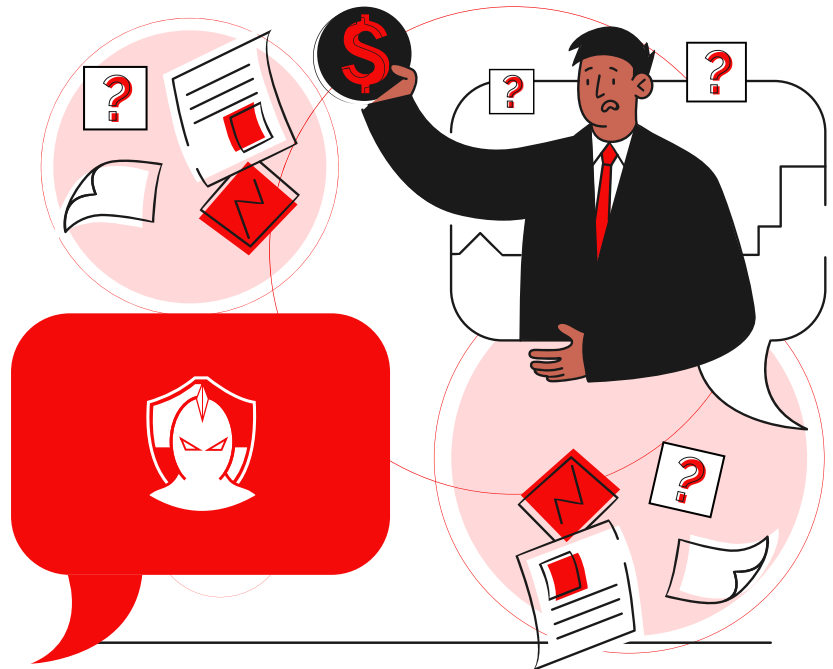


Five Ways Your Vendor File is Costing You: **Compliance Edition**



Compliance is not anyone's favorite word. The tension and pressures many procurement and AP staff deal with every day is only exacerbated by the worry of accidentally violating terms of compliance. There are the considerations of the external world, such as the OFAC and debarment lists that haunt payments professionals (**hello giant federal fine!**), but there is also the world of internal compliance—much of it shifting with stunning regularity.

The burden of keeping inside the lines for all of these rules and regs falls largely on the shoulders of people charged with pressing 'send' on a payment file. Here are five landmines they need to contend with for every payment instruction file they send, and just exactly how each is costing your organization.



1 You might be doing business with vendors on federal sanctions lists

Every company knows they should not be doing business with vendors whose names appear on sanctions lists. Your staff will likely (hopefully???) check the lists when they initially onboard a new vendor. That's the easy part. The hard part is for your staff to continually monitor these lists -- [OFAC](#) and [SAM.gov](#) lists, for example -- to ensure there have been no changes to a vendor's status during the lifetime of your relationship.

It can be a significant time burden to check the relevant sanctions lists every time a purchase order is issued. It's such a burden that even though it is an absolute necessity, we have come across very few companies (maybe zero?) who are currently doing this kind of continuous monitoring, and that will obviously be a big problem if a current vendor shows up on these lists sometime after you pay their first invoice.

HOW THIS COSTS YOU:

- big time fines
- a loss of federal dollars for your organization
- reputational harm

2 Your vendor file likely does not have up to date 1099 information

Getting accurate 1099 information to vendors at the end of the year can be a frantic, stomach-churning race against time. While it's essential to get the information out in a timely fashion, you also need to get it right, lest you be on the receiving end of a **"B" notice violation** from the Internal Revenue Service for missing 1099 information. The monetary fine is one pain point, but the paper chase to fix it is arguably much bigger. How much time is your staff spending at the close of the calendar year chasing down accurate information?

HOW THIS COSTS YOU:

- fines- perhaps small in dollars, but likely large in number
- hours and hours and hours of staff time chasing the real info and reissuing the 1099

3 Your vendor diversity status is not tracked

In the not so distant past, many American companies could merely say they wanted to have a diverse supplier base. Lip service is no longer enough, however, and from the highest levels down, senior leaders are demanding procurement teams hit specific spend numbers and have proof of a diverse supplier file.

No longer is a cursory audit of vendors enough. Now, certifications are essential for companies to verify they are doing business with minority-owned companies, historically disadvantage businesses, women owned businesses and veteran owned businesses, for example, and on top of that, they need to steer clear of suppliers who have a history of bad behavior, like employment discrimination. Audit trails are also necessary to prove this to shareholders, investors and boards. How are your staff fulfilling this mission?

HOW THIS COSTS YOU:

- reputational harm
- time spent backtracking to build accurate lists
- more suppliers = more competition = better pricing (it is literally costing you not to diversify!)



4 Your vendor onboarding process has no visibility and no audit trail



Here is a scenario we have heard countless times from our prospects:

An invoice arrives one day and, lo and behold, the vendor who submitted isn't anywhere in your system. Nobody knows who invited them or even what work was performed. As a result, a ton of time is wasted investigating exactly what this invoice is for. Then more time is spent getting the new vendor onboarded into your ERP. You'll need the W9. The remit address. The order address. The banking info. Maybe that certification to prove they are a **HUB**. Meanwhile, their payment term window has passed.

This sort of cart-before-the-horse chaos is so costly to your business. Your staff needs

to be able to clearly track who invited a new supplier, who approved this supplier and that the info the supplier provided is accurate and trustworthy. If you are relying on manual processes for this, it is a given that mistakes are being made. Creating a central audit trail that everyone within your company can refer back to will help you avoid headaches and save an enormous amount of time and money.

HOW THIS COSTS YOU:

- maverick spend
- potential invoice fraud, social engineering fraud or BEC fraud payments
- audit headaches
- late fees on overdue invoices

5 You don't know if the certificates of insurance your vendors have are expired

Wouldn't it be wonderful if the expiration date of a certificate of insurance for every new vendor perfectly aligned with the length of the project they're working on?

Alas, that's not likely. So you're going to have to develop a system to continually monitor COI's so they're up-to-date. The last thing you want to do is go looking for it the day after an accident only to discover the certificate has expired, launching yet another paper chase for your staff.

HOW THIS COSTS YOU:

- when you need it, you don't have it

Having locked down controls in place to ensure you have a pristine vendor list is the only way out of this labyrinth of potential money pits. Invest the time, energy and resources in addressing these five areas before a mistake exposes the weaknesses.

**Learn how PaymentWorks can eliminate Compliance Risk.
Book a demo today.**

