Accounts Payable Workshop

Ed Brassart

Finance and Accounting

13 May 2009

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Agenda

- ✓ Overview & Statistics
- ✓ Tax Identification Number & W-9
- ✓ Electronic Data Interchange (EDI)
- ✓ Supplier Requirements (Terms & Conditions)
- ✓ Invoice Submission
- ✓ Prompt Payment Act (PPA)
- ✓ Proper Invoices

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Agenda (Continued)

- ✓ Most Common Payment Issues
- ✓ AAFES Corporate Card
- ✓ Post Audit
- ✓ On Line Vendor Internet Inquiry
- ✓ Future of AAFES AP
- ✓ Information on the Web
- ✓ Open Discussion

Fiscal Year Statistics (2008 vs. 2007)

- ✓ **Total number of invoices processed**
  - ➔ 5.7M in 2008 vs. 5.8M in 2007
  - ➔ 476K monthly in 2008 vs. 481K monthly in 2007

- ✓ **Total dollars paid**
  - ➔ $7.9B in 2008 vs. $8.0B in 2007
  - ➔ $660M monthly in 2008 vs. $667M monthly in 2007

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Fiscal Year Statistics (2008 vs. 2007)

- **Electronic invoices (EDI)**
  - ➔ 3.6M (63%) in 2008 vs. 3.7M in 2007 (64%)
- **Manual invoices (Non-EDI)**
  - ➔ 2.1M (37%) in 2008 vs. 2.1M (36%) in 2007
  - ➔ Manual invoices are as much as 5x likely to need resolution by AAFES personnel prior to payment than electronic invoices

Tax Identification Number – W9

- ✓ **W-9 must be submitted by vendor *before* AAFES will activate a payment vendor code**
- ✓ **Be sure name and address appear the same on the W-9 as the information on file at the IRS**
- ✓ **AP does online TIN verification on IRS web site before activating payment vendor codes**

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EDI Options and FEDI

- ✓ **EDI / FEDI Invoicing options**
  - ➔ AAFES Supplier Requirements Agreement 03-01, May 2008 Section 4b
  - ➔ FEDI (Financial EDI) – Electronic Payment Authorization Form is available at the following address
    - http://www.aafes.com/edi/EDI_Page.htm
    - Fax number – fax the completed form to: (214) 465-2339

- ✓ **Address:** **http://www.aafes.com/pa/selling/supply2.pdf**

EDI Invoicing

- ✓ **For information on EDI Invoicing and all EDI transaction sets, select the "Electronic Data Interchange" link on the AAFES home page, and select one of the following links from the various header tabs**
  - ➔ EDI CONTACT LIST
  - ➔ AAFES LISTINGS
  - ➔ COMMUNICATION SPECIFICATIONS
  - ➔ AAFES ROUTING
  - ➔ EC/EDI FORMS
  - ➔ CROSSDOCK VIDEO
  - ➔ TMS USER GUIDE FOR VENDOR INTERFACE
  - ➔ DATA SYNCHRONIZATION

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AAFES Supplier Requirements

- ✓ **Agreement 03-01, May 2008, Section 1**
  - ➔ See interest on balance dues (Paragraph 4.b)
  - ➔ Interest will be calculated as a rate of prime plus 1%
  - ➔ See AAFES policy on retention of discounts and allowances (Paragraph 4.c)
  - ➔ See notification period for non-receipt of returned merchandise (Paragraph 4.f)

AAFES Supplier Requirements

- ✓ **Agreement 03-01, May 2008, Section 3**
  - ➔ See criteria for proper invoice (Paragraph 1.a)
  - ➔ Invoices that do not meet the definition of proper invoice may be returned unpaid with description of the error(s)
  - ➔ Payment clock for net and discount period will not begin until a proper invoice is returned with a new invoice date

http://www.aafes.com/pa/selling/supply2.pdf

AAFES Terms & Conditions

- **For Expense, Supplies, and Equipment – Sep 2008, Section 1**
  - See proper ratification process (Paragraph 2.c). AAFES is not obligated to abide by contractual changes that do not follow these procedures

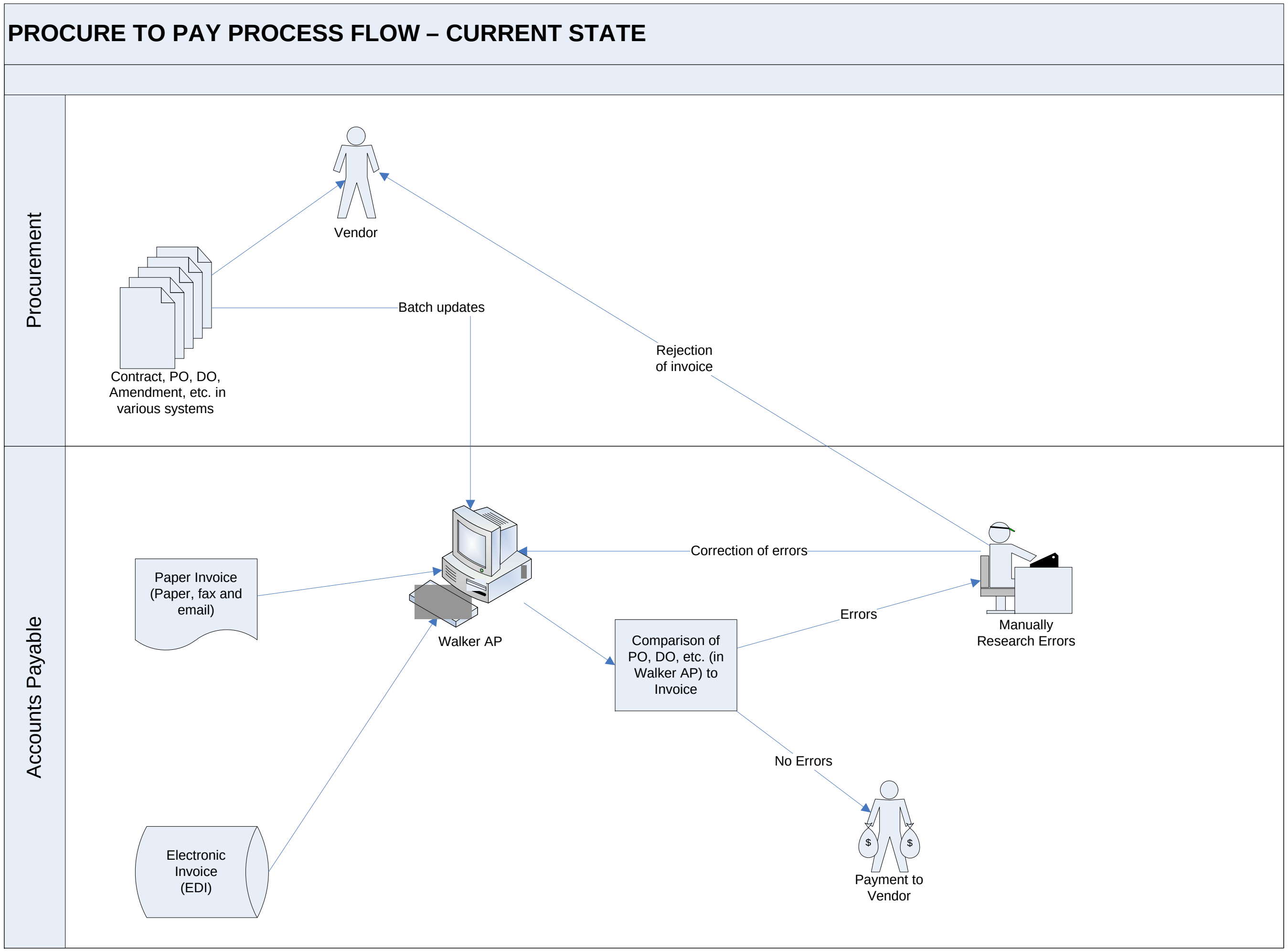
- **Address:** **http://www.aafes.com/pa/selling/termscon.pdf**

Invoice Submission Preference

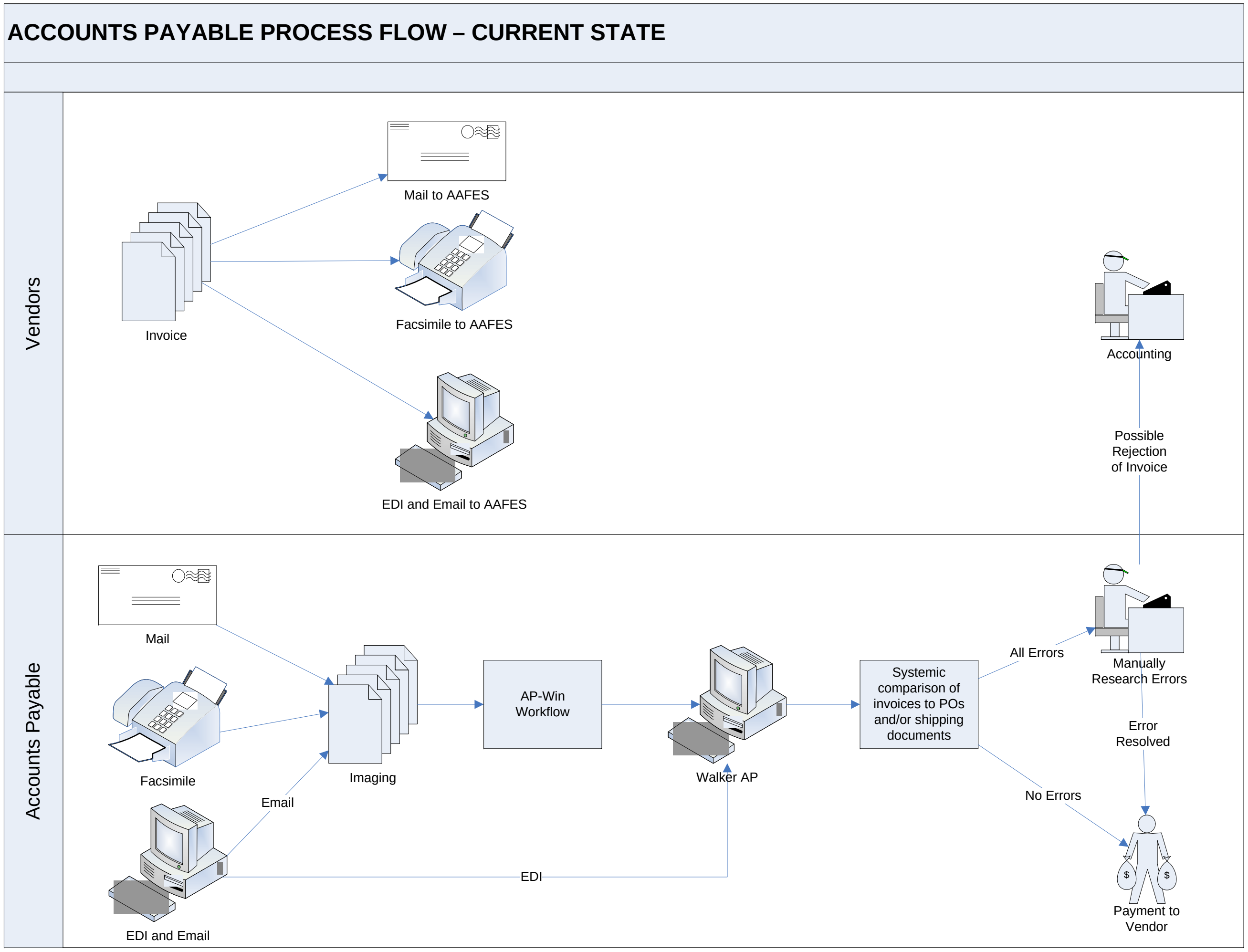
- ✓ EDI (electronic invoice)
- ✓ Web portal (electronic invoice)—available with new workflow system
- ✓ Facsimile (manual invoice)
- ✓ Email (manual invoice)
- ✓ Mail (manual invoice)

AAFES' goal is to increase electronic invoice submission and decrease manual invoice submission

Invoice Submission Process Flow



Invoice Submission Process Flow



Prompt Payment Act

- ✓ Federal regulation on timely payment of vendor's invoices
- ✓ For net terms the payment start date is the invoice received date
- ✓ For discount terms the start date is the invoice date
- ✓ Payment is considered made on the date placed on the check or date received by the bank for ACH payments
- ✓ http://www.fms.treas.gov/prompt/

What Constitutes a Proper Invoice?

- ✓ Invoice number—unique and non-duplicated
- ✓ Invoice date—cannot be earlier than PO ship/deliver date nor can it be future dated
- ✓ Purchase order number, if applicable
- ✓ AAFES assigned vendor number
- ✓ Remit to address
- ✓ Contracted terms (shipping, payment and discount terms)

What Constitutes a Proper Invoice?

- ✓ Item cost, UPC and quantity shipped/delivered
- ✓ Contractor name and telephone number (manual invoice only)
- ✓ Currency code
- ✓ Allowances figured in the same manner as PO
- ✓ Packing, palletizing and crating charges stated separately, if applicable

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Improper Invoice Facts

- ✓ **Improper invoices will be returned unpaid**

  - ➔ Payment clock for net terms of resubmitted proper invoices is ***not*** based on the original invoice date

  - ➔ Resubmitted proper invoices will be assigned a new date for PPA compliance

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Most Common Payment Issues

- ✓ **Out of tolerance invoices (invoice exceeds PO amounts)**
  - ➔ A Purchase Order can be a contract; making a shipment based on a PO is accepting the offer
  - ➔ Please remember to review all PO's for discrepancies including price and or quantity
  - ➔ If an error is found please contact the Buyer and ask that the PO be amended
  - ➔ Discrepancies between the PO and invoice will result in payment delays

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Most Common Payment Issues

- ✓ **Do not ship based on verbal agreements**
  - ➔ Must have a PO/DO amendment to preclude out of tolerance invoices and payment delays
- ✓ **Illegible Invoices**
  - ➔ Colored paper or shaded areas on paper invoice may result in an illegible image

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Most Common Payment Issues

- ✓ **Invoice references incorrect PO number or PO number missing**
- ✓ **Payment address/location changes not submitted timely**
  - ➔ In writing
  - ➔ On company letterhead
  - ➔ Signed by the appropriate official
- ✓ **Mergers and acquisitions**

Most Common Payment Issues

- ✓ Matching of invoices and chargebacks to proper invoice numbers and credit memos
- ✓ For VMI vendors invoices commonly come in before the Purchase Order
- ✓ Invoice date is earlier than ship date on PO
- ✓ Discount days are equal to or greater than net days

Most Common Vendor Related Discrepancies

- ✓ **Incorrect PO number submitted**
  - ➔ PO not on file
  - ➔ Vendor code mismatch (PO vs. invoice)
- ✓ **Duplicate invoice number transmissions**
- ✓ **For VMI vendors only**
  - ➔ PO transmission must precede invoice transmission ***by at least one day***
  - ➔ UPC codes listed on PO must be in AAFES' IMF

Most Common Vendor Related Discrepancies

- ✓ Vendor declines the chargeback yet keeps the merchandise
- ✓ Pricing issues
- ✓ Length of time to receive RA number from the vendor
- ✓ Data requirements

AAFES Corporate Card

- ✓ Customized Wells Fargo Bank multi-functional MasterCard program
- ✓ Implemented at the end of 1995
- ✓ Authorized payment method when specified in contract
- ✓ For small dollar expense purchases and Travel expenses
- ✓ *Not* authorized for resalable items
- ✓ *Not* for project related expenses or fixed assets

Internal Post Audit

- ✓ **Combination of AP / LG / TPM**
- ✓ **Current year transactions + specified time period**
- ✓ **Audit findings by department**
  - ➔ AP processes chargebacks
  - ➔ LG processes claims
  - ➔ TPM processes claims
- ✓ **POC to dispute audit finding is dependent on the auditing department (AP, LG or TPM)**

Third Party Post Audit

- ✓ Primary post audit firm is PRG Schultz
- ✓ Secondary post audit firm is Connolly Consulting
- ✓ POC to dispute audit finding is the auditor contact noted on the claim memo, not AAFES AP
- ✓ If needed, AAFES AP will function as the liaison between the vendor representatives and the post audit firm; AAFES AP will not work the issues to resolution

    AAFES Liaison/POC (Jennifer Glenn)

    glennjen@aafes.com

- ✓ AAFES contracting officer/buyer has the final decision on claims and disputes

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Online Vendor Internet Inquiry

- ✓ **Payment and remittance information is available via the Partners website**
  - ➔ http://partners.aafes.com

- ✓ **CCV's (chargeback vouchers) can be accessed on the Vendor Internet Inquiry and opened to see the detail**

- ✓ **Inquired information is downloadable**

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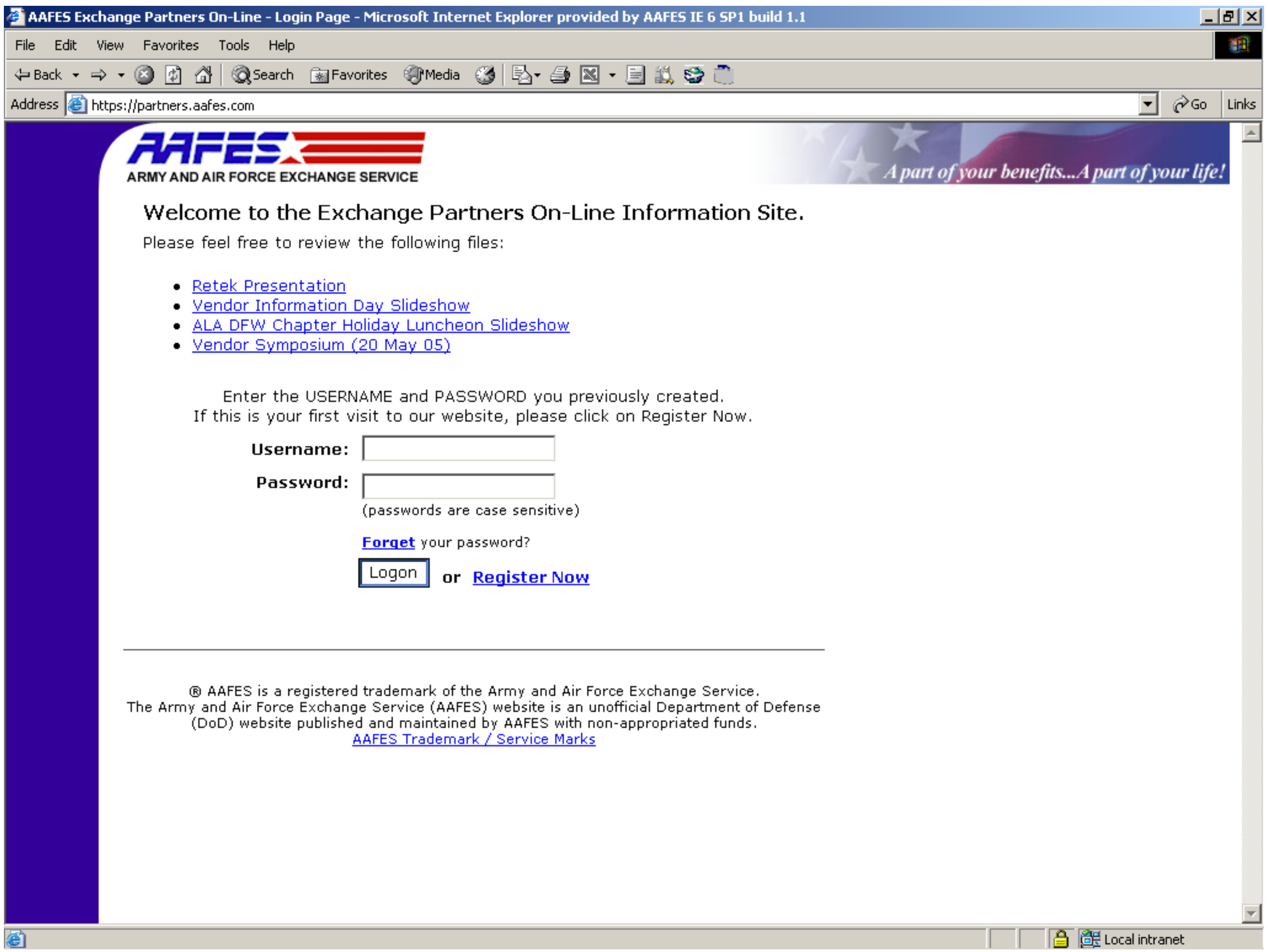
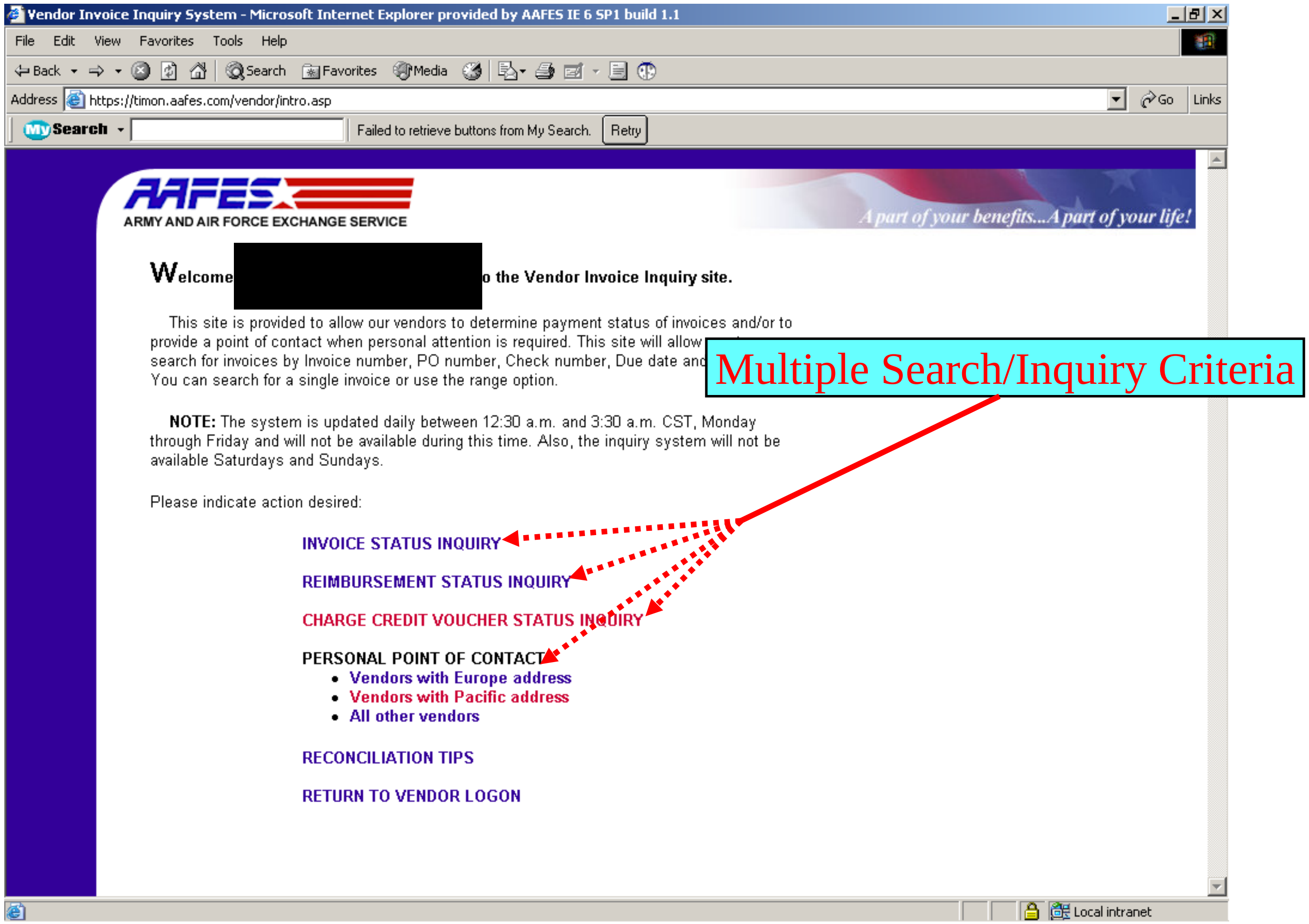
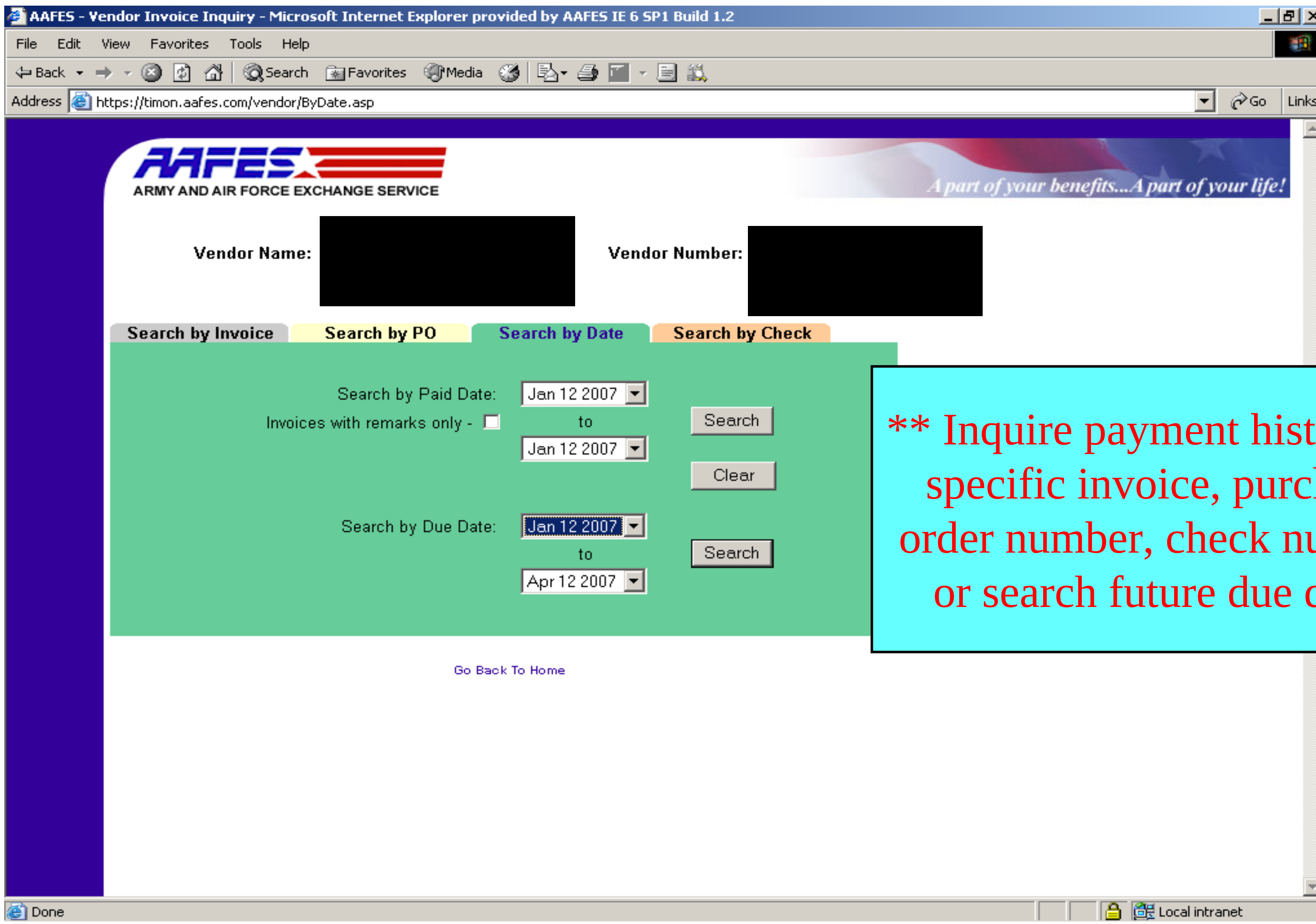
Online Vendor Internet Inquiry



Online Vendor Internet Inquiry

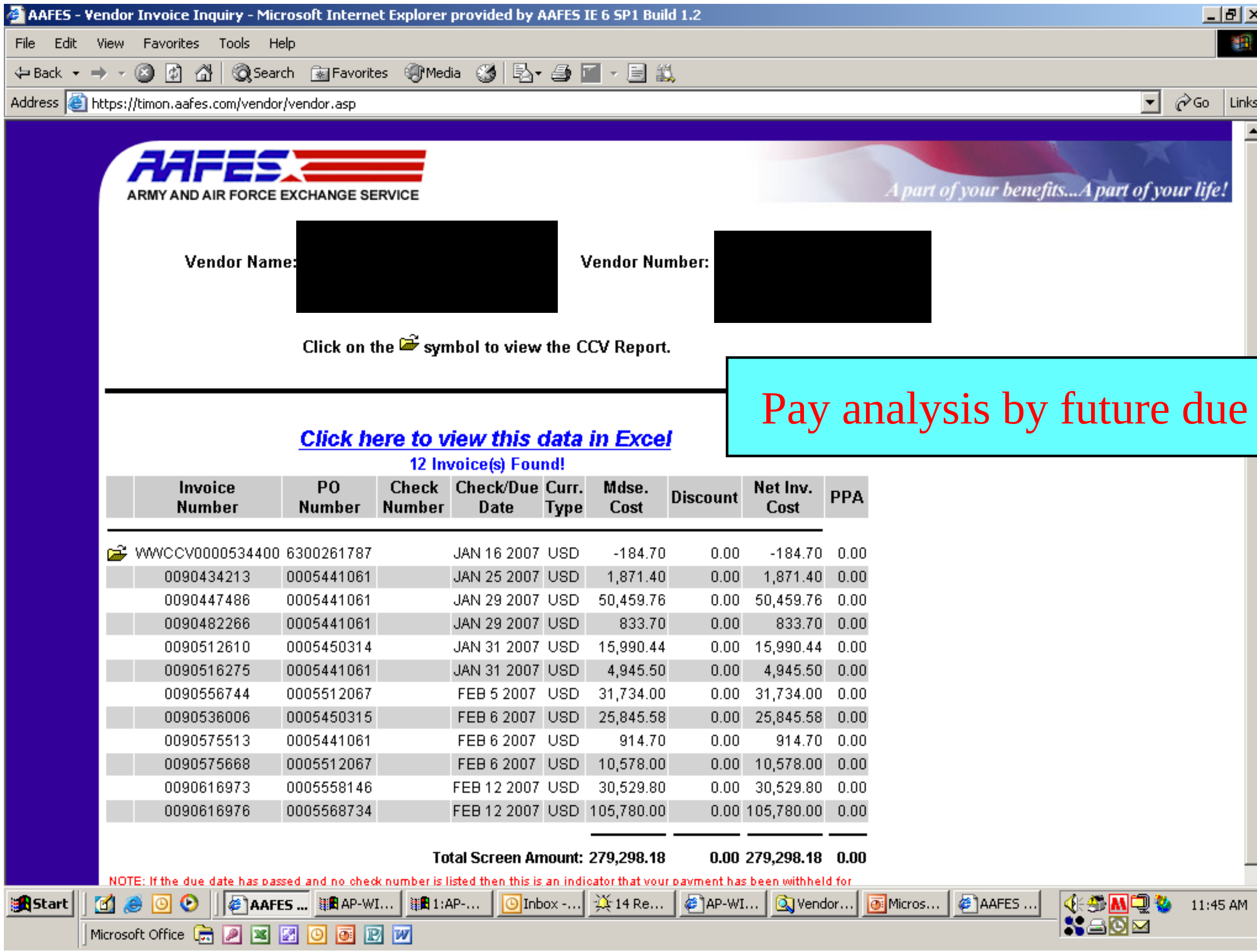


Online Vendor Internet Inquiry



** Inquire payment history by specific invoice, purchase order number, check number or search future due dates

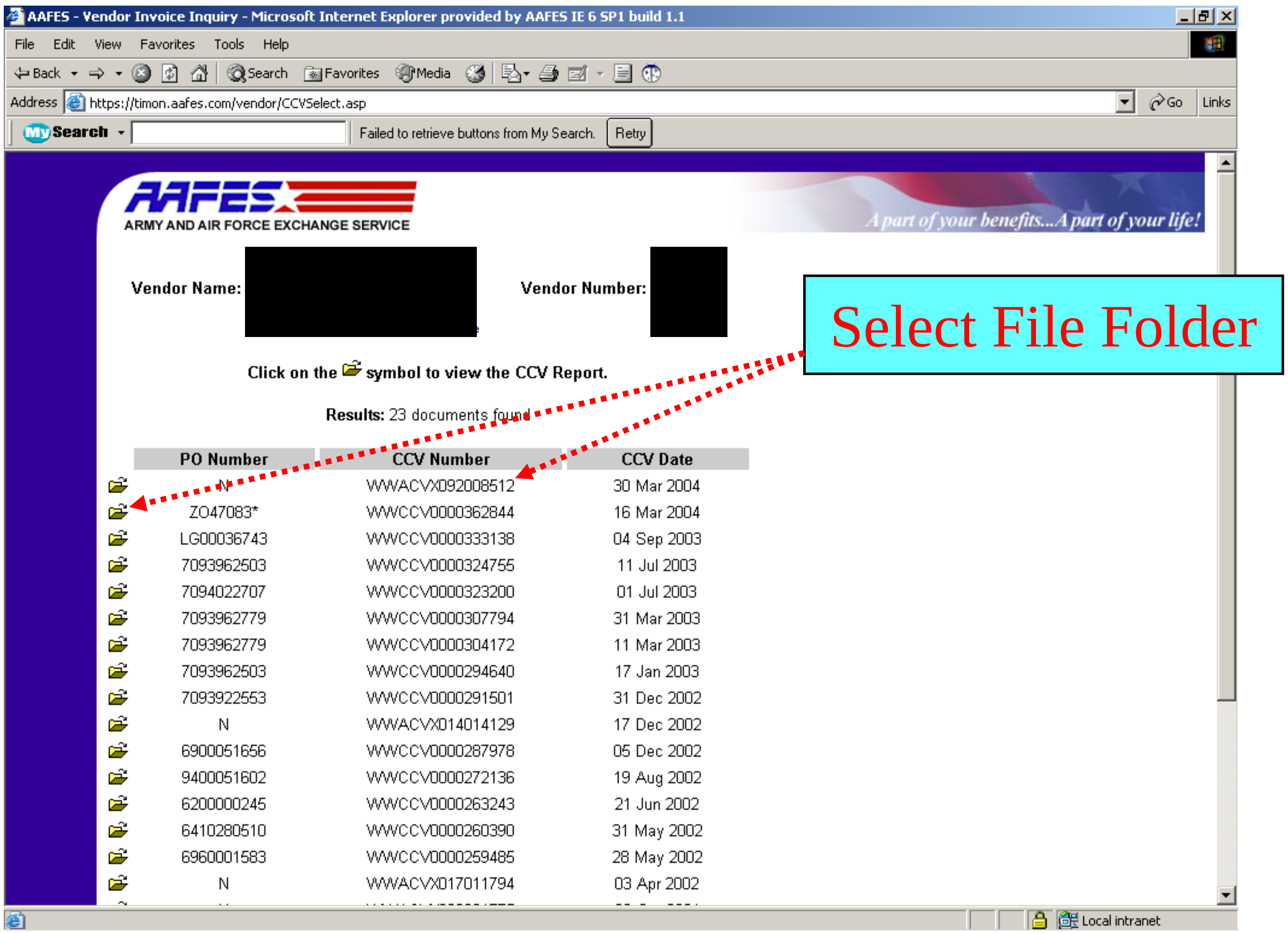
Online Vendor Internet Inquiry



Invoice Number	PO Number	Check Number	Check/Due Date	Curr. Type	Mdse. Cost	Discount	Net Inv. Cost	PPA
WWCCV0000534400	6300261787		JAN 16 2007	USD	-184.70	0.00	-184.70	0.00
0090434213	0005441061		JAN 25 2007	USD	1,871.40	0.00	1,871.40	0.00
0090447486	0005441061		JAN 29 2007	USD	50,459.76	0.00	50,459.76	0.00
0090482266	0005441061		JAN 29 2007	USD	833.70	0.00	833.70	0.00
0090512610	0005450314		JAN 31 2007	USD	15,990.44	0.00	15,990.44	0.00
0090516275	0005441061		JAN 31 2007	USD	4,945.50	0.00	4,945.50	0.00
0090556744	0005512067		FEB 5 2007	USD	31,734.00	0.00	31,734.00	0.00
0090536006	0005450315		FEB 6 2007	USD	25,845.58	0.00	25,845.58	0.00
0090575513	0005441061		FEB 6 2007	USD	914.70	0.00	914.70	0.00
0090575668	0005512067		FEB 6 2007	USD	10,578.00	0.00	10,578.00	0.00
0090616973	0005558146		FEB 12 2007	USD	30,529.80	0.00	30,529.80	0.00
0090616976	0005568734		FEB 12 2007	USD	105,780.00	0.00	105,780.00	0.00
				Total Screen Amount:	279,298.18	0.00	279,298.18	0.00

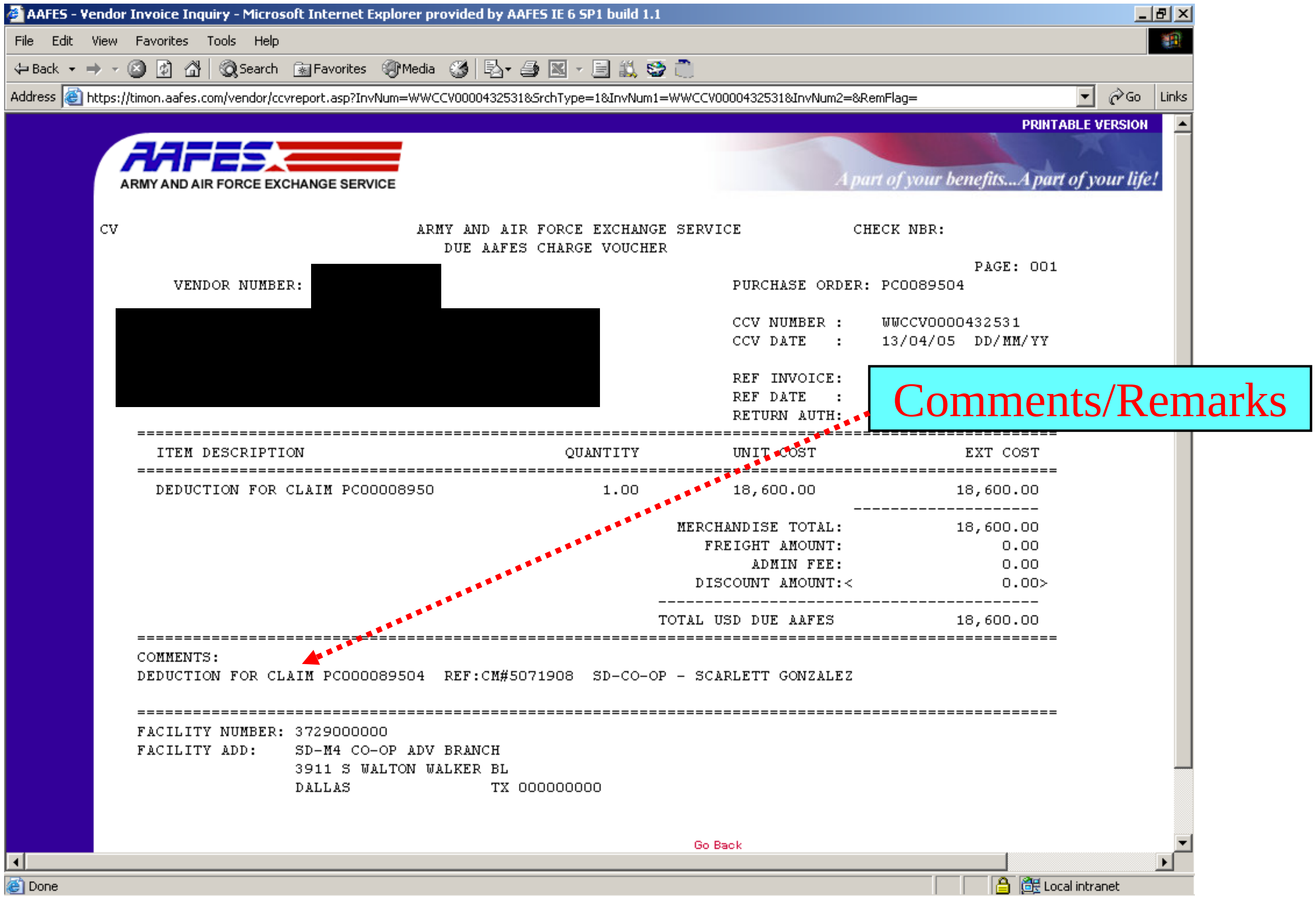
Pay analysis by future due dates

Online Vendor Internet Inquiry

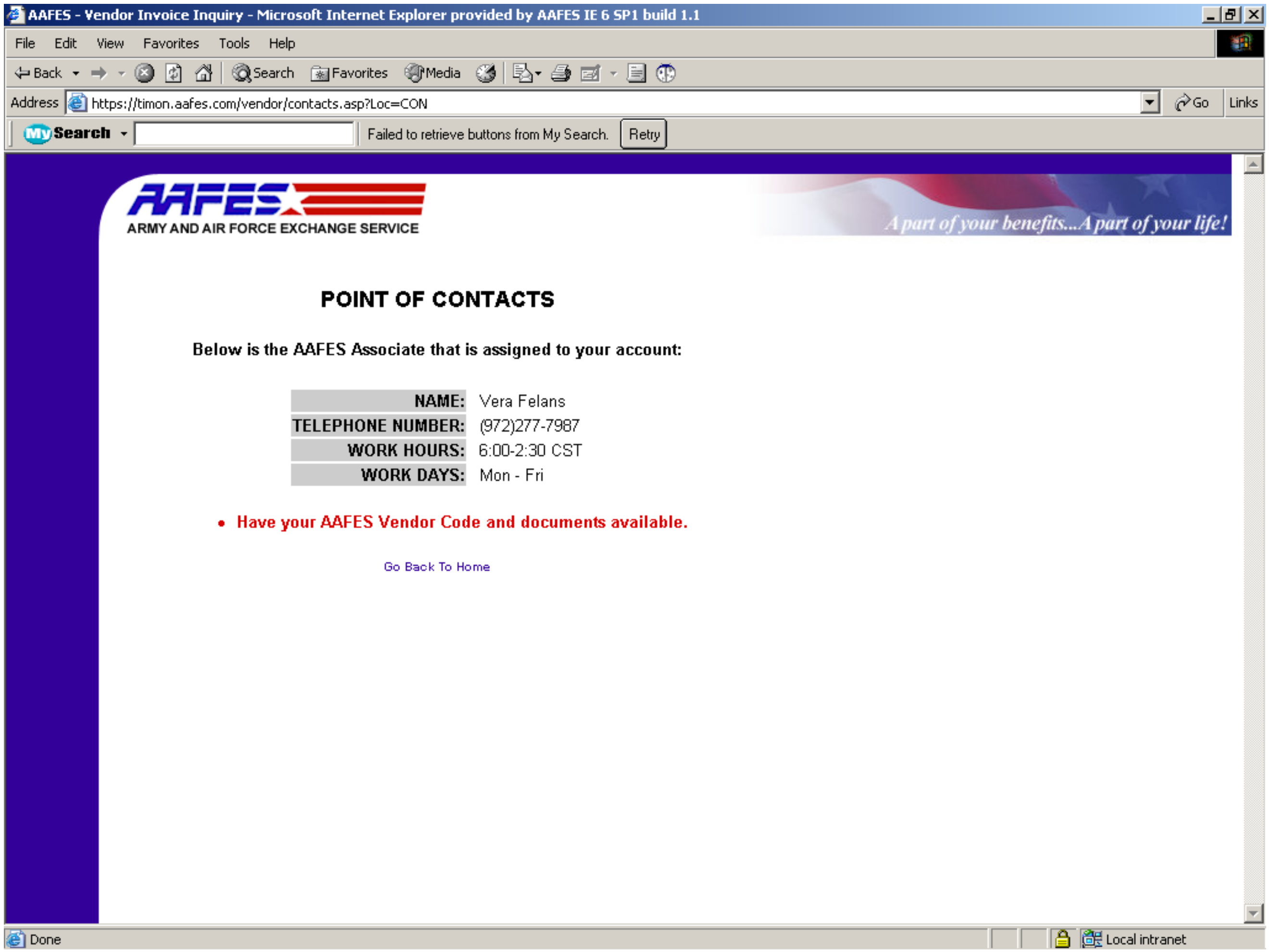


PO Number	CCV Number	CCV Date
N	WWACVX092008512	30 Mar 2004
ZO47083*	WWCCV0000362844	16 Mar 2004
LG00036743	WWCCV0000333138	04 Sep 2003
7093962503	WWCCV0000324755	11 Jul 2003
7094022707	WWCCV0000323200	01 Jul 2003
7093962779	WWCCV0000307794	31 Mar 2003
7093962779	WWCCV0000304172	11 Mar 2003
7093962503	WWCCV0000294640	17 Jan 2003
7093922553	WWCCV0000291501	31 Dec 2002
N	WWACVX014014129	17 Dec 2002
6900051656	WWCCV0000287978	05 Dec 2002
9400051602	WWCCV0000272136	19 Aug 2002
6200000245	WWCCV0000263243	21 Jun 2002
6410280510	WWCCV0000260390	31 May 2002
6960001583	WWCCV0000259485	28 May 2002
N	WWACVX017011794	03 Apr 2002

Online Vendor Internet Inquiry



Online Vendor Internet Inquiry



Future of AAFES AP - Prodagio

- ✓ **New Electronic Workflow system will:**
  - ➔ Take automatic action on improper invoices according to detailed business rules
  - ➔ Receive invoices through many methods and convert into an electronic record
  - ➔ Manage vendor correspondence
  - ➔ Vendor Self Service (VSS)

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Future of AAFES AP - VSS

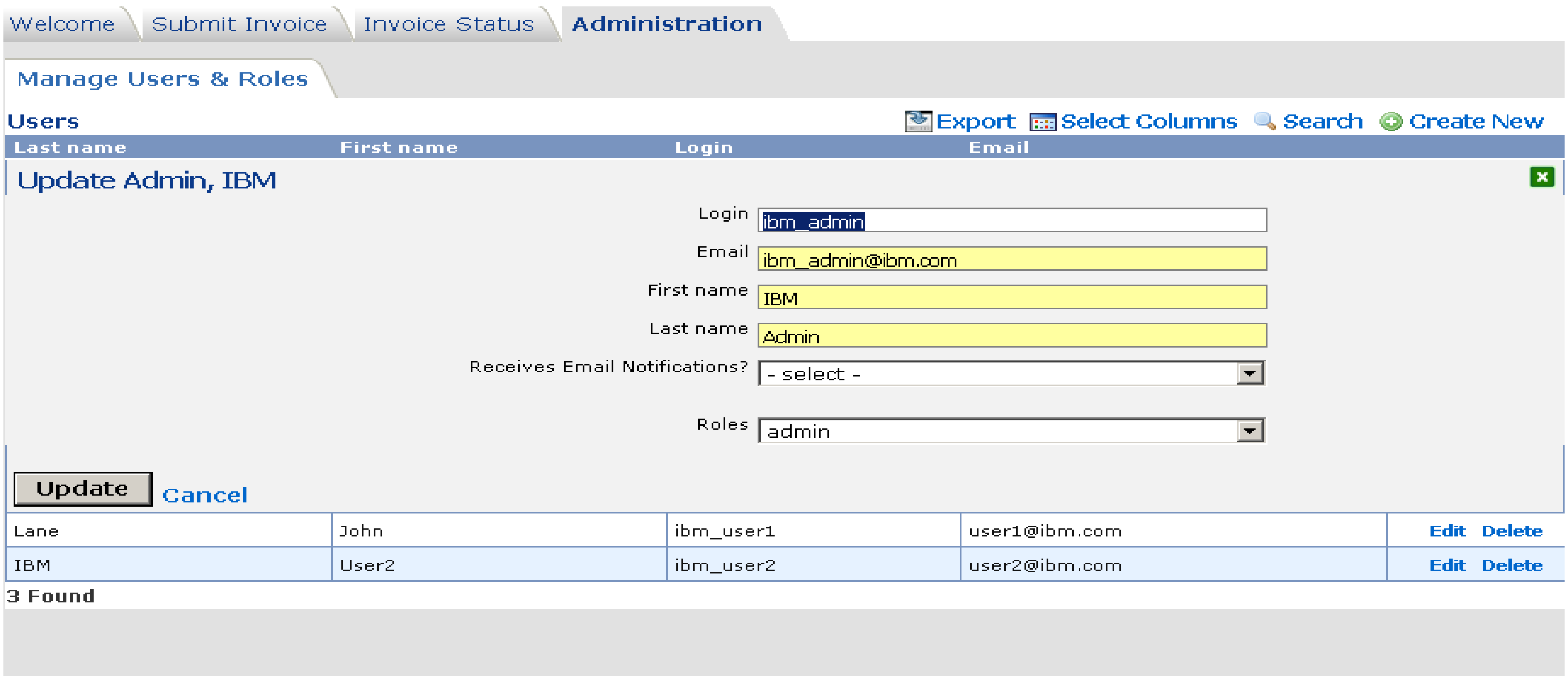
- ✓ **Invoice entry through the web**
  - ➔ PO flip
  - ➔ Upload invoices in varying formats (XML, CSV, XLS, PDF)
  - ➔ Directly enter invoice via web form
  - ➔ Correct invoice errors and resubmit online
- ✓ **Expanded vendor tools**
  - ➔ Invoices will be visible throughout the entire payment process (submission through payment)
  - ➔ Reports (payment history and projections, vendor statements, PO status, KPM's, etc.)

Future of AAFES AP - VSS

- **Improved correspondence**
  - ➔ Threads can be created regarding errors
  - ➔ Centralized message center to vendors
- **Backup documentation is viewable and downloadable (CCV, post audit, remittance detail, etc.)**
- **Assists vendor with their cash flow forecasts**
- **Vendor controls their contact information**

Future of AAFES AP - VSS

✓ **User authentication**



Future of AAFES AP - VSS

✓ **Invoice Status Tab**

prodagio™ vendor self service

Welcome, IBM Admin Logout

Welcome | Submit Invoice | **Invoice Status** | Administration

Last 30 Days | Last 60 Days | Last 90 Days | Last 120 Days | **All Invoices**

Invoices

Filter Export Select Columns Search

Invoice number	Po number	Invoice date	Invoice amount	Vendor ID	Vendor name	Invoice state	
12325	po-12325	Aug 29, 2008 08:42 PM	30000.0	IBM	IBM	Pending	Details
12326	po-12326	Aug 29, 2008 09:35 PM	3000.0	IBM	IBM	Pending	Details

2 Found

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Future of AAFES AP - VSS

✓ **New Invoice Submission and Viewing Tab**

Invoice number	Po number	Invoice date	Invoice amount	Vendor ID	Vendor name	Invoice state	
abc-123	13455	Oct 03, 2008	23.0	IBM	IBM	Pending	View Delete Details
-	-	Oct 03, 2008	-	IBM	IBM	Pending	View Delete Details
-	-	Oct 03, 2008	-	IBM	IBM	Pending	View Delete Details
40000108.0	31415.0	Apr 28, 2007	506.16	IBM	IBM	Pending	View Delete Details

4 Found

Future of AAFES AP - VSS

✓ **Submit Invoice Tab: Uploading Pre-Existing Invoice Files**

Submit Invoice | Import Invoice Spreadsheets | View Newly Cr

Submit Invoice File

Invoice Number	
PO Number	
Invoice Amount	
Terms Net Days	
Terms Discount Days	
Terms Discount %	
Select File to Import	[ ] Browse...

Create

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Future of AAFES AP - VSS

✓ **Import Invoice Spreadsheets Tab: Uploading EXCEL Invoice Templates**

Future of AAFES AP - VSS

✓ Data Fields for PO Flipping

Flip PO # 45682

Cost Summary	
Subtotal:	$133.02
Shipping and subtotal:	$133.02
Tax Cost:	$0.00
Total:	$133.02

Terms Discount Days	Terms Discount %	Terms Net Days
15	0.020	30
Tax Rate %	**Shipping Cost**	**Order Date**
		2007-01-01 00:00:00

Purchase Order Line Items

Add to Invoice?	Stock Number	Description	Quantity	Unit Of Measure	Unit Price
☑					
☑	121922A	Static-free wristban	5	ea	7.99
☑	34567	CPU Thermal Paste	3	tube	2.49
☑	34778A	SATA Cable 3"	10	ea	8.56

Flip PO to Invoice

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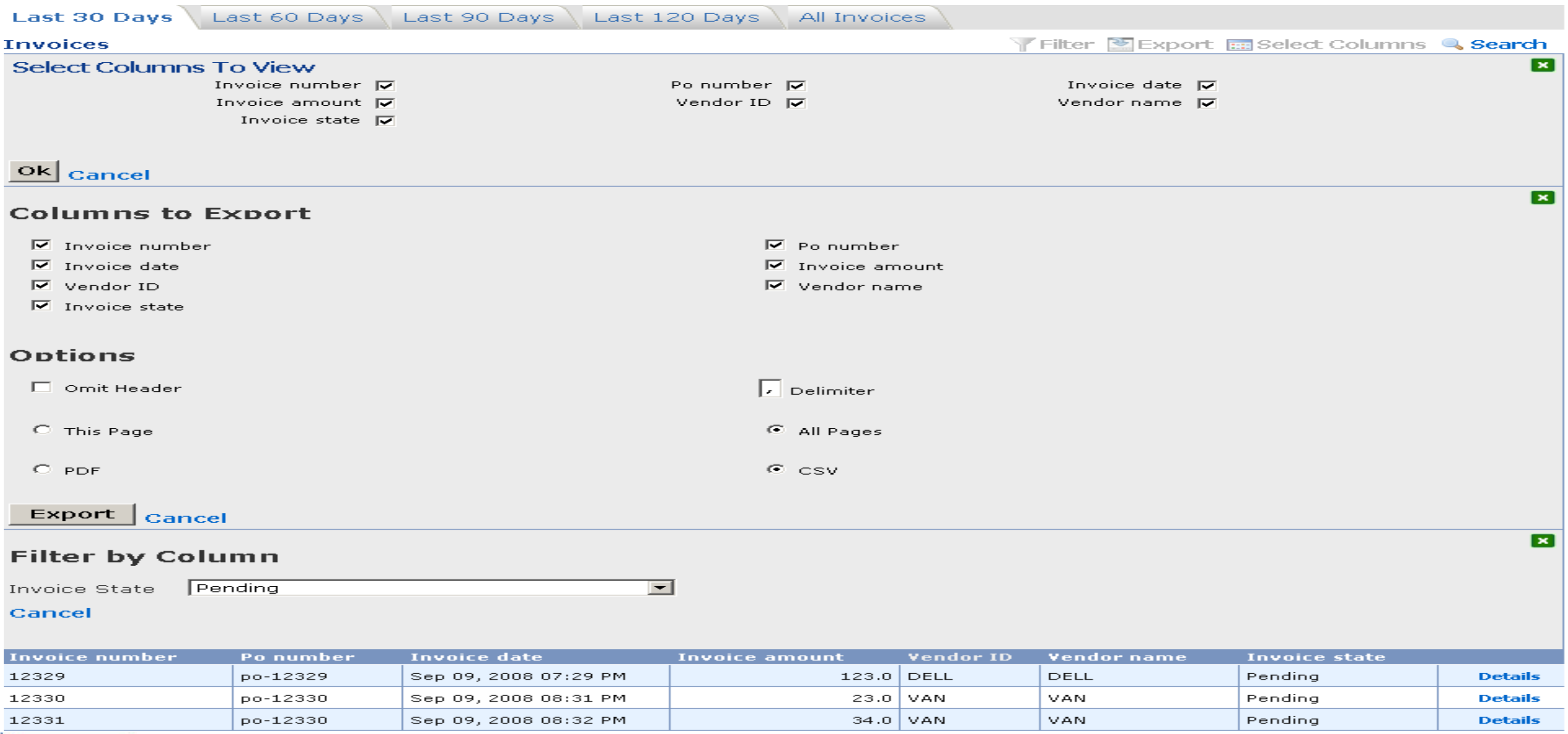
Future of AAFES AP - VSS

✓ **Invoice Lists: Available Columns for Export or View**



Invoice number	Po number	Invoice date	Invoice amount	Vendor ID	Vendor name	Invoice state	
12329	po-12329	Sep 09, 2008 07:29 PM	123.0	DELL	DELL	Pending	Details
12330	po-12330	Sep 09, 2008 08:31 PM	23.0	VAN	VAN	Pending	Details
12331	po-12330	Sep 09, 2008 08:32 PM	34.0	VAN	VAN	Pending	Details

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Prodagio Implementation

- ✓ <u>Phase 1A</u> - Prodagio will start posting transactions to Walker System - Projected implementation date: 2nd Qtr 2009
- ✓ <u>Phase 1B</u> - Prodagio accepts reoccurring invoices - Projected implementation date: 3rd Qtr 2009
- ✓ <u>Phase 1C</u> - Vendor Self Service (VSS) - Search for invoice status and information, as well as, to correct submission errors - Projected implementation 4th Qtr 2009
- ✓ <u>Phases (2 & 3)</u> – Include EDI invoices, 2 and 3-way line matching in Prodagio and also the processing of CCVs - Projected Implementation date to be determined.

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Information on the Web

- ✓ **For information on doing business with AAFES, go to the AAFES home page**
  - ➔ http://www.aafes.com
  - ➔ Click the "Doing Business with AAFES" banner/link

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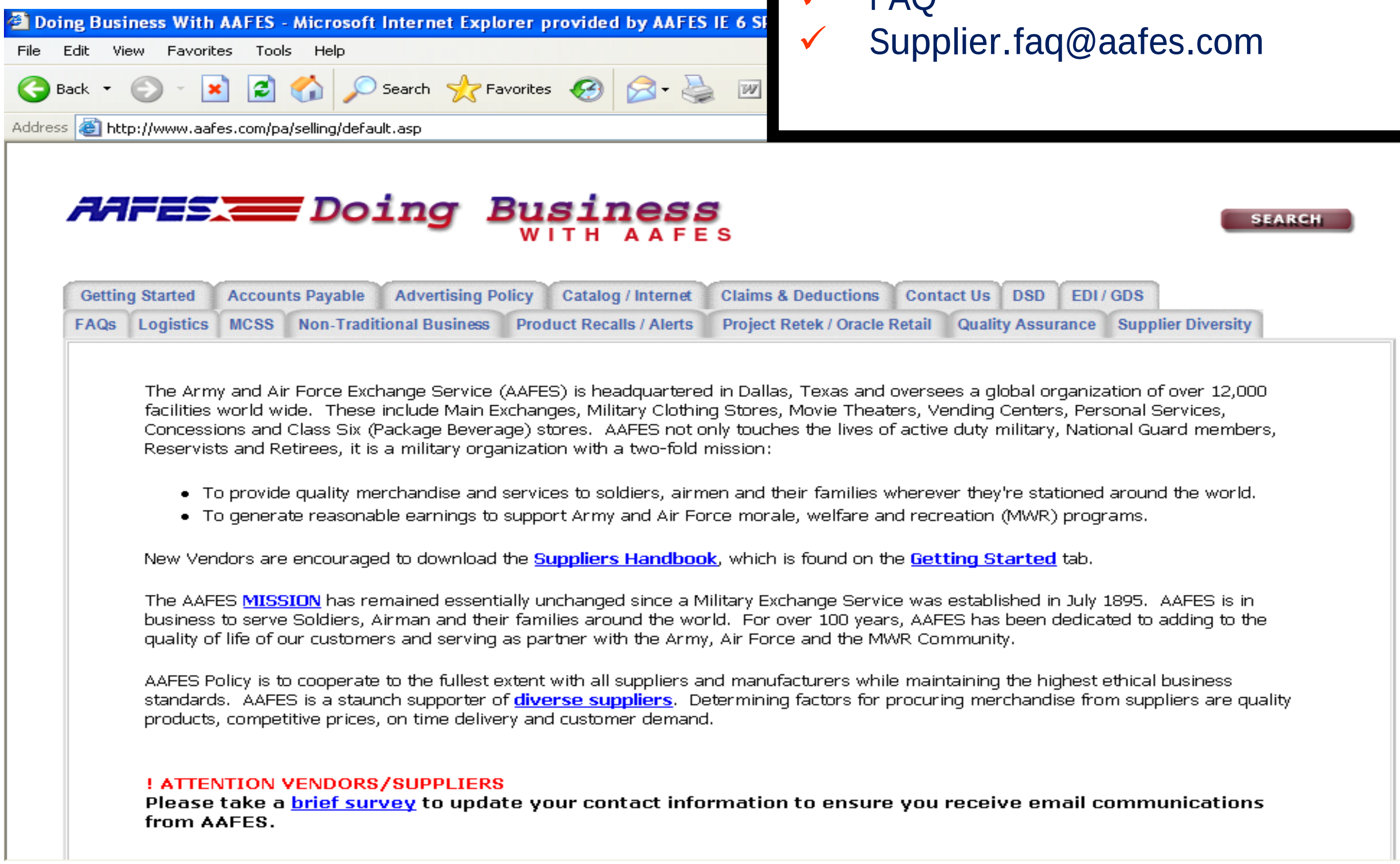
Information on the Web

- ✓ FAQ
- ✓ Supplier.faq@aafes.com



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Information on the Web

Doing Business With AAFES: Supplier Frequently Asked Questions (FAQs) - Responses - Microsoft Internet Explorer provided by AAF

http://www.aafes.com/pa/selling/Supplier-FAQs-Responses_Page.htm#PO_Process_Questions

AAFES Doing Business WITH AAFES

Getting Started | Advertising Policy | Catalog / Internet | Claims & Deductions | Contact Us | EDI / GDS
Future Technology | Logistics | Non-Traditional Business | Product Recalls / Alerts | Quality Assurance | Supplier Diversity

Supplier Frequently Asked Questions *(FAQs)* **- Responses**

FA Questions:

As a lead into the responses below, I believe it is helpful to present some statistics. In the first 9 months of Fiscal Year 06, AAFES AP has processed and paid an average of 518,120 invoices each month. Additionally, we have cleared an average of 18,000 items from various discrepancy queues. This is the number of items cleared, not the total that is in discrepancy. That is a metric we can not currently track, but we will track this with the new system. This information is provided to help understand some of the answers below.

1. Why do we still have invoices that are from six months to two years old that have yet to be resolved?
There could be a number of reasons why an invoice is unresolved over time. Any delay is undoubtedly linked to a discrepancy on either the supplier side (invoice) or AAFES (the PO). AAFES AP will route invoices with discrepancies to the party causing the discrepancy and follow up for the proper resolution. For example, if the invoice is in error, AAFES AP will return it to the supplier for corrective action and submission of a corrected invoice. When the corrected invoice is submitted, and it passes all edits, the payment clock begins and the invoice is scheduled and paid according to terms. If the PO is in error, AAFES AP routes that informational internally to the respective buyer for PO amendment action. As the buyer accomplishes the amendment, the invoice is re-processed and scheduled for payment according to the original invoice received date (invoice date for discounts). In some cases, the buyer indicates that the PO is correct and the invoice is incorrect and payment is made according to the existing PO. In those instances, AAFES considers the issue resolved but the supplier may not. If there is a discrepancy on either the supplier or the buyer side, and no correction is made, the invoice will not be further processed. AAFES AP attempt to follow up on the discrepancy queues, but it is a manual process in the middle of otherwise highly mechanized processing.

Local intranet 100%

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Information on the Web

- ✓ **Dir, Payables: Jacquin@aafes.com**
- ✓ **AP Manager is Ed Brassart**
  - ➔ E-mail: BrassartE@aafes.com
- ✓ **Post Audit Claims – Liaison (POC Jennifer Glenn)**
  - ➔ E-mail: GlennJen@aafes.com
- ✓ **Telephone inquiries: Use contact option on vendor internet invoice inquiry**
- ✓ **Email invoices to: apinvoices@aafes.com**
- ✓ **Fax Correspondence: (214) 465-2900**
- ✓ **Fax invoices only to: (214)-465-2812**

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OPEN DISCUSSION