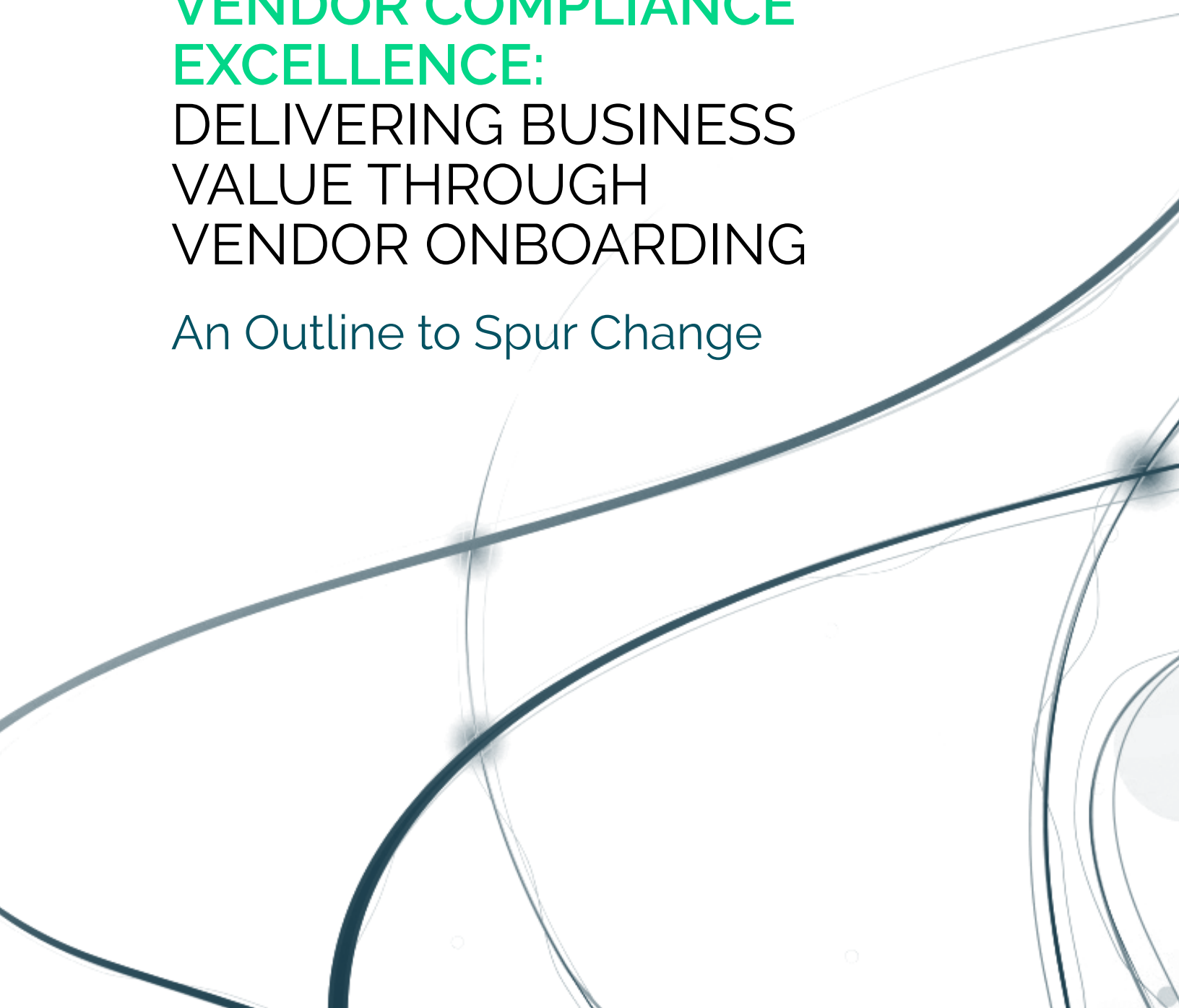




*Vendor Management
Appreciation Day*

VENDOR COMPLIANCE EXCELLENCE: DELIVERING BUSINESS VALUE THROUGH VENDOR ONBOARDING

An Outline to Spur Change



VENDOR COMPLIANCE EXCELLENCE:

DELIVERING BUSINESS VALUE THROUGH

VENDOR ONBOARDING

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VENDOR COMPLIANCE.

We suspect these are not your favorite words. Even if your professional job is vendor onboarding and management, fully understanding and mastering vendor compliance is daunting at best and nearly impossible at worst. Rules change, internal people change and vendors change, making it exceptionally challenging to stay on top of all the moving parts and people.

We know this is daunting, but fear not! This outline is your first step in conquering your vendor compliance process.

Consider this outline a catalyst for change — use it to get the right people together to build and refine (or revisit and improve) your existing processes regarding both internal and external vendor compliance requirements.

The outline is divided into four parts:

- **Global:** compliance you are subjected to by the countries or jurisdictions where your vendor is located
- **Federal:** US vendor compliance rules that apply to all US-based companies
- **State:** vendor compliance rules specific to your state of operation or based on where the work is performed.
- **Internal:** vendor compliance specific to your organization

This outline gives a framework, with examples, to build Global, Federal, State and Local compliance policies and processes based on rules that apply to any business in any of those geographic areas. For the final section, Internal Compliance, you will have to do most of the heavy lifting yourself; however, we've provided samples you can use to start the conversation and begin to document compliance related to your industry, your public commitments and any other unique needs.

WHAT (AND WHO) YOU'LL NEED

Each section will start with a list of which roles should be involved in the discussion and key questions that need to be asked and answered from the team. Your organization may not have the roles we suggest; if so, then start by asking who owns the responsibility assigned to that role. If you are stymied at this point, ask “who is ultimately on the chopping block if the organization fails to do this right?” You'll find the right person at the end of that query — we promise!

DON'T PLAY CATCH UP

To truly implement — and adhere to — a vendor compliance process, you must start at the beginning. This outline is built to start exactly when your relationship with your vendor starts: at the time of vendor onboarding into your financial system.

Knowing from day one that you have clean, accurate data for your vendor, and you have satisfied all internal and external compliance requirements, brings immediate benefit to your organization, and shines a light on the value vendor management people and processes deliver for your business.

Wishing you productive conversations and improved vendor compliance!



Debra & Taylor



DEBRA RICHARDSON MBA,
APM, APPM, CPRS
Owner
Debra Richardson, LLC



TAYLOR NEMETH
VP, Product
PaymentWorks, Inc.

PS: THE DISCLAIMER

No document on vendor compliance could ever vow to be a definitive guide, and this one is no exception. We built this outline for you to use to ask the right questions to continuously improve what you have built, and to ensure the process always reflects the most up-to-date requirements. Vendor compliance process building is not “one and done,” as much as we all might like it to be. Commit today to being vigilant, and use this outline to get the conversation started!

BEFORE YOU BEGIN

First things first — start by looking at what you already have. Pull your active vendor file and parse by:

- Vendor by Country
- Vendor by State
- Vendor by Type/Industry

You will also want to pull the Vendor ID (primary key), as the unique identifier for each active vendor.

Once you have this data, the first order of your new improved compliance process will be to determine if every vendor on your list is really an 'active' vendor. Benchmarks vary by industry, and ultimately this is part of your internal compliance discussion, however, tightening the window for how long you consider a vendor 'active' can considerably narrow the scope of the remaining parts of this project.

However tempting it might be to do so, **do not skip this analysis!** The entire process that follows requires an accurate understanding of your active file.

GLOBAL COMPLIANCE

This category is unique in that it centers on compliance requirements from countries or jurisdictions outside of the US that might apply to you as a customer using a vendor in those locations.

What you need

- The active vendor list by country
- Number of vendors in each country

Who should be involved

- **Risk Management** - person or team responsible for all aspects of corporate risk
- **International Tax** - person or team responsible for international tax payments and requirements

What to ask

- Are there compliance requirements we are subject to because we have a vendor or vendors in _____ country?
- What business, individual, sales or income tax numbers should we collect for other countries that can help our International Tax Team or our Risk Team to perform due diligence tasks on Non-US Vendors?
- How should we track adherence to these requirements?

SAMPLE GLOBAL COMPLIANCE LIST

COUNTRY	REGULATORY ORGANIZATION	VALIDATION TYPE	APPLIES TO	WHY?
EEA Countries	European Protection Board	Legal Name	Vendors located in any of the 30 Countries of the European Economic Area (EEA)	Vendors or their contacts can opt out of having their personal information (email address, etc.) stored in a system that is not the system of record
United Kingdom	European Commission	Value Added Tax Number (VAT)	Vendors in Countries that charge VAT on invoices	For the Tax Team to reclaim VAT charged on invoices to your company

Using this example as a model, create your own table and fill in the requirements for countries of all current active vendors.

BONUS TIP:

Your process for Global Compliance adherence will need to be built to accommodate adding vendors in countries that are not currently represented in your active vendor file. Determine what will trigger the review, and who will own specific steps to add new items to your list. Review regularly to ensure your Global Compliance process is always up-to-date with your active vendor file.

FEDERAL COMPLIANCE

This section is related to your Federal US compliance obligations related to working with and paying vendors regardless of their location in the world. It will apply to all of your active US and non-US vendors.

What you need

- The active vendor list by country
- Number of vendors in each country, including US
- List of vendors by industry (see below)

Who should be involved

- **Risk Management** - person or team responsible for all aspects of corporate risk
- **Federal (IRS) Tax Team** - person or team responsible for US tax reporting and payments
- **Sponsored funds/grant team** - if you accept federal funds, the person or team responsible for administering and reporting on those funds.

What to ask

- What industry are we? Examples: Government, Healthcare, Manufacturing
- What industries are our vendors? Examples: Non-Profit, Government, Healthcare
- What vendor registration numbers (e.g., TIN, VAT, PAN) are we required to collect for tax reporting purposes?
- Do we have non-US vendor banks that we send payments to?
- How should we track adherence to these requirements?

SAMPLE FEDERAL COMPLIANCE LIST

REGULATORY ORGANIZATION	VALIDATION TYPE	APPLIES TO	WHY?
Internal Revenue Service (IRS)	Taxpayer Identification Number (TIN)	All Vendors that have a TIN (US and non-Us)	Validate Legal Name + Tax ID Combination is Valid. For non-US vendors, foreign tax registration numbers may be required by the IRS (claiming tax treaties, etc)
US Government - System of Award Management (sam.gov)	Name and/or TIN, UEI or Cage#	All US and non-US Vendors	Required if your entity receives Federal Funds Verify the vendor does not exist on the SAM.gov exclusion List
US Department of Treasury - Office of Foreign Asset Control (OFAC)	Legal Name and Foreign Financial Institution	All US and non-US Vendors	US Entities and Individuals are prohibited from doing business with vendors or foreign financial institutions on any of the consolidated watch lists

Checking OFAC, sam.gov and other sanctions lists are required with each PO issued, not just at the time of vendor onboarding. Be sure your vendor management process includes this in your process. (Use our [Write it Down: A Template for Vendor Onboarding and Change Management](#) as a guide.)

STATE COMPLIANCE

This section will apply in two ways: first, you may have specific sanctions requirements or state forms that apply to your organization in the state you do business. Second, there may be requirements specific to states where your vendors perform services

What you need

- List of active US vendors by state (location)
- List of active US vendors by state (performing work)

Who should be involved

- **Risk Management** - person or team responsible for all aspects of corporate risk
- **State Tax Team** - person or team responsible for state reporting and payments
- **Legal** - person or team responsible for determining legal obligations for the organization

What to ask

- Are there vendors in states that require separate 1099 reporting?
- Are there vendors that perform services that require that we collect separate onboarding forms?
- Are there states that protect any information we collect from vendors or their contacts and store in a system that is not the system of record?
- Are there state watchlists that we need to comply with?
- Do we have non-US vendor banks that we send payments to?
- How should we track adherence to these requirements?

SAMPLE STATE COMPLIANCE LIST

STATE	REGULATORY ORGANIZATION	VALIDATION TYPE	APPLIES TO	WHY?
California	Franchise Tax Board	Resident or Non-Resident	Vendors that perform services in the state	When services will be performed in the State, an additional form (587 or 590) will need to be completed to determine if withholding is required by your company to be remitted to the state.
New York	State of New York	New York Shield Act (Privacy Act)	Residents of New York	The privacy act provides protection of both personal and private information. Vendors or their contacts can opt out of having their information stored in a system that is not the system of record.
Iowa	State of Iowa	1099 Reporting	All reportable vendors organized under the state laws of Iowa	Iowa does not participate in the Federal (IRS) Combined Federal/State Tax Filing Program. 1099 forms for vendors in Iowa have to be filed separately with the state.

State specific requirements can be tricky – be sure your team thoroughly investigates requirements on a regular basis.

INTERNAL COMPLIANCE

As mentioned at the top, this one will take some heavy lifting on your part to ensure you have the right people at the table. This section may require several iterations to ensure your process is capturing all of the needed information at the time of vendor onboarding.

Who should be involved

- **Master Data Governance Team** - the team responsible for oversight over shared vendor data across company-wide systems and external platforms
- **Audit Team** - the internal and/or external audit team that is responsible for auditing internal processes and how they impact financial statements
- **System Security Team** - the team responsible for maintaining security roles and security access to internal and external systems

If applicable:

- **Diversity, Equity and Inclusion** - the person or team responsible for reporting on diversity initiatives related to vendor spending
- **Human Resources** - the person or team responsible for determining if there are contractor vs. employee questions when onboarding individual contractors

What questions should be asked

- In what systems does vendor sensitive information exist? Examples: Tax ID, Banking, etc.
- How can we ensure that required steps to avoid fraud, fines and bad vendor data in the vendor process are being followed?
- Who has access to vendor-sensitive information in our systems?
- Do we have certificates of insurance requirements? For what types of vendors?
- Do we have public commitments related to spending at historically underutilized businesses?
- Do we have a written policy around conflicts of interest? How do we collect and track this at vendor onboarding?
- What else do we need to collect on record before we pay a vendor?
- How should we track adherence to these requirements?

SAMPLE INTERNAL COMPLIANCE LIST

DEPARTMENT	PERFORM	VALIDATION TYPE	APPLIES TO	WHY?
Master Data Governance	Vendor Data Audit	Identify where vendor sensitive data can exist	Entire Organization	Document where vendor information is stored, and what specific information is stored. Limit where vendor-sensitive information is stored.
Audit	Vendor Process Audit	Confirm required steps are being followed	All Vendor Team Members	Auditing a percentage of vendor additions and changes on a recurring basis will ensure that vendor team members continue to follow the documented process to avoid fraud, fines and bad vendor data.
Security	Security Roles/ Access Audit	Verify who has access and to what	All Company Team Members	Follow Least Privilege Access. Only give access to add/edit the vendor record to those that process vendor requests. For other team members, remove add/edit access and then give access to non-sensitive data only and masked sensitive data as needed.

CONCLUSION

One of the most important, and generally overlooked aspects of compliance is communication. Keeping disparate teams on the same page regarding who owns what and how you will all track that the work is actually being done is a truly effective way to ensure success.

Use this outline to start conversations where there have been none, or to revisit a dusty compliance policy to ensure it is reflective of the current expectations and requirements. And then, keep using it.



Vendor Management Appreciation Day

ADDITIONAL RESOURCES FROM PAYMENTWORKS

[Vendor Management Appreciation Day- Join the Party!](#)

An entire holiday dedicated to the underappreciated and under-resourced role of vendor management! Finally, a day just for you!

[Write it Down: A Template for Documenting Vendor Onboarding and Change Management](#)

Unsure of where to begin with securing your vendor process? Use this template to shine a light on risk and inefficiencies in your current process.

[Document the Exceptions](#)

Finally, a way to track all of the times employees or vendors ask you to circumvent your documented process. Log each time you are asked to break the process and use the data to shore up education and process.

[Five Ways your Vendor Master is Costing You Money- Compliance Edition](#)

ADDITIONAL RESOURCES FROM DEBRA RICHARDSON

[Free Download: Vendor Validation Reference List with Resource Links](#)

28 Vendor validation resources with reference links for 16 vendor validations.

[Vendor Process Training Center Get Your Free Account](#)

Access to 56+ vendor processing training sessions, a free training session on authentication, a resource library with vendor validation resource links, IRS updates, Nacha compliance, vendor process faq's and more.