

MERIDIAN PARTNERS, LLC

Management Consulting

Standard Operating Procedure

Accounts Payable – Invoice Processing & Vendor Payments

SOP-FIN-AP-004

Department: Finance & Accounting

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Document Owner: Raj Patel, Controller

Revision History

Rev.	Description	Author	Approved By	Date
1.0	Initial release	R. Patel	M. Webb, CFO	Jan 15, 2025
1.1	Added credit memo procedures	R. Patel	M. Webb, CFO	Mar 03, 2025
1.2	Updated escalation channels; added 1099 rules	M. Santos	R. Patel	Apr 22, 2025

1. Purpose & Scope

This document defines the end-to-end procedures for processing vendor invoices, approving expenditures, issuing payments, and maintaining vendor records at Meridian Partners, LLC. All Accounts Payable (AP) staff, approving managers, and the Controller must follow this SOP without deviation. Any process not explicitly addressed here must be escalated per Section 13.

Scope: All non-payroll disbursements including vendor invoices, contractor payments, employee expense reimbursements, intercompany transfers, and credit memo processing. This SOP does not cover payroll, benefits administration, or capital expenditure approvals.

2. Definitions & Vocabulary

Term	Definition
Three-Way Match	Verification that the Purchase Order (PO), Goods Receipt (GR), and Vendor Invoice all agree on quantity, unit price, and total amount within defined tolerances.
PO (Purchase Order)	A formal authorization to purchase goods or services, recorded on the PO Register sheet of ap_ledger.xlsx with a unique PO number (format: PO-YYYY-NNNNN).
GR (Goods Receipt)	Confirmation that ordered goods or services have been received, entered by the requesting department.
Non-PO Invoice	An invoice for goods or services that were procured without a purchase order. Requires retroactive approval per Section 5.3.
Invoice Variance	The difference between the invoiced amount and the PO/GR amount, expressed as a percentage: $((\text{Invoice Amount} - \text{PO Amount}) / \text{PO Amount}) * 100$.
Payment Terms	The agreed-upon timeframe for payment. Common terms: Net 30 (payment due 30 days from invoice date), Net 45, 2/10 Net 30 (2% discount if paid within 10 days).
GL Code	General Ledger account code for expense classification, format: NNNN-NNN-NNNN (Entity-Department-Account). Common codes: 6100-xxx-xxxx (Professional Services), 6200-xxx-xxxx (Office Supplies), 6300-xxx-xxxx (Travel & Entertainment), 6400-xxx-xxxx (Software & Subscriptions), 6500-xxx-xxxx (Facilities & Maintenance), 1500-000-9100 (Intercompany Clearing).
Batch Run	A scheduled payment processing cycle. Meridian runs payment batches every Tuesday and Thursday at 2:00 PM EST.
Department Codes	100 (Operations), 110 (Sales), 120 (HR)
Hold Status	An invoice flagged to prevent payment. Hold codes: MATCH (matching discrepancy), APPR (pending approval), DUPL (suspected duplicate), DISP (vendor dispute), AUDIT (under review), IC-HOLD (intercompany invoice pending month-end settlement), BANK (pending bank change verification).
Vendor Master	The central record for each vendor, maintained in vendor_master.xlsx. Contains tax ID, payment terms, banking details, and 1099 classification.

3. Tools, Systems & File Locations

All AP staff must use the following systems and file paths. Do not create ad hoc spreadsheets or store files outside the designated locations.

3.1 Systems

System	Purpose	Access
AP Ledger Workbook (ap_ledger.xlsx)	Central AP workbook with sheets: Invoice Register, PO Register, Payment Queue, GL Postings	ap_ledger.xlsx
Email	Vendor communications, approval requests, payment confirmations	ap.team@meridianpartners.com (shared inbox)
Slack	Internal escalations, urgent notifications, team coordination	See Section 3.3 for channel list
Calendar	Payment batch scheduling, month-end close deadlines, vendor meetings	Shared AP calendar: ap-calendar@meridianpartners.com
	Invoice images, supporting documentation, reconciliation files	(see Section 3.2)

3.2 File Locations

All AP files must be stored in the following directory structure. **Files stored outside these locations will not be included in backups and may be deleted.**

Path	Contents
Invoices/YYYY-MM/	Scanned invoice images (PDF), named: INV-[VendorID]-[InvoiceNumber].pdf
PO_Matching/	Three-way match worksheets: match_log_YYYY_QN.xlsx
Vendor_Master/	vendor_master.xlsx – the single source of truth for vendor records
Payment_Batches/	Payment batch files: batch_YYYY-MM-DD.xlsx
Exceptions/	Exception reports, hold documentation, and the exceptions tracker: exceptions_tracker_YYYY.xlsx
Month_End/YYYY-MM/	Accrual worksheets, reconciliation reports, close checklists
1099/YYYY/	1099 preparation files and vendor W-9 forms

3.3 Slack Channels

Use the following Slack channels for all AP communications. Do not use direct messages for issues that require an audit trail.

Channel	Purpose	Who Posts
#accounts-payable	Invoice matching exceptions, price variances, payment batch confirmations,	AP Staff, AP Manager

	payment failures	
#approvals	Approval requests for non-PO invoices and over-threshold items	AP Staff
#vendor-management	Escalations to Controller, fraud suspicion, vendor disputes > \$5,000, legal threats, vendor bank changes	AP Staff, AP Manager
#finance	Month-end close status, accrual postings, reconciliation completion	All Finance Staff

4. Invoice Intake & Initial Classification

All invoices arrive through one of three channels: email (ap.team@meridianpartners.com), physical mail (scanned by Office Admin), or the vendor portal. Regardless of source, every invoice must be logged and classified within 24 business hours of receipt.

4.1 Required Invoice Fields

Before processing, verify the invoice contains all of the following. If any field is missing, the invoice is Incomplete and must be returned to the vendor.

Required Field	Example	If Missing
Vendor name and address	Apex Office Supply, 100 Commerce Dr, Atlanta GA 30301	Return to vendor
Invoice number	INV-2025-08841	Return to vendor
Invoice date	03/15/2025	Return to vendor
PO number (if applicable)	PO-2025-01234	Classify as Non-PO; proceed to Section 5.3
Line items with description, qty, unit price	Copy Paper, Qty 50, \$4.99/ream	Return to vendor
Total amount due	\$249.50	Return to vendor
Payment terms	Net 30	Default to vendor master terms; if no vendor master entry, use Net 30

4.2 Returning Incomplete Invoices

When an invoice is missing required fields, send the following email to the vendor within the same business day:

To: [vendor contact email from vendor_master.xlsx; if the vendor is not yet in vendor_master.xlsx, reply to the sender's email address]

Subject: Meridian Partners - Incomplete Invoice [INVOICE NUMBER]

Body (use verbatim):

"Dear [Vendor Contact Name],

We received invoice [INVOICE NUMBER] dated [INVOICE DATE]. Unfortunately, we are unable to process this invoice because the following required information is missing: [LIST MISSING FIELDS].

Please resubmit a corrected invoice to ap.team@meridianpartners.com at your earliest convenience. We will process payment promptly upon receipt of a complete invoice.

Thank you,

Meridian Partners Accounts Payable"

Do NOT enter incomplete invoices into the Invoice Register. Do NOT place them on hold. They must be returned before entry.

4.3 Invoice Classification

After verifying completeness, classify each invoice into exactly one category. If an invoice could match more than one category, apply the following priority order: (1) Intercompany, (2) Employee Expense, (3) Credit Memo, (4) Recurring Invoice, (5) PO Invoice, (6) Non-PO Invoice. For example, a credit memo from an intercompany entity (vendor ID starting with "IC-") is classified as Intercompany, not Credit Memo.

Category	Criteria	Next Step
PO Invoice	Invoice references a valid PO number that exists on the PO Register sheet of ap_ledger.xlsx	Section 5.1 (Three-Way Match)
Non-PO Invoice	No PO number referenced, OR the PO number does not exist on the PO Register sheet of ap_ledger.xlsx	Section 5.3 (Retroactive Approval)
Recurring Invoice	Invoice matches an active recurring vendor agreement (check recurring_agreements.xlsx)	Section 5.4 (Recurring Processing)
Credit Memo	Document has a negative total or is explicitly labeled as a credit memo/credit note	Section 8 (Credit Memo Processing)
Employee Expense	Reimbursement request from a Meridian employee with attached receipts	Section 9 (Expense Reimbursement)
Intercompany	Invoice from a Meridian subsidiary or affiliated entity (vendor ID starts with "IC-")	Section 10 (Intercompany)

5. Invoice Processing & Matching

5.1 Three-Way Match (PO Invoices)

For every PO invoice, the AP clerk must verify agreement between three documents: the Purchase Order, the Goods Receipt, and the Invoice. Open the match log for the current quarter (PO_Matching/match_log_YYYY_QN.xlsx) and record each match attempt.

5.1.1 Matching Tolerances

The following tolerances determine whether a match passes or requires exception handling:

Check	Tolerance	If Within Tolerance	If Outside Tolerance
Unit Price Variance	±5% OR ±\$25 (passes if EITHER threshold is met)	Auto-approve; no further action	Place on MATCH hold; proceed to Section 6.1
Quantity Variance	Exact match required (zero tolerance)	Proceed to price check	Place on MATCH hold; proceed to Section 6.2
Total Invoice Amount	±\$50 AND ±2%	Auto-approve; post to GL	Place on MATCH hold; proceed to Section 6
Tax Amount	±\$5	Accept invoice tax amount	Flag for AP Manager review. The AP Manager will determine the correct tax amount and update the invoice before approval.

5.2 Duplicate Invoice Detection

After classifying an invoice (Section 4.3) but before entering it into the Invoice Register, check for duplicates using ALL THREE of the following criteria. This check applies to all invoice categories. An invoice is a duplicate if it matches on all three:

1. Same vendor ID, AND
2. Same invoice number (case-insensitive, ignore leading zeros), AND
3. Same invoice total amount (exact match to the penny)

If a duplicate is detected: Do NOT enter the invoice. Do NOT return it to the vendor. Place the physical/digital copy in Exceptions/ with filename DUPL-[VendorID]-[InvoiceNumber].pdf. Post a notification to #accounts-payable with the following exact format:

DUPLICATE DETECTED: [VENDOR NAME], [VENDOR ID], Invoice [INVOICE NUMBER], Amount \$[AMOUNT], Original Entry Date [DATE OF FIRST ENTRY]

5.3 Non-PO Invoice Processing

Invoices without a valid PO require retroactive audit-trail approval before payment. The approval path depends on the invoice amount:

Invoice Amount	Required Approver	Approval Method	Max Response Time
\$0.01 – \$500.00	Department Manager (budget owner for the GL code)	Email reply	3 business days
\$500.01 – \$5,000.00	Department Manager AND AP Manager (Maria Santos)	Email reply from both	3 business days

\$5,000.01 – \$25,000.00	Department Manager AND Controller (Raj Patel)	Email reply from both	5 business days
Over \$25,000.00	Department Manager AND Controller AND CFO (Marcus Webb)	Email reply from all three	5 business days

Approval Request Email Format:

To: [required approver(s)]

CC: ap.team@meridianpartners.com

Subject: AP APPROVAL REQUIRED: [VENDOR NAME] - \$[AMOUNT] - Invoice [INVOICE NUMBER]

Body: "A non-PO invoice requires your approval before payment can be processed. Vendor: [VENDOR NAME] ([VENDOR ID]). Invoice: [INVOICE NUMBER], dated [INVOICE DATE]. Amount: \$[AMOUNT]. Description: [FIRST LINE ITEM DESCRIPTION]. GL Code: [GL CODE]. Please reply APPROVED or REJECTED with reason. If no response is received within [3 or 5] business days, the invoice will be placed on APPR hold and the vendor will be notified of the delay."

If approval is not received within the allowed timeframe: Place the invoice on APPR hold by updating its Status column in the Invoice Register. Send a courtesy email to the vendor using this template:

"Dear [Vendor Contact Name], Invoice [INVOICE NUMBER] for \$[AMOUNT] is currently pending internal approval. We expect to process payment within [5/10] additional business days. We apologize for the delay. Meridian Partners Accounts Payable"

5.4 Recurring Invoice Processing

Some vendors have standing agreements for recurring services (e.g., monthly IT support, quarterly cleaning). These are listed in recurring_agreements.xlsx with the following columns: Vendor ID, Vendor Name, Service Description, Expected Amount, Tolerance (%), Frequency, GL Code, Approving Manager, Agreement Expiration Date.

For recurring invoices:

Step 1: Verify the agreement has not expired. If the Agreement Expiration Date is in the past, STOP. Do not process. Place on APPR hold and email the Approving Manager listed in the agreement to request renewal or confirmation.

Step 2: Compare the invoice amount to the Expected Amount. If the variance exceeds the Tolerance percentage, treat as an exception (Section 6.3).

Step 3: If within tolerance and not expired, approve and enter with the GL Code from the agreement. No additional approval is needed.

6. Exception Handling

Exceptions are invoices that cannot be processed through the standard matching or approval workflows. Every exception must be documented and resolved within 10 business days. Unresolved exceptions older than 10 business days are automatically escalated to the Controller.

6.1 Price Variance Exceptions

When unit price variance exceeds the tolerance defined in Section 5.1.1:

Step 1: Check if the vendor has submitted a price increase notification in the last 90 days (search email inbox for subject containing "price increase" or "rate change" from the vendor's domain).

Step 2a – Price increase notification found: If the invoiced price matches the notified new price, update the PO on the PO Register sheet of ap_ledger.xlsx to reflect the new pricing. Re-run the three-way match. If it now passes, approve. Update vendor_master.xlsx with the new contracted rate.

Step 2b – No price increase notification: Email the vendor requesting clarification. Use this exact subject line: "Meridian Partners - Price Discrepancy on Invoice [INVOICE NUMBER]". In the body, state the PO price, the invoiced price, and the variance percentage. Request a corrected invoice or written justification within 5 business days.

Step 3: Post to #accounts-payable: PRICE VARIANCE: [VENDOR NAME], [VENDOR ID], Invoice [INVOICE NUMBER], PO Price \$[PO PRICE], Invoice Price \$[INV PRICE], Variance [X] %

6.2 Quantity Discrepancy Exceptions

When the invoiced quantity does not exactly match the Goods Receipt quantity:

If Invoice Qty > GR Qty: Place on MATCH hold. Email the requesting department to confirm whether additional items were received but not logged. If confirmed received, have them update the GR Qty column on the PO Register sheet of ap_ledger.xlsx first, then re-match. If not received, email the vendor requesting a corrected invoice for the actual quantity delivered.

If Invoice Qty < GR Qty: This is a partial invoice. Process and pay the invoiced quantity. Add a note in the match log: "Partial invoice – [X] units received, [Y] units invoiced. Remaining [Z] units expected on future invoice." Do NOT hold the invoice.

6.3 Recurring Invoice Amount Variance

When a recurring invoice exceeds the tolerance specified in the recurring agreement:

If variance is positive (vendor charged MORE than expected): Place on MATCH hold. Email the Approving Manager listed in recurring_agreements.xlsx with subject: "Recurring Invoice Variance – [VENDOR NAME] – [MONTH/YEAR]". Include the expected amount, actual amount, and variance. Await approval or rejection within 3 business days.

If variance is negative (vendor charged LESS than expected): Process normally. No hold required. No approval needed. Log the variance in the match log with a note.

7. Payment Approval & Authorization

After an invoice has been matched (or approved as non-PO), it enters the payment queue. Additional authorization is required based on the payment amount.

7.1 Payment Authorization Matrix

Payment Amount	Required Signoff	Method	Notes
\$0.01 – \$2,500	AP Clerk (self-approve after match; post confirmation to #approvals)	Slack confirmation in #approvals	Batch processed
\$2,500.01 – \$10,000	AP Manager (Maria Santos)	Slack confirmation in #approvals	Batch processed
\$10,000.01 – \$50,000	AP Manager AND Controller (Raj Patel)	Slack confirmation from both in #approvals	Batch processed
Over \$50,000	Controller AND CFO (Marcus Webb)	Slack confirmation in #approvals + email confirmation from CFO	Manual wire transfer only

Critical: Payments over \$50,000 must NEVER be included in the standard Tuesday/Thursday batch run. They are processed as individual manual wire transfers after receiving email confirmation from the CFO. The email confirmation must contain the exact phrase "APPROVED FOR PAYMENT" in the body.

7.2 Early Payment Discounts

If a vendor offers early payment terms (e.g., 2/10 Net 30), the AP clerk must evaluate whether to take the discount:

Rule: Always take the early payment discount if the discount amount is \$100 or greater. For discounts under \$100, process at standard terms. To take a discount, the payment must be included in the next available batch run. When a discount applies ensure payment is timely by posting to #accounts-payable with format:

EARLY PAYMENT DISCOUNT: [VENDOR NAME], Invoice [INVOICE NUMBER], Discount \$ [AMOUNT], Deadline [DATE]

8. Credit Memo Processing

Credit memos reduce the amount owed to a vendor. They must be matched against the original invoice before applying.

8.1 Matching Credit Memos

Step 1: Identify the original invoice referenced in the credit memo. If no original invoice is referenced, email the vendor: "Dear [Vendor Contact Name], We received credit memo [CM NUMBER] dated [CM DATE] for \$[AMOUNT]. We are unable to apply this credit without a reference to the original invoice. Please provide the original invoice number so we can process this credit. Meridian Partners Accounts Payable"

Step 2: Verify the credit amount does not exceed the original invoice amount. If it does, place on DISP hold and email the vendor requesting clarification.

Step 3: Apply the credit against the original invoice in the Invoice Register by updating the Credit Applied column. If the original invoice has already been paid, record the credit on the vendor's row in vendor_master.xlsx in the Outstanding Credit column for offset against the next invoice.

Step 4: If the credit memo results in a net vendor overpayment of \$500 or more, post to #accounts-payable: VENDOR OVERPAYMENT: [VENDOR NAME], [VENDOR ID], Overpayment Amount \$[AMOUNT], Original Invoice [INV NUMBER]. The AP Manager will determine whether to request a refund check from the vendor or apply as future credit.

9. Employee Expense Reimbursement

Employee expense reimbursements are submitted via email to ap.team@meridianpartners.com with the expense report spreadsheet and all supporting receipts attached.

9.1 Validation Checklist

Every expense report must be evaluated against the following checks. If checks 1, 2, 3, 6, or 8 fail, return the entire report to the employee for correction. For checks 4, 5, and 7, apply the adjustment described in the Failure Action column and continue processing the remainder of the report.

#	Check	Failure Action
1	Employee name and employee ID are present	Return to employee
2	Manager approval signature or email approval is attached	Return to employee; do NOT seek approval on their behalf
3	Every line item has a corresponding receipt image	Return to employee for missing receipts
4	No single meal expense exceeds \$75 per person	Reimburse up to \$75 per person; reject the overage. Notify employee of the policy.
5	No alcohol charges (Meridian does not reimburse alcohol)	Deduct alcohol amount from total. Process remainder.
6	Travel dates match the approved travel request in the calendar (if applicable)	Return to employee for explanation of date discrepancy

7	Mileage reimbursement uses the current IRS rate (\$0.70/mile for 2025)	Recalculate at the correct rate. Do not reject the entire report.
8	Report submitted within 60 days of expense date	Reject. Expenses older than 60 days cannot be reimbursed per company policy.

Expense Return Email Format:

Subject: Expense Report Returned – [EMPLOYEE NAME] – [DATE OF REPORT]

Body: "Dear [Employee Name], Your expense report dated [DATE] has been returned for the following reason(s): [NUMBERED LIST OF ISSUES]. Please correct and resubmit to ap.team@meridianpartners.com. Meridian Partners Accounts Payable"

10. Intercompany Transactions

Meridian Partners has three operating entities: Meridian Partners LLC (entity code 1000), Meridian Advisory Group (entity code 2000), and Meridian Digital Solutions (entity code 3000). Intercompany invoices are identified by vendor IDs starting with "IC-".

Intercompany invoices must NEVER be included in external payment batch runs. They are settled monthly via journal entry during month-end close (Section 11). When you encounter an intercompany invoice, enter it in the Invoice Register with two GL codes: (1) the expense GL code, using the RECEIVING entity's code as the first four digits (see GL Coding for Intercompany below), and (2) the intercompany clearing account 1500-000-9100 as the offset. Set the invoice Status to IC-HOLD. Do NOT release it for payment.

GL Coding for Intercompany: The first four digits of the GL code must be the RECEIVING entity's code (the entity being charged), not the invoicing entity's code. For example, if Meridian Advisory Group (2000) invoices Meridian Partners LLC (1000) for consulting services, the GL code on the payable side is 1000-[Dept]-[Account], NOT 2000-[Dept]-[Account].

11. Month-End Close Procedures

The AP month-end close must be completed by the 5th business day of the following month. The AP Manager posts status updates to #finance at the completion of each step.

11.1 Close Checklist

Complete the following steps in order. Do not proceed to the next step until the current step is complete.

#	Task	Owner	Slack Notification
1	Process all invoices received on or before the last business day of the month	AP Clerks	None
2	Generate the AP Aging Report by filtering the Invoice Register by due date and save to Month_End/YYYY-MM/aging_report.xlsx	AP Manager	None
3	Resolve or document all invoices on hold > 30 days. For each, add a row to Exceptions/exceptions_tracker_YYYY.xlsx with current status and expected resolution date.	AP Clerks	None
4	Prepare accrual journal entries for goods/services received but not yet invoiced. Save worksheet to Month_End/YYYY-MM/accruals.xlsx	AP Manager	Post to #finance: AP ACCRUALS POSTED: [MONTH] [YEAR], Total Accrual Amount: \$ [AMOUNT], Number of Entries: [N]
5	Reconcile AP subledger to GL. Variance must be \$0.00. If variance exists, document each discrepancy	AP Manager	Post to #finance: AP RECONCILIATION COMPLETE: [MONTH]

	in Month_End/YYYY-MM/recon_variances.xlsx with columns: GL Account, Subledger Balance, GL Balance, Difference, Cause (e.g., unposted invoice, timing difference, duplicate entry), and Corrective Action Taken. Post all correcting journal entries before proceeding.		[YEAR], Variance: \$0.00
6	Process intercompany settlement journal entries (clear the 1500-000-9100 account)	AP Manager	Post to #finance: INTERCOMPANY SETTLED: [MONTH] [YEAR], Net Settlement: \$[AMOUNT]
7	Email the Controller a summary: Subject: "AP Close Complete – [MONTH] [YEAR]". Body must include: total invoices processed, total dollar amount, number of open holds, accrual total, and intercompany settlement amount.	AP Manager	Post to #finance: AP CLOSE COMPLETE: [MONTH] [YEAR]
8	Run vendor deactivation report: identify vendors with no transactions in the past 18 months and update their Status to "Inactive" in vendor_master.xlsx per Section 12.2.	AP Manager	None

12. Vendor Management

12.1 New Vendor Setup

No invoice may be processed for a vendor that does not exist in vendor_master.xlsx. To add a new vendor:

Step 1: Collect a completed W-9 form (for US vendors) or W-8BEN (for foreign vendors). Store in 1099/YYYY/W9_[VendorName].pdf.

Step 2: Verify the vendor's tax ID (EIN or SSN) is not already in vendor_master.xlsx under a different name. If a matching tax ID exists, do NOT create a new record. Instead, post to #vendor-management: DUPLICATE VENDOR SUSPECTED: [NEW VENDOR NAME] matches Tax ID of existing vendor [EXISTING VENDOR NAME], [VENDOR ID].

Step 3: Add a new row to vendor_master.xlsx with all required fields: Vendor ID (auto-generated, next sequential number in format V-NNNNN), Vendor Name, Tax ID, Address, Contact Name, Contact Email, Phone, Payment Terms, Bank Name, Bank Routing, Bank Account, 1099 Reportable (Yes/No), 1099 Type (NEC, MISC, or N/A), Status (Active), Created Date.

Step 4: Post to #approvals: NEW VENDOR ADDED: [VENDOR NAME], [VENDOR ID], 1099 Reportable: [YES/NO]. The AP Manager must acknowledge within 1 business day.

12.2 Vendor Deactivation

A vendor should be deactivated (not deleted) if there have been no transactions in the past 18 months. During month-end close, the AP Manager runs a report of inactive vendors and updates their Status to "Inactive" in vendor_master.xlsx. Inactive vendors cannot receive payments. If an invoice arrives for an inactive vendor, the AP clerk must first reactivate the vendor (change Status back to "Active" and update the reactivation date) before processing.

12.3 Vendor Statement Reconciliation

When a vendor sends a statement of account, the AP clerk must reconcile it against AP records within 5 business days. Compare each line on the vendor statement to the Invoice Register and Payment Queue sheets in ap_ledger.xlsx. Any discrepancy must be documented in an email to the vendor with subject: "Meridian Partners – Statement Reconciliation – [VENDOR NAME] – [STATEMENT DATE]".

If the reconciliation reveals that Meridian owes an additional amount not yet invoiced: Request an invoice from the vendor. Do NOT create a payment without an invoice.

If the reconciliation reveals that the vendor's statement shows a smaller balance than Meridian's records: Investigate for potential duplicate payments. Search the Payment Queue sheet in ap_ledger.xlsx for duplicate payment entries. If a duplicate payment is confirmed, post to #vendor-management: DUPLICATE PAYMENT FOUND: [VENDOR NAME], [VENDOR ID], Overpayment \$[AMOUNT], Payment Ref [PAYMENT REF NUMBERS]. Request a refund from the vendor.

13. Escalation Procedures

Escalations must be posted to the correct Slack channel using the exact format specified. Do not email escalations unless Slack is unavailable (system outage).

13.1 Escalation Triggers & Routing

Trigger	Channel	Notify	Response Expected
Suspected fraud (fake invoice, fictitious vendor, altered amounts)	#vendor-management	Controller + CFO	Immediate (same day)
Vendor legal threat or lawsuit notice	#vendor-management	Controller + Legal	Immediate (same day)
Vendor dispute over \$5,000	#vendor-management	AP Manager + Controller	1 business day
Payment failure (ACH reject, wire bounce)	#accounts-payable	AP Manager	4 business hours
Invoice on hold > 10 business days, unresolved	#vendor-management	Controller	1 business day
Vendor requests payment method change (new bank account)	#vendor-management	AP Manager + Controller	Do NOT update until verified (see 13.2)
Month-end close delayed past 5th business day	#finance	Controller	Immediate

13.2 Bank Account Change Verification

This is the highest-risk fraud scenario in Accounts Payable. When a vendor requests a change to their bank account information (routing number, account number, or bank name), follow this procedure exactly:

Step 1: Do NOT update vendor_master.xlsx. Do NOT process any payments to the new account.

Step 2: Post to #vendor-management: BANK CHANGE REQUEST: [VENDOR NAME], [VENDOR ID], Requested by [NAME FROM EMAIL], Email [SENDER EMAIL ADDRESS]

Step 3: Call the vendor using ONLY the phone number in vendor_master.xlsx (do NOT use the phone number provided in the change request email). Verify the request verbally with an authorized contact.

Step 4: If verbally confirmed, request the vendor send a bank verification letter on their official letterhead, OR provide a voided check. Store the verification document in Vendor_Master/bank_changes/[VendorID]_[Date].pdf.

Step 5: Only after receiving written verification AND verbal confirmation may the AP Manager (not the AP Clerk) update vendor_master.xlsx. The AP Clerk may never update bank details.

If verbal verification fails (wrong phone number, contact denies the request, or you cannot reach anyone): Post to #vendor-management: POTENTIAL BEC FRAUD: [VENDOR NAME], [VENDOR ID], [DETAILS]. Do NOT respond to the email. Do NOT update any records. The Controller will handle all communication.

13.3 Escalation Message Formats

All escalation Slack messages must follow these exact formats. Do not add greetings, sign-offs, or additional commentary.

Fraud Suspicion: *FRAUD ALERT: [VENDOR NAME], [VENDOR ID], Invoice [INVOICE NUMBER], Reason: [BRIEF DESCRIPTION]*

Legal Threat: *LEGAL THREAT: [VENDOR NAME], [VENDOR ID], Invoice [INVOICE NUMBER], Received [DATE]. Do NOT reply to vendor.*

Vendor Dispute: *VENDOR DISPUTE: [VENDOR NAME], [VENDOR ID], Amount in Dispute: \$ [AMOUNT], Invoices: [INVOICE NUMBERS]*

Payment Failure: *PAYMENT FAILURE: [VENDOR NAME], [VENDOR ID], Batch [BATCH DATE], Amount \$[AMOUNT], Error: [ERROR CODE/MESSAGE]*

For legal threats, do NOT reply to the vendor email. Do NOT acknowledge receipt. The Controller or Legal will handle all communication. Any response from AP could constitute an admission or waiver.

13.4 Communication Fallback (Slack Outage)

If Slack is unavailable due to a system outage, all escalation and notification messages that would normally be posted to a Slack channel must instead be sent via email to the following recipients, using the same message format specified in Section 13.3. Include the intended Slack channel name in the email subject line prefix (e.g., Subject: [#vendor-management] FRAUD ALERT: ...).

#vendor-management: Email the Controller (Raj Patel) and CFO (Marcus Webb).

#approvals: Email the AP Manager (Maria Santos) and CC ap.team@meridianpartners.com.

#accounts-payable and #finance: Email the AP Manager and Controller.

Once Slack is restored, the AP Manager must re-post all email-based escalations to the appropriate Slack channel within 4 business hours for audit trail continuity. Add the note: "Originally sent via email on [DATE] during Slack outage."

14. 1099 Vendor Management & Year-End Reporting

Meridian Partners is required to file 1099 forms for vendors meeting IRS reporting thresholds. Accurate 1099 classification is critical to avoid penalties.

14.1 1099 Classification Rules

When setting up a new vendor or reviewing existing records, determine 1099 reportability based on the W-9:

Entity Type (from W-9)	1099 Reportable?	1099 Type	Threshold (Annual)
Individual / Sole Proprietor	Yes	1099-NEC	\$600
Single-Member LLC	Yes	1099-NEC	\$600
Partnership / Multi-Member LLC	Yes	1099-NEC	\$600
C-Corporation	No (except legal services)	N/A (or 1099-NEC for legal)	\$600 for legal services
S-Corporation	No (except legal services)	N/A (or 1099-NEC for legal)	\$600 for legal services
Tax-Exempt Organization	No	N/A	N/A

Payments to attorneys and law firms are ALWAYS 1099-reportable regardless of entity type. If the vendor's W-9 indicates legal services AND the entity is a C-Corp or S-Corp, the vendor is still 1099-reportable.

1099 Type classification: Use 1099-NEC for payments for services (consulting, freelance work, legal services, contractor labor). Use 1099-MISC only for rent payments to a landlord (e.g., office lease payments). If the payment does not fall into either category, use N/A. When in doubt, default to 1099-NEC for service payments.

14.2 Year-End 1099 Process

By January 15 of each year, the AP Manager must:

1. Generate the 1099 Report by filtering vendor_master.xlsx for 1099-reportable vendors and cross-referencing their total payments from the Payment Queue sheet in ap_ledger.xlsx for the prior calendar year.
2. Cross-reference every vendor on the report against vendor_master.xlsx to verify 1099 classification and tax ID accuracy.
3. For any vendor missing a W-9, send this email: Subject: "Meridian Partners – W-9 Required for 1099 Filing". Body: "Dear [Vendor Contact Name], Our records indicate we do not have a current W-9 on file for [Vendor Name]. Federal tax regulations require us to obtain this form before we can issue your 1099 for the [YEAR] tax year. Please complete and return the attached W-9 form to ap.team@meridianpartners.com by January 25. If we do not receive your W-9 by this date, we may be required to apply backup withholding of 24% on future payments. Meridian Partners Accounts Payable"
4. 1099 forms must be filed with the IRS by January 31 and mailed to vendors by January 31.

15. Payment Batch Processing

15.1 Batch Schedule

Meridian Partners processes payments in batch on Tuesdays and Thursdays at 2:00 PM EST. The AP Manager is responsible for initiating each batch run. If a batch day falls on a holiday, the batch is processed on the next business day.

15.2 Pre-Batch Checklist

Before initiating a batch, the AP Manager must verify:

1. All invoices in the batch have passed three-way match OR have documented approval (for non-PO invoices).
2. No invoices in the batch have an active hold status (MATCH, APPR, DUPL, DISP, AUDIT, BANK or IC-HOLD).
3. No payments over \$50,000 are included (these require individual wire processing).
4. No intercompany invoices (vendor ID starting with IC-) are included.
5. No payments to vendors with Status = "Inactive" in vendor_master.xlsx.

After the batch is processed, save the batch file to Payment_Batches/batch_YYYY-MM-DD.xlsx and post to #accounts-payable:

BATCH COMPLETE: [DATE], Payments: [N], Total Amount: \$[AMOUNT], Method: ACH [N1] / Check [N2] / Wire [N3]

15.3 Payment Method Rules

Method	When Used	Amount Range	Special Requirements
ACH	Default for all domestic vendors with bank info on file	Any amount under \$50,000	Vendor must have bank details in vendor_master.xlsx
Check	Vendors without bank info, or by vendor request	Any amount under \$50,000	Mailed to address in vendor_master.xlsx. Two signatures required for checks over \$10,000.
Wire Transfer	Payments over \$50,000, international vendors, urgent payments	Over \$50,000 (or any international)	CFO email confirmation required. Must include reference: WIRE-[VendorID]-[InvoiceNumber]

16. Audit & Compliance

All AP transactions are subject to internal and external audit. Maintain documentation sufficient to recreate any transaction from invoice receipt through payment.

16.1 Document Retention

Retain all AP records (invoices, POs, approvals, payment confirmations, vendor correspondence) for 7 years from the date of transaction. Records for the current year and prior year must be available electronically. Older records may be archived.

16.2 Audit Hold (AUDIT Status)

If Internal Audit or the Controller places an invoice on AUDIT hold, the following rules apply:

1. Do NOT process payment under any circumstances, even if the vendor threatens legal action. 2. Do NOT contact the vendor about the hold. 3. Do NOT modify any records related to the invoice. 4. Direct all inquiries about the invoice to the Controller. 5. Post to #vendor-management: AUDIT HOLD APPLIED: [VENDOR NAME], [VENDOR ID], Invoice [INVOICE NUMBER], Applied by [NAME]

Only the Controller or CFO may release an AUDIT hold.

17. Document Governance & Training

17.1 Document Review Cycle

This SOP must be reviewed at least annually by the Document Owner (Controller). The review cycle is as follows:

Scheduled Review: Effective with this revision, the Controller initiates a formal review each January. The AP Manager solicits feedback from AP staff on procedural gaps, unclear instructions, or process changes that occurred during the prior year. All proposed revisions must be documented in a draft redline and submitted to the CFO for approval before publication. The Controller may approve minor revisions (clarifications, formatting, contact updates) without CFO signoff, but must notify the CFO within 5 business days.

Ad Hoc Revisions: Revisions may be issued outside the annual cycle when triggered by regulatory changes, audit findings, or significant process failures. Ad hoc revisions follow the same approval path: drafted by the AP Manager or Controller, approved by the CFO, and recorded in the Revision History table.

Version Numbering: Major revisions (new sections, changed approval thresholds, modified tolerances) increment the whole number (e.g., 1.0 to 2.0). Minor revisions (clarifications, formatting, updated contact information) increment the decimal (e.g., 1.2 to 1.3).

17.2 Training & Acknowledgment

All AP staff, approving managers, and the Controller must read and acknowledge this SOP upon hire and after each revision. Acknowledgment is recorded by signing and dating a copy of the SOP cover page and returning it to the AP Manager for filing.

New Hire Onboarding: New AP staff must complete a walkthrough of this SOP with the AP Manager within their first five business days. The walkthrough must cover Sections 4 through 7 (core invoice processing), and Section 13 (escalation procedures).

Annual Refresher: All AP staff must complete an annual refresher during the January review cycle. The AP Manager is responsible for scheduling and tracking completion. Staff who have not completed the refresher by January 31 will be reported to the Controller.