



BFA Administrative Detail: #70-5

VENDOR SETUP AND APPROVAL PROCESS

1.0 PURPOSE

The purpose of this Administrative Directive is to ensure compliance with CSU Contracts & Procurement Policy #12392471 and Vendor Master File (VMF) best practices as stipulated by California State University (CSU) Audit Services to provide documented VMF and Automated Clearing House (ACH) procedures and to incorporate fraud prevention procedures for processing and initializing all campus and auxiliary vendors.

2.0 BACKGROUND

The Chancellor's Office delegates to the campus (Procurement Department) the responsibility to manage their own Vendor Master File (VMF). The VMF is a CSU system-wide database managed by each campus. The Procurement and Contract Services (PCS) Department is responsible for providing technical direction, oversight, setup and management of the campus VMF including maintenance and ACH.

The Vendor Master File (VMF) is a critical feature in any organization's defense against fraud and erroneous payments. To properly safeguard CSUCI resources, certain mechanisms were put in place to ensure appropriate business conduct with vendors validated by the PCS office. Both procurement and Accounts Payable (AP) processes are inherently vulnerable to external and internal fraud, waste, and abuse. The best practices discussed in this document are a proactive way to mitigate these risks.

Responsibility

1. CSUCI President

The CSUCI President holds fiscal responsibility and delegated authority from the Chancellor to purchase, sell, lease, or license personal property and services in accordance with Trustee policy and law. The president is responsible for preparation of campus internal policies and procedures consistent with these policies. Should the president choose to further delegate their purchasing authority, campuses must maintain documentation of such delegation.

2. Procurement and Contract Services (PCS)

To mitigate fraudulent efforts, the PCS office is responsible for the review of submitted 204 and ACH forms to validate the information for new vendors and vendor change requests prior to inclusion in the VMF. A completed Vendor Data Record (204 Form) must be obtained whenever the CSU engages in establishing or maintaining the vendor data in the VMF. The 204 Form is used to obtain payee information for income tax reporting and to

ensure tax compliance with federal and state law. The 204 Form is required for any non-government entity or individual entering into a transaction that may lead to a payment from the state.

3. Accounts Payable

The Accounts Payable supervisor reviews and processes foreign vendor information through the Thomas Reuter program to determine if/and how much Federal withholding tax is required. See Section 5.3.

4. Department Representative (Stakeholder)

The stakeholder initiates the vendor setup request by contacting the PCS office and serves as the department representative who has authority to request purchase of goods and services.

5. Financial Operation

a. VMF Policies and Access

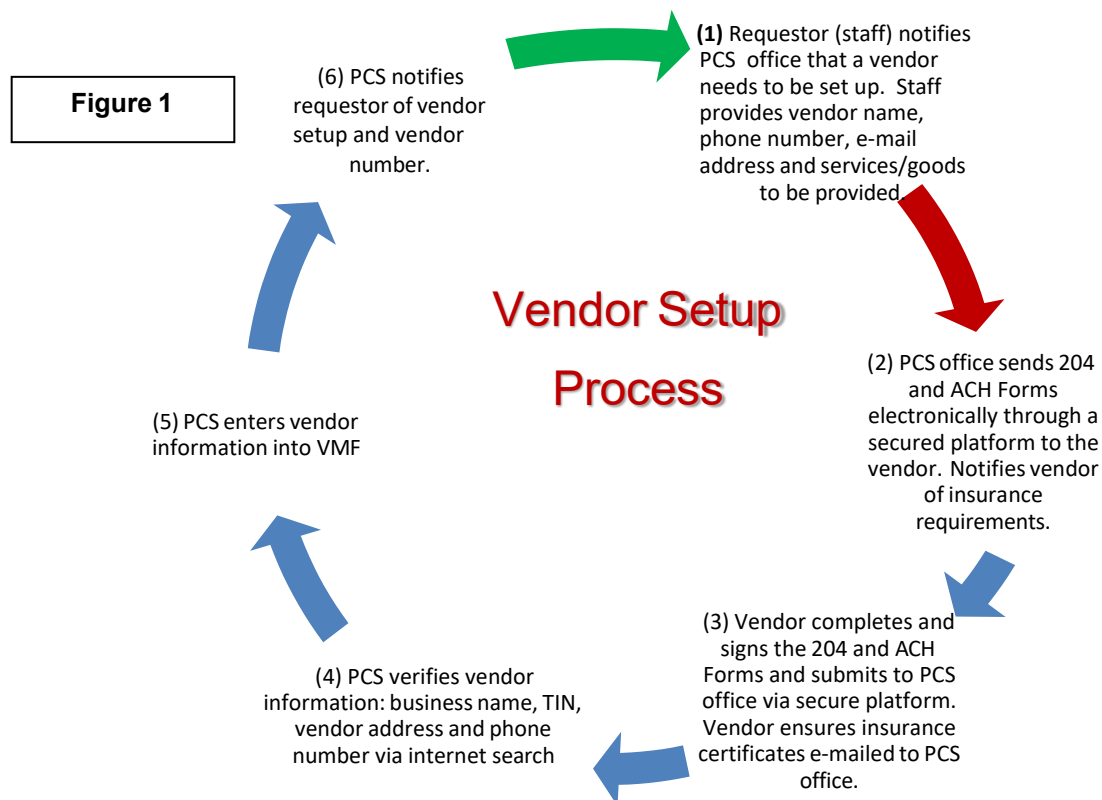
A comprehensive VMF policy is essential to preventing errors and strengthening controls. A strong policy includes guidance on authorizing access to the VMF; procedures for requesting, creating, and modifying vendor records.

b. Access and Approval Authority

Only authorized personnel (Procurement Staff) can add and modify the VMF. The Director of Procurement approves these actions. Additionally, those with authorization to update information in the VMF may not be in a role that allows them to process payments.

3.0 OVERVIEW

The procedures of this Administrative Directive shall apply to Campus and all Auxiliaries. Figure 1 below details the process for setting up a vendor as outlined fully in Section 5. PCS will work with the campus requestor to guide them through the process.



4.0 CITATIONS AND LINKS TO APPLICABLE STATE LAW, CSU POLICIES, ETC.

DGS – Obtaining Payee Information (STD. 205) 8422.190 -

<https://www.dgs.ca.gov/Resources/SAM/TOC/8400/8422-190#:~:text=The%20purpose%20of%20the%20STD,a%20payment%20from%20the%20state>

CSU Policy – CSU Contracts and Procurement 12393471 -

<https://calstate.policystat.com/policy/12393471/latest/#autoid-njivv>

CSUCI Procurement Policy - <https://calstate.policystat.com/policy/7865355/latest/>

Cal e-Procure website - <https://caleprocure.ca.gov/pages/PublicSearch/supplier-search.aspx>
<http://www.dgs.ca.gov/pd/Programs/OSDS.aspx>

CSUBuy - <https://bids.scquest.com/apps/Router/PublicEvent?CustomerOrg=CalState>

Planet Bids - <http://psp.planetbids.com/g/81563/>

IRS - <http://www.irs.gov/>

W-8 BEN (for Individuals) - <https://www.irs.gov/forms-pubs/about-form-w-8-ben>

W-8 BEN E (for Entities) - <https://www.irs.gov/forms-pubs/about-form-w-8-ben-e>

NRA Withholding - www.irs.gov/individuals/international-taxpayers/nra-withholding

5.0 PROCEDURES

Vendors who are actively working with staff and are providing goods or services must fill out the 204 Form with submission through a secure platform.

Vendors and/or Contractors who wish to be notified of bidding opportunities will be directed to register through the CSU Buy and Planet Bids platforms.

5.1 To participate in Solicitation and/or Bidding opportunities:

- A. Goods and services, vendors must register in CSUBUY –the CSU Public Bid Portal:

<https://bids.scquest.com/apps/Router/PublicEvent?CustomerOrg=CalState>

- B. Public Works RFX opportunities, vendors must register with Planetbids:

<http://psp.planetbids.com/g/81563/> Note: To participate in a Major Cap bid event, the vendor must be preapproved by the Chancellor's Office (for each solicitation). Architects must be on a preapproved list at the Chancellor's Office. See the State University Administrative Manual (SUAM) Section XII Section 9740 and Section X Section 9205

5.2 New Vendor Setup:

- A. **Vendors may not make the initial contact with PCS.** Requests for new vendors must originate with the department stakeholder (staff or their representative who needs the product or service). The department stakeholder should first review vendors in VMF, if the vendor is not resident, the department stakeholder must contact the PCS office and request a vendor setup in the VMF. Requestors must provide the following information to PCS: Vendor name, address, phone number, e-mail address and commodity to be provided to campus.
- B. The PCS office will contact the vendor, explain the process and insurance requirements, and provide the 204 Form via a secure platform (e.g., Adobe Sign, Movelt or OnBase). The vendor will fill out and sign the 204 Form and send it back to Procurement via a secure platform. Note: The PCS office cannot accept an IRS Form W-9 in lieu of the 204 Form. The 204 Form is required per the CSU and CSUCI Contracts and Procurement policies. The form collects data such as vendor legal business name, mailing address, phone number, email address, tax ID and ACH banking information and is used to verify the vendor.
- C. Vendor Validation: Once the form is received, PCS will verify the accuracy of the vendor information. Verification will include the following: Review VMF to ensure that the vendor does not have an existing vendor record. Validate the vendor address and phone number via an internet search; and validate the business name and TIN (Taxpayer Identification Number) using the IRS website. PCS will review small business designation through Cal e-Procure website by entering the vendor's name and information into Cal e-procure and reviewing if the State of California recognizes the company as a small business. <https://caleprocure.ca.gov/pages/PublicSearch/supplier-search.aspx>
- D. The PCS office enters the 204 Form information (provided by the vendor to PCS) into the VMF.
- E. The vendor number is automatically generated by the VMF at the time of vendor setup. The vendor number is a unique identification number required to be assigned to all vendors. PCS will notify the department stakeholder and the vendor to provide vendor setup status and the vendor number. This number must be referenced on all contract and invoices.

5.3 Foreign Vendors

- A. Foreign Vendors use the same process as domestic vendors; however, Foreign Vendors must provide the IRS Form W-8 BEN-E (Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities) on the first use. Foreign Vendors are validated through a system called Thomas Reuters (a non-resident alien tax compliance software program.)
- B. Vendor Validation: Once the 204 Form is received, PCS will verify the accuracy of the vendor information.
 - (1) PCS will forward the information to the Accounts Payable (AP) supervisor for review and to process through the Thomson Reuters software program (a non-resident alien tax compliance software program). The department stakeholder will be copied on this e-mail to AP Supervisor.

Foreign Citizens or Non-resident aliens (NRA) are subject to Federal tax withholding

regulations and restrictions on payments. All non-resident aliens must be assessed by Thomson Reuters (a non-resident alien tax compliance software program) before NRA can be setup as a vendor. Please Note: No agreements will be signed, nor work started until the NRA has been completed, vendor has been set up in VMF and vendor number issued by PCS.

The AP supervisor will need the following information to set the vendor up on Thomson Reuters: Name of the Foreign Citizen, Email Address, and Phone Number

Once the data is entered into Thomas Reuters has been assessed and a report provided, the AP supervisor will determine if the NRA is exempt or subject to withholding tax.

If the NRA is subject to withholding tax, the tax amount withheld will be remitted to the IRS by the campus. Only the net amount (after tax amount) will be paid to the NRA.

- (2) AP supervisor will e-mail PCS when the Thomas Reuter's process has been completed.
- C. Using the 204 Form, PCS will set the vendor up in the VMF.
- D. The vendor number is automatically generated by the VMF at the time it is entered into the system. PCS will notify the department stakeholder and the vendor to provide vendor setup status and the vendor number. This number must be referenced on all contract and invoice documents.

5.4 Reimbursements

- A. Interview Candidate (an out-of-town employment applicant/candidate who is eligible for reimbursement) – A 204 Form is required.
 - (1) Process as outlined in Section 5.2 is applicable.
 - (2) Candidate will not be required to include their SSN on the 204 Form because it is for reimbursement, not income.
 - (3) The candidate's vendor file in VMF will be marked as a one-time payment.
- B. Staff, Faculty, Students, Government – A 204 Form is not required.
 - (1) The Staff, Faculty, Student or Government requesting reimbursement must provide the PCS office with their full name, email address, mailing address, and phone number.
 - This information can be submitted through email since no sensitive data is being transmitted.
 - (2) PCS will use the information provided on the e-mail to set up the VMF. Since this is a reimbursement, it is non-taxable.
 - (3) PCS will provide the Vendor ID number only to the requester referenced in Section 5.4.B(1).

C. Student notetakers – A 204 Form is required for student notetakers.

- (1) Student notetakers are not employees of the campus. They take notes in the classes that they are assigned and share their notes with the campus for others to reference. The University pays the student for their notes.
- (2) Process as outlined in Section 5.2 is applicable.
- (3) Candidate must include their SSN on the 204 Form.
- (4) Student is providing a service to the University and their income is subject to IRS reporting.

5.5 Vendor Record Updates and Changes

A. ACH Revision – Vendor must resubmit the ACH form along with an official letter dated within the past month from the bank, on bank letterhead, banking information provided within the letter and signed by an official of the bank or a voided check no more than three months prior to the requested date. PCS will contact the vendor by phone and email. After the validation phone call and a confirmation email, PCS will update the requested information in VMF. Individuals registered in the VMF for reimbursements who need to revise their ACH must follow the above steps.

- (1) If the vendor is not able to provide either a bank letter or voided check.

B. Vendors requesting vendor file update, must resubmit the 204 Form. Procurement will contact the vendor with the phone number in VMF to ensure the requested is associated with the vendor and will validate the vendor as stipulated in 5.2.C to verify the changes and request the person to provide identifiable information: last three payment dates and amounts.

C. Vendor address update request: To update a remittance mailing address, the vendor must update the 204 Form. They must submit an invoice with the desired remittance address. Address must be verified by calling the phone number in the VMF and internet search.

5.6 Vendor Master File Maintenance

A. The PCS office must regularly perform maintenance on and review of the VMF to ensure data integrity and defend against and deter fraud. Every six months, the Procurement Department will submit a request to the Chancellor's Office to inactivate all vendors who have not been used for a period of three years or more. This proactive measure is intended to help mitigate the risk of fraud by ensuring that only active and necessary vendors remain in the VMF. The following activities should be performed to maintain the data.

- (1) Additions and changes: The VMF should be reviewed for additions and changes (since the last review) to identify missing or erroneous data, as well as overall VMF activity. In the CSU common financial management system, the "LAST_MODIFIED_DATE" field in the VMF can be used to identify VMF updates for a designated time period, and the "ENTERED_BY" field can identify who made the change.
- (2) Deactivation of inactive vendors: Monthly the VMF should be reviewed by PCS to identify

vendors that have not been used for three (3) or more years. Vendors who have not had activity within the last three years should be deactivated. In CFS PeopleSoft the Query “LAST_ACTIVITY_DT” field can be used to determine last vendor-related activity. The campus can use a query developed by

the systemwide Common Management Systems (CMS) that displays inactive vendors with no activity in the past two years to identify those that should be inactivated. There is also functionality in the Common Financial System (CFS) that performs bulk inactivation of vendors that are no longer in use.

Duplicate vendors – The VMF must be reviewed for duplicate vendors. Vendor names, addresses, banking information and Taxpayer Identification Numbers (TINs) can be compared to identify potential duplicates. All duplicates that are identified must be removed from the system.

- (3) Additional analytics performed to identify potential vendor fraud or breakdown in controls include:
- Employee vendor matches: compare vendor addresses or phone numbers against employee addresses or phone numbers.
 - Vendor PO Box as address
 - Missing or incomplete information

6.0 DEFINITIONS

Requestor – A Department Stakeholder is staff or their representative who has the authority to request the product or service

Vendor – A company or contractor doing business or wishing to do business with the campus

7.0 CONTACTS

- Director of Procurement and Contract Services, Financial Services, Division of Business and Financial Affairs
- Risk Manager, Office of the Vice President, Division of Business and Financial Affairs
- Executive Assistant, Office of the Vice President, Division of Business and Financial Affairs

REVISION TRACKING

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