

Risk Management and Internal Controls

May 23, 2024

Introduction

▶ Overview:

- ▶ Importance of strong accounts payable controls.
- ▶ Key risks: fraud, errors, regulatory non-compliance.

▶ Objectives:

- ▶ Understand risks of poor controls.
- ▶ Learn about internal control activities.
- ▶ Explore methods to mitigate fraud risks.

Internal Controls Workflow and Their Importance

▶ Key Points:

- ▶ Ensures accuracy and reliability in financial reporting.
- ▶ Reduces the risk of fraud and errors.
- ▶ Enhances regulatory compliance.

Control Activities

- ▶ Preventive. These controls help management to avoid problems BEFORE they occur.
- ▶ Detective. These controls help to uncover issues AFTER they've occurred.
- ▶ Corrective. These controls detect if risk is present, and then elicits a response and/or corrective action.

Approvals and Authorizations (Preventive)

- ▶ **Importance:**
 - ▶ Multi-level approval processes.
 - ▶ Prevents unauthorized transactions.
- ▶ **Best Practices:**
 - ▶ Clear approval hierarchies.
 - ▶ Documented approval procedures.
 - ▶ Regular review of approval authorities.

Verification (Preventive)

- ▶ **Process:**
 - ▶ Checking invoices against purchase orders and receipts.
 - ▶ Ensuring correct pricing, quantities, and terms.
- ▶ **Benefits:**
 - ▶ Detects discrepancies early.
 - ▶ Prevents overpayments and duplicate payments.

Reconciliations (Detective)

- ▶ **Purpose:**

- ▶ Regular reconciliation of accounts payable ledger with general ledger.
- ▶ Monthly or quarterly reconciliations.

- ▶ **Steps:**

- ▶ Match invoices with payments and receipts.
- ▶ Investigate and resolve discrepancies promptly.

Physical Controls (Preventive)

- ▶ **Definition:**

- ▶ Securing physical documents and assets.

- ▶ **Examples:**

- ▶ Locking filing cabinets.
- ▶ Restricting access to sensitive documents.
- ▶ Using secure methods for document disposal.

Segregation of Duties (Preventive)

- ▶ **Concept:**

- ▶ Dividing responsibilities to prevent fraud and errors.

- ▶ **Implementation:**

- ▶ Separate roles for authorizing, processing, and reviewing transactions.
- ▶ Regular rotation of duties among staff.

Review and Analysis (Detective)

- ▶ **Continuous Monitoring:**
 - ▶ Regular review of accounts payable reports.
 - ▶ Analyzing trends and anomalies.
- ▶ **Benefits:**
 - ▶ Early detection of issues.
 - ▶ Ongoing improvement of controls.

Training (Preventive)

▶ Importance of Training:

- ▶ Enhances employee awareness and understanding of internal controls.
- ▶ Reduces the risk of errors and fraud by ensuring everyone knows their roles and responsibilities.

▶ Key Training Areas:

- ▶ Policies and Procedures
- ▶ Fraud Prevention
- ▶ Regulatory Compliance
- ▶ Use of Technology and Tools

Best Practices for Effective Training

- ▶ **Regular Training Sessions**
- ▶ **Use of Real-Life Scenarios**
- ▶ **Continuous Updates and Refreshers**
- ▶ **Assessment and Feedback**

Monitoring (Corrective)

- ▶ **Purpose of Monitoring:**

- ▶ Ensures internal controls are effective and functioning as intended.
- ▶ Detects and addresses discrepancies, errors, and fraudulent activities promptly.

- ▶ **Key Monitoring Activities:**

- ▶ Ongoing Monitoring
- ▶ Periodic Reviews
- ▶ Exception Reporting
- ▶ Independent Audits

Best Practices for Effective Monitoring

- ▶ Use of Automated Monitoring Tools
- ▶ Regular Reconciliation Processes
- ▶ Clear Accountability and Reporting Lines
- ▶ Continuous Improvement and Feedback Loop

Manual vs. Automated Controls

▶ Manual Controls

- ▶ Obtain Administrator's approval
 - ▶ Ensures accountability and oversight and reduces risk of unauthorized transactions
- ▶ Reconciliation of bank account(s)
 - ▶ Verifies the accuracy of financial records and identifies discrepancies and potential fraud

▶ Automated Controls

- ▶ Password Protections
 - ▶ Secures access to sensitive systems and data and prevents unauthorized access and potential breaches
- ▶ Data Entry Validation Checks
 - ▶ Ensures data accuracy and consistency and reduces errors in data processing

Risk in Accounts Payable

▶ **Types of Risks:**

- ▶ Fraud risk, including embezzlement and duplicate payments.
- ▶ Regulatory non-compliance.
- ▶ Cybersecurity threats.

▶ **Impact:**

- ▶ Financial loss.
- ▶ Legal consequences.
- ▶ Damage to reputation.

Fraud Risk

▶ **Examples:**

- ▶ Employee embezzlement: Unauthorized payments or false invoicing.
- ▶ Duplicate vendor payments: Paying the same invoice multiple times.
- ▶ Regulatory non-compliance: Fines and penalties for failing to comply with laws.
- ▶ Cybersecurity threats: Hacking and phishing attacks.

How Does Check Fraud Occur

- ▶ **Altered Checks:** Criminals may take a check and change the recipient's name and/or the amount on a check, often using a process sometimes called “check washing,” which uses chemicals to remove the original information from the check.
- ▶ **Counterfeit Checks:** Criminals may use a stolen check to create fraudulent checks. Replicating the information on the stolen check—including the check stock, authorized signature, account number, routing and transit numbers—they can create counterfeit checks that look like they were issued by the same company that issued the original check. Today's technology has made it easier than ever to create realistic-looking fraudulent checks—even with a home printer.

Possible Signs of Check Fraud

- ▶ Sudden Changes. For vendor relationships, note any large, new or unexpected shifts in ongoing payments.
- ▶ Lost Checks. If vendors start complaining about lost checks, delays or non-payment, investigate the pattern.
- ▶ Mismatches. If deposited checks from vendors do not match invoices or your check issue records, that can suggest check washing.

Tips to Help Prevent Check Fraud

- ▶ **Review Transactions.** Use your online banking platform to review daily transaction activity and check for irregularities. Doing so may help your company identify fraud quickly and potentially recover funds if fraud has occurred.
- ▶ **Reconcile your accounts.** Reconcile accounts daily, if possible, to spot abnormal activity. Doing so allows you to work with your banker in a timely manner to help prevent loss.
- ▶ **Add Checks and Balances.** Make sure that your employees who are authorized to sign checks are not the same people who reconcile the accounts. You may consider instituting two-person authorization on outgoing checks and payments.

Additional Tips to Prevent Check Fraud

- ▶ **Audit.** Conduct surprise account audits on a periodic basis.
- ▶ **Stop Payments.** Place stop payments on any checks that have been lost or stolen.
- ▶ **Go Digital.** Opt for electronic payments such as ACH(Automatic Clearing House), RTP (Real Time Payments), or purchasing cards over physical checks whenever possible.
- ▶ **Avoid Using Mailboxes.** Mailing checks inside the post office (rather than leaving them in mailboxes) offers greater protection against the risk of stolen checks.
- ▶ **Safeguard your checks.** Securely store check stock, deposit slips, and bank statements. Securely destroy them also.

ACH Procedures

- ▶ ACH Payments In lieu of receiving a check for goods and/or services provided to The Hoover City Board of Education, sends company's payment via electronic transfer and automatically credited to the vendors account at their financial institution. They would still invoice us as usual; however, once the invoice is approved and processed for payment, an electronic remittance advice would be emailed to their company and their bank account would be credited
- ▶ Benefits to their company include:
 - ▶ ❖ ACH offers cost savings to the vendors and to The Hoover City Board of Education.
 - ▶ ❖ Funds are credited and available to the recipient without the need for making manual deposits
 - ▶ ❖ Increases payment security.
 - ▶ ❖ Eliminates the 2 to 3 day mail time

ACH Payment Enrollment Form

This form is used for Automated Clearing House (ACH) payments.
To access the fillable form online please go to www.hoovercityschools.net and look under the
Departments: Finance Vendor Forms

Payee/Company Information:

Name:	
Current Mailing Address:	
SSN or Tax ID (required):	Contact Person Name (required):
Telephone:	Fax:
Email Address (required)	

Financial Institution Information:

Name:	
Address:	
Nine-Digit Routing Transit Number (usually first set of 9-digit numbers at bottom of check):	
Account Number:	
Type of Account: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Name of Payee or Authorized Official (Please Print):	
Signature and Title of Payee or Authorized Official (required): <i>By signing you are acknowledging you are being paid for goods or services render and you are not a HCS employee.</i>	
Date:	

A voided check must accompany this form in order to receive payments electronically.

Please ensure you have attached a W-9 to this worksheet.

Send this form, the voided check and the W-9 to Melynda Buck at mbuck@hoover.k12.al.us or
mail to: Hoover City Schools, Attn: Melynda Buck, 2810 Metropolitan Way Hoover, AL 35243

NEXT Steps for ACH Setup

1. Must Receive completed ACH Payment Enrollment Form with a copy of a voided check or letter from their bank with routing and account number.
2. Send Acknowledgement email

Email Subject Line: Additional Information Required for ACH Enrollment Verification

Dear [Contact Name],

I hope this message finds you well. Thank you for submitting your ACH payment enrollment package for [Payee/Company Name]. As part of our commitment to maintaining high security standards, we require additional verification to proceed with your enrollment.

To verify the authenticity of your account, please provide any two recent invoice numbers along with their corresponding amounts. This information will help us ensure the security and accuracy of the setup process.

Once we receive this information, we will proceed with the final steps of your ACH enrollment. If you have any questions or need further assistance, please do not hesitate to contact me directly.

*Thank you for your cooperation and understanding.
Best regards,*

Verify Invoice Numbers and Amounts

Once you received the invoice number and amounts compare them against the Accounts Payable, Invoice by Vendor Reports in NexGen.

The screenshot displays the NexGen software interface. The left-hand menu is expanded to show the 'Accounts Payable' folder, which is circled in red. The right-hand pane shows a list of reports, with 'Invoice by Vendor Report' also circled in red. The report list includes columns for 'Application or Transaction Name', 'Ap', and 'Tran'.

Application or Transaction Name	Ap	Tran
Invoice Batch Reports		
MS Invoice Reports		
Account Payables Register	AP	APRG
Cash Disbursement Audit Trail	AP	CDAT
Detail Invoice Report	AP	DIRP
Fixed Assets Invoice Report	AP	FAIR
Invoice by Journal # Report	AP	IJNR
Invoice by Vendor Report	AP	INVR
Open Invoices For Fiscal Year	AP	OIFY
Invoice by Vendor/PO # Report	AP	INVP
Invoice CCTR/Account # Report	AP	ICAR
Item Usage Report	AP	ITRP
Month To Date Docket of Claims	AP	MDDC
Reconciliation Report	AP	RERP
Vendor Activity Register by GL	AP	VAGL
Vendor Activity Register	AP	VARG



AP/INVR: Invoice by Vendor Report (v3.13)

Vendor # 1099 Vendors Only E-Verify Vendors

Invoice Date To
 Check Date To (Only if Paid)
 Merged Posting Date To (Only if Merged)

Status In Process Merged Not Merged

Amount Total For:
 Invoice Vendor Total Vendor Amount To

Report Destination
 To Report Viewer To Grid To File
 To Printer HP LaserJet MFP M232-M237 PCLm-S (redirected)

Enter Selection Criteria, Click Enter(F1) To Generate Report



Steps for ACH Setup

Once the invoice verification process has been successfully completed another email is sent to the vendor.

Email Subject Line: Additional Information Required for ACH Enrollment Verification

Thank you for promptly sending the ACH verification information as requested. We appreciate your cooperation in helping us streamline our payment processes.

Please note that your account is currently in the process of being set up for ACH payments, effective {DATE}. We will notify you once the setup is complete and your payments will begin processing through this method.

If you have any questions or need further assistance in the meantime, please feel free to reach out.

*Thank you once again for your attention and cooperation.
Best regards,*

ACH EXTERNAL Vendor Set up

- Accounts Payable
- Vendor Maintenance
- Enter Vendor #
Select tab 3. Other
Change

AP/VMNT: Vendor Maintenance (v3.34)

1. Vendor 2. 1099 **3. Other** 4. Contacts 5. Comments 6. Groups 7. Dollars

Vendor # 6316 CDW LLC Local Vendor

DUNS Number Employee #

PQ Trans Type Mail Request Read Receipt

Email Contact Name

Email Address(es) Test Email

Default Account # No Account Selected Bid Interface Vendor

Electronic Payments

Use P/R ACH Info ACH Notified Savings Acct

ACH Trans Type Email Test Email

DEI Account Bank Account

Email Contact Name Melynda

Email Address(es) mbuck@hoover.k12.al.us

Warehouse

Warehouse CCTR Inventory in Process

Asset Inv Acct # Bank Code

No Account Selected

Date Created 2/13/2006 Created By pmoore

Min Order \$ 0.00 Currency Dollars

Recv Tol % 0%

ACH Test Email Was Sent with no reported errors

Ctrl+N = Next Tab, Ctrl+B = Previous Tab or use Shortcut

ACH INTERNAL Vendor reimburse employees

- Accounts Payable
- Vendor Maintenance
- Enter Vendor #
Select tab 3. Other
Change
- Enter Employee #
- Check Electronic Payments
- Use P/R ACH Info

File Edit Tools Toolbar Windows Favorites Help Idea Portal

Enter Add Change Delete Save Inquire Next Back Clear Search PrtScr Exit

AP/VMNT: Vendor Maintenance (v3.34)

1. Vendor 2. 1099 **3. Other** 4. Contacts 5. Comments 6. Groups 7. Dollars

Vendor # 6316 CDW LLC Local Vendor

DUNS Number Employee #

PQ Trans Type Mail Request Read Receipt

Email Contact Name

Email Address(es) Test Email

Default Account # No Account Selected Bid Interface Vendor

Electronic Payments

Use P/R ACH Info ACH Notified ACH Trans Type Email Test Email

DFI Account Savings Acct Email Contact Name Melynda

Bank Account Email Address(es) mbuck@hoover.k12.al.us

Warehouse

Warehouse CCTR Inventory in Process

Asset Inv Acct # Bank Code

No Account Selected

Date Created 2/13/2006 Created By pmoore

Min Order \$ 0.00 Currency Dollars

Recv Tol % 0%

ACH Test Email Was Sent with no reported errors

Ctrl+N = Next Tab, Ctrl+B = Previous Tab or use Shortcut

Common Issues to Watch For:

- **Mismatched Names and TINs:** Ensure that the name and TIN provided match IRS records to avoid backup withholding and potential penalties.
- **Incomplete Information:** Check that no required fields are left blank.
- **Incorrect Tax Classification:** Confirm that the federal tax classification accurately reflects the entity type.
- **Unverified Signatures:** Ensure the form is signed by a person authorized to sign on behalf of the entity.

Request for Taxpayer Identification Number and Certification

Go to www.irs.gov/FormW9 for instructions and the latest information.

Give form to the requester. Do not send to the IRS.

Before you begin. For guidance related to the purpose of Form W-9, see *Purpose of Form*, below.

Print or type. See Specific instructions on page 3.	1 Name of entity/individual. An entry is required. (For a sole proprietor or disregarded entity, enter the owner's name on line 1, and enter the business/disregarded entity's name on line 2.)
	2 Business name/disregarded entity name, if different from above.
	3a Check the appropriate box for federal tax classification of the entity/individual whose name is entered on line 1. Check only one of the following seven boxes. <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C corporation <input type="checkbox"/> S corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> LLC. Enter the tax classification (C = C corporation, S = S corporation, P = Partnership) _____ Note: Check the "LLC" box above and, in the entry space, enter the appropriate code (C, S, or P) for the tax classification of the LLC, unless it is a disregarded entity. A disregarded entity should instead check the appropriate box for the tax classification of its owner. <input type="checkbox"/> Other (see instructions)
	4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3): Exempt payee code (if any) _____ Exemption from Foreign Account Tax Compliance Act (FATCA) reporting code (if any) _____ <i>(Applies to accounts maintained outside the United States.)</i>
	3b If on line 3a you checked "Partnership" or "Trust/estate," or checked "LLC" and entered "P" as its tax classification, and you are providing this form to a partnership, trust, or estate in which you have an ownership interest, check this box if you have any foreign partners, owners, or beneficiaries. See instructions. <input type="checkbox"/>
	5 Address (number, street, and apt. or suite no.). See instructions.
	Requester's name and address (optional)
6 City, state, and ZIP code	
7 List account number(s) here (optional)	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. See also *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number									
			-						
OR									
Employer identification number									
			-						

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and, generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	Signature of U.S. person	Date
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

What's New

New line 3b has been added to this form. A flow-through entity is required to complete this line to indicate that it has direct or indirect foreign partners, owners, or beneficiaries when it provides the Form W-9 to another flow-through entity in which it has an ownership interest. This change is intended to provide a flow-through entity with information regarding the status of its indirect foreign partners, owners, or beneficiaries, so that it can satisfy any applicable reporting requirements. For example, a partnership that has any indirect foreign partners may be required to complete Schedules K-2 and K-3. See the Partnership Instructions for Schedules K-2 and K-3 (Form 1065).

Best Practices:

- Regular Updates:** Request updated W-9 forms periodically or when significant changes occur.
- Secure Storage:** Store W-9 forms securely to protect sensitive information.
- Verification:** Use the IRS TIN Matching Program to verify TIN and name combinations.

By thoroughly reviewing each of these elements, businesses can ensure compliance with IRS regulations and avoid issues related to incorrect or incomplete W-9 forms.

Utilizing Positive Pay

- ▶ **Definition:**

- ▶ A banking service that matches checks issued by a company with those presented for payment.

- ▶ **Benefits:**

- ▶ Prevents fraudulent checks from being cashed.
- ▶ Enhances security and control over disbursements.

Positive Pay Procedures

- ▶ Batch number is written on AP Post-Print Report
- ▶ In Nextgen
- ▶ AP
- ▶ Check Reports
- ▶ Print Check Register (PRCR)
- ▶ Batch# =
- ▶ Enter

The screenshot shows a software window titled "AP/PRCR: Print Check Register (v3.04)". The window has a menu bar with "File", "Edit", "Tools", "Toolbar", "Windows", "Favorites", and "Help". Below the menu bar is a toolbar with icons for "Enter", "Default", "Last", "Delete", "Save", "Inquire", "Next", "Back", "Clear", "Search", "PrtScr", and "Exit". The main area of the window contains a "Select By" section with two radio buttons: "Check Batch:" (selected) and "Offline Invoice Batch #". Below this is a text input field labeled "Check Batch #". The "Report Destination" section has four radio buttons: "To Report Viewer" (selected), "To Grid", "To File", and "To Printer". The "To Printer" option is followed by the text "HP LaserJet MFP M232-M237 PCLm-S (redirecter)" and a "Setup" button. At the bottom of the window, there is a red instruction: "Enter Selection Criteria, Click Enter(F1) To Generate Report".

Positive Pay Procedures

- ▶ Export (envelope icon)
- ▶ Select MS Excel (Data only) from drop down
- ▶ OK
- ▶ Excel Format Options: OK
- ▶ Restrictions: OK
- ▶ Save to ____:
- ▶ Filename = ap[Batch#]
- ▶ Save

The screenshot displays the Crystal Reports Viewer 9 interface. The main report area shows a 'CHECK REGISTER' for the 'HOOVER CITY BOARD OF EDUCATION'. The report includes a table with columns for 'CHK #', 'CHK DATE', 'TYPE', 'STATUS', 'VENDOR Name', '1099 AMT', 'GROSS', 'DISC', 'FWH', and 'NET'. A single entry is shown for '6175 LINKS 2 LRNING CONSULTING LLC' with a '1099 AMT' of 1,425.00 and a 'NET' of 1,425.00. The report also shows a total of 1 check and a total paid amount of 1,425.00. The report is titled 'MCAI BUDGETARY ACCOUNTING SYSTEM' and 'CHECK REGISTER'. The run date is 05/19/2024 and the run time is 02:06PM. The page is 1 of 1.

An 'Export' dialog box is open over the report, with a red arrow pointing to the 'Format' dropdown menu. The 'Format' dropdown is set to 'MS Excel 97-2000 (Data only)'. The 'Destination' dropdown is set to 'Disk file'. The 'OK' button is highlighted.

CHK #	CHK DATE	TYPE	STATUS	VENDOR Name	1099 AMT	GROSS	DISC	FWH	NET
56034	05/16/2024	R	Paid	6175 LINKS 2 LRNING CONSULTING LLC	1,425.00	1,425.00	0.00	0.00	1,425.00

REPORT TOTAL # OF CHKS: 1 TOTAL PAID CHK AMTS: 1,425.00

*** END OF REPORT ***

Vendor File Security and Maintenance

- ▶ **Importance:**
 - ▶ Protecting sensitive vendor information.
 - ▶ Preventing internal and external fraud.

Vendor File Security, Access/Roles

- ▶ **Measures:**

- ▶ Implementing role-based access controls.
- ▶ Restricting access to vendor data to authorized personnel only.

- ▶ **Best Practices:**

- ▶ Regularly reviewing and updating access permissions.
- ▶ Monitoring access logs for suspicious activity.

Implementing Role-Based Access Controls

- ▶ **Definition:** Role-based access control (RBAC) restricts access based on the user's role within the organization.
- ▶ **Steps:**
 - ▶ **Identify Roles:** Define roles within your organization (e.g., Accounts Payable Clerk, Manager, Auditor).
 - ▶ **Assign Permissions:** Assign specific permissions to each role based on what they need to perform their job functions.
 - ▶ **Implement:** Use software tools to enforce these roles and permissions.
 - ▶ **Train Staff:** Ensure all employees understand their access rights and responsibilities.

Restricting Access to Authorized Personnel

- ▶ Ensure that only authorized personnel have access to sensitive vendor data.
- ▶ Use multi-factor authentication (MFA) to enhance security.
- ▶ Limit access based on the principle of least privilege, meaning users only have access to the data they need to perform their job.

Regularly Reviewing and Updating Access Permissions

- ▶ **Periodic Reviews:** Conduct regular (e.g., quarterly) reviews of access permissions to ensure they are still appropriate.
- ▶ **Updating Permissions:** Update access rights promptly when an employee changes roles or leaves the organization.
- ▶ **Documentation:** Keep detailed records of access permissions and changes for audit purposes.

Monitoring Access Logs for Suspicious Activity

- ▶ **Automated Logging:** Use automated systems to log all access to vendor files.
- ▶ **Regular Monitoring:** Regularly review these logs for any unusual or unauthorized access attempts.
- ▶ **Alerts:** Set up alerts for suspicious activities such as repeated failed login attempts or access from unusual locations.

Vendor Set-Up

- ▶ **Process:**

- ▶ Approving and entering new vendors.
- ▶ Verifying vendor credentials (IRS W9, Vendor Form).

- ▶ **Best Practices:**

- ▶ Identifying 1099 vendors at the time of setup.
- ▶ Avoiding adding fraudulent vendors through thorough vetting.

Approving and Entering New Vendors

- ▶ **Approval Workflow:** Establish a multi-step approval process for new vendors involving multiple departments (e.g., procurement, finance).
- ▶ **Documentation:** Require comprehensive documentation from vendors, including business licenses, references, and banking details.
- ▶ **Approval Committee:** Consider forming an approval committee to review and approve new vendor applications.

Verifying Vendor Credentials

- ▶ **IRS W9 Forms:** Collect IRS W9 forms to ensure tax compliance and proper identification of vendors.
- ▶ **Vendor Forms:** Use standardized vendor setup forms to gather necessary information.
- ▶ **Cross-Verification:** Verify vendor information against reliable sources such as business registries or credit agencies.

Identifying 1099 Vendors

- ▶ **Classification:** Identify and classify 1099 vendors at the time of setup to ensure proper tax reporting.
- ▶ **Documentation:** Keep meticulous records of payments to 1099 vendors to facilitate year-end reporting.

Avoiding Fraudulent Vendors

- ▶ **Thorough Vetting:** Conduct thorough background checks and due diligence on new vendors.
- ▶ **Red Flags:** Be alert to red flags such as discrepancies in provided information or reluctance to share details.
- ▶ **Authenticate Vendor Information**
 - ▶ Verify the vendor's registration and standing using databases like the System for Award Management (SAM)
 - ▶ Contact the vendor's business directly using publicly listed phone numbers to confirm details such as business address, contact persons, and bank account information.
 - ▶ Use bank account verification services to confirm that the bank account provided by the vendor belongs to them and is active.
 - ▶ Verify that email communications come from a domain associated with the vendor's business (e.g., @vendorcompany.com) rather than generic email services.

Instructions for Checking Vendor Status in Sam

Go to:

SAM.gov (System for Award Management)

In the box "The Official U.S. Government System for:"

Select Entity Information

Under Search Entity Information

Use dropdown to select Exclusions

Enter legal name (should be in Nextgen to match W9) with asterisk after name

(Ex: Glenwood Mental)

Search

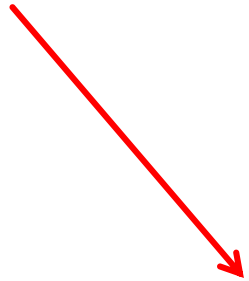
IF result is "No matches found", this is a good sign; means there are no exclusions and vendor is in good standing




- Print page
- Attach to W9
- Proceed with purchase of goods or services

IF entity is listed, this is not a good sign; means there are exclusions and the vendor has been excluded (debarred) from participating in federal contracts of any type. Reasons for suspension or debarment include fraud, embezzlement, theft, forgery, falsification or destruction of records, tax evasion, unfair trade, violation of federal criminal laws and/or antitrust statutes.

- Print Page showing excluded entity, details of exclusion and additional information
- Attach to W9
- Find another vendor

Google



 sam.gov  

Checking Vendor Status in SAM?

www.sam.gov

Home Search Data Bank Data Services Help

SAM.GOV

Official U.S. Government Website
100% Free

The Official U.S. Government System for:

- Contract Opportunities
- Contract Data (Reports ONLY from fpds.gov)
- Wage Determinations
- Federal Hierarchy (Departments and Subtiers)
- Assistance Listings
- Entity Information** (Entities, Disaster Response Registry, Exclusions, and Responsibility/Qualification (was fapiis.gov))
- Entity Reporting (SCR and Bio-Preferred Reporting)

Are you searching for Federal Acquisition Supply Chain Security Act (FASCSCA) orders? [View FASCSCA Orders](#)

Register Your Entity or Get a Unique Entity ID

Register your entity or get a Unique Entity ID to get started doing business with the federal government.

[Get Started](#)

[Renew Entity](#)

[Check Entity Status](#)

Already know what you want to find?

Select Domain... e.g. 1606N020Q02



Entity Information

We are bringing together entity information in one place, including: Entity Registrations, Exclusions, Disaster Response Registry, and Responsibility/Qualification data.

- [Learn how we are connecting information across SAM.gov](#)
- [FAPIS.gov is now Responsibility/Qualification. Learn more.](#)



Please Sign In

You must sign in to your SAM.gov account to search Entities, the Disaster Response Registry, and Responsibility/Qualification. You do not need to sign in to view active exclusions.

[Sign In](#)

Search Entity Information

[Advanced Search](#)

All Entity Information

e.g. 123456789, Smith Corp



Show active only

Register Your Entity or Get a Unique Entity ID

Register your entity or get a Unique Entity ID to get started doing business with the federal government

[Get Started](#)

Sign into your entity workspace to renew or update your entity

[Renew Entity](#)

Check the status of a recently submitted entity registration or renewal



[Check Entity Status](#)



Entity Information

We are bringing together entity information in one place, including: Entity Registrations, Exclusions, Disaster Response Registry, and Responsibility/Qualification data.

- [Learn how we are connecting information across SAM.gov](#)
- [FAPIS.gov is now Responsibility/Qualification. Learn more.](#)



Please Sign In

You must sign in to your SAM.gov account to search Entities, the Disaster Response Registry, and Responsibility/Qualification. You do not need to sign in to view active exclusions.

[Sign In](#)

Search Entity Information

[Advanced Search](#)

Exclusions

▼ e.g. 123456789, Smith Corp



Register Your Entity or Get a Unique Entity ID

Register your entity or get a Unique Entity ID to get started doing business with the federal government

[Get Started](#)

Sign into your entity workspace to renew or update your entity

[Renew Entity](#)

Check the status of a recently submitted entity registration or renewal



[Check Entity Status](#)




Search

Select Domain Entity Information

- All Entity Information
- Entities
- Disaster Response Registry
- Responsibility / Qualification
- Exclusions

Filter By

 **No matches found**
We couldn't find a match for your search criteria.
Please try another search or go back to previous results.

Additional Tips for Authentication

- ▶ **Regularly Update and Re-Verify Information:**
 - ▶ Periodically re-verify vendor information to ensure it remains current and accurate.
- ▶ **Implement a Vendor Onboarding Checklist:**
 - ▶ Use a comprehensive checklist to ensure all necessary verifications are completed during the vendor onboarding process.
- ▶ **Segregation of Duties:**
 - ▶ Separate the responsibilities for vendor setup, verification, and approval to reduce the risk of fraud and errors.

Attach Sam.gov to the Vendor file in Vendor Maintenance

The screenshot shows the MCAI menu with the following items listed:

- Requisitions
- Accounts Payable
- Asset Inventory System
- General Ledger
- Purchase Order
- Receipt Module
- System Control

The 'Vendor Maintenance' option is highlighted with a red circle. Below the menu, a table lists application and transaction names:

Application or Transaction Name	Ap	Tran
AP Setup		
Vendor Reports		
Invoice Processing		
Invoice Reports		
Cash Disbursement		
Check Processing		
Check Reports		
Bank Statement Reconciliation		
1099 Processing		
Vendor Maintenance	AP	VMNT
Vendor Inquiry	AP	VNQY
Invoice Query	AP	QUIN
AP Check Query	AP	QUCK

The screenshot shows the 'AP/VMNT: Vendor Maintenance (v3.34)' form. The vendor details are as follows:

- Vendor #: [Redacted]
- Vendor Name: Thrive Behavioral Services, LLC
- Federal ID and Name: 90-1074870 Thrive Behavioral Services, LLC
- 1.8 General: [Redacted] LC
- Address: 2004 PELHAM RD, STE C, PELHAM AL 35124, United States
- Phone: (205) 321-2200
- E-Verify/Affidavit is Required:
- E-Verify Number: [Redacted]
- 1099 Vendor:
- 1099 Amount Type: [Redacted]
- Vendor Terms: Net 30
- Print AP Check Remittance Statement:
- Vendor Status: Active
- Status Date: 10/13/2015
- Status Assigned By: cfields

The 'Attachments(2)' button is highlighted with a red circle. At the bottom of the form, the text reads: "Inquire Mode: Enter the Key Word for the Desired Record".

Add Attachments to Vendor File

The screenshot displays the 'AP/VMNT: Vendor Maintenance (v3.34)' application window. The main window is titled 'Vendor Maintenance' and has a menu bar with 'File', 'Edit', 'Tools', 'Toolbar', 'Windows', 'Favorites', 'Help', and 'Idea Portal'. Below the menu bar is a toolbar with icons for 'Enter', 'Add', 'Change', 'Delete', 'Save', 'Inquire', 'Next', 'Back', 'Clear', 'Search', 'PrtScr', and 'Exit'. The main area is divided into several tabs: '1. Vendor', '2. 1099', '3. Other', '4. Contacts', '5. Comments', '6. Groups', and '7. Dollars'. The '1. Vendor' tab is active, showing fields for 'Vendor #', 'Federal ID and Name: 9432', and 'Green Power USA PCard'. Below these are sub-tabs for '1.8 General', '1.9 Remit', '1.10 PO', and '1.11 Returns'. The '1.8 General' sub-tab is active, showing a form with fields for 'Add/Modify General Name and Address', 'E-Verify/Affidavit is Required', '1099 Vendor', '1099 Amount Type', 'Vendor Terms' (set to 'Net 30'), and 'Attachments(0)'. A red arrow points to the 'Attachments(0)' button. A modal window titled 'AP/DOCS View/Manage Attachments' is open over the main window, showing a 'List of Attachments for Vendor 9432' table with columns 'Attachment Name' and 'Source'. Below the table is a 'Path and Name of File to Attach' field with a 'Browse' button, a checkbox for 'Document Has Protected Signature', and an 'Attach' button. A red arrow points to the 'Browse' button. At the bottom of the modal window, there is a red instruction: 'Select Document and Click View (or Double-click Document) Click Done to Close'. At the bottom of the main window, there is a red instruction: 'Select Taxpayer ID Type'.

Add Attachments to Vendor File

The screenshot displays the 'AP/VMNT: Vendor Maintenance (v3.34)' application. The main window is titled '1. Vendor' and contains several tabs: '1. Vendor', '2. 1099', '3. Other', '4. Contacts', '5. Comments', '6. Groups', and '7. Dollars'. The '1. Vendor' tab is active, showing the '1.8 General' sub-tab. The vendor information includes 'Vendor # 9432', 'Federal ID and Name: 9432', and 'Green Power USA PCard'. The address is 'HUNTSVILLE AL 35815 United States'. There are checkboxes for 'E-Verify/Affidavit is Required' and '1099 Vendor', and a dropdown for '1099 Amount Type'. The 'Vendor Terms' dropdown is set to 'Net 30'. An 'Attachments(0)' button is visible. A red arrow points to the 'Attachments(0)' button.

AP/VMNT: Vendor Maintenance (v3.34)

1. Vendor | 2. 1099 | 3. Other | 4. Contacts | 5. Comments | 6. Groups | 7. Dollars

Vendor # 9432
Federal ID and Name: 9432
Green Power USA PCard

1.8 General | 1.9 Remit | 1.10 PO | 1.11 Returns

Add/Modify General Name and Address

HUNTSVILLE AL 35815
United States

E-Verify/Affidavit is Required
 1099 Vendor
1099 Amount Type

E-Verify Number

Vendor Terms: Net 30

Add New Terms

Attachments(0)

Our Customer No

Select Taxpayer ID Type

AP/DOCS View/Manage Attachments

List of Attachments for Vendor 9432

Attachment Name	Source

Path and Name of File to Attach
\\tsclient\D\My Drive\MBuck Documents\W9\G... W9 March 2024 V

Document Has Protected Signature

Select Document and Click View (or Double-click Document)
Click Done to Close

Add Attachments to Vendor File

File Edit Tools Toolbar Windows Favorites Help Idea Portal

Enter Add Change Delete Save Inquire Next Back Clear Search PrtScr Exit

AP/VMNT: Vendor Maintenance (v3.34)

1. Vendor 2. 1099 3. Other 4. Contacts 5. Comments 6. Groups 7. Dollars

Vendor # 9432 Federal ID and Name: 9432 Green Power USA PCard

1.8 General 1.9 Remit 1.10 PO 1.11 Returns

Add/Modify General Name and Address

HUNTSVILLE AL 35815 United States

E-Verify/Affidavit is Required E-Verify Number

1099 Vendor 1099 Amount Type

Vendor Terms Net 30

Add New Terms

Attachments(0)

Our Customer No

Select Taxpayer ID Type

AP/DOCS View/Manage Attachments

List of Attachments for Vendor 9432

Attachment Name	Source
Green Power USA PCard W9 March 2024 V#94...	Ven: 9432

Path and Name of File to Attach

Document Has Protected Signature

Attach Action Successful!

Add Attachments to Vendor File

Before Attachment

This screenshot shows a software interface for managing vendor files. It includes several input fields and checkboxes:
- A checkbox labeled "E-Verify/Affidavit is Required" is unchecked.
- An "E-Verify Number" field is present.
- A "1099 Vendor" checkbox is unchecked.
- A "1099 Amount Type" dropdown menu is empty.
- A "Vendor Terms" dropdown menu is set to "Net 30".
- An "Add New Terms" button is located below the Vendor Terms dropdown.
- An "Attachments(0)" button is circled in red, indicating that no attachments are currently present.
- An "Our Customer No" field is partially visible at the bottom.
- A red text prompt "Select Taxpayer ID Type" is located at the bottom right of the interface.

After Attachment

This screenshot shows the same software interface as the previous one, but with one change:
- The "Attachments(1)" button is now circled in red, indicating that one attachment has been successfully added to the vendor file.
- All other elements, including the "E-Verify/Affidavit is Required" checkbox, "E-Verify Number" field, "1099 Vendor" checkbox, "1099 Amount Type" dropdown, "Vendor Terms" dropdown (set to "Net 30"), "Add New Terms" button, and "Our Customer No" field, remain the same as in the previous screenshot.
- The red text prompt "Select Taxpayer ID" is also present at the bottom right.

1. Vendor

2. 1099

3. Other

4. Contacts

5. **Comments**

6. Groups

7. Dollars

Vendor # 8917

Add Comment

New Comment

Date - Time	User	Message
2023-06-12...	mbuck	Sam.gov Verified [REDACTED] o Matches
2024-05-07...	mbuck	W9 March 2024 S Corp received 5/7/24 signed 4/26/24

Inquire Mode: Enter the Key Word for the Desired Record

Helpful Reminder

Tab 5. Comments

AP/VMNT: Vendor Maintenance (v3.34)

1. Vendor 2. 1099 3. Other 4. Contacts 5. Comments 6. Groups 7. Dollars

Vendor #

New Comment

Date - Time	User	Message
2024-05-22...	mbuck	W9 501(c)(3) March 2024 Signed signed & received 5/21/24

Select Taxpayer ID Type

AP/DVFR: Detail Vendor File Report (v3.03)

Select By
 Vendor Number
 Vendor Name

Order By
 Vendor Number
 Vendor Sort Name

Vendor #
To

Group Status Fiscal Year for \$

1099 Vendor's Only Local Vendor's Only Name and Address Type

Beginning Date Added Ending Date Added

Report Destination
 To Report Viewer To Grid To File
 To Printer HP LaserJet MFP M232-M237 PCLm-S (redirected)

Enter Selection Criteria, Click Enter(F1) To Generate Report

RUN DATE: 05/22/2024

RUN TIME: 04:16PM

MCAI BUDGETARY ACCOUNTING SYSTEM
VENDOR DETAIL REPORT
HOOVER CITY BOARD OF EDUCATION

Page 1 of 1

APDVFR

VENDOR NUMBER: 9432

NAME: PCard

NAME TYPE: General

ADDRESS TYPE: General

PHONE:

P O BOX:

FAX:

HUNTSVILLE 35815 AL United States

EMAIL:

<u>YEAR</u>	<u>YTD 1099</u>	<u>1099 WH</u>	<u>FISCAL YTD</u>	<u>CALENDAR YTD</u>
-------------	-----------------	----------------	-------------------	---------------------

OUR CUST. #:		DATE ADDED: 06/15/2023	LOCAL: NO
1099 VENDOR:	NO	STATUS: Active	PO TRANS: Mail
WITHHOLD:	NO	FEDERAL ID: 46-5621647	RCV. TOL. %: 0.00%
MINORITY:	NO	TERMS NAME: Net 30	ELEC. PAY: NO
		SINGLE CHECK: NO	
		MINIMUM ORDER: \$ 0.00	

W9 501(c)(3) March 2024 Signed signed & received 5/21/24

*** END OF REPORT ***

Maintaining the Vendor File

- ▶ **Tracking Changes:**
 - ▶ Keeping detailed records of any changes to vendor data.
 - ▶ Regular audits of vendor files.
- ▶ **Identifying Fraudulent Requests:**
 - ▶ Monitoring for unusual requests or changes.
 - ▶ Utilizing automated systems to detect anomalies.

Tracking Changes to Vendor Data

- ▶ **Change Logs:** Maintain a detailed log of all changes made to vendor information, including who made the change and when.
- ▶ **Approval for Changes:** Require authorization for significant changes, such as updates to banking information or contact details.
- ▶ **Audit Trail:** Ensure an audit trail is in place to track all modifications to vendor data.

Regular Audits of Vendor Files

- ▶ **Scheduled Audits:** Conduct regular audits of vendor files, at least annually, to verify the accuracy of the data.
- ▶ **Random Checks:** Perform random checks on vendor files to detect any discrepancies or unauthorized changes.
- ▶ **Audit Team:** Assign a dedicated audit team or external auditors to conduct thorough reviews of vendor files.

Identifying Fraudulent Requests

- ▶ **Unusual Requests:** Monitor for unusual requests, such as sudden changes to payment details or urgent requests for large payments.
- ▶ **Verification Calls:** Implement a policy of verification calls to confirm any significant changes requested by vendors.
- ▶ **Flagging System:** Use a flagging system to highlight requests that require additional scrutiny.

Utilizing Automated Systems to Detect Anomalies

- ▶ **Automation Tools:** Use automated systems and software to continuously monitor vendor files and detect anomalies.
- ▶ **Machine Learning:** Implement machine learning algorithms that can learn from past data to predict and identify suspicious activities.
- ▶ **Alert Mechanisms:** Set up automated alerts to notify relevant personnel of any detected anomalies or potential issues.

Accounts Payable and the Audit Process

- ▶ **Preparation:**
 - ▶ Keeping comprehensive records of all transactions.
 - ▶ Ensuring documentation is readily available.
- ▶ **Compliance:**
 - ▶ Adhering to accounting standards and regulations.
 - ▶ Regular internal audits to ensure controls are effective.
- ▶ **Best Practices:**
 - ▶ Maintaining an audit trail.
 - ▶ Proactively addressing any issues identified in audits.

Best Practices and Key Takeaways

- ▶ Internal Control Workflow: Ensure Accuracy and Reliability
- ▶ Fraud Risk: Approval and Authorizations, Verifications, Reconciliations, Physical Controls, and Segregation of Duties
- ▶ Vendor File Security and Maintenance: Role-Based Access Controls, Vendor Setup, Maintaining Vendor Files
- ▶ Audit Protocols: Preparation and Compliance
- ▶ Continuous Improvement: Monitoring and Training

By implementing these best practices, schools can significantly mitigate the risks associated with accounts payable, ensure compliance, and maintain the integrity of their financial processes.

Conclusion

- ▶ **Recap:**
 - ▶ Importance of robust internal controls in accounts payable.
 - ▶ Key strategies to mitigate risks.
- ▶ **Call to Action:**
 - ▶ Implement best practices discussed.
 - ▶ Continuously review and improve control measures.

Melynda Buck

mbuck@hoover.k12.al.us

Director of Accounting

Hoover City Schools

205-439-1011

