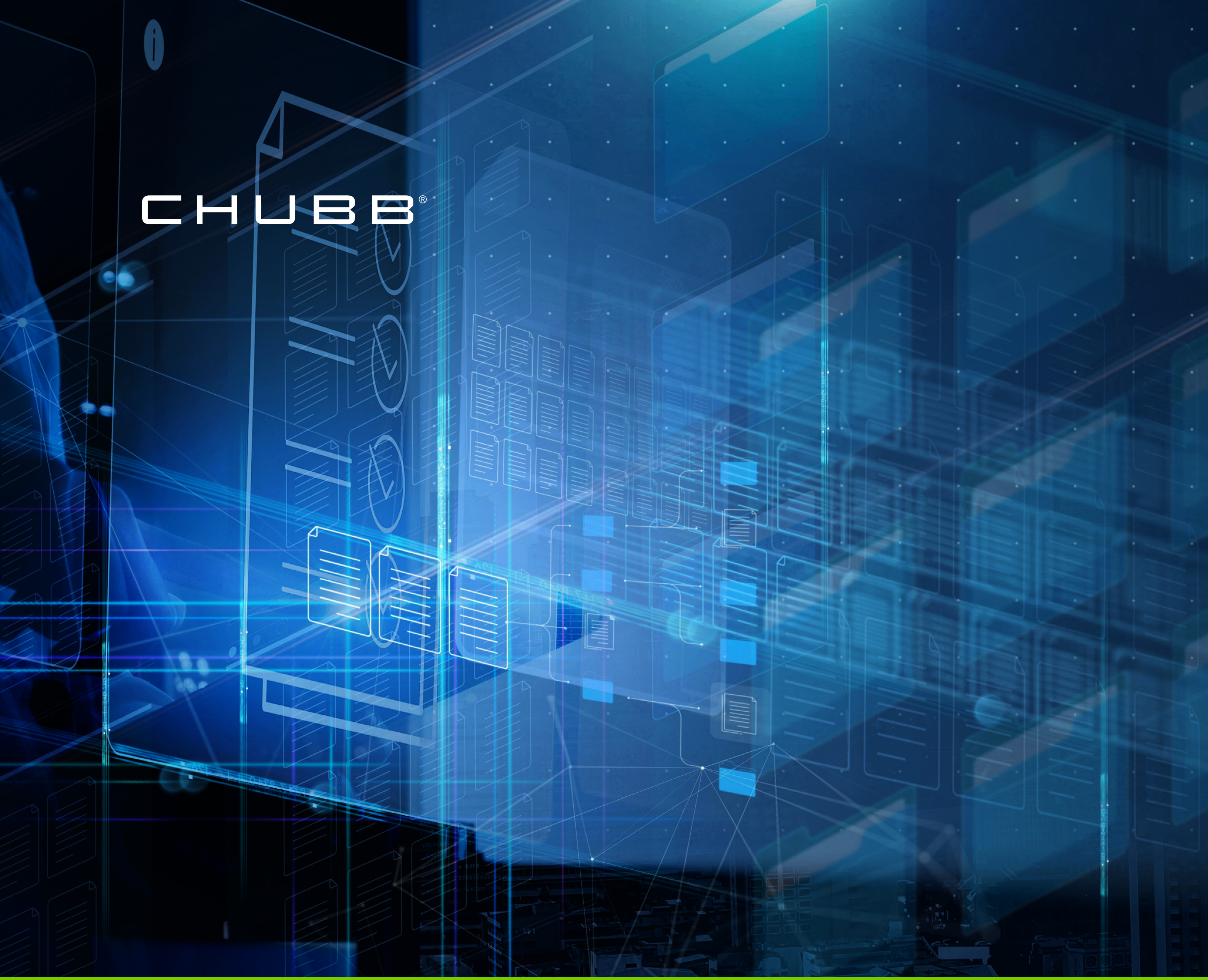

Write It Down: A Guide to Managing Vendor Information

Partnering with PaymentWorks

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Welcome

As an organization, one of your top priorities is mitigating risks associated with fraud, compliance, and data security. These risks can put your organization in a vulnerable position that can result in significant financial losses and reputational damage. Unfortunately, the risk of loss associated with vendors, whether caused by dishonest employees or by imposters that fraudulently redirect payments, is real and continues to grow.

That's why we have asked PaymentWorks, a digital supplier onboarding platform, and our loss control partner to prepare this guide. They have developed a guide to documenting procedures for supplier onboarding and change management that incorporates best practices for collecting and vetting vendor data, defining roles and responsibilities, developing approval workflows, and tracking vendor data. With PaymentWorks' expertise and support, you can customize this template to meet your organization's unique needs and improve your vendor management processes.

At Chubb, we understand the importance of proactive and strategic vendor management. Our loss control services are designed to help organizations like yours mitigate risks, manage compliance, and maximize the value of your vendor relationships.

We believe that this guide provides a starting point for your organization to evaluate and document your vendor relationships. However, we encourage you to consult with experts and seek appropriate professional advice when designing, implementing, or reviewing loss prevention strategies.

Vendor Onboarding and Data Management in the Age of Fraud

Fraudsters **Love** Your Manual Vendor Management Processes

With spoofing, vendor email compromise, executive identity impersonation, and whatever fraudsters think of next, it may feel as if you are fighting a defensive war on too many fronts.

And it's true. You cannot let your guard down even for a moment. Fraudsters are patient and will eventually exploit any weakness in your process they can find.

With this as a backdrop, it might seem you will never get a good night's sleep again.

But you can!

How? **Because the root of many of these losses is easy to identify: vendor additions and changes.**

Having effective and documented practices for onboarding and managing vendors is vital for any business as they function as key controls. Written procedures decrease potential risks and safeguard the company's overall operations.

If your vendor onboarding or updating process involves any manual collection, verification, or inputs, fighting fraud is extremely difficult.

We understand that the manual aspect of vendor management is exactly what makes it so risky. In our experience, most organizations - even today - rely upon institutional knowledge handed from one person to another to get this important business function done. Very few organizations have documented their vendor onboarding and change management procedures, as the process is generally treated as clerical, and not critical to business operations.

These practices are woefully out of date for today's fraud landscape. And if they are documented, they are either rooted in assumptions that are no longer valid, or are not actually followed in practice.

This template is a starting point. Use it to gather the right people in the room to have a conversation about your organization's vendor management processes as they are today.

Specifically, this template will help guide productive conversations with your own team, other departments, and leadership about:

- The efficiency, security, and value of your current vendor management processes.
- What you believe needs to improve in your processes.
- How to document and follow your updated processes.

Project Outline

Ready to roll up your sleeves? You'll need to invite the right people to the table.

Team Players: Risk Management, Vendor Management, Accounts Payable, Procurement, and Treasury

Goals: 1. Reduce the risk of financial losses due to fraud associated with vendor and vendor change management, and 2. Establish an audit trail for insurance in the aftermath of a fraud instance.

No document can completely address the details of each individual company. This is a broad framework to help you begin the process of documenting and improving your vendor management processes. We offer this as a suggestion to create your own documentation process.

This template presumes a documented list of vendors in a financial database.

Let's Get Started!

Part One

New Vendor Onboarding Documentation

Roles and responsibilities

First you will define and establish the roles and responsibilities for positions responsible for collection, verification, and inputting of vendor data into your financial system. Segregation of duties is imperative to prevent opportunities for insider-assisted vendor fraud.

Steps to include:

- Definitions for each role that touches vendor onboarding.
- Clearly documented responsibilities for each role.
- Named employees currently serving in each role, with back ups delineated.

Best Practices:

- Ensure no one person can control the entire process from beginning to end.
- Have more than one person assigned to each role as back up.
- Each role should have different back ups to maintain and enforce segregation of duties.
- Authority to buy from and authority to work with a vendor should adhere to the segregation of duties process.
- Date and sign each iteration of the list for audit purposes.

Sample Matrix - Roles and Responsibilities

ROLE	RESPONSIBILITY	ASSIGNED TO *<last updated 08/12/23, by Tisha Belknap, AP Director>*
Vendor Desk Analyst	*Verification of all required fields. Inputting verified information into the financial system.*	*Heather Van Vliet, Vendor Desk Manager* *Back up: Carlos Garcia, Vendor Desk Manager*
Buyer	*Sending requirements to vendor, directing submission of required data to vendor desk analyst.*	*James Greene, Buyer II* *Melanie Mabuis, Buyer III* *Back up: Julia Rose, Buyer* *Back up: Patricia Wu, Buyer*
Compliance	*Verification and documentation of sanctions list checks.* *Collection and vetting of conflicts of interest attestations.*	*Theo Greenburg, Director of Corporate Compliance* *Back up: Shazdhe Iqbal, Global Head of Compliance*

Collecting and vetting vendor information - categories and tools

List the internal and third party tools your team uses as part of the vendor onboarding and change management process.

Best Practices:

- Verify the following data with third party vendors:
  - Tax ID
  - Physical and remit address
  - Bank account ownership
  - Sanctions status
  - Incorporation Status/Ownership

Sample Matrix - Categories and Tools

Category	Tool	Deliverable	Business Owner
In-house Vendor Form	*Adobe pdf, email*	*Completed pdf with all relevant fields submitted correctly*	*Person doing business directly with the vendor*
Banking Verifications	*Early Warning System*	*Bank account ownership verification*	*Vendor Desk Analyst/AP*
Tax ID confirmation	*IRS TinCheck*	*Verifying tax ID numbers*	*Vendor Desk Analyst/AP*
Sanctions monitoring	*Visual Compliance*	*Check relevant sanctions lists*	*Compliance Manager*
Incorporation Status/ Ownership	*Secretary of State website*	*Certificate of Good Standing and Name of Registered Owner/Agent*	*Vendor Desk Analyst/AP*

Required data to onboard

List the minimum data required to input vendor information into your financial system, paying close attention to what is required by vendor type, e.g., a business entity vs an individual; foreign vs. domestic.

Sample Matrix - Required Data

Input Type	Vendor Type
Company Name	*EIN*
Legal First and Last Name	*SSN, some EIN*
Tax Classification	*All*
W9	*All*
Payment Type	*All*

Optional data to onboard

Outline optional vendor data, and what specifically will trigger collection of this data.

Sample Matrix - Optional Data

Data	Trigger
Sanctions list status (e.g., OFAC or debarment)	*Using federal research dollars to pay for this vendor*
Conflict of Interest attestations	*Any contractor with ties to the organization*
Diversity Certifications for Historically Underutilized Businesses	*Internal policies*
Certificates of insurance	*Internal policies*

Process for data collection, approval workflows, and tracking

Best Practices:

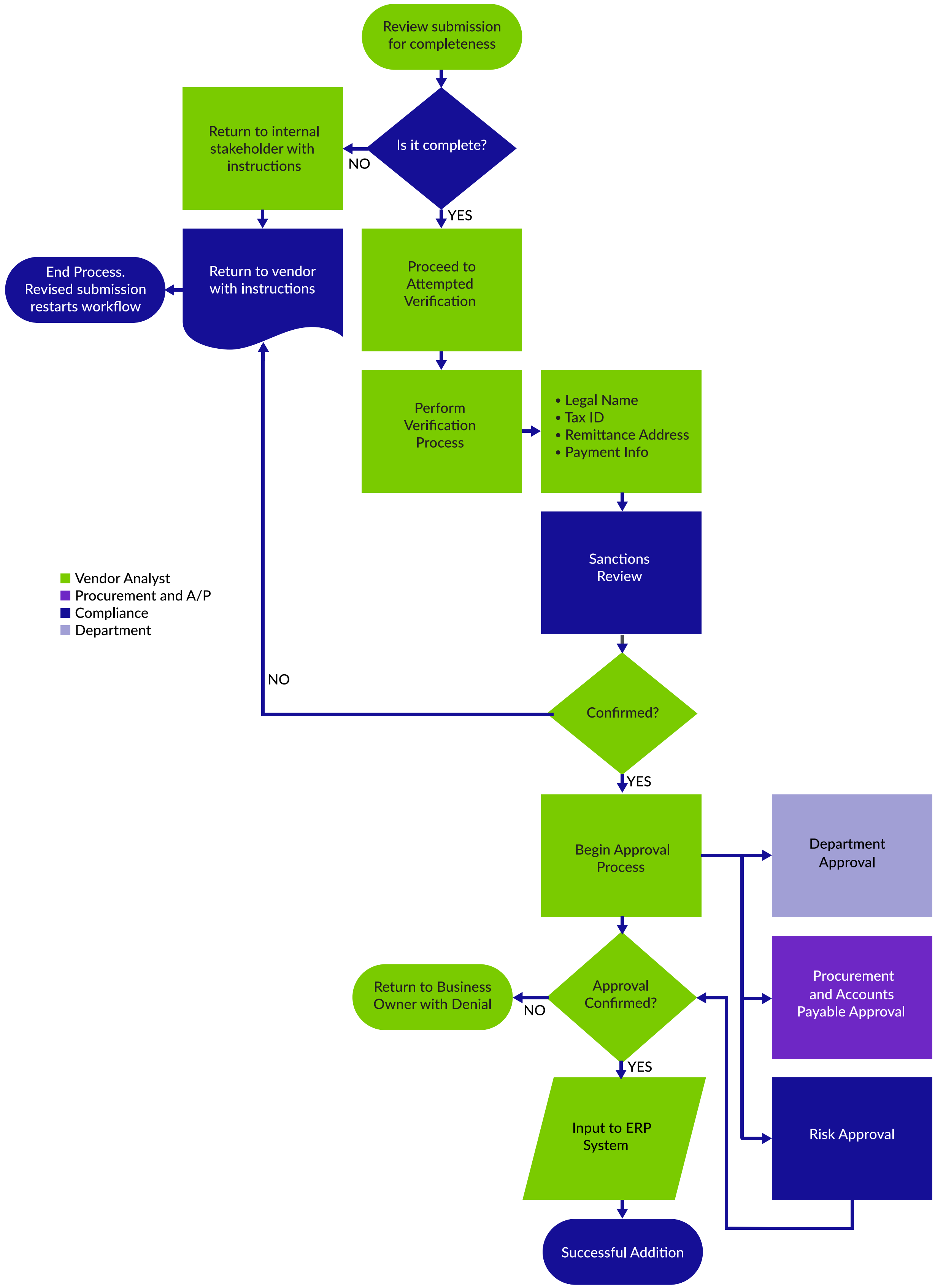
- A flowchart with if/then scenarios created from the steps will be easiest to follow.
- Place zero trust in documents and email. Your process *must* include vetting of all submitted data.
  - A paper/pdf "vendor form" must also have zero trust as any document can easily be altered or created by a criminal..
  - Corroborate requests with internal contact who works with the vendor.
  - Confirm with a known person at the vendor BEFORE you send a vendor form.

Sample Matrix – Process Steps

Onboarding Process Step	Department Responsible	Position Responsible
Confirm veracity of the request with internal business owner	*Accounts Payable or Procurement*	*Buyer or Vendor Desk Analyst*
Send New Vendor link to pdf	*Procurement*	*Person doing direct business with vendor*
Submit filled pdf to vendor desk	*Department doing direct business with vendor*	*Person doing direct business with vendor*
Review pdf and determine validity of submitted responses using: *TinCheck, Early Warning System, Smarty Streets, etc.*	*Accounts Payable*	*Vendor Desk Analyst*
Check Sam.gov and OFAC lists for sanctions violations	*Compliance*	*Sponsored funds manager*
Review ownership information and compare against names of employees and affiliated persons	*Accounts Payable*	*Vendor Desk Analyst*

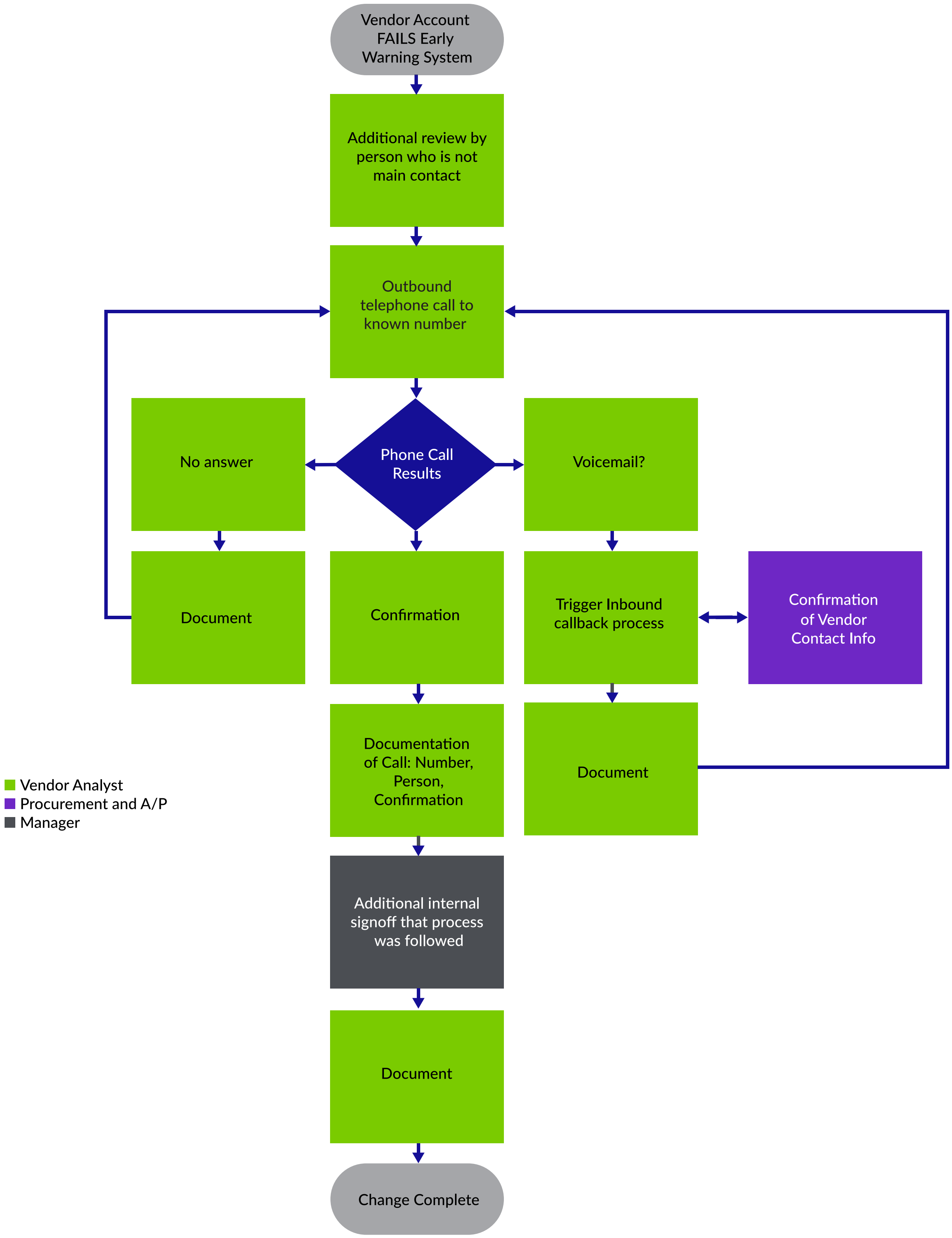
This section will likely take the most effort to document, as you add details on if/then scenarios.

Sample If/Then Process Flow Chart for Accepting Vendor Documents:



Sample If/Then Process Flow Chart for Verification Phone Calls to Vendors:

If vendor banking does not pass Early Warning System, the bank account information must be manually verified using the following process steps:



Part Two
Existing Vendor Change Management Documentation

The fact is, change is inevitable, especially when it comes to vendor data. While ensuring that you're screening vendors coming into your vendor management database, you should also review how vendors can update critical information, such as contact information and banking details.

If there are variances in your process for accepting changes from existing vendors, you'll need to repeat the process in Part One. Specifically, you'll need to document and define:

Roles and responsibilities
Document if different from onboarding roles and responsibilities.

Tools for collecting vendor information changes
Document if different from onboarding tools.

Data collection, approval workflows, and tracking
Document if different from onboarding process.

Fraudsters frequently exploit vendor systems by requesting changes to information *that are routinely performed*. Your process should anticipate this and require validation of the information every time a change is requested.

Part Three
Audit Process Documentation

The process itself is meaningless if it isn't followed. Regular audits that identify bottlenecks, fraud vectors, and errors will help ensure compliance and keep all parties invested in the outcomes.

Steps:
- Define ownership for documentation and enforcement of the process.
- Define time frames for auditing existing roles, tools, and workflows.
- Define reporting, tracking, and ownership for auditing.

Sample Matrix – Governance

Process Item	Business Owner	Audit Owner	Timing
New Vendor required data	*Vendor Desk Analyst*	*Director, Risk*	*Biannual review and sign off*
Bank verification tools and process review	*Vendor Desk Analyst*	*Director, Finance*	*Annual SOW review*
New Vendor process adherence	*Buyer, Vendor Desk Analyst*	*Director, Finance*	*Quarterly Audits*

Notes:
- *Compliance and Controllers Offices should co-author documentation of the process and rotate ownership and review quarterly.*
- *Each quarter, along with Vendor Management personnel, they should review existing tools and workflows to identify gaps and amend processes.*
- *VP, Compliance and CFO should sign off on final audits each quarter.*

Your Process Template

Now it's your turn.

Use this template to audit your own vendor management processes with your team and other departments. Afterwards, you'll be able to have a productive conversation about what's working, what may be putting you at risk, any missed revenue opportunities, and tangible ways you can make your vendor management more efficient, secure, and profitable.

Part One:

Roles and responsibilities

Define and establish the roles and responsibilities for positions responsible for collection, verification, and inputting of vendor master data into your financial system.

Role	Responsibility	Assigned to *<last updated, name>*

Tools for collecting vendor information

Inventory the tools and platforms used to collect and verify vendor data.

Tool	Deliverable	Business Owner

Required data to onboard

Field Name	Vendor Type **e.g.**, *EIN, SSN, ALL*

Optional data to onboard

Outline optional data, and what triggers collection of the data.

Data	Trigger

Process for data collection, approval workflows, and tracking

Onboarding Process Steps	Department Responsible	Position Responsible

Part Two: Existing Vendor Change Management Documentation

Required data to change existing record

Document all data required to change an existing vendor record in the ERP.

Field Name	Vendor Type **e.g.**, *EIN, SSN, ALL*

Optional data to onboard

Outline optional data, and what triggers collection of the data.

Data	Trigger

Process for data collection, approval workflows, and tracking

Onboarding Process Steps	Department Responsible	Position Responsible

Part Three: Audit Process Documentation

Process Item	Business Owner	Audit Owner	Timing

Closing Message

It can feel near-impossible to establish a vendor management strategy that protects against fraudsters, makes the jobs of your vendor desk staff easier, and generates profit for your organization.

But with the right resources and processes in place – a secure, efficient, and profitable vendor management strategy CAN be your reality.

That's why we created this guide to managing vendor data – to help you start productive conversations and decisions about your organization's vendor management strategy... and move one step closer to your ideal state in payables.

Want Personalized Help From PaymentWorks?

Schedule some time to speak with our team

If this guide has encouraged you to tackle the payables problem, but you need some help kicking off the process, we are here to help. For a consultation and discussion of how to take control of managing your vendor data, schedule some time to speak with our team.

About the Author

PaymentWorks is the foundation of vendor master data management, offering an industry-leading digital supplier onboarding platform. PaymentWorks provides customers with secure, compliant, and optimized business payments. Featuring a unique payments security warranty for fraudulent payments and a network of tier-one partners, PaymentWorks enables customers in healthcare, higher education, K-12, state and local government, enterprise and more to capitalize on the opportunity to digitize the payments process while reducing risk, controlling costs and earning revenue.

Want More Resources?

Explore our resources – they're full of knowledge and tangible tips:

Tackling Accounts Payable Challenges: Effective Solutions

B2B Payments Fraud Fraud in Times of Chaos

Case Study with Cabarrus County and Their $2.5M Problem with a Fraudster

Social Engineering Fraud Never Sleeps: 3 Ways to Prevent It

Vendor Management Tips From the Experts Themselves

Guarding Against Email Social Engineering Fraud: Re-examining a Global Problem

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