# Tax Ready Bookkeeping

## Vendor Verification Workflow

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### Purpose

This workflow ensures vendors are properly verified before setup and payment, protecting against fraud and ensuring 1099 compliance.

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### Part 1: New Vendor Setup

#### Step 1: Initial Request

| Item | Required | Status |
|---|---|---|
| Vendor name | Yes | [ ] |
| Business purpose | Yes | [ ] |
| Expected spend | Yes | [ ] |
| Requestor name | Yes | [ ] |
| Request date | Yes | [ ] |

#### Step 2: W-9 Collection

**Before ANY payment can be processed:**

- ☐ W-9 request sent to vendor
- ☐ W-9 received
- ☐ W-9 reviewed for completeness:
    - ☐ Name (Line 1) completed
    - ☐ Business name (Line 2) if applicable
    - ☐ Entity type marked
    - ☐ Address completed
    - ☐ TIN provided (SSN or EIN)
    - ☐ Signed and dated

**W-9 Verification:** - [ ] Name matches how vendor appears on invoices - [ ] TIN format is valid (XX-XXXXXXX for EIN, XXX-XX-XXXX for SSN) - [ ] Address is complete (not PO Box only for businesses)

**Step 3: Contact Verification**

**Verify vendor is legitimate:**

- ☐ Company exists (web search, state registry)
- ☐ Address is real (not vacant lot, mailbox store)
- ☐ Phone number works and is answered professionally
- ☐ Contact person verified by phone

**Phone Verification Script:** > "Hi, this is [Name] from [Your Company]. We're setting up [Vendor Name] as a new vendor in our system. I'm calling to verify some information before we process our first payment. Can you confirm your company's banking information for payments?"

- ☐ Bank name:

- ☐ Last 4 of account:

- ☐ Contact name and title:

- ☐ Verified by:

- ☐ Date:

**Step 4: System Setup**

**Only after Steps 1-3 are complete:**

- ☐ Vendor created in QuickBooks
- ☐ All fields populated correctly
- ☐ W-9 attached to vendor record
- ☐ 1099 tracking enabled (if applicable)
- ☐ Payment terms entered
- ☐ Default expense account set
- ☐ Verification notes added

**Step 5: Approval**

- ☐ Reviewed by:

- ☐ Approved by:

- ☐ Date:

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## Part 2: Payment Method Changes

### CRITICAL: Payment Method Fraud Prevention

Payment method change requests are the #1 target for business email compromise fraud. Follow this process for ANY change to how a vendor gets paid.

#### Step 1: Receive Change Request

**When a request comes in:**

- ☐ Document request source (email, phone, letter)
- ☐ Note date and time received
- ☐ DO NOT ACT ON EMAIL REQUESTS ALONE

**Red Flags - Stop and verify if:** - [ ] Request marked "urgent" or "confidential" - [ ] Sender email slightly different from normal - [ ] Request comes outside normal business hours - [ ] No invoice attached to request - [ ] Payment method just recently set up - [ ] Request to send to different country - [ ] Vague or unusual language

#### Step 2: Independent Verification

**You MUST verify by phone:**

- ☐ Use phone number from your records (NOT from the request)
- ☐ Speak to a known contact (NOT a new name)
- ☐ Confirm the change was requested
- ☐ Confirm the new banking details

**Verification Call Script:** > "Hi [Known Contact], this is [Name] from [Your Company]. I received a request to update your payment information. Before I make any changes, I wanted to verify this request came from you. Did you submit a request to change your banking information?"

**If verified:** - Proceed to Step 3

**If not verified or uncertain:** - DO NOT PROCESS THE CHANGE - Alert management immediately - Document the attempted fraud

#### Step 3: Penny Test (for ACH)

**For any new or changed ACH account:**

- ☐ Send test deposit ($0.01 or small random amount)
- ☐ Contact vendor to confirm receipt
- ☐ Vendor confirms exact amount received
- ☐ Document confirmation

**Only proceed to regular payments after penny test confirmed.**

#### Step 4: Update System

- ☐ Update payment method in system
- ☐ Document who verified the change
- ☐ Document when verified

- ☐ Attach verification notes to vendor record
- ☐ Set reminder to verify first regular payment

**Step 5: Post-Change Monitoring**

**After first payment with new method:**

- ☐ Confirm payment received by vendor
- ☐ No complaints from vendor about non-payment
- ☐ Watch for duplicate payment requests

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## Part 3: Verification Documentation

### Vendor Verification Record

| Field | Information |
|---|---|
| Vendor Name | |
| Date Setup | |
| W-9 On File | Yes / No |
| TIN Type | EIN / SSN |
| Last 4 of TIN | |
| Contact Verified | Yes / No |
| Verified By | |
| Verification Date | |
| Payment Method | Check / ACH / Wire |
| Penny Test Complete | Yes / No / N/A |

### Payment Method Change Log

| Date | Change Type | Requested By | Verified By | Method | Notes |
|---|---|---|---|---|---|
| | | | | Phone | |
| | | | | Phone | |
| | | | | Phone | |

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## Part 4: Quick Reference Cards

### New Vendor Checklist

- ☐ W-9 received and reviewed
- ☐ Company verified (web/registry search)
- ☐ Contact verified by phone
- ☐ Bank info confirmed (if ACH)
- ☐ Setup approved
- ☐ System entry complete

**Payment Change Checklist**

- ☐ Request documented
- ☐ Red flags checked
- ☐ Phone verification (known number)
- ☐ Penny test (if ACH)
- ☐ System updated
- ☐ Change documented

**Red Flag Quick Check**

- Urgent request?
- Email-only communication?
- Different sender address?
- New contact name?
- Payment to new country?
- Vague language?

**If ANY red flag: STOP and verify by phone using KNOWN contact information.**

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## Part 5: Exception Handling

### If Verification Can't Be Completed

| Scenario | Action |
|---|---|
| Can't reach contact | Try alternate methods, document attempts |
| W-9 incomplete | Return to vendor, do not process payment |
| TIN doesn't verify | Request corrected W-9 |
| Company can't be found | Additional research, manager review |
| Suspected fraud | STOP, alert management, document |

### Emergency Payment Situation

If urgent payment needed before full verification:

1. Owner/executive approval required
2. Document the emergency
3. Maximum single emergency payment: $ __
4. Complete verification within 24 hours
5. Review at next control meeting

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## Part 6: Annual Vendor Verification

### Year-End Review (by December 15)

For all vendors with payments >$600:

☐ W-9 on file and current
☐ 1099 tracking enabled
☐ Contact information current
☐ Payment method verified within 12 months

**Vendor Audit Checklist**

| Vendor | YTD Payments | W-9 Current | Contact Verified | 1099 Ready |
|---|---|---|---|---|
| | $ | Y/N | Y/N | Y/N |
| | $ | Y/N | Y/N | Y/N |
| | $ | Y/N | Y/N | Y/N |
| | $ | Y/N | Y/N | Y/N |

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*For more resources: projectbits.com/taxready/ch8*

*Tax Ready Bookkeeping by Don Lovett | ProjectBits Consulting*

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