Vendor Management & Fraud Prevention

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About Sam Houston State University (SHSU)

- Founded in 1879, SHSU is located in Huntsville, TX

- SHSU offers
  - Over 80 bachelor's programs
  - More than 50 master's programs
  - Six doctoral programs, including nationally-recognized programs in Business, Fine Arts, Education, Mathematics and Criminal Justice
  - Classified as a "Doctoral Research University" by the Carnegie Commission on Higher Education
  - Recently recognized by U.S. News and World Report for being among the best in the country for online graduate programs

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About Sam Houston State University (SHSU)

- A member of The Texas State University System, along with Texas State University, Lamar University campuses and Sul Ross University

- Procurement and Business Services at SHSU consists of the following areas:

    Procurement, Contracts, PCard, Disbursements, Travel, Surplus,

    Fixed Assets and Mail Services

- All of the functions are housed together with the exception of Surplus, Fixed Assets and Mail Services, allowing us to collaborate and work together to streamline efforts, create efficiencies in daily tasks, yet maintain checks and balances within our pool of staff

About PaymentWorks

- PaymentWorks is a supplier portal for streamlining the supplier onboarding processes by secure real time data submissions, online gathering of backup documentation, and providing suppliers with invoice/payment information from your agency.

- What can PaymentWorks provide:

    - **For Suppliers** – gives suppliers a secure place to provide and update their information in real-time. Suppliers can also view their invoice/payment status within the tool.

    - **For Campus End Users** – allows departmental users to invite suppliers and see real-time status of their request as it moves toward completion. Departmental users are no longer required to obtain and submit W9 information directly to Disbursements.

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Outlining the Problem

Fraud in Higher Ed

What is Vendor Fraud:

Vendor fraud is when someone convinces you to change supplier details such as address or bank details by posing as the supplier. This is often achieved by telephone calls, email requests from the vendors domain, written request on forged company letterhead, or emails forged by the fraudster and appearing to be from your upper management (President, VPFO or Treasurer) on your schools domain.

The Problem: Fraud in Higher Ed

- Many Colleges and Universities are confronted with the increasing threat of **fraudulent transactions** and activity.

- The higher education industry appears to be the target of **systematic attacks** (many schools have experienced an "event").

- **Existing vendors are often the target** with construction and technology vendors being prime targets due to the large dollar payments and/or frequency of payments.
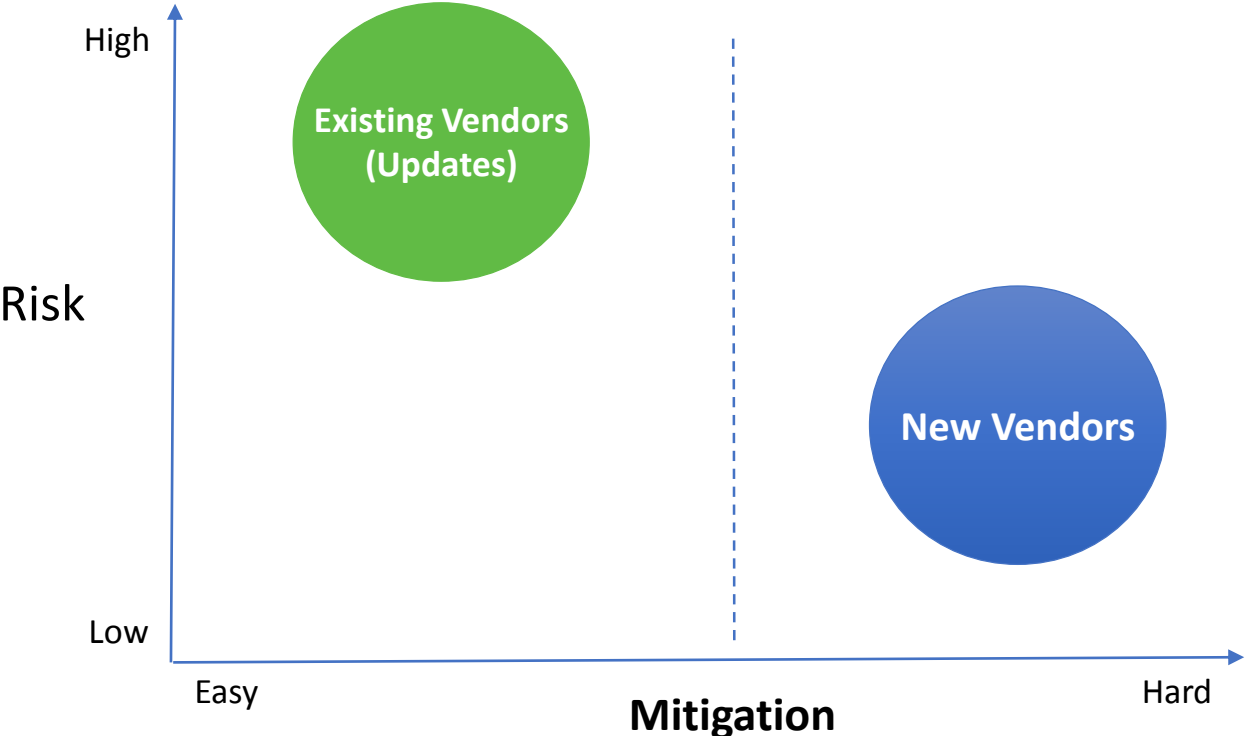
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The Problem: Fraud in Higher Ed

- Fraudsters are becoming increasingly skilled in their abilities to misappropriate funds from colleges, universities and agencies.

- How can higher education assess internal processes and procedures surrounding vendor onboarding and management to try and prevent any losses to our agencies?

Why is Higher Ed targeted?

Diagram showing "Schools" in a central blue circle connected to four green circles: Highly Decentralized, Low Automation, High Supplier Churn, High Supplier Counts.

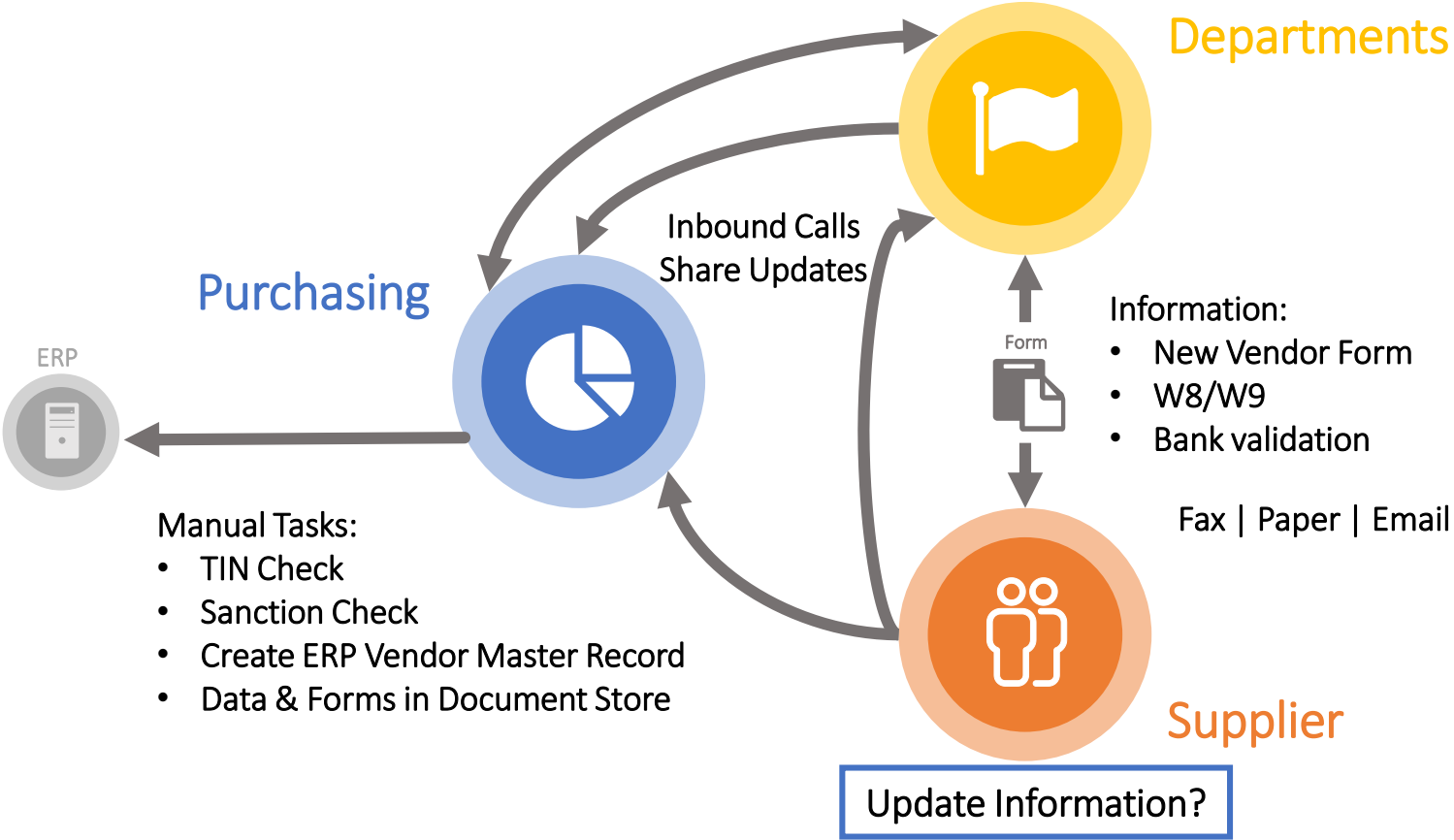PaymentWorks

Existing vs. New Vendors

The Before Picture at SHSU

- The SHSU vendor onboarding and management process was totally a paper based manual process from gathering banking information to W8/W9 collection.

- Departmental staff from all over campus were collecting W9 information on the vendors they wanted to purchase from monthly.

- The collected data was unsecure and being sent through campus mail or email.

- Vendors were contacting Disbursements to update their address and/or bank information and the staff were manually having to stop and validate that information before updating in the finance database.

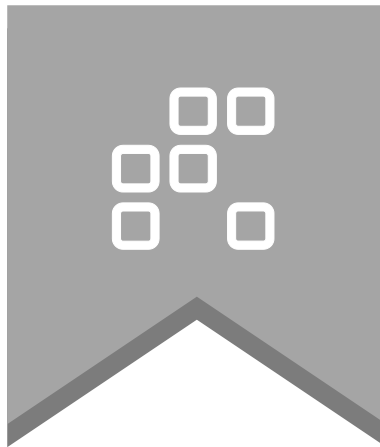# The Before Picture at SHSU

- The validation process on a vendor was manual and time consuming by our Vendor Maintenance staff in Disbursements.

- The turnaround time to have a vendor set up at SHSU was 7-14 days from request of data to setup in our finance database.

- Students were working hours per day to scan in backup documentation on suppliers to our imaging system.

Vendor Management Challenges

Departments

Purchasing

ERP

Inbound Calls
Share Updates

Information:
- New Vendor Form
- W8/W9
- Bank validation

Fax | Paper | Email

Form

Manual Tasks:
- TIN Check
- Sanction Check
- Create ERP Vendor Master Record
- Data & Forms in Document Store

Supplier

Update Information?

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Time Intensive

Inaccurate Data

Unsecure Info Exchange

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Why SHSU Chose PaymentWorks

- Introduce a significant change of vendor detail procedures and establish with our vendors and internal constituents a process for obtaining, handling and changing sensitive information.

- Formal automated validation process of supplier information against national and federal databases for TINS, address and banking information.

- Reduce paper and efforts on scanning W8/W9 and ACH information on vendors into our Finance database, which would help to reduce any fraud from inside.

- Vendors have confidence that their information is not "floating" around campus, and is more secure, being touched by fewer hands and seen by fewer eyes.

The Solution!

Adopting Vendor Management Best Practices through a Network Approach

Network Approach Leads to Best Practices
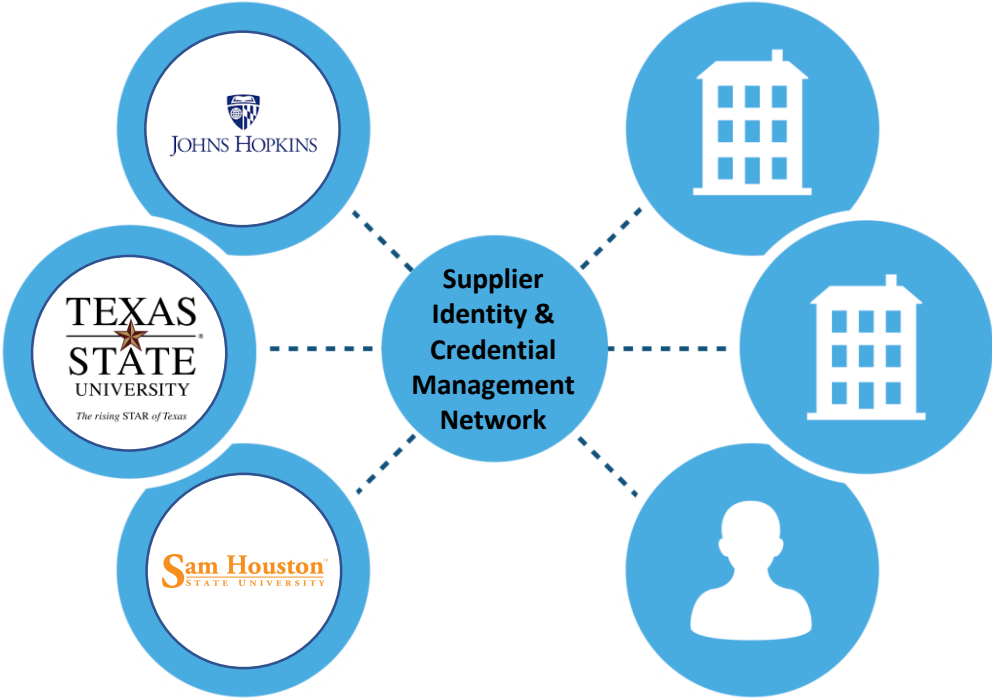
Business Controls

Shared best practices lead to business controls to help prevent against fraudulent activity

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Setup and Manage Supplier Portal

VIDEO
TUTORIAL

Messaging

VIDEO
TUTORIAL

Vendor Master Updates

VIDEO
TUTORIAL

Dynamic Discounting

VIDEO
TUTORIAL

Payment Lookup

Supplier Name: Search

SHSU-After Implementation of PaymentWorks

- Invites through PaymentWorks are sent to potential vendors by our campus departments who have attended training and gained access to the tool.

- The invite is the extent of involvement by the campus departments.

- Supplier completes all registration information through the PaymentWorks tool including W9/W8 information and banking details.

- Validation is completed on the TINS, address and banking information by the PaymentWorks tool before our Disbursements staff are even asked to approve/accept the vendor.

🏠 Home   👤 Vendor Profiles   ✓ Updates   ⓘ New Vendors   ⟳ Reimbursements

⚙ SHOW: Onboardings ▾

	VIDEO 🎥 TUTORIAL					

Filter Results:

Vendor Name: 🔍 _____

Vendor #: 🔍 _____

Contact E-Mail: 🔍 _____

Invitation Approval: _____ ▾

Invitation Delivered: _____ ▾

Account Created: _____ ▾

Registration Form: _____ ▾

Source: _____ ▾

Invitation Initiator: 🔍 _____

Clear Filters

Send Invitation...

ONBOARD START	UPDATED ▾	VENDOR NAME	INVITATION	VENDOR ACCOUNT	NEW VENDOR REGISTRATION	% COMPLETE
06/19/2018	06/20/2018	Power Play Marketing	Clicked	Email Validated	Approved	
06/20/2018	06/20/2018	Kevin Black	Delivered	No Account	Not Started	
05/22/2018	06/20/2018	LeAnn Roth	Opened	No Account	Not Started	
04/10/2018	06/20/2018	XYLEM	Clicked	Email Validated	Approved	
06/15/2018	06/20/2018	Amigos Library Services	Clicked	Email Validated	Submitted	
05/25/2018	06/20/2018	Zach Duer	Clicked	Email Validated	Submitted	
06/19/2018	06/20/2018	Kingmore Imports	Clicked	Email Validated	Approved	
06/20/2018	06/20/2018	RFIDSupplyCha	Delivered	No Account	Not Started	
06/18/2018	06/20/2018	Legends Group	Clicked	Email Validated	In Progress	
02/28/2018	06/20/2018	Belt Harris Pechacek	Clicked	Email Validated	Returned	
05/10/2018	06/20/2018	University of Chicago Press	Clicked	Email Validated	Submitted	
05/29/2018	06/20/2018	Chestnut Health Systems	Clicked	Email Validated	Approved	
05/30/2018	06/20/2018	Michael Truitt	Clicked	Email Validated	Returned	
06/19/2018	06/20/2018	Reliance Foundry	Opened	No Account	Not Started	
06/05/2018	06/20/2018	Liliya Kim	Clicked	Email Validated	Returned	
05/23/2018	06/20/2018	Mary Santarelli	Clicked	Email Validated	Returned	

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SHSU-After Implementation of PaymentWorks

- All new suppliers are set up through PaymentWorks tool and SHSU is sending existing suppliers through the tool as their W9/W8 expires.

- Workflow was set in PaymentWorks for **approval levels** based on standard vendor setup, bank change requests, etc.

- **Invites can include a personal statement** from the invitee so vendors recognize the person sending the request, someone they are familiar with at your agency or campus department.

- **Process time** for vendor set up has gone from 7-14 days (on average 10) to **1-3 days** after implementation of PaymentWorks.

SHSU-After Implementation of PaymentWorks

- We now have a **transparency** into the vendor onboarding process and can see how much progress the vendor has made in completing the registration.

- PaymentWorks **support** team works with suppliers who may have difficulty in the registration process or are not familiar with the required fields for W9.

- We are able to push **invoice information** back daily to our vendors who can access that the PaymentWorks tool through the login they created.

- **Reduced number of calls** from vendors inquiring about how to complete registration forms or invoice payment status, **freeing up time** for our staff to deal with more critical tasks.

Summary

- The Higher Ed industry is realizing the need to come together and shape best practices around vendor management. Much of this has been driven by **fraud.**

- Defined <u>controls</u> and <u>processes</u> around **vendor management** will lead to risk mitigation.

- A **network** approach that accommodates these best practices will help to affect change in the industry.

- If a vendor is already in PaymentWorks with another agency then they are not required to go through the complete registration process they can "**connect**" with your school.

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Summary

- If a vendor updates their information in PaymentWorks it is visible by all agencies they are connected to within the network, thus saving them time and effort to update with each individual agency, since so many vendors are used by multiple schools.

- Vendors update their own information within the PaymentWorks network for change of address, bank changes, etc. as it requires a login to a secure site thus reducing the opportunity for fraudsters to request changes directly to your staff via phone, email or company letterhead.

Thank you!

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