THE YEAR-END GUIDE
FOR AP PROFESSIONALS

avidxchange™

TABLE OF CONTENTS

Why Did We Make This Guide?

It's that time of year again… time to start preparing for year-end close! With year-end comes headaches, long hours, stacks of paper, and a tremendous workload—but it doesn't have to be painful. Planning early will help your accounts payable (AP) department get ahead of the curve and reduce some unnecessary stress.

We want to make sure that you not only survive but thrive during year-end. As you close out the year, you're going to need a few tips and tricks to help year-end go as smoothly as possible. In this guide, you'll find helpful information on what reports and tools to use, as well as best practices for keeping your team motivated during the season. When the new year rolls around, we want you to be the AP hero and ready to head into the holiday season prepared for festivities instead of frustrations.

Master Vendor File Cleanup: Six Best Practices for Data Management

Vendor information is in constant flux, because contact names, phone numbers, addresses, and terms change frequently. For AP professionals, vendor management can be one of the toughest challenges to grapple during the year-end whirlwind. By updating the master vendor file on an ongoing basis, however, you can avoid the problems that arise with incorrect entries, such as duplicated payments, fraud activity, and noncompliance with federal laws like the Sarbanes-Oxley Act.

Below are some best practices for performing a master vendor file cleanup. By following these steps, you will ensure that you have a current master file that will make year-end closing easier and streamline enterprise-wide processes.

1. CONSOLIDATE AND VALIDATE

Consolidate all your vendor data, standardize company names, addresses, and other vendor information based on global standards. Once your house is in order, verify addresses, banking information, and other critical data with external sources to ensure accuracy. Companies should obtain a W-9 or an equivalent form before setup and payment. TIN (Taxpayer Identification Number) validation and vendor name matching should be performed using the IRS TIN matching system.

2. REMOVE DUPLICATES

The leading cause of duplicate payments is from duplicate vendors in an ERP system. When an invoice is entered into the accounting system, a duplicate vendor file is created if a different code is selected. This new file will be attached to the same vendor, which results in a duplicate payment. You should consider adopting a vendor payment policy that

requires an official invoice that includes an invoice number that references a contract number to avoid this issue.

Unfortunately, double payments can also happen when unethical employees or vendors take advantage of the system. Per the Association of Certified Fraud Examiners 2016 Global Fraud Study Report to the Nations on Occupational Fraud and Abuse, the typical organization loses 5% of annual revenues to fraud. The report indicates that proactive data monitoring and analysis can reduce median losses by half.

3. ARCHIVE INACTIVE VENDORS

If you haven't used a vendor in the past 15-18 months, then it's best to remove them from your master vendor list. If the supplier is archived, then their information can be easily accessed for reinstatement. By removing inactive vendors, your list becomes leaner, and your records are easier to access, which increases employee productivity by reducing processing time.

4. FILL IN THE GAPS

Make sure all files are complete and accurate by obtaining any missing data from the vendor. Go beyond basic name and address conventions to add missing contact names, phone numbers and email addresses, as well as corporate linkages. Duplicate vendors and double payments can occur as a result of external activities, such as mergers and acquisitions, so be sure to familiarize yourself with parent and subsidiary relationships between suppliers.

5. IMPLEMENT A VENDOR PORTAL

Implementing a self-service portal for suppliers is a good idea for many reasons. A self-service portal reduces inbound calls and emails regarding receipt and payment status and frees up your staff to dedicate time to high-level, strategic tasks. Concerning the master vendor file, a portal allows individual vendors to update their information, which improves accuracy and minimizes issues with missing data.

6. AUTOMATE

By utilizing an accounts payable automation solution, you can create a standardized vendor setup process with internal controls that will ensure your organization's compliance with regulations and 1099 tax legislation. This means fewer duplicate payments and fewer opportunities to become a victim of fraud. You'll also eliminate IRS B-notices and fines by ensuring business isn't conducted with companies on federal watch lists.

AvidXchange, a leading fintech provider of AP and payment automation for midsize companies, has a team of over 200 people that create an excellent experience for suppliers receiving payments through our network. Their Supplier Services team contacts 100% of your vendors to verify and update their information, identify their accepted payment types, and perform due diligence on any outstanding payments to get them resolved quickly.

By automating supplier data management, you can turn your vendor file into an increasingly valuable business asset that you can use to analyze and manage your AP spending and ultimately lead to potential renegotiation with your vendors.

Like a Boss:
5 Best Practices to Prepare for Budget Season

Few things in the business world inspire as much stress and frustration as preparing annual budgets during the year-end season. Business unit managers dislike how the time-consuming process disrupts their daily workload and affects bonus calculations; executives worry about establishing differing figures across departments, and finance leaders grow tired of a process that often doesn't lead to better spending decisions. It comes as no surprise that PwC released a white paper suggesting that annual budgets are "little more than paperweights" and that "many budgets become obsolete before the fiscal year begins."

Despite these concerns, organizations still need budgets to hold business units accountable for expenditures, reducing costs, making effective decisions, and preparing for worst-case scenarios. This raises the question: How can you best prepare for budget season in the midst of the always busy year-end season?

1. SUPPORT PROJECTIONS WITH FACTS

Before the actual budgeting discussions begin, business unit managers should be required to perform an analysis to support all key assumptions and projections with facts. Writing for Harvard Business Review, Jason Green of The Cambridge Group recommends that each business unit builds a case "starting from demand and working back to internal cost, capacity and capability measures." If demand for a product is expected to increase, ask: Why will your company benefit from this growth in demand to win new customers rather than the competition? Once need is established, you can have detailed discussions about the costs necessary to meet that demand.

Green recommends making it clear that projections "need to be supported by facts, and that any key assumptions behind projections must be detailed." Starting with fact-based demand ensures that the budgeting process includes realistic projections for growth and profitability.

"Budgets should fully fund the business units that are the top drivers of profit and growth and the departments that align with the company's highest priority business goals."

2. ALIGN RESOURCES WITH STRATEGIC GOALS

Budgeting is not just a financial exercise. The most important aspect of budgeting is to ensure that a company's financial resources are being used to further its goals and priorities. Every business unit competes for the company's finite resources. In some cases, organizations spread resources evenly across all business units or budget based on last year's numbers plus inflation.

For better budgeting results, however, organizations should allocate resources strategically. This means budgets should fully fund the business units that are the top drivers of profit and growth and the departments that align with the company's highest priority business goals—before moving down the list. Business units at the bottom of the list will then receive whatever budget remains at the end of the process.

While this approach will face push-back from business units on the bottom tier, when budgets are linked to a clear strategy that's clear to all involved, managers and employees will have a better understanding of the company's goals. This can be reinforced through regular reviews with business unit managers that track financial and strategic goals. "This understanding," explains Inc., "in turn, leads to greater support for goals, better coordination of tactics, and, ultimately, to stronger companywide performance."

3. ALLOW ROOM FOR CHANGE

Flexible budgets free business unit managers from padding their budgets "just in case." This leads to leaner, more realistic budgets. You can build in flexibility by setting aside funds at the business-unit level and updating the budget as frequently as needed to reflect external variables. A flexible budget will serve your organization better than one that ignores the reality of running a business.

Neubrain, a provider of business analytics and performance management solutions, writes, "Static budgets and multi-year financial plans produce high level financial targets and constraints, but not the roadmap to success." Developing a budget that accommodates change allows organizations to respond to threats and shifting market conditions more quickly and with greater precision. When opportunities arise, companies can then use resources to make profitable decisions; no business unit should have to wait until next year for more funds.

4. STRIKE THE RIGHT BALANCE OF DETAIL

More detail in a budget breakdown does not necessarily mean better decisions: Too little or too much detail can impact the budget process negatively. For example, extensive features often require a more time-consuming process and iterations; the cost of the budgeting process outweighs its benefits. On the other hand, too little detail, especially while budgeting for volatile revenue, may lead to miscalculations.

In Deloitte's guide, "Babies, Bathwater, and Best Practices: Rethinking Planning, Budgeting, and Forecasting," the following recommended questions are posed:

Where are we headed? *Easy access to a few key details can help you predict shifts in the company's overall financial trajectory. Identify and track the three to five factors—internal and external—that have the most significant impact on the business. A consumer products company may keep a close eye on sales volume, marketing spend, and the cost of critical materials.*

How will we get there? *To direct the business, you need access to the right level of detail to know how money is being spent and the value it's generating—perhaps even down to the individual customer or product and service level.*

5. IMPLEMENT AP AUTOMATION

Introducing technology to the budget process can vastly improve the budgeting and performance management capabilities of an organization. Consider accounts payable (AP), a process that is immensely important to an organization because it involves verifying, paying, and accounting for nearly all a company's outgoing payments outside of payroll. An automated AP solution makes data more accessible, highlights trends and exceptions, and offers insights based on statistical and quantitative analysis and predictive modeling.

Most companies run their operations on a quarterly basis, even though they prepare budgets annually. As a result, the annual budget is out-of-date and irrelevant almost as soon as it is released. An automated solution allows budgets to exist in real-time and helps streamline and speed up a process that could otherwise take months. As Ariett's "Guide to Best Practices for Modern Accounts Payable" suggests, "AP automation opens up a golden opportunity for accounting to utilize reporting and business analytics based on specific metrics and dimensions. With the right reporting tools, the accounting team can deliver insight to the executive team regarding spending, vendor contracts, operational bottlenecks, and department budgets."

An automated AP solution allows companies to manage their budgets without losing track of expenses and actual payments, showing the leadership team when important targets are being met and when others are falling short. This helps companies focus on the real goal of budgets: to make better financial decisions.

However, don't assume that automating your budget will improve the process. Automating an inefficient budgeting process, however, speeds up bad practices. Instead, take steps to enhance your budgets and the method you use to develop them and use automation to make operations more efficient. It will provide better visibility and control of your organization's financial management and planning.

THE BOTTOM LINE

Above all else, following these budgeting best practices can save your company time. By aligning your budget with a clear strategy while utilizing the right automated technology, you will keep your team organized and motivated. Properly developed, your budget can provide a solid foundation that allows your company to make stronger decisions and to take advantage of opportunities within an increasingly competitive marketplace.

Looking Ahead: What Tech Should You Budget for in 2019?

Technology that inspires industry change is often labeled disruptive. But don't let the term scare you: It merely implies that innovation will replace and improve dated processes. Early adopters of disruptive technologies can gain a competitive advantage over rivals who fail to innovate as quickly. For CFOs and financial professionals equipped with a dependable sense of logic and figures, adopting new technology can prove to be both feasible and invaluable.

Deciding to implement new technologies requires preparation and education. With Q4 approaching, we've helped identify new finance technologies that should catch a CFO or financial professional's eye. Depending on company budgets and resources, any one of these technologies can improve productivity and lead to increased revenue.

MOBILE COMPUTING

In the U.S. alone, 71% of users spend more time online using a mobile device compared to a computer. This means mobile optimization cannot be ignored. Whether it is mobile apps to facilitate sales or support solutions, being mobile-ready is no longer an option for many companies, but a requirement. Companies seeking to reap the benefits of mobile customers should have a mobile-ready website, compatible shopping cart, and secure payment gateway.

How will your company cater to mobile users?

Responsive Design – This means your website, shopping cart, and payment options are all designed to fit on an Internet-enabled portable device, regardless of screen size. Projects of this nature can be inexpensive—from free to less than $200—if your site is based on WordPress, Joomla, Drupal, or other widely available CMS systems. You can also install an add-on—which can solve this problem by detecting your site visitors' devices and resizing accordingly—or fit a responsive design theme—which resizes the design elements while retaining site content and features.

Apps – If your company needs custom-designed app solutions for multiple platforms (iOS, Android, etc.), it can be a costly exercise. Luckily, you can obtain a general estimate. In most cases, companies do not need their proprietary app, with their chosen software and service providers (including payment gateways) already having apps available to suit all desired platforms.

Payment gateways – Storing customer information and billing data on your servers means your company is responsible for the management and security of that data, including compliance with relevant regulations, such as PCI-DSS. Some companies prefer to allow third parties like PayPal and Stripe to store the data, making them responsible for all billing data and related regulatory requirements. When deciding on payment solutions, weigh the cost of a merchant account—which can vary widely—against payment gateways. For brick and mortar stores where POS systems are in use, you many need a hybrid of multiple payment gateways. However, the most important considerations include the ability to integrate your solutions with your AP automation process and to cater to mobile device users.

Social Collaboration

The ability to brainstorm with internal and external stakeholders in a collaborative environment is an important consideration. The environment needs security to prevent intellectual property loss, while also providing a stakeholder-only solution that allows easy permission-based sharing of documents. Ideally, the solution will consider data privacy and e-discovery in the event of future litigation.

Perhaps the best example of company social collaboration in practice is Intel's platform solution for its global workforce, allowing employees to submit ideas, respond to brainstorming sessions, and receive company updates. Most importantly, Intel tailored its solution to suit business objectives, with dedicated sales channels and integration with other enterprise tools, such as CRM software.

While your company may not have the resources for dedicated platform development, there are other options. Depending on requirements, you could use Slack—which includes several security features, including data encryption in transit and at rest—for collaboration; or, if the use of third-party servers deters you, there are several platform solutions—even WordPress can be configured as an Intranet—that can be deployed on your servers.

When a social collaboration solution is in place, the CFO no longer needs to chase other departments around for input.

Big Data and Analytics

When primary business objectives are identified, it is time to look at the data obtained by your company. Big data is defined as the capture of structured data (from relational databases such as SQL) and unstructured data (from social media, support tickets or product and service reviews). All structured and unstructured data is stored for later analysis, revealing patterns, trends, and associations that are not discoverable with typical methods like those used in Excel, Access, or SQL.

> **"Existing data is used to provide insights, but with one crucial difference: The insights gained do not reflect existing transaction, but instead are used to predict future purchases."**

You aim to leverage data in a way that provides valuable insights to define the future direction of your company, whether in sales, marketing, or investment. In most cases, the volumes of data involved will not require infrastructure investment, but when volumes are too large to handle, you can consider investing in a big data framework, utilizing cloud-based resources like Amazon Web Services or Microsoft Azure.

Big data requires analytics to extract the information necessary to aid decision-making. Selecting your data analytics platform or software is a vital choice and will reflect the data elements you decide to focus on and the resources available.

If you have an in-house team with expertise in big data analytics and the ability to customize algorithms as you need them, then a platform is the answer. But few companies have such employees, and given that there is a global skill shortage for data scientists, an off-the-shelf software solution could be the interim answer.

Business Intelligence (BI)

Having nothing to do with the IQ of your business, BI refers to the use of data in a predictive environment. Like data analytics, existing data is used to provide insights, but with one crucial difference: The insights gained do not reflect existing transaction, but instead are used to predict future purchases. For example, you can use big data to capture all the information about a product from your sales channels, social media, and websites, and then utilize pattern analytics to forecast a sales scenario or strategy about that product.

Accounts Payable (AP) and Payment Automation

AP Automation eliminates repetitive or time-consuming manual tasks in the AP process. Automating the accounts payable and payment workflow affords many advantages, but notably, it cuts down processing time and protects against check fraud prevention.

Also, payments are received promptly, and finance professionals do not have to waste hours processing stacks of unsigned checks for suppliers and service providers.

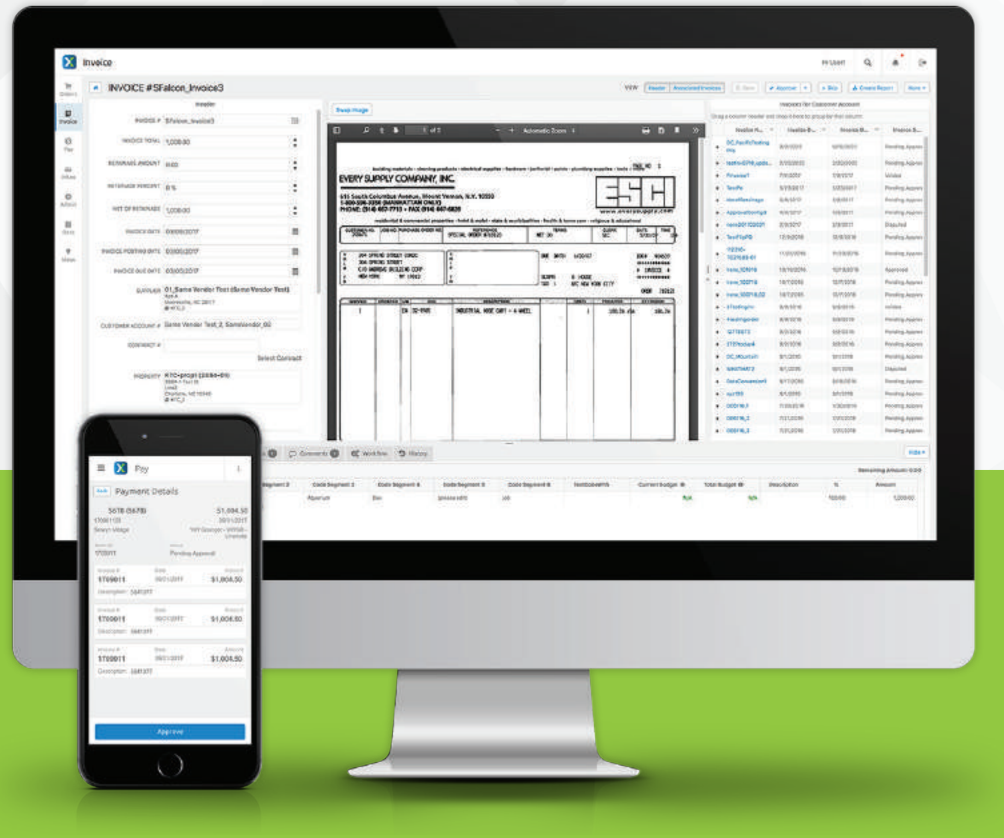
AP automation does not require infrastructure changes; it is cloud-based and can be accessed from anywhere via an Internet-enabled device. Going digital with AP Automation also eliminates reliance on paper documents, and the resulting cost-savings are impressive; with automated methods, the cost of invoice processing is reduced from $15 per invoice to $2.36 and the processing time is reduced from 45 days to five. AP Automation also allows multiple methods for receiving invoices—including paper invoices for those who have resisted digital transformation.

Make a Decision

Consider these the first steps in embracing disruptive technology. From the efficiency of AP automation to nuanced data analytics and forecasting, any one of these technologies can improve your business processes and adapt you to the modern age. By setting realistic timelines, goals, and budgets, you can use disruptive technologies to gain that needed edge over your competitors and prepare your company for the future.

Are You Ready for 2019?

It's tempting to hold off on implementing new technologies before the end of the year but automating your invoice and payment processes before 2018 will create so many amazing benefits for you and your team in the new year. Instead of coming back to paper and inefficiency, you could walk back in from your holiday vacation with a wholly automated invoice and payment process.



ABOUT
AVIDXCHANGE

Interested in learning more? AvidXchange's automation specialists would be more than happy to schedule a customized demo for you. Call us at (888) 918.2843, email the sales team directly at sales@avidXchange.com, or click here to schedule a demo today.

AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,500 clients throughout North America and 400,000 vendors nationwide, AvidXchange is the leading provider of cloud-based, purchase-to-pay solutions for Enterprise and Midmarket organizations, spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

WWW.AVIDXCHANGE.COM

avidxchange™