

# Vendor Setup Internal Control Procedure

## Purpose

To establish internal controls over the creation of vendors in the financial system in order to reduce the risk of fraud, error, or unauthorized payments while recognizing staffing limitations within the Finance Department.

## Scope

This procedure applies to all new vendor setups and vendor master file changes, including address or banking updates.

## Roles & Responsibilities

- **Requesting Department:** Initiates vendor request and provides required documentation.
- **Accounts Payable (AP):** Enters approved vendors into the financial system.
- **Finance Director:** Reviews and approves all new vendors and performs periodic monitoring.

## Procedure

### 1. Vendor Request Initiation

The requesting department must complete a Vendor Request Form and submit it to the Finance Department along with: - Completed W-9 (or W-8, if applicable) - Description of goods or services - Contact and remittance information

No vendor will be added without proper documentation.

### 2. Vendor Entry

The Accounts Payable staff member enters the vendor into the financial system based on the approved Vendor Request Form.

The individual entering the vendor may not approve the vendor.

### 3. Independent Review & Approval

The Finance Director reviews all vendor setup documentation prior to or immediately following entry to ensure: - Vendor name and Tax ID match the W-9 - Address and payment details are accurate - Vendor is not a duplicate - Vendor purpose is reasonable and appropriate

Approval is documented by signature/date on the Vendor Request Form or electronic approval.

#### 4. Vendor Master File Monitoring

On a monthly or quarterly basis, the Finance Director reviews a Vendor Master File Change Report to identify: - Newly added vendors - Changes to address or banking information

The review is documented by initialing and dating the report.

#### 5. Payment Authorization

The Finance Director retains final approval authority over payments. The individual who enters vendors does not have authority to release payments.

#### Compensating Controls

Due to limited staffing, management review and documented approval serve as compensating controls where full segregation of duties is not feasible.

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# Vendor Request Form

**Vendor Name (Legal Name):** \_\_\_\_\_

**Business Address:** \_\_\_\_\_

**City, State, ZIP:** \_\_\_\_\_

**Phone Number:** \_\_\_\_\_ **Email:** \_\_\_\_\_

**Tax ID Type:** ☐ EIN ☐ SSN

**Tax ID Number:** \_\_\_\_\_

**Type of Vendor:** ☐ Individual ☐ Company ☐ Government ☐ Non-Profit

**Description of Goods/Services:**

\_\_\_\_\_  
\_\_\_\_\_

**Requested By (Name & Dept):** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

\_\_\_\_\_

## Finance Department Use Only

**Vendor#** \_\_\_\_\_ **Entered By:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Reviewed & Approved By (Finance Director):** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_