Options to Small Businesses

Online marketplaces designed to connect small companies with potential investors are providing both sides with a new option for locating business opportunities, according to a report from the United States Small Business Administration.

Peer-to-Peer (P2P) lending is the broad term for an emerging trend that combines two Web-based methods of raising capital: crowd-funding, though which small amounts of money are collected from many sources; and marketplace lending, which are online platforms that link borrowers and lenders.

Marketplace lending encompasses P2P lending as well as online lending by large institutions. Prosper and Lending Club are two well-known P2P platforms in the US, while institutionally backed marketplace lenders include OnDeck Capital, Kabbage, and CAN Capital. The last three examples offer credit exclusively to businesses, not consumers.

While business and personal loans are readily available online, the SBA report focused narrowly on small-scale personal loans for business purposes, which might appeal to companies and lenders dealing in smaller amounts of money. Examples of businesses that have sought P2P loans include a young electrical engineering firm looking to maintain payroll and finance growth while waiting for accounts receivable, and specialized workers interested in launching their own firms.

For parties such as these, who might face more trouble securing loans from traditional lenders, P2P platforms offer a chance to quickly secure capital. Lending Club, for example, offers potential applicants quotes within minutes, and a seven-day funding process. Kabbage offers same-day approval on loans, while OnDeck can provide funding in as little as 24 hours, the report said. But this level of convenience can bring costs; P2P loans typically carry higher interest rates than traditional bank loans and some business credit cards.

Those higher rates are likely a result of the risk lenders assume with P2P loans; since most of the loans are unsecured, lenders have no recourse if a customer defaults. On the flip side, the decreased cost of offering P2P loans – due to the lenders’ use of proprietary scoring algorithms – make it economical for lenders to offer shorter-term loans, which helps mitigate long-term risk.

At the time of the report, the largest available marketplace loan was $300,000 for a five-year term. On the opposite end of the spectrum, P2P loans of $35,000 were available for 36 to 60 months.