TO: State Agency Chief Financial Officers

FROM: Ron Spilman, State Controller

DATE: October 26, 2016

Re: Vendor Master - High-Grading of Vendor Additions and Changes

The Department of Finance and Administration has undertaken a project to evaluate, clean-up and enhance the controls over the SHARE vendor master. Concurrent with this effort, the Cash Remediation II Project began to integrate two dozen stand-alone legacy systems into SHARE through the AP module. Both efforts have increased the workload on the Vendor Relations organization. The Vendor Relations team has a maximum capacity to modify up to 50 vendors per day. Currently, agencies are submitting daily vendor requests in excess of that capacity. Our analysis indicates that at least 40% of all requests are related to employee set-ups. It would be helpful if agencies limited new employee requests to those employees where there are firm plans to travel or where the job duties include unplanned travel. As the insert shows, we have committed significant time to the establishment of employee vendors only to have them inactivated for non-use, and there are over three thousand expected to be inactivated during the next scheduled process. If we can limit employee step-up activity to those staff members expected to travel near-term and focus more on the regular vendors, we can set-up critical vendors faster.
The vendor master conversation would not be complete without a discussion of the control initiatives taken by the Vendor Relations organization over the last eighteen-months.

**Annual Vendor Inactivation:** Vendors that have not been used in the last 24 months are being deactivated. This is an industry best practice, and DFA now conducts it annually upon conclusion of each calendar year. Prior to the migration to the 9.2 Upgrade there is a planned archiving step where data that is no longer actively used will be moved to a separate storage device for long-term retention.

**Restricting Vendor Set-up and Update Access, and Implementing a Review and Approval Step:** Less than a handful of employees are authorized to update the vendor file. Additionally, prior to releasing a vendor for general use, all additions and modifications are reviewed and verified. SHARE was reconfigured during the Cash Remediation II Project to require a second level of review so this is a system enforced control.

**Formal process for requesting new vendors.** This was an existing process that is being rigorously observed. Agencies are required to complete a standard W-9 Form or substitute W-9 Form. This form contains all the required data fields including vendor Tax Identification Numbers (TINs).

**Convention Standardization:** You will notice when you use the vendor file that names and numbers are more consistent. With a limited number of vendor maintenance employees and implementation of a mandatory review, the master file is more consistent and accurate. This will make it easier for you to use the file and help prevent duplicates in the file.

**Training:** The Vendor Relations organization periodically holds training sessions. These sessions will aid personnel who are responsible for requesting new vendors understand the importance of a concise and accurate vendor master file, which will expedite the process.

As you will undoubtedly note, there is much activity and lots of changes occurring with the vendor file and we have more requests for updates than capacity. Therefore, we need to use existing capacity wisely by prioritizing the vendors we submit for set-up. If a rush vendor is needed, please denote this in the subject line of the request when submitting to the vendor relations mail box. Also, include the reason for the rush and the date required. Finally, if the vendor is reimbursed by check, pre-Audit verification does not include address, agencies can mail check to proper location without waiting for vendor address change.

If we can better prioritize our vendor set-up between musts and wants, then the state will be better served and vendor set-up, availability and payment will all occur faster.

Thank you