

02 POL0015

CITY OF  
LYNNWOOD  
POLICY/PROCEDURES

TITLE <b>Vendor Verification Policy</b>		NUMBER <b>#2</b>
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MAYOR: MIKE MCKINNON <i>Mike McKinnon</i>	DEPARTMENT HEAD <i>M. E. B...</i>	PURCHASING MANAGER <i>...</i>

**PURPOSE:** To establish a list of eligible individuals or vendors that are legitimate for purposes of receiving payments from the City, and meet City, State, and Federal requirements for conducting business or providing services to the City; to reduce City risk of conflict of interest, deception, and fraud. This Policy is expected to be updated should more efficient technological tools be available to the City in the future. This policy will remain in effect until a replacement approach has been approved.

Definition: Vendor shall refer to any individual or business that provides a service or product to Lynnwood and requires payment for the same.

**POLICY STATEMENT:** The City shall utilize a controlled vendor verification system. The City Purchasing Division has sole authority to verify vendors, including declaring vendor eligibility and maintaining a list of eligible, registered vendors. The Purchasing Division has sole technical access for all aspects of Vendor management, including adding vendors, changing, deleting, or placing a hold on a vendor. City supervisors and employees also have assigned responsibilities.

This policy shall be designed to test that vendors meet the following criteria:

- That they are legitimate and provide a valid address that the City can confidently use for payments;
- That a business or individual does not pose a known conflict of interest and has a Federal tax ID number or social security number;
- That a business also provides a W-9 form to the City; and maintains a Washington State business license if applicable, has not been debarred from the Federal Contractor's list, and accepts City Terms and Conditions.

This policy shall also be designed to implement internal controls to reduce risk of false vendor set-up or changes.

**APPLICABILITY:** This policy applies to all vendors considered for payment from the City.

**Related Authorities:**

- LMC 2.92.020 Procurement Process
- LMC 2.94 Code of Ethics; City Purchasing Ethics Policy
- LMC 2.92.020(B)(2)(g) specifies that vendors placed on annual vendor lists shall be in accordance with procedures developed by the Finance Director
- IRS Section 6109 requires that individuals must supply the correct Taxpayer Identification (TIN) Number to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid
- RCW 42.23 basic statutory prohibitions concerning conflicts of interest with concern to contractual interests

**POLICY:** The City routinely purchases and pays companies and/or individuals for goods and services provided to the City. The City has responsibility to protect itself, to the extent possible, from fraud, conflicts of interest, and related actions. The City desires to insure vendors are legitimate, meet policy requirements for doing business or providing services with the City, and that the City records the valid business address for correspondence and payment.

**Vendor Registration:** Purchasing shall register vendors in the City financial system, prior to issuance of any payment. This registration serves as a verification process to authenticate vendors. Vendors that successfully pass through this verification shall be registered and added to the City Vendor list. This verification shall be conducted at the first known point of inquiry, whether during preparation of a purchase order or upon the first request for payment. This vendor registration process is controlled under the sole authority and access of the City Purchasing and Contracts Division. Additional responsibilities are assigned to City employees and supervisors.

**Individual Registration:** The City needs to pay individuals for limited, one-time services. This includes jurors and City employees. If a department has individuals that require payment, the Manager of that department shall provide Purchasing a written list (by fax, e-mail or otherwise) of individuals requiring payment. The Manager shall document the purpose for such payment, and review the list of individuals for any obvious conflicts of interest. Purchasing shall establish the individual as a vendor in the financial system for payment.

Following payment, Purchasing may change the status of that individual to refuse future payments, if the services provided by the individual are one-time and not expected to be repeated in the reasonable future (i.e. jury duty). Purchasing shall not be obligated to change the status of such individuals, but may do so as an additional internal control.

**Vendor Audit and Maintenance:** The City Purchasing and Contracts Division will maintain and have sole technical access to modify, add, change or delete vendors in the financial system.

**Employee and Supervisor Responsibilities:** All City employees and supervisors have responsibility to make an initial assessment prior to conducting business with a business or individual.

- The employee and supervisor shall be mindful of any conflict of interest issues. The supervisor may seek direction from the Finance Director or City Attorney for assistance.
- The employee shall determine if the vendor or individual is on the City Vendor List.
- If the vendor or individual is not on the list, the employee shall proceed to instruct the vendor to submit a Vendor Registration Form and W-9 Form to City Purchasing.
- Individuals that are receiving one-time payment for a specific purpose (jury duty and/or employees) are not required to submit a Vendor Registration Form but instead the Department shall submit a signed, certified list with adequate and agreed-upon information to substantiate the individuals that require payment and the purpose for such payment.
- Professional Services (i.e. instructors, consultants, performers, etc.) may also be a one-time payment but the collection of a W-9 will remain a requirement.

**Conflict of Interest:** The LMC 2.94 and the supplemental City Purchasing Ethics Policy identifies conflicts of interest such as Limitation on Gifts, and Prior Employee and Former Employee restrictions. Employees and supervisors are to be familiar with the Lynnwood Municipal Code and ethics policy and act accordingly.

**Ineligible Vendor:** A vendor may be declared ineligible for receiving payment from the City. In the event that a vendor has a substantial failure to perform or bankruptcy or other disruption to normal business performance, or a potential conflict of interest, the City Purchasing Manager will make inquiry and consider moving the vendor to an ineligibility status until the vendor satisfactorily corrects the failure. The Purchasing Manager shall obtain concurrence from the City Attorney and present results to the Finance Director for a final determination. Reasons a vendor may be considered ineligible may include, but is not limited to:

1. Commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, performing or payment of a public contract or subcontract.

2. Commission of embezzlement, theft, forgery, bribery, falsification of records, perjury, or receiving stolen property.
3. Commission of serious offense that indicates a lack of business integrity or business honesty that may seriously affect the present responsibility of a contract.
4. Violation of the terms of any public contract or subcontract so as to result in serious and direct consequences for the public entity, including but not limited to, a history of failure to perform on one or more contracts.
5. A substantial violation of the City's Code of Ethics or other cause so serious or compelling in nature that it affects the present responsibility of the contract.
6. Financial bankruptcy.
7. Debarment from Federal contracting eligibility.
8. A conflict of interest as defined by the City's Code of Ethics.

**Exceptions:** Occasionally exceptions to the traditional vendor registration process is necessary for City operations, such as when the City is unable to obtain the Application and/or W-9 form from a vendor whom the City owes payment. The Purchasing and Contracts Manager may waive the materials, and approve use of alternative documentation for purposes of establishing the validity of the vendor. Purchasing shall document and proceed with registration. The City may attempt to collect the missing application or W-9 form at a later date. Examples of situations that may require an exception include but are limited to:

- Aggregate annual spend with a vendor less than \$599 as established by the IRS for W-9 tracking and 1099 purpose.
- Instances when the Company in question has classified itself as a corporation and is exempt from 1099 requirements.
- Special one-time payments that have been approved by Council such as a real-estate transactions.

END

## Procedures

### Vendor Addition and Verification 3/21/03

**These are procedures written by, and may be modified by, the City Purchasing & Contracts Manager. They are to give general instructions and are not binding except as required by policy.**

#### Purchasing Procedures:

1. The City Purchasing Manager holds responsibility to register and maintain a list of approved vendors. The Manager shall identify a single Buyer for this purpose. The Manager may identify back-up personnel in the event that the Buyer is unavailable or has a conflict of interest. The Buyer has primary responsibility in the City to manage, change, add, or delete a vendor from the City Vendor List. City Purchasing Manager or Purchasing designee will approve additions and deletions to the vendor file (VENDR & VADD). If a Purchasing staff member provides the approval, this shall not be the same individual that conducts the original validation and subsequent data entry.
2. Any Vendor or City employee may request a specific vendor be registered. The Employee is to be observant of any conflicts of interest that preclude the employee from involvement with the vendor.
3. The vendor shall be given vendor registration materials (Vendor Registration Form, W-9 Form, and standard Terms and Conditions), with certain exceptions as stated by policy (individuals may be separately certified by the requesting department in lieu of a Vendor Registration Form; business or individuals receiving payment under \$599 per year are not mandated to receive or submit a W-9 form; businesses authorized through the independent Master Card banking system for charges by the City ProCard).
4. When the vendor information is returned, the Buyer investigates the information:
  - If the business is headquartered in Washington, Buyer may check State of Washington resources:
    - Department of Revenue ([http://www.dor.wa.gov/apps/prd/prd\\_main.asp#FIF](http://www.dor.wa.gov/apps/prd/prd_main.asp#FIF))
    - [http://www.dor.wa.gov/apps/warrants/warrants\\_main.asp](http://www.dor.wa.gov/apps/warrants/warrants_main.asp)
    - Labor and Industries Department (<https://wws2.wa.gov/lni/bbip/qname.htm>)
  - All business will be checked with the Federal Debarment List (<http://epls.arnet.gov>)
  - If the business is not headquartered in Washington, the Buyer may search for licensing information from the State where the business is headquartered, for purposes of confirming the information submitted by the Vendor.
5. When reviewing the registration, the Buyer attempts to identify any observable risk for conflict of interest or other potential liabilities. The Buyer will verify:
  - Payment information provided by the Vendor indicates a payment address consistent with any other known information such as federal, state, corporate tax or licensing information;
  - State licensing information appears consistent with information provided by the Vendor in the registration materials;
  - The company name or ownership does not obviously reveal a City Official, employee, or their families;
  - Or any other observable risk for conflict of interest or potential liabilities.

6. Once the Buyer is satisfied, the Buyer adds the vendor to the Vendor List. Should the Buyer have concern over vendor eligibility, such situations will be referred to the City Purchasing Manager.
7. If appropriate, the Buyer may notify the requesting department and/or the vendor of the registration status, once established and confirmed.
8. The Buyer will have the Vendor List easily and readily available to City employees on a regular basis.
9. Duration of eligibility: Once vendors are registered, they do not need to re-register unless specifically prompted by City Purchasing. Vendors are intended to remain active on the list until a specific action occurs to trigger removal from the list. Verifications are not required for each purchase or payment, but rather shall be a one-time initial verification of eligibility, except as provided below.
10. Periodic Reviews of Eligibility: The Buyer will actively maintain the Vendor List. This may include a periodic review of the Vendor List and periodic comparison to the Federal Debarment list.
11. Significant Review: The Purchasing and Contracts Manager may also elect to have a comprehensive review completed of the Vendor List, as a measure to significantly update the Vendor List. This would include verification that vendors are still in business, in some way active, and have had some City purpose over a period of recent years. The purpose of such a review may be to manage file size, and to maintain a listing that remains reasonably current and tested for authenticity.
12. Vendor Ineligible Status: The Buyer will follow those specific directions as stated within the policy.
13. Change of Status: Occasionally a vendor shall be renamed, incorporated with a new tax identifier, or other reasonable purpose that is a result of change in ownership status. Usually, vendors that are already approved and registered would notify the City that a name change or FID change has occurred. The Buyer will receive and examine such notices, and will make changes to the Vendor List that reflect those updates. The Buyer will document the reason for the change in the (VCOMM) Vendor Comments screen and file the notice.
14. Purchasing Credit Card Vendors: Exceptions to this policy are Purchasing Card (ProCard) Vendors. Items may be purchased using the City Purchasing Card, from vendors that are not yet registered with the City. The City accepts the Visa Bank Merchant Profile as an acceptable alternate to the Vendor Registration Process.
15. Jurors, Witnesses and Employees: At the written Request of the Court or appropriate Department, Purchasing shall add Jurors, Witnesses or employees that require compensation, to the vendor list. This does not require the standard materials that a vendor might submit such as a registration form or a W-9 form. Purchasing will maintain a copy of the documentation in lieu of the vendor registration form.
16. Address Changes or Additions: Companies may change their remittance or 1099 address. Purchasing shall add and change addresses in the Vendor file accordingly. Accounts Payable will forward all changes in company name, merger information, change of address, etc. to Purchasing for vendor verification and/or processing.
17. Other Special Payments: The City Purchasing and Contracts Manager may approve other special circumstances where the vendor is fully documented, common City approvals have

been issued, and alternative payment method has been approved. Examples include special one-time payments that have been approved by Council such as a real-estate transaction.

The Buyer will use the (VCOMM) vendor comments screen to document the reason for change or any other information considered useful.