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END-OF-YEAR
SURVIVAL GUIDE

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Why Did We Make This Guide?

We want to make sure that you not only survive, but thrive, during year-end. This guide is a compilation of advice from industry thought-leaders, AvidXchange's AP team, and from our customers. As you close out 2017, we want to make sure that you're armed with 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 this stressful season. When December rolls around we want you to be the AP hero and ready to head into the holiday season prepared for festivities instead of frustrations.

> "Within our organization, we use a team mentality within our different departments that go through the year-end close. We match up experienced employees with less experienced employees to make sure everyone has someone to bounce questions off of. We also have periodic team meetings to make sure everyone is on the same page and all issues are discussed and answers are shared with everyone." *-Brian M.*

Master Vendor File Cleanup: Best Practices for Year-End Closing

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.

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.

Master Vendor File Cleanup Best Practices

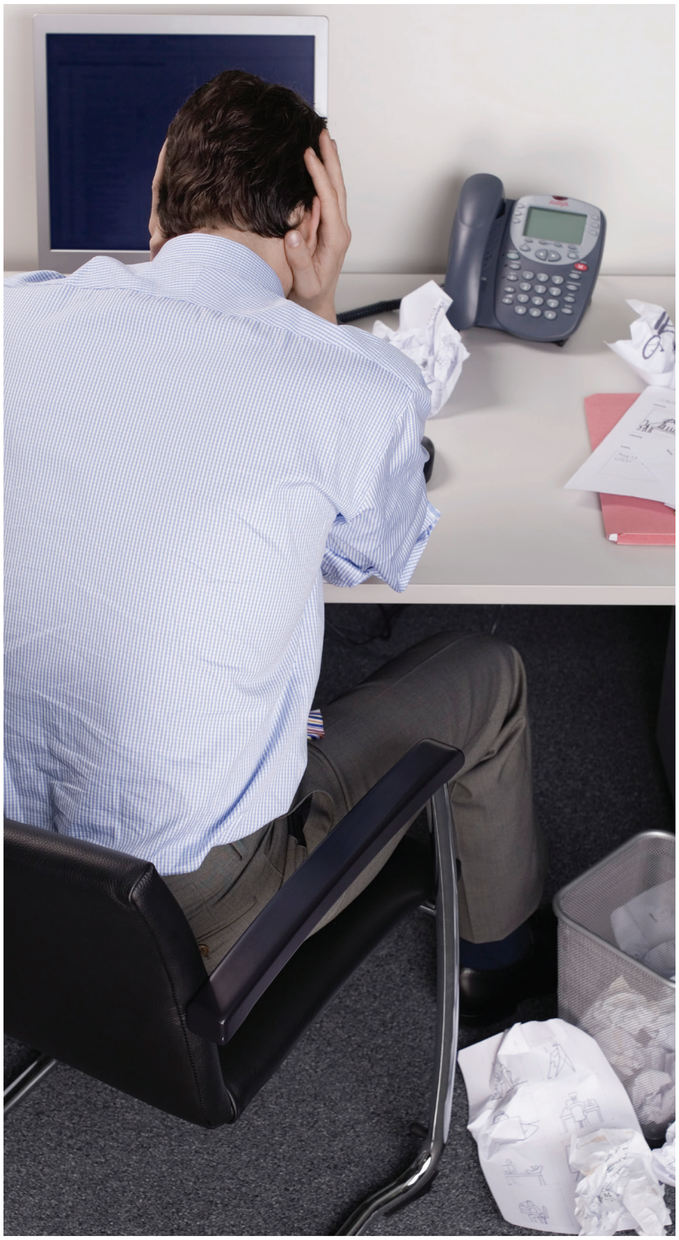
1. Consolidate and Validate

Consolidate all your vendor data, standardize company names, addresses, and other vendor information based on global standards. Once that 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 a great 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 any issues 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.

Be the Boss of Budgeting with These Best Practices

Few things in the business world inspire as much stress and frustration as preparing annual budgets. 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."

However, 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? The answer is not to eliminate the process, but to use the following budgeting best practices to transform the process into a strategic business initiative.

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 demand 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.

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 is in competition 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 understandable push-back from business units on the bottom tier, when budgets are linked to a transparent 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 advantageous decisions; no business unit should have to wait until next year for more resources.

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 details 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 biggest impact on the business. A consumer products company may keep a close eye on sales volume, marketing spend, and the cost of key 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 of 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 simply automating your budget will improve the process. Automating an ineffective budgeting process just speeds up bad practices. Instead, take steps to improve your budgets and the process you use to develop them and use automation to make good processes 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.

What Tech Should You Budget for This Year in Finance?

Technology that inspires industry change is often labeled disruptive. But don't let the term scare you: It simply 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 install 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 own 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 own 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 for 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

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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 a 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 basic 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 own 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 more accurately 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.

Your aim is 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.

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 important difference: The insights gained do not reflect existing transaction, but instead are used to predict future transactions. 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.

BI expenses vary. If you want to develop solutions from the ground up, then it will be more costly compared to other options, like Amazon QuickSight or Yellowfin, which are more affordable.

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 processes in your company offers many advantages, but notably it cuts down processing time and protects against check fraud prevention. In addition, 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.

The cost of implementing AP Automation can vary depending on the level of transaction complexity within your business. Companies, like AvidXchange, offer an array of dynamic plans to make AP Automation accessible.

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.

An Interview with JP Nicols on the Changing Role of Chief Financial Officers

JP Nicols is a leading voice for innovation, strategy, and leadership in the financial technology (FinTech) industry. He is also a top-rated keynote speaker and advisor to startups and Fortune 500 companies. JP has been named to multiple lists as a top influencer and thought leader, including: FinTech influencers you should be following in 2017 (#15), Top FinTech Influencers in the United States of America (#5), and FinServ 25: The Most Influential Voices in Banking.

We sat down with JP to talk about FinTech trends, the changing role of the CFO, and what financial technologies companies should budget for in 2018.

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How are emerging tech trends, like AP automation, changing finance?

JP: I spent most my career in the banking business. For a long time, bankers have misused the word "disintermediation." They've used it for everything from disruption to losing market share. Historically, banks have been intermediaries – a trusted financial entity who could translate excess deposits into loans, translate currencies, and become a trusted party between two unknown parties. When we talk about emerging tech trends in finance, the banks are being disintermediated, meaning that the middleman is being removed from the process.

It's now possible for members of executive leadership to do more without going through a traditional financial institution, whether that's crowdfunding, or moving money directly through a peer-to-peer or even B2B transfer. The big takeaway here is that business owners and financial professionals are becoming more empowered.

There's been a lot of talk around how the role of the CFO is changing. How is technology reshaping the role?

JP: There are two things I think about:

The first is more of a pronounced change, and that is as CFO, your primary job is the effective allocation of financial resources. Where do we put our money? How do we borrow at the most favorable rates and terms? Increasingly, there's an emphasis on nonfinancial assets. How do we utilize our back office more efficiently? I think that trend is continuing to exacerbate and accelerate.

Secondly, the trend that's new is the CFO's role in innovation and creating new value streams for the company. It comes down to the same question: How do we allocate our limited resources as effectively as possible? If we want to enter a new market, launch a

new product, or reinvent the business model, then that requires the CFO to be on board. Many CFOs are learning to be more comfortable with ambiguity and funding things that they don't have full visibility into.

Historically, CFOs have been used to receiving thick project packets that outline how much money is going to be spent over a certain period and what the return on that investment will be. They're very good at challenging those assumptions and making adjustments to that. It's another thing altogether to have someone say, "Well, we don't know exactly how much this will cost, but we know that something is happening in artificial intelligence that's impacting our industry." CFOs need a CapEx (capital expenditure) approach to innovation, they measure things differently, as opposed to the KPIs they typically use. That's one of the big changes that's happening, and we're still in the early stages of it.

Do you have any advice for how CFOs can be proactive about the rapidly changing technological landscape?

JP: My first suggestion is adopting a mindset of thinking long-term and embracing that ambiguity and uncertainty. They're used to very concrete numbers and being able to quantify things. It's taking an approach that says, "Well, we know we're going into an uncertain future and a cardinal direction is good enough, right? We know that we're going to have more automation or we know that our competition is increasingly going to come from foreign shores. Well, we've never seen that before, and that's alright.

My second suggestion is to put practices in place that support that—the test and learn mentality. There's this notion that we can think about all the contingencies and all the variables upfront and create a very solid plan, and then simply execute that plan. I'm not sure if that ever was a reality, but it's certainly not reality now. We've got to be much more iterative in our approach and in our process. We need to look at where we're making very small bets and seeing how they go along the way, instead of trying to make big bets more carefully. So, how do we break up those big bets into smaller bets and make them based on little bits of evidence that we accumulate along the way through user testing? It's all in the approach.

Increasingly, whether it's the CFO or somebody else on the leadership team, you need somebody's job to be an idea scout. And that doesn't mean going to the typical industry events and talking to the people that are already in your business. It means going to other industries and events, things like South by Southwest, Mobile World Congress, and the Consumer Electronics Show. Those things may not seem like they're perfectly connected to the CFO role, but if you're going to

take a long-term view, that means you've got to look outside of your industry and get a bigger picture of the landscape.

Are there any must-have technologies that CFOs should be budgeting for next year?

JP: One of the reasons why I'm a big fan of AvidXchange is that they're changing the payables process with automation. AP and payment automation fit into what I said earlier about not just allocating financial resources well, but allocating human resources very well. By automating a manual process, companies can get more out of their employees and have them focus on high-level tasks instead of data entry.

At my company, we use Expensify to keep track of expenses. I go to lunch, take a picture of my receipt, the app scans the image for all the relevant data and puts it into a report for my CFO, which makes his job and my job a lot easier. I don't have to sit down and do hours of expense reports. I just fill in a couple blanks and it knows how much I spend, what I spend it on, where I spend it, and what it was related to. These kinds of technologies that are improving the efficiency of the back office and are always going to be worthy of the attention of a CFO.

At some companies, legal work rolls up to the CFO. There's a program by JP Morgan Chase, COIN (for Contract Intelligence), where they use machine learning and artificial intelligence to scan legal documents like commercial loan agreements. They're able to accomplish in seconds what took lawyers and loan officers 360,000 hours. Any technology that automates mundane tasks and create new tools for bankers and clients is a must-have.

I keep hearing about blockchain technology. What can you tell us about this emerging trend?

JP: Picture a spreadsheet that is duplicated thousands of times across a network of computers. Then imagine that this network is designed to regularly update this spreadsheet and you have a basic understanding of the blockchain. Everything is maintained in an incorruptible decentralized digital ledger that can be programmed to record not just financial transactions but virtually anything of value.

Blockchain is really interesting in that it gives the CFO an opportunity to allocate his human resources in different ways – ways that are a lot more strategic and forward-looking — rather than just ensuring compliance, making sure that they're living up to agreements, or that a third party is living up to their side of the deal.

There's a great quote from Bill Gates, who says, "We tend to overestimate the amount of change that will occur in two years, and underestimate the change that will occur in 10." With that in mind, we're in the hype stage of blockchain where everybody's claiming it will do everything, from washing your socks to sending your kids to college. While it's an incredibly powerful technology, it still has its limitations, and every use case isn't a blockchain use case.

Going back to the notion of disintermediation, blockchain is the definition of the word. It removes the intermediary and replaces it with this distributed system.

Beyond blockchain, what do you think the next big thing is going to be that revolutionizes the finance industry?

JP: We're still in the very early stages of APIs and open banking. European banks are being forced into it via legislation. The same thing is beginning to happen in Australia and New Zealand. In the U.S., however, it's not going to come from legislation; it's going to come from competition. The largest, most sophisticated banks are opening up their tech stacks through APIs and encouraging developers to build new applications

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that connect to the APIs they've made available. That's going to force the hand of institutions who will not, or cannot, spend on that kind of technology internally. They're going to need to partner with someone like Microsoft or Oracle, unless they pay someone to help them dig into their antiquated stacks and allow that stuff to be open.

Again, it's going to take a while; this isn't next year or the next couple of years. But over time, I do think the focus is going to be, "How do I think oaf my financial institution as a platform? And how do I enable my customers to do the things that are important to them on their platform?"

We're actually more than 20 years into this already, if you think about the early days of Quicken, establishing the Quicken information exchange file, and getting banks to agree that customers have a need for their transactional data. Everything is going to evolve more in the next five years than the past 20. We're going to see the idea of intermediary be deemphasized even more. I don't know if it will ever go completely away, because I think there may be some use cases for intermediaries. Instead, I think that the entire value proposition of a bank will shift from being, "We're a trusted third-party," to being a valuable piece of a complex ecosystem going forward.

About JP Nicols

After spending twenty years as a part of the leadership team growing a $6B regional bank into an industry leader with over $400B in assets, JP is working at the intersection of FinTech, innovation, and financial services to help others turn potential into performance. He is a Managing Director of the FinTech Forge, which extends the innovation capacity of financial institutions while dramatically lowering the cost and risk of innovation.

JP was also a founder of the Bank Innovators Council, which is now a part of Next Money, a global community committed to reinventing finance through design, innovation, and entrepreneurship. For more information on his work as a speaker and innovation consultant, visit his official website. For social media enthusiasts, you can follow JP on Twitter @JPNicols.

Best Practices from AvidXchange's Finance Team

As a leading provider of accounts payable and payment automation solutions for midsize companies, we would be crazy not to use our own software to revolutionize internal processes. After all, how can we expect other companies to trust us with their payables unless we've thoroughly tested the solution on our own? To tell you about how AvidXchange has improved our own AP process, we interviewed Eleonora Kuncheva, Senior Financial Reporting Accountant at AvidXchange.

How has the AvidXchange suite of solutions improved our internal accounts payable process?

Eleonora: The AvidXchange Invoice solution allows us to perform a seamless and effortless 2-way match between an invoice and an approved purchase order. The system automatically marks purchase orders as completed once the order has been matched to an invoice. This helps us ensure that every invoice has been pre-approved, cannot be re-used, and the final invoice is delivered as expected. These factors contribute to increased internal controls and an improved procurement-to-pay cycle.

Invoices are approved within the system, which provides visibility into the approval process. It is a great internal control tool that ensures all cash disbursements have been appropriately approved. You know when invoices come in, which balances are outstanding, when payments are due, and who hasn't approved invoices and payments. With a few clicks of the mouse, you have real-time visibility into payment statuses. Comprehensive search and reporting tools make it easy to search for and retrieve invoice and payment information when vendors call or auditors are at your doorstep.

How has it improved the audit process?

Elenora: In a paper world, interactions with auditors relating to expense testing include going through copies of invoices, scanning, searching for the related approval, etc. With AvidXchange Invoice, we provide our auditors with a "view only" log in to the software. Auditors can log in and quickly pull the invoices selected for testing and also provides them with visibility into our controls/approval processes. The software improves the efficiency of the audit for both the company and the auditors.

Year-End Closing Tips from AvidXchange Customers

What are some best practices for keeping your Master Vendor File updated?

Elycia C.: "We maintain our records on paper as a back-up as well as digitally. Our process has three steps to ensure accuracy. First, there is a check requester who submits the request to their supervisor. Next, the supervisor checks it for accuracy against the W-9. Finally, it is manually entered by the respective accountant."

Valerie V.: "We have a few great ways we handle the master vendor file. We inactivate vendors that we have not used for two years. When we do use them, we request a new W-9 and vendor form. We always request a W-9 no matter what. We run each tax ID verification through the IRS."

Suzanne C.: "Each vendor who conducts business with our company is required to submit several documents as part of their vendor file. All documentation goes through a central processing person, who reviews the information to ensure it is complete. We house all current vendor information within our YARDI system (including copies of all submitted documentation, W-9, and proof of insurance.) We verify, prior to issuing payment to any vendor, that all required documents are on file. As every vendor is required to have a current COI on file, expirations are carefully tracked and vendors in danger of expiring are notified and a request for updated information is made. Property managers are also alerted if a vendor they frequently use is in danger of expiring within our system. They will then reach out and also reiterate that the vendor needs to submit updated information to us to remain current."

Brian M.: "We review the usage of all vendors each year by running the Vendors Without Invoicing Activity for the prior year. If there is not any usage for specific vendors we will make them inactive in both AvidXchange and our accounting software of JD Edwards. If someone wants to use the vendor again we make sure we have updated W-9's on file for the vendor. The key here is to verify we have accurate information for our vendors."

What tips do you have for 1099 maintenance?

Elycia C.: "We maintain our 1099s by requesting current information from the vendor regularly. Each manager

works with their assistant managers to make sure they are up to date. I like to use active spreadsheets on Excel so that I am able to see what has been updated and what has not."

Suzanne C.: "1099s are processed through our accounting system. Each vendor record is carefully marked within the system for receiving a 1099 or not receiving a 1099. The system, once activated, automatically pulls all vendors who qualify for 1099 issuance. In September of every year, a W-9 update request is sent to every vendor we've done business with within the past 18 months. W-9 updates are vetted against the information within the vendor record to ensure correct entity names and tax ID numbers appear on 1099s when they are run."

Brian M.: "We process 1099s each year and review to make sure we have the proper designation as to what type of 1099 they should be receiving and to make sure we have the proper EIN number in the system for the vendor. We also run reports in our accounting system to verify there are no duplicate vendors tied to the same EIN number in our accounting system. We process the paper copies and send them out as soon as possible each year then we will deal with any issues from vendors requesting changes so when we file with the IRS electronically everything is correct for the prior year."

How do you reduce stress during year-end closing?

Elycia C.: "We reduce stress by being prepared! We keep year-end check lists and tackle as much as we can prior to the deadline. This process allows us to be able to manage as much as possible ahead of time so that we are less crammed up."

Valerie V.: "Always be ready to work long days. Clear your schedule. Don't wait until the last minute. Give yourself a schedule and stick to it!"

Suzanne C.: "We try to plan ahead of time by having specific processes in place to mitigate potential crisis situations. We also make it a point to run 1099s well ahead of the distribution due date to ensure we have enough time for review and correction, if necessary. We also involve multiple accounting personnel in the review process to ensure all errors are identified and corrected prior to distribution."

Brian M.: "Stress is a major factor during year-end close. Management has brought in breakfast, lunch and dinner at times to make sure everyone is well nourished during this time of the year. Everyone is encouraged to step away from their desks to have a good meal. We have weekly meetings to make sure everyone is on task and not running into any issues that they have to deal with alone. It is a team effort to make sure our year-end closing goes well for everyone."

What are some of your best practices for accruals? What are your thresholds?

Elycia C.: "We make sure to put the biggest emphasis on following a detailed structure. Posting to the Ledger is the first step. We need to keep our ledgers up to date from the beginning to prevent disaster in closing. Adjusting and checking trial balances are mandatory and we do it monthly before submitting our reports. Finally, we make sure our closing entries are accurate and done on time to ensure that there are no issues. It seems obvious, but if these guidelines are not strictly adhered to and reviewed, it can take forever to fix."

Brian M.: "We process accruals each month and that reduces our year-end accruals tremendously. Management decides the thresholds each year after the first review of closing. Our accruals are not usually an issue by the time year-end close comes around. Being prepared and dealing with them on a monthly basis greatly reduces the number of accruals we deal with at year-end."

Year-End Advice for AP Managers from AP Managers

How do you keep team morale up during year-end closing?

Suzanne C.: "Our department works together to ensure that no one feels overwhelmed. We have regular meetings to discuss challenges we are encountering and approach any problem together to formulate a solution. We try to ensure that every team member takes periodic breaks to offset project fatigue."

Brian M.: "The year-end close process is a very stressful time for many companies with the tight close dates. You still must complete your regular work while also working on the close. We as a company make time to get the team together to make sure the work is distributed evenly and to see if anyone needs additional help. There are always some superstars who will take on additional work or don't mind helping others. By utilizing your more experienced employees to help the newer ones out; it becomes a win-win situation. Less frustrated employees and more learning going on during the close process. These same employees then become the ones helping out the next year."

What best practices do you have for handling staffing for year-end with vacations and the holidays?

Suzanne C.: "It's our policy that the accounting department have at least one employee working at all times. Accounting team members start formulating vacation schedules a couple of months in advance to ensure the office remains staffed to deal with end-of-year issues that may arise. All team members work together to ensure that everyone can take their vacation time by the end of the year.

Brian M.: "We take a proactive approach in regards to dealing with the year-end close and employees wanting time off to be with family during the holidays. The year-end close process starts months earlier with team meetings to discuss expectations and to see who is looking to take some time off. There are incentives to make it through close and then the team can take much deserved extra time off."

What are your best practices for delegating year-end related tasks to team members?

Suzanne C.: "Each year-end task is outlined with a procedure dictating who does what for year-end closings. Each year, all procedures are reviewed to ensure tasks are delegated equally between team members. Team members are also cross-trained so revisions to delegation are possible whenever necessary."

Brian M.: "Within our organization, we use a team mentality within our different departments that go through the year-end close. We match up experienced employees with less experienced employees to make sure everyone has someone to bounce questions off of. We also have periodic team meetings to make sure everyone is on the same page and all issues are discussed and answers are shared with everyone."

How Has AvidXchange Helped with Year-End Closing?

Before using AvidXchange, what did your year-end process look like?

Valerie V.: "Before AvidXchange, our year-end process looked like lots and lots of boxes. Everyone would be running around like chickens with their heads cut off. We were stressed out, working long hours and people were not happy."

Suzanne C.: "Our year-end process was mostly manual in nature. We would utilize our Yardi accounting system for accounting year-end close activities. The process for 1099 generation, however, was manual and very tedious. It often involved figuring total payment amounts to vendors through Microsoft Excel and hand-populating 1099 forms to vendors - a process that was both frustrating and time-consuming."

How has AvidXchange's products and services improved your year-end process?

Valerie V.: "It's rare to see people working long days now, and it's much easier to find information. We added the approval process in AvidXchange with Journal Entries and that has helped so much. All the information is right there inside AvidXchange!"

Suzanne C.: "We anticipate this year's year-end closing process to be much smoother and more efficient. The automation of vendor payments through AvidXchange allows us to digitally reconcile vendor payments. Through our upgraded Yardi system, we will be able to generate 1099 documents in a matter of minutes instead of the week-long process we conducted before."

What reports do you use during year-end that are helpful?

Valerie V.: "Reports we use during year-end include unmanaged invoices, vendor accounts, accrual and invoices escalated. We run these daily, monthly, and yearly. Also, it's great to run "pending approval by responsible user" weekly, just to make sure that invoices are being approved in a timely manner."

The Audit Process, Before and After Automation

Before AvidXchange:

Suzanne C.: "To date, our audit process has been mainly internal. We recently hosted an internal review of AP processes prior to AvidXchange implementation. Possible risk areas identified mainly involved processes that are conducted manually and that involve multiple systems to track."

Valerie V.: "The process before AvidXchange was long and time consuming. We would pull boxes and pull the files. Hopefully, if everything was filed correctly you would scan it or make copies. This process would take forever. Lots and lots of paper cuts."

Brian M.: "Prior to implementing AvidXchange, we had to pull a lot of documentation for our audits, from copies to invoices and approvals. Everything was scattered within our system from invoice to the approvals to the payment information. It was a very lengthy process to pull all data for our audits."

After AvidXchange:

Suzanne C.: "AvidXchange sets the stage for easy audit review of AP transactions. All activity related to the approval of each transaction is effectively recorded and stored within each invoice record. Reports run through AvidXchange also allow us to easily track down any transaction for review should an Auditor question an expense. AvidXchange transactions easily sync with our Yardi accounting system, ensuring that correct information is reflected within both systems."

Valerie V.: "AvidXchange has helped with the audit process tremendously. What would take hours to pull files usually only takes half that time. No paper is wasted. Everything is scanned and paperless. I don't dread when auditors ask for backup. It's right there at my desk with all the correct approvals and it's done. Simple, easy, and paperless."

Brian M.: "After implementing AvidXchange, pulling all the backups for auditors is much easier. We can now search for the invoices requested and just create one PDF with all information required. We can now see the invoice image, the coding, the invoice history; which includes the approvals tied to the invoice. Our auditors just need to give us the invoice number and within seconds we can provide all backup in just one document."

Year-End Closing Horror Stories from AvidXchange Customers

"The Year-End Close Horror story for me came from a different company and a long time ago. The company was in the middle of changing how and where our big data was being stored for backups. Right in the middle of the move in early January the co-location lost all our data. We came to work and opened our accounting system (JD Edwards World) and could not see any of our data, generate reports or process orders.

There was a panic within the whole company. It took two days to restore our data back to the last backup. Back then backups were not done as quickly and as much as they are now. We had to re-create work from all parts of the business. This happened in the middle of year-end close and made our lives very difficult. After many long days we were finally back to normal, but at that time we were at least a week behind the year-end close. After another two weeks of working long days and weekends then we were able to finish our year-end close." *- Brian M.*

"Last year, our company upgraded our accounting software mid-year. As will all conversions/upgrades, some of the data was correctly imported and some did not come over. This led to a lot of complications with the 1099 issuing process at the end of the year. We ended up having to manually check every 1099 against two systems to ensure that all information was without error. Now that we've fully transitioned to the new system, 1099 processing should be automated next year, alleviating the need for manual recreation." *- Suzanne C.*

"We went through a complete accounting system change and none of our vendor information was transferred over. We had to manually enter over 1,500 vendors and tax IDs, as well as process 1099s twice from two different accounting systems, all while processing over 600 invoices weekly. Now that was pure panic!" *- Mary G.*

END-OF-YEAR
SURVIVAL GUIDE

This guide was created by AvidXchange™. AvidXchange revolutionizes the way organizations pay their bills. Serving more than 5,500 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!**

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