

# Highlights

## Why We Did This Audit

We did this audit because the master vendor file is a critical city resource. The data in this file is the city's authoritative source for vendor information including vendor name, vendor number, contact information, goods or services provided, and tax ID number. The master vendor file is the central reference the city uses to process vendor payments and identify valid vendors to solicit for proposals and bids.

Inaccurate or incomplete data in the master vendor file could result in duplicate or erroneous payments; possible fines for failing to comply with IRS reporting requirements; increased potential for fraud to occur without detection; and a negative effect on processing vendor payments.

Our work focused on comparing the city's efforts to manage the master vendor file to recommended practices and evaluating the completeness and accuracy of the data entered into the city's master vendor file.

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HEART OF THE NATION



KANSAS CITY  
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For more information, please contact the City Auditor's Office, at 816-513-3300 or [auditor@kcmo.org](mailto:auditor@kcmo.org).

To view the complete report go to [www.kcmo.org/auditor](http://www.kcmo.org/auditor) and click on Audits and Memos.

## PERFORMANCE AUDIT

### Master Vendor File Data Reliability

#### What We Found

The city's current policies and practices for managing the master vendor file only partially incorporate six of eleven recommended practices we identified. Not always following recommended practices has resulted in a number of inaccuracies and inconsistencies in the master vendor file data and incomplete vendor records, as well as inconsistent practices for setting up vendor files and managing the data.

Recommended Practices	Does the city follow the recommended practice?
Develop a comprehensive written procedures manual.	Partially
Establish required data entry formats.	Partially
Obtain a W-9 from vendor prior to vendor set-up.	Partially
Validate the taxpayer identification number and vendor name prior to vendor set-up.	Partially
Restrict/limit the number of people with access to set up or change vendor records.	Partially
Purge old vendors records regularly.	Partially
Ensure segregation of incompatible duties.	No
Review changes to the master vendor file.	No
Validate the vendor's address and phone number prior to vendor set-up.	No
Screen vendors against debarment lists prior to vendor set-up.	No
Remove employees from the master vendor file.	No

#### What We Recommend

We make a number of recommendations intended to improve the completeness and accuracy of data in the master vendor file; improve management controls over the master vendor file; and decrease the risk of duplicate records, fines, erroneous payments, and fraud due to data errors.

Our recommendations address:

- Improving the process for setting up a vendor file, vendor documentation requirements, and validating the information provided by the vendor.
- Identifying required data entry fields and developing data entry formats.
- Limiting the number of staff and their level of access to the master vendor file based on job requirements and ensuring segregation of duties.
- Purging old vendor records more frequently and monitoring changes to vendor records.
- Developing comprehensive written policies and procedures.

Management agreed with all of the report recommendations.