



**x**avidxchange™  
**GUIDE FOR END-OF-YEAR  
AP BEST PRACTICES**

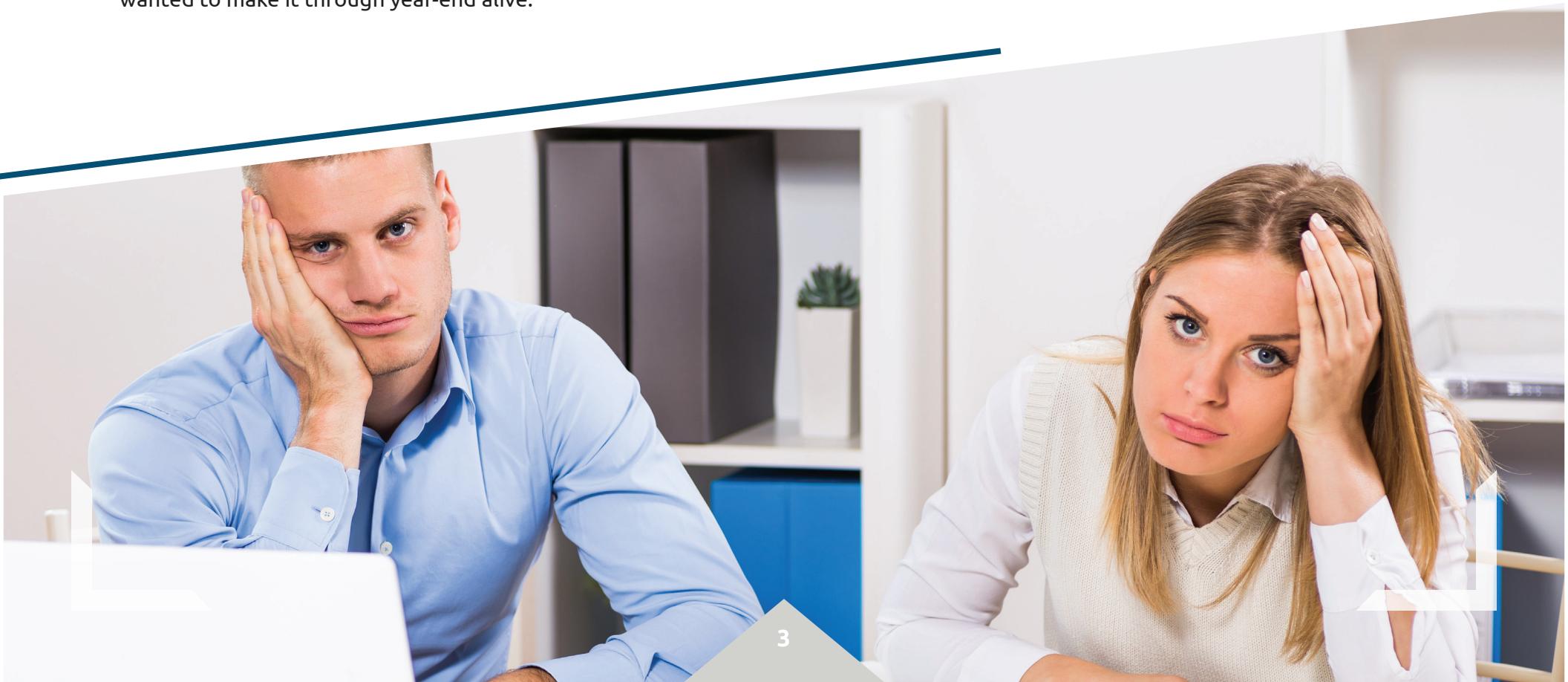
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# END-OF-YEAR DOESN'T HAVE TO BE THE END OF THE WORLD

## Avoid the AP Apocalypse

For AP professionals, including Controllers and CFOs, year-end is a race against the clock. If you've ever gone through a year-end closing, then you know exactly how happy you are to see the end of January arrive. This guide will help you to get prepared, so that when this December rolls around you'll be the AP hero and ready to head into the holiday season prepared for festivities instead of frustrations. AvidXchange has put together this guide with tips and tricks from seasoned AP professionals that also wanted to make it through year-end alive.



# YEAR-END CHECKLIST

## For Accounts Payable

### CHECKLIST

- Establish Calendar that contains all deadlines and due dates
- Review Vacation Schedules to ensure adequate AP staffing
- Remind Employees of invoice and T&E deadlines for 2017
- Review 1099 supplier information to make sure it's complete
- Perform Open PO Analysis of what has been received, but not invoiced
- Assign Year-End Tasks to appropriate team members
- Research and Properly Account for any outstanding checks
- Establish Proper Procedures for invoice and T&E accruals
- Make Sure All Invoices that have been received are entered into the system
- Review All Invoices Received shortly after the new year to determine if they should be accrued

# DECEMBER 2017

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
				31 Review vacation schedules to ensure adequate AP staffing.	1 Review 1099 supplier info to make sure it is complete.	2
3	4 Send email to all employees about submitting all 2017 expenses to AP.	5	6	7	8	9
10	11	12	13	14	15 Send reminder email to all employees about submitting all 2017 expenses to AP.	16
17	18	19	20 Open PO analysis of goods received, but not invoiced.	21	22	23
24/31	25	26	27	28	29 Make sure that all invoices that have been received are entered into the system.	30 AP Closes (No additional invoice or T&E entry for 2017 after 5PM)

# JANUARY 2018

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
		1  HOLIDAY!	2  Accrue 2017 AP invoices and T&E. Order 1099 forms and envelopes.	3  Accrue 2017 AP invoices and T&E.	4  Accrue 2017 AP invoices and T&E.	5  Accrue 2017 invoices over \$5K.
7	8  Accrue 2017 invoices over \$5K.	9  Accrue 2017 invoices over \$5K.	10  Accrue 2017 invoices over \$10K.	11  Accrue 2017 invoices over \$10K.	12  Begin 1099 process. Review payment reports.	13
14	15  Continue 1099 process. Make sure all reportable payments are flagged.	16  Continue 1099 process. Make sure all reportable payments are flagged.	17  Make any necessary adjustments to 1099's.	18  Make any necessary adjustments to 1099's.	19	20
21	22  Auditors Arrive	23  Print and stuff 1099's	24  Mail 1099's	25	26	27
28	29	30	31			

# MASTER VENDOR FILE

## Cleanup & Maintenance

When's the last time you updated your master vendor file? Has it been a while? Is it missing data or riddled with duplicate entries? Then you aren't alone, because this task often falls on the back burner for a lot of AP teams. However, if your organization uses outside vendors, or independent contractors, then you need to make sure that accurate records are kept and updated regularly.

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 with in a manual, paper-based environment. 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.

In the pages ahead, there 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.





# 01

## CONSOLIDATE & 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](#).

# 02

## 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.

## 03

### ARCHIVE INACTIVE VENDORS

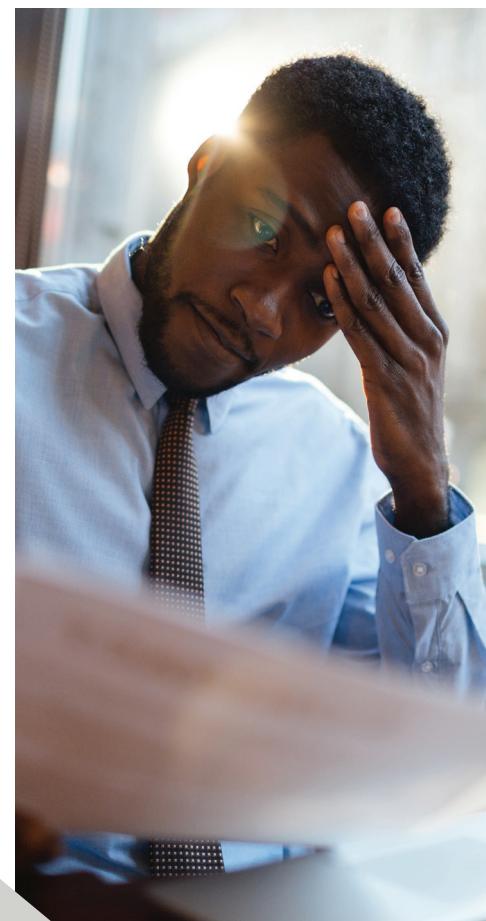
If you haven't used a vendor in the past 15-18 months, then it's best to remove them from your master vendor list. If the supplier is archived, then their information can be easily accessed for reinstatement. By removing inactive vendors, your list becomes leaner and your records are easier to access,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



## 04

### FILL IN THE GAPS

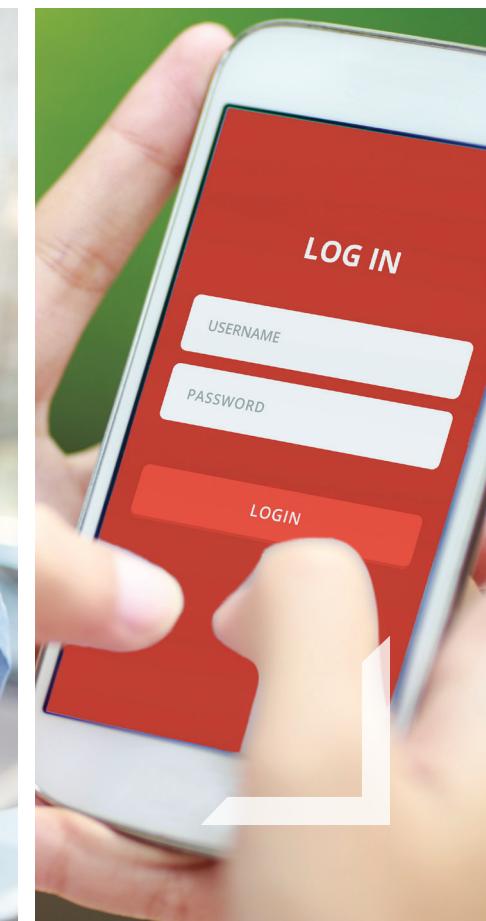
Make sure all files are complete and accurate by obtaining any missing data from the vendor. Go beyond basic name and address conventions to add missing contact names, phone numbers and email addresses, as well as corporate linkages. Duplicate vendors and double payments can occur as a result of external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



## 05

### 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.



## 06 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 a great experience for suppliers receiving payments through our network. Our Supplier Services team contacts 100% of your suppliers 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.

# 1099 MISC.

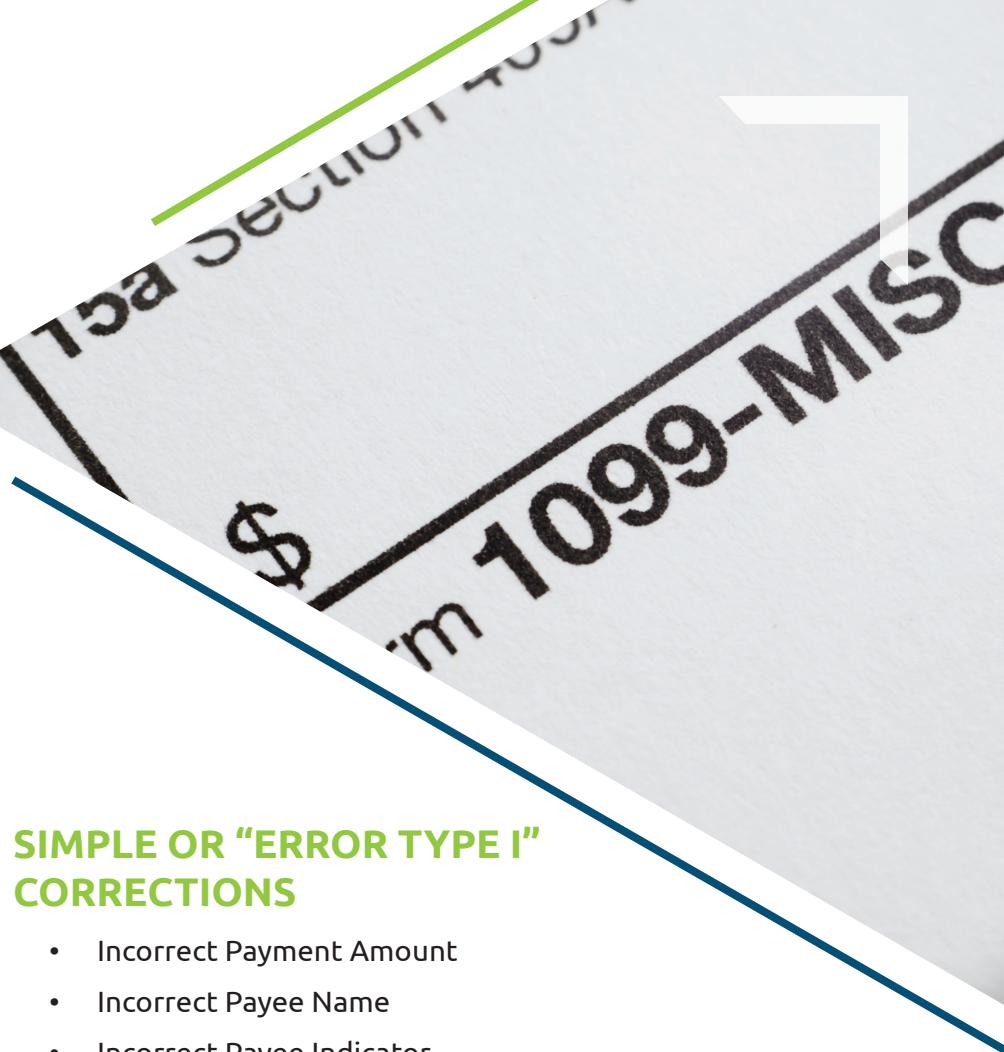
## Reporting & Corrections

If you pay independent contractors, you may need to file a 1099-MISC, Miscellaneous Income, form to report payments for services performed for your business.

If the following four conditions are met, you must report a payment as non-employee compensation:

1. You made the payment to someone who is not your employee
2. You made the payment for services during your trade or business (including government agencies and nonprofit organizations)
3. You made the payment to an individual, partnership, estate, or in some cases, a corporation
4. You made payments to the payee of at least \$600 during the year

The IRS operates a centralized call site to answer questions about reporting on 1099 forms and other information returns. If you have questions related to reporting on information returns, call (866) 455-7438.



### SIMPLE OR "ERROR TYPE I" CORRECTIONS

- Incorrect Payment Amount
- Incorrect Payee Name
- Incorrect Payee Indicator
- Return Filed in Error (One should not have been sent.)

### COMPLEX OR "ERROR TYPE II" CORRECTIONS

- No Payee TIN
- Incorrect Payee TIN
- Incorrect Payee Name and Address
- Incorrect Return Filed (1099-Misc Instead of 1099-INT)

## TAXPAYER IDENTIFICATION NUMBER (TIN)

Taxpayer Identification Number (TIN) is a nine-digit identification number used by the Internal Revenue Service (IRS) in the administration of tax laws. It is issued either by the Social Security Administration (SSA) or by the IRS. A Social Security number (SSN) is issued by the SSA whereas all other TINs are issued by the IRS.

A TIN must be furnished on returns, statements, and other tax related documents. For example a number must be furnished:

- When filing your tax returns.
- When claiming treaty benefits.

A TIN must be on a withholding certificate if the beneficial owner is claiming any of the following:

- Tax treaty benefits (other than for income from marketable securities)
- Exemption for effectively connected income
- Exemption for certain annuities

Corporations and partnerships are assigned an Employer Identification Number (EIN). Also known as a federal tax identification number, EIN is used to identify a business entity. It is also used by estates and trusts which have income which is required to be reported on Form 1041, U.S. Income Tax Return for Estates and Trusts.





This guide was created by AvidXchange™. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,300 clients throughout North America and 300,000 vendors nationwide, AvidXchange is an industry leader in automating invoice and payment processes for organizations spanning multiple industries including Real Estate, Financial Services, Energy, Non-Profit, and Construction.

Interested in automating your payables and creating efficiencies for your AP team? Our automation specialists will create a customized demo and walk you through the streamlined workflow of an automated AP process. **To Schedule a Demo, Click [Here!](#)**