

Oversight Solution Brief

Although it may seem like an onerous administrative chore, maintaining the integrity of data in your vendor master file actually has a significant positive impact on lowering operational expenses and improving the bottom line. Having the appropriate tools and processes in place to ensure the integrity of your vendor data is therefore a key strategic business initiative.

In order to evaluate available tools and best practices, you need to address both the clean-up and ongoing management aspects of vendor file maintenance.

Vendor File Clean-up Objectives

Restructuring data already in the master file

- Eliminate out-of-date records – i.e. records reflecting old addresses or names, or vendors no longer in use
- Eliminate duplicate records – a critical element in the prevention of duplicate payments downstream
- Apply current, consistent address information – i.e. current zip+4 format, consistent and current street and state abbreviations – to avoid delays in mail delivery
- Link related vendors to maximize volume discounts, payment terms, etc.

Vendor File Management Objectives

Maintaining data-quality on an ongoing basis

- Verify vendor validity to minimize potential for fraud – i.e. vendor not legitimate business, or unable to deliver as promised; vendor is front for employee or employee collaborator
- Ensure new vendor records are not duplicates of existing records to eliminate primary source of duplicate vouchers and payments down the road
- Analyze vendor-spend on an ongoing basis to ensure the appropriate volume and payment term discounts, economies of scale, negotiated rates, etc.
- Optimize vendor relationships through control and communication of buying/service levels, purchasing processes and payment options (EDI, ERS, P-Card)

Automating the Process

Both the clean-up and management process can be accomplished more efficiently and cost-effectively through automation. With Oversight Systems' Business Process Assessment and continuous transaction monitoring solution, having a "clean" vendor master file and a reliable and enforceable automated management process is easily within your grasp. Because Oversight monitors the procure-to-pay process and all of its related records in real-time, you are able to quickly resolve issues with your vendor master file before they can turn into larger business issues.

For example:

- Eliminate duplicate vendors, vouchers and invoices, and isolate the business process inefficiencies that contribute to creating duplicates
- Identify and correct erroneous POs
- Flag non-compliance with trade regulations
- Institute proper accounting for unused discounts or rebates
- Resolve issues with inappropriate sales tax
- Reveal and address discrepancies in freight charges
- Expose unreconciled liabilities in accounts for unvouchered receipts or Goods Received Not Invoiced (GRNI)
- OFAC Vendor matches

Oversight uses advanced analytics, incorporating a library of over 100 pre-defined integrity checks, that effectively combine the tests and heuristics used by forensic accountants to continuously monitor transactions. Based on this analysis, Oversight flags potential "exceptions" and presents the results in a user interface designed to make the review and resolution process efficient. This enables companies to get started with the system and see value right away. By enabling them to easily identify the root cause of exceptions such as recurring duplicate vendor records, Oversight helps companies refine their accounts payable controls and processes, and to develop and implement best practices for ensuring vendor master file integrity.

Vendor Master File Integrity

Vendor Master File Assurance Process

Oversight establishes on-going monitoring as a best practice for vendor master file maintenance, and identifies deviations from policies and standards. Oversight can provide an assessment of vendor master file integrity by inspecting every vendor record for:

- Exact matches in names, addresses, bank accounts, phone numbers and activity status indicators
- Inconsistencies by vendor classification, location, method of payment
- Risk profiling from a data consistency perspective
- Vendor master file change transactions/corrections correctly applied, with a full audit trail of every action to correct inconsistencies

OFAC SDN – without Oversight Systems

- 1) Get OFAC lists from US Treasury OFAC
- 2) Import into a database system
- 3) Write custom software to do fuzzy matching of OFAC names to Customer and Vendor names (e.g. "ABU SALIMA EL LIBI" matching "ABU SALIMA" or "OZLAM CORPORATION" and "OZLAM CO" etc.)
- 4) Manually export all Vendors and Customers from system along with all addresses and remit addresses etc. from ERP system (will likely need IT support each time this is done)
- 5) Using custom fuzzy-comparison software, compare all Vendor, Customer and address data to the OFAC list
- 6) Every time a Vendor, Customer or Address is added or changed, make sure that that new data is compared to the OFAC list using the custom fuzzy-comparison software. This step can be exceptionally hard to do and may require regular (daily?) full comparisons (steps 4-7).
- 7) From steps 5 and 6, sort through all the data that has similar matches and do more research looking at the OFAC list and the Vendor, Customer, Address data to determine which are false positives (e.g. Vendors that have similar names, but are still not the company or individual on the OFAC list) and which are true positives
- 8) Get updates from the OFAC list and re-run all of the above checks from 4-7, unfortunately having to go through all of the work done in step 7

OFAC – using Product X

If one of the many products on the market are purchased that don't have Oversight's built-in real-time transaction monitoring of both Vendors, Customers, and Addresses as well as change detection in the OFAC list here's the process:

- 1) Purchase Product X from other OFAC solution vendor
- 2) Manually export all Vendors and Customers from system along with all addresses and remit addresses etc. from ERP system (will likely need IT support each time this is done).
- 3) Use Product X to compare all Vendor, Customer and address data.
- 4) Every time a Vendor, Customer or Address is added or changed, make sure that that new data is compared to the OFAC list using the custom fuzzy-comparison software. This step can be exceptionally hard to do and may require regular (daily?) full comparisons (steps 4-7).
- 5) Verify all the data from steps 3 and 4 that produced similar matches and do more research looking at the OFAC list and the Vendor, Customer, Address data to determine which are false positives (e.g. Vendors that have similar names, but are still not the company or individual on the OFAC list) and which are true positives.
- 6) Get updates from the OFAC list and re-run all of the above checks from 4-7, unfortunately having to go through all of the work done in step 7 since Product X is not aware of past decisions you've made regarding a specific Vendor etc.

OFAC SDN – with Oversight

- 1) Install Oversight server (involves one-time, usually minimal involvement of IT).
- 2) Oversight continuously monitors Vendors, Customers, and addresses and changes to them as well as vouchers and payments as they proceed through the payment process.
- 3) Oversight compares all new or changed data to the OFAC SDN list using fuzzy comparison logic.
- 4) Use Oversight System's Workbench to verify/remediate all matches found. Oversight provides all data at fingertips to simplify the verification process and keeps a log of all actions. In addition, since Oversight tracks changes to data, you needn't re-check a specific Vendor etc each time the comparison is run. This saves much manual verification time in not having to look at the same false positive each time the comparison is run.
- 5) Oversight automatically gets updates to the OFAC data, detecting changes and automatically integrating those to the continuous checking process.

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| ENT_NUM | SDN_NAME | SDN_TYPE | PROGRAM | TITLE | CALL_SIGN | VESS_TYPE | TONNAGE | GRT |
| VESS_FLAG | VESS_OWNER | REMARKS | | | | | | |
-----+-----+-----+-----+-----+-----+-----+-----+-----+-----+
| 10 | ABASTECEDORA NAVAL Y INDUSTRIAL, S.A. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 15 | ABDELNUR, Nury de Jesus | individual | CUBA | -0- | -0- | -0- | -0- | -0- |
| 22 | ACECHILLY | vessel | CUBA | -0- | -0- | Unknown vessel type | -0- | -0- |
| 24 | ACEFROSTY | vessel | CUBA | -0- | -0- | Unknown vessel type | -0- | -0- |
| 25 | ACEFROSTY SHIPPING CO., LTD. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 36 | AEROCARIBBEAN AIRLINES | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 39 | AEROTAXI EJECUTIVO, S.A. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 41 | AGENCIA DE VIAJES GUAMA | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 66 | AGUIAR, Raul | individual | CUBA | Director, Banco Nacional de Cuba | -0- | -0- | -0- | -0- |
| -0- | -0- | | | | | | | |
| 1378 | ALEGRIA DE PIO | | | | | | | |
| 150 | ALOARDI, Carlo Giovanni | individual | CUBA | -0- | -0- | -0- | -0- | -0- |
| 158 | ALVAREZ AGUIRRE, Manuel | individual | CUBA | -0- | -0- | -0- | -0- | -0- |
| 166 | AMERICAN AIR WAYS CHARTERS, INC. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 172 | ANGELINI, Alejandro Abood | individual | CUBA | -0- | -0- | -0- | -0- | -0- |
| 173 | ANGLO-CARIBBEAN CO., LTD. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 224 | ARION SHIPPING CO., LTD. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 276 | AVALON, S.A. | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 306 | BANCO NACIONAL DE CUBA | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 307 | BANCO NACIONAL DE CUBA | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 308 | BANCO NACIONAL DE CUBA | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
| 309 | BANCO NACIONAL DE CUBA | -0- | CUBA | -0- | -0- | -0- | -0- | -0- |
-----+-----+-----+-----+-----+-----+-----+-----+-----+-----+
20 rows in set (0.04 sec)

mysql> select * from ADDRESS limit 5;
-----+-----+-----+-----+-----+-----+-----+-----+-----+
| ENT_NUM | ADD_NUM | ADDRESS | CITY | COUNTRY | ADD_REMARKS |
-----+-----+-----+-----+-----+-----+-----+-----+-----+
| 10 | 7 | -0- | -0- | Panama | -0- |
| 15 | 12 | -0- | -0- | Panama | -0- |
| 12 | 14 | -0- | -0- | -0- | -0- |
| 14 | 15 | -0- | -0- | -0- | -0- |
| 15 | 16 | 171 Old Bakery Street | Valletta | Malta | -0- |
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5 rows in set (0.03 sec)

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Solution FAQs

What vendor master file format do you require?

Oversight extracts data directly from leading ERP and accounting systems. There is no need to export vendor master data from the source system.

How do you propose to match vendor name, address, city, state, zip?

Oversight continuously monitors vendor records as they are added and/or changed in the vendor master. Each vendor record is matched with any number of standard data values external to Oversight. Matches are made on any appropriate vendor attributes, including name, address, city, state, zip or any other required attribute. Exceptions are recorded and the appropriate users are notified in order to take immediate corrective actions.

Will duplicate vendors be identified separately?

Yes, the system segments duplicate vendors from invalid vendors.

What are the standard database sources you use for validation?

Any database source can be used in conjunction with Oversight.

What are your rules to determine a match?

Oversight delivers best practice integrity checks for testing vendor validity and vendor duplicates. A variety of indicators are used to determine matches and create exceptions. You can refine and extend the Oversight integrity checks to meet specific requirements.

How will you standardize and convert data?

Oversight creates exceptions when a mismatch or invalid vendor record is identified. The correct values are provided in conjunction with the existing values, facilitating immediate correction.

Can you provide a cross reference to the OFAC database?

Yes, Oversight runs specific integrity checks against the three OFAC SDN lists.

What is your process to supply ongoing validation, and ensure that all records are processed and returned?

Oversight has been designed specifically to continuously monitor and examine every change and addition. Exceptions are identified as these additions and changes are made, and all activities are automatically logged.

What is the suggested frequency of this process?

Depending on volume, you may choose to run the integrity checks every few hours, daily, weekly, or monthly.

Will we be able to audit your procedures to validate them?

Yes.

Does Oversight provide a method or process to validate changes?

Oversight provides a unique capability to enable closed loop processing around exceptions that have been identified as corrected. Oversight re-tests the condition that created an exception to assure that changes are reflected in the source system.