

Optimizing Your Procurement, P-card, W-9 and Vendor Management Processes

South Dakota AGA

April 2026

Agenda

- Key Takeaways
- Procurement
- P-card

[Mayor scolds 'all-Black council' angry over his spending, told he's no 'victim' | Fox News](#)

<https://www.youtube.com/watch?v=9nM5mTfQugA>

- W-9
- Vendor Management

Key Takeaways



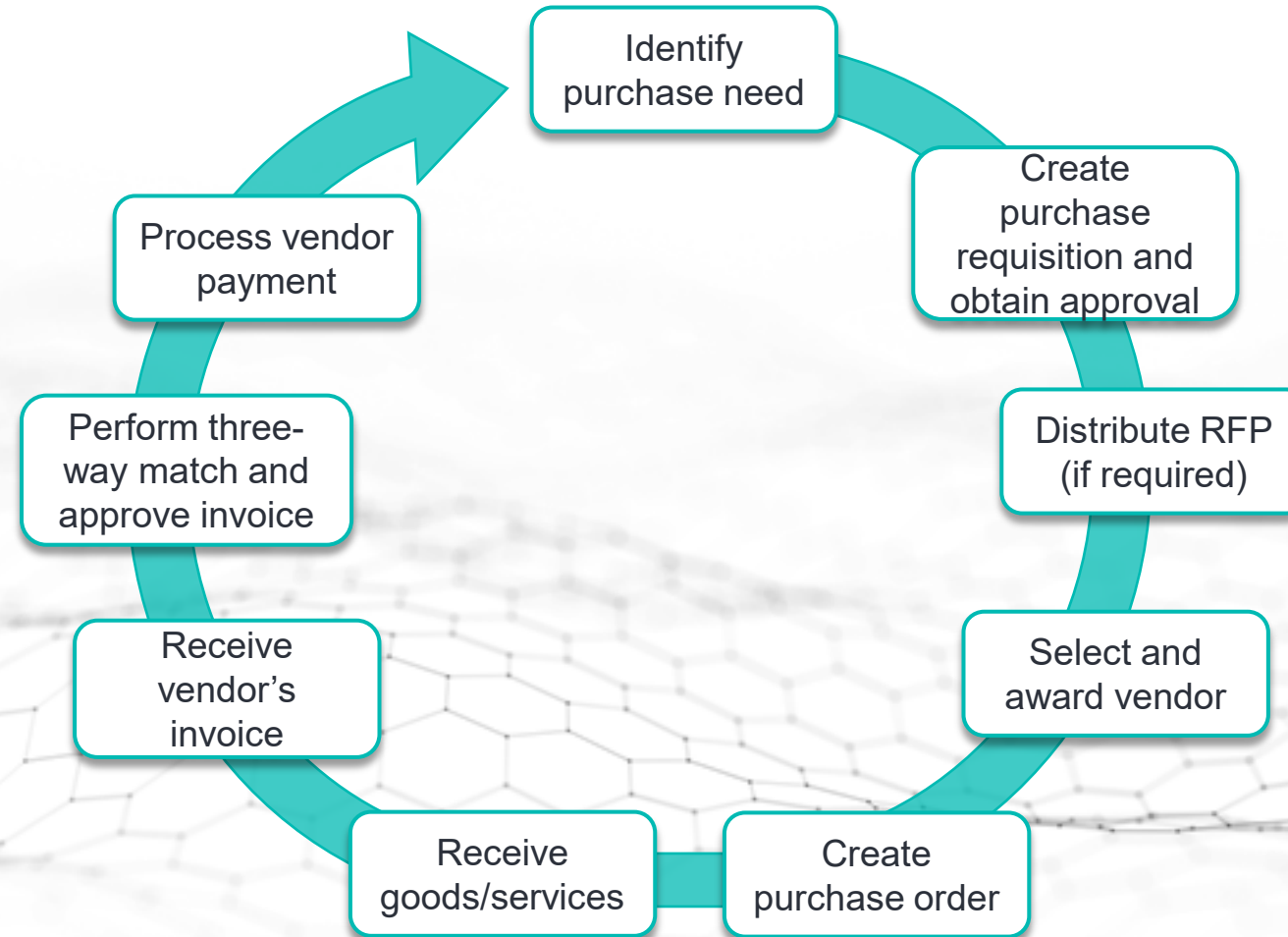
Key Takeaways

- Policy, delegated authority, and vendor master governance drive most outcomes
- P-card oversight depends on limits, documentation, and independent review
- W-9 and vendor data issues become reporting, payment, and fraud issues later
- Continuous analytics are the fastest way to move from reactive testing to preventive monitoring

Procurement



Procurement cycle



Procurement is one of the highest forms of government fraud, waste and abuse



Procurement — Risks, Controls & Audit Focus

⚠ Common Risk Areas

- Sole-source, emergency or non-competitive awards without justification
- Split purchases to circumvent bid thresholds
- Conflicts of interest / undisclosed vendor relationships
- Bid rigging or collusion with vendors
- Unauthorized purchases outside approved channels
- Late or missing approvals
- Lack of written specifications or tailored specs favoring a certain vendor
- Contract scope creep without amendments
- Inadequate segregation of duties
- Purchases from debarred or suspended vendors
- Contract terms, change orders, renewals, or receiving evidence not tracked consistently

✓ Key Controls

- Procurement policy with competitive thresholds, delegated authority, and exception criteria
- Segregation of duties: requisition, sourcing, approval, receipt, and payment functions
- Conflict of interest disclosure req. & review
- Vendor debarment list checks before award
- Documented sole-source reason with supervisory approval
- Three-way match: PO, receipt, and invoice
- Rotating bid evaluation committee members
- PO system with pre-encumbrance controls
- Annual procurement policy training for staff
- Documented bid evaluation and legal/contract review before award
- Central contract repository with expiration tracking, deliverable monitoring, and change-order approval

🔍 Audit Focus Areas

- Test for split purchases near bid thresholds by vendor, dept and date
- Review sole-source justifications for adequacy
- Verify conflict of interest disclosures on file
- Check vendor lists against debarment databases (SAM.gov)
- Trace contracts to approved budgets and requisitions
- Review sole source and emergency purchase usage, frequency & justification
- Compare vendor pricing to market
- Verify vendor selection criteria, approvals, quotes, scorecards, receiving evidence, and contract support for a sample of purchases
- Look for payments against expired contracts, unapproved amendments, or missing deliverable acceptance



Case study

- Allegation – vendor kickback scheme
- Person of interest – Public Works Director
- Data analysis – significant increase in overall spend with one vendor, paying above market
- Case resolution – Director's previous employer was paying him to overprice goods and services and steer business to them

P-card



What Is a P-Card Program?

Purchasing cards (P-Cards) are credit cards issued to employees to make small-dollar purchases more efficiently than using a purchase order. They can reduce administrative burden but introduce significant fraud and misuse risks if not properly controlled.

High

Risk Category

\$5K

Typical Single Purchase Limit

Monthly

Statement Review Cycle

100%

Receipts Required

P-Card Programs — Risks, Controls & Audit Focus

⚠ Common Risk Areas

- Personal purchases charged to the card
- Missing or falsified receipts
- Splitting transactions to stay under limits
- Purchases at prohibited merchants (e.g., liquor stores, casinos)
- Inadequate supervisor review of statements or improper person doing the review
- Delayed reconciliations
- Cards issued to those who don't need them
- Inactive cards that remain active or terminated employees with active cards
- Failure to report lost or stolen cards promptly
- Circumventing competitive procurement via P-Card
- Card limits exceed business need

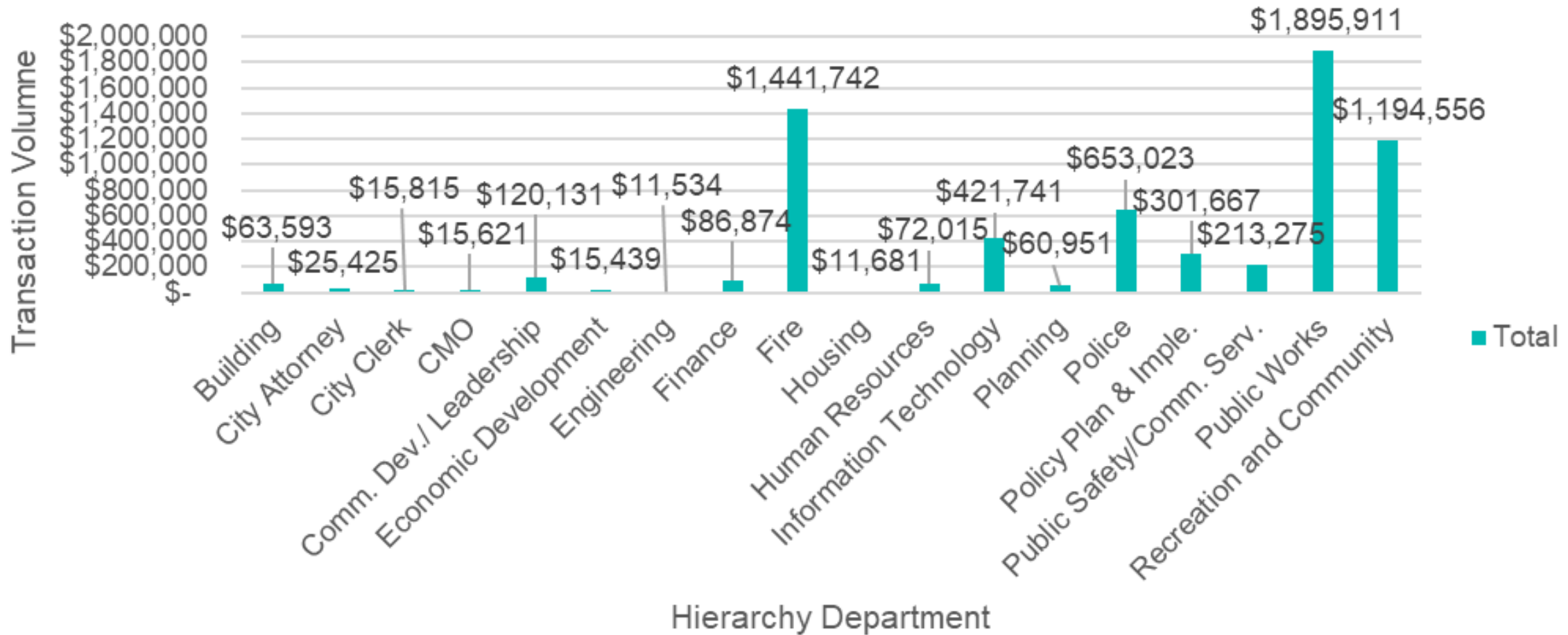
✓ Key Controls

- P-Card policy with prohibited categories
- Merchant Category Code (MCC) blocking
- Individual transaction and monthly spending limits
- Mandatory receipt retention for all purchases
- Supervisor certification of monthly statements and reconciliation to receipts with clear business purpose
- Periodic cardholder training and acknowledgment forms
- Annual card limit reviews — deactivate unused cards
- Data analytics for anomalies (weekend buys, round numbers, etc.)
- Cardholder agreements signed before card issuance

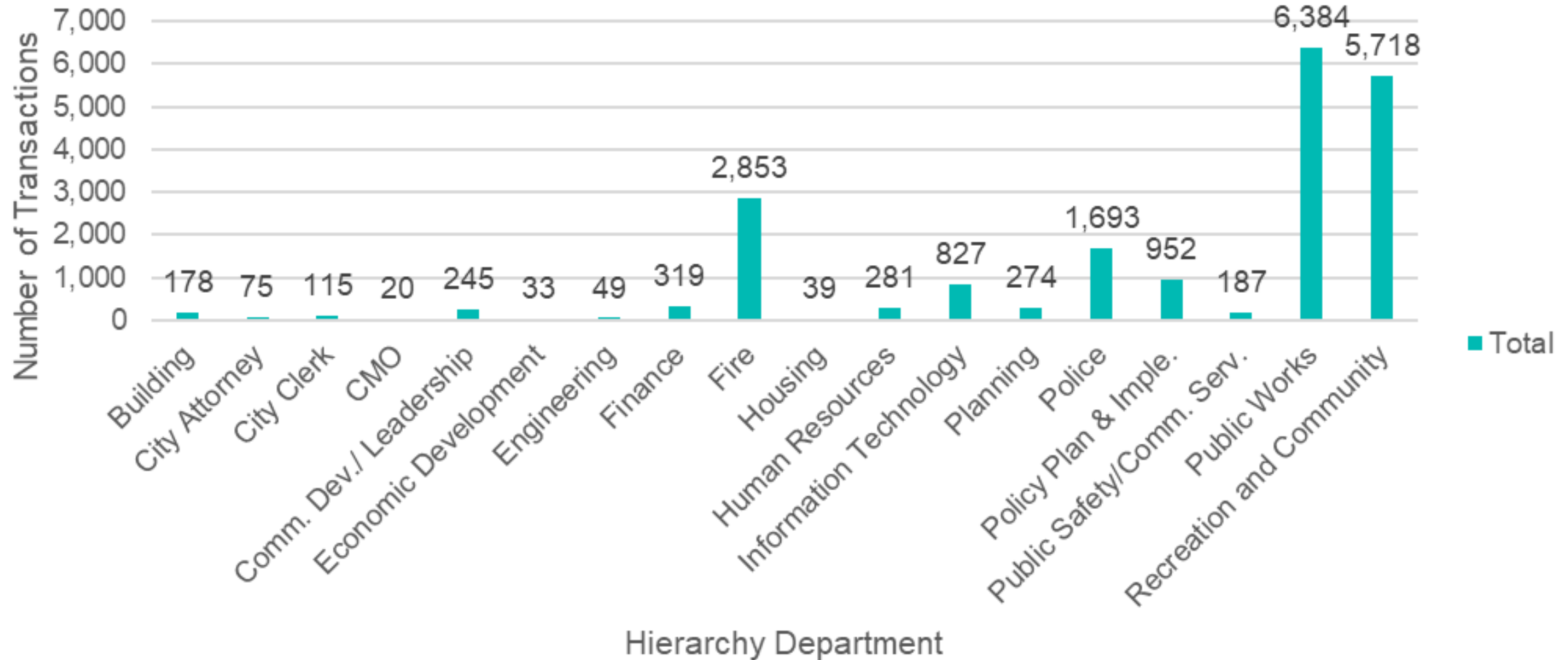
🔍 Audit Focus Areas

- Test transactions against prohibited MCCs
- Verify all statements have receipts and supervisor sign-off
- Analyze for split transactions near single-purchase limits or same day purchases
- Review purchases made on weekends/holidays, after hours or whole dollars
- Identify inactive or excess cards
- Confirm MCC blocking is properly configured with bank
- Test for personal purchases (gift cards, personal retailers)
- Reconcile card statements to general ledger
- Review cardholder list against current employment roster
- Repeated users with missing receipts, late approvals or constant exceptions

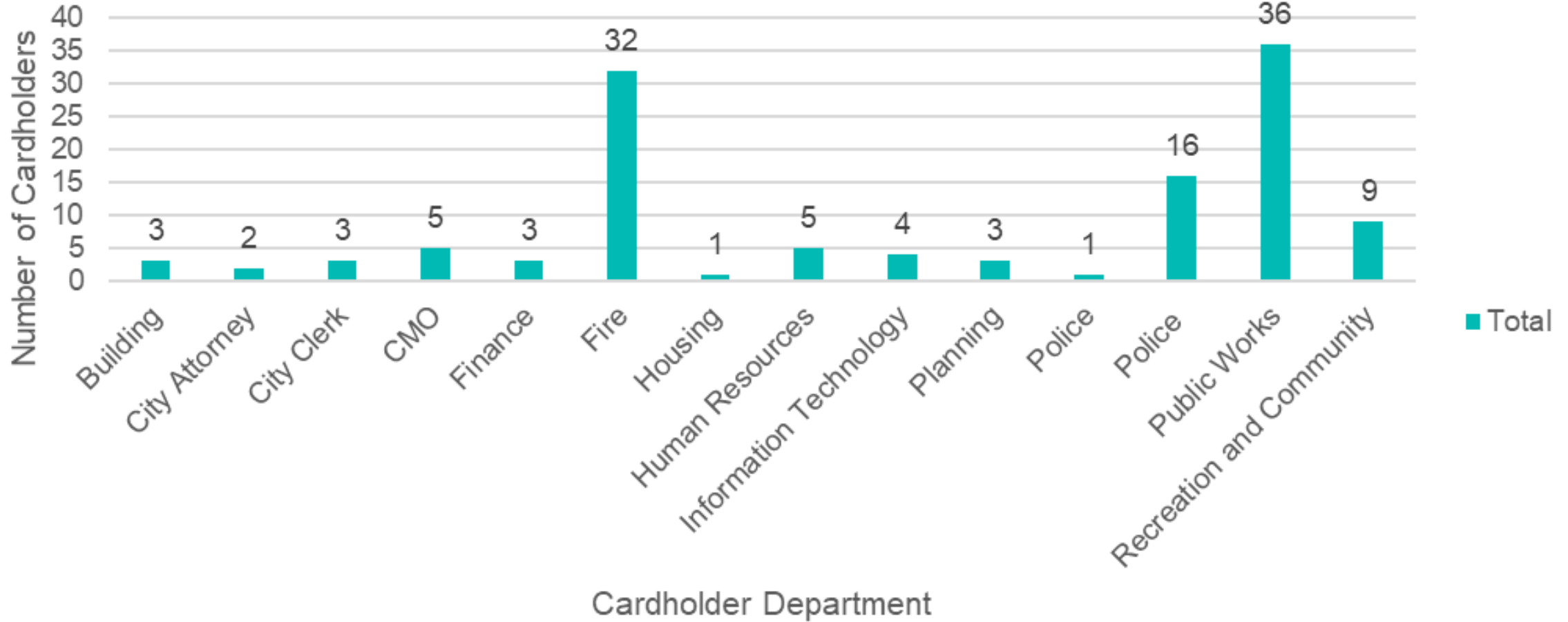
Transaction Volume by Department



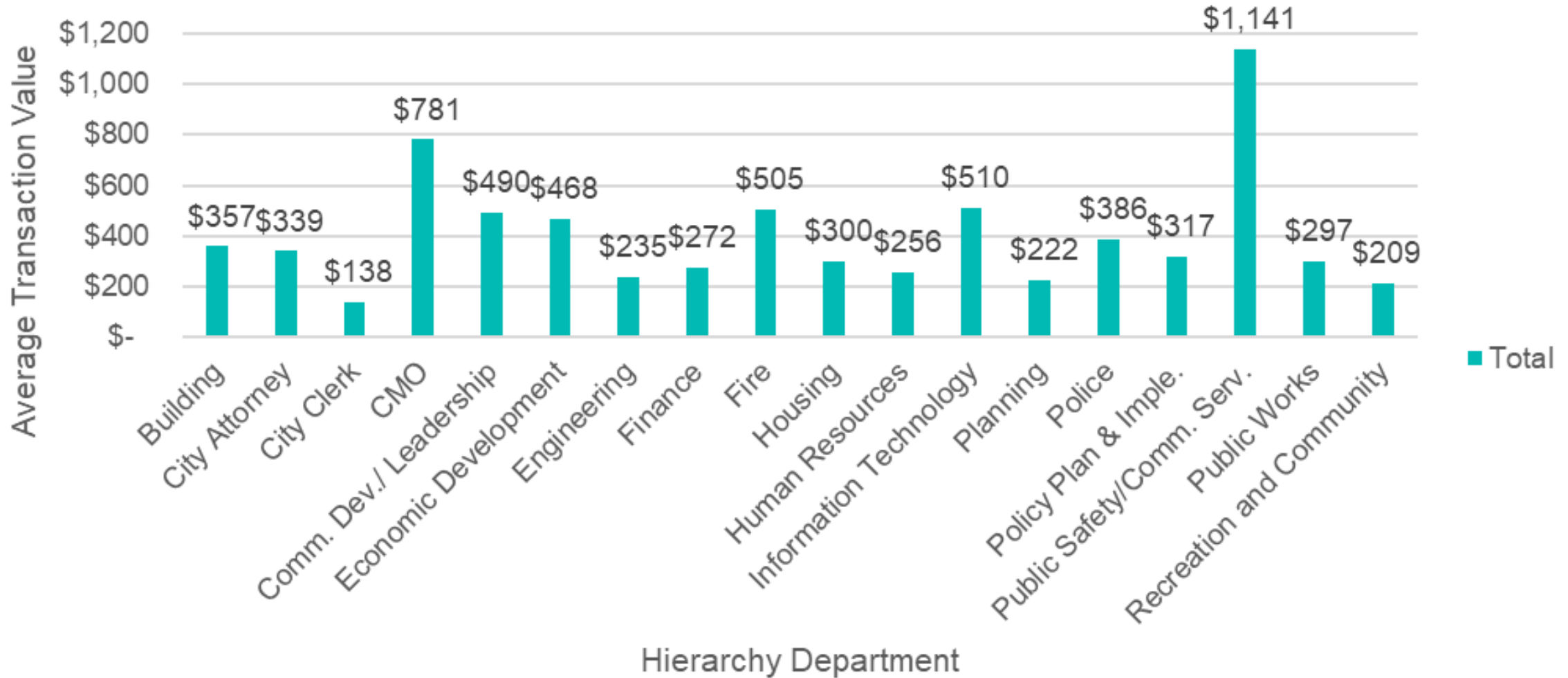
Total Transactions by Department



Cardholders per Department



Average Cost of Individual Transactions per Department





Case study

The Office Manager attended the National SHRM Conference in Las Vegas, Nevada, from June 11–15, 2023. During this trip, twelve airline-related purchases (includes baggage and other fees) were made using the P-card ending in 3301, which is linked to the agency's operating account at United Community Bank with an account number ending in 4634. Of these, six transactions totaling \$1,829.78 were airline-related purchases to transport her husband to Las Vegas. These charges were not related to official business.

Case Study

PASSENGER

Barbara B

RAPID REWARDS #

[Join](#) or [Log In](#)

TICKET #

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EST. POINTS EARNED

1,975

PASSENGER

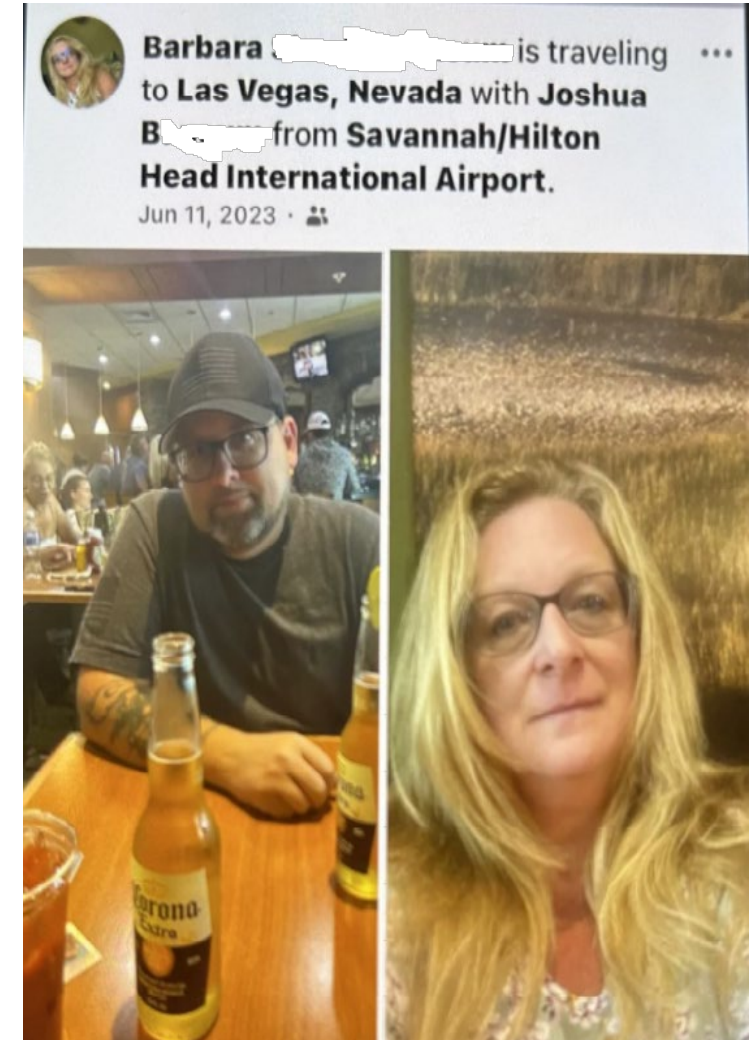
Joshua B

RAPID REWARDS #

[Join](#) or [Log In](#)

TICKET #

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Case study

- Our audit of the Mayor's transactions found several violations of City Travel and P-Card policies, such as:
 - Lack of required approvals for trips taken by the Mayor.
 - Payment for a flight by a non-City employee to Bogota, Columbia.
 - Prohibited payments for cash app services and sales tax paid on purchases made in GA.
- We also noted numerous purchases where one of the policies may not explicitly state the allowability of a specific purchase, but ones where the purchase could be considered questionable if it was business or personal in nature, or where another department such as IT should potentially have been more involved. Examples of these include a conference room table for the Mayor's office that converts into a pool table as well as numerous purchases to re-charge and wash the Mayor's car. There were also purchases for computer/technology equipment and software, and meals for non-City employees.

Case Study

Apple Services



Apple Music Subscription
Apple Music Subscription (Monthly)
Renews Jan 22, 2025

\$10.99

TOTAL

\$10.99

Description	Qty	Unit price (excl. tax)	Amount (excl. tax)
QR Code Generator PRO - Starter Plan May 1, 2024 - May 1, 2025	1	€96.00	€96.00

Subtotal

€96.00



Case Study



Final Details for Order #114-1593305-8720221

Order Placed: December 27, 2024

Amazon.com order number [REDACTED]

Order Total: \$1,830.66

Shipped on December 30, 2024	
Items Ordered	Price
1 of: Hathaway Newport II Premium 7 Ft Multi Game Pool Table Combo with Dining Top and Ping Pong - Includes Set of Benches for Home Storage and Accessories - White & Camel Finish Sold by: Amazon.com Condition: New	\$1,698.99
Shipping Address: Mayor khalid 5440 Fulton Industrial Blvd South Fulton, GA 30331 United States	Item(s) Subtotal: \$1,698.99 Shipping & Handling: \$0.00 ----- Total before tax: \$1,698.99 Sales Tax: \$131.67 -----
Shipping Speed: Scheduled Delivery	Total for This Shipment: \$1,830.66 -----



Case Study

Receipt And Payment Details

Fare	USD 1736.00
Taxes/Fees/Carrier-Imposed Charges	USD 8.62 YQI (Service Fee - Carrier-Imposed MISC) USD 484.00 YRF (Service Fee - Carrier-Imposed Fuel) USD 8.00 YRI (Service Fee - Carrier-Imposed MISC) USD 44.40 US2 (US International Transportation Tax) USD 7.20 YC (US Customs User Fee) USD 7.00 XY2 (XY2) USD 3.71 XA (US Aphis User Fee) USD 5.60 AY (US Security Fee) USD 30.00 IH (Airport Departure Tax) USD 2.00 L3 (L3) USD 2.00 S2 (Airport Development Charge (ADC)) USD 4.50 XF (US Passenger Facility Charge)
Fare Calculation Line	ATL ET ADD868.00ET ATL868.00NUC1736.00END ROE1.00 XFATL4.5
Form of Payment	Credit Card - Visa : XXXXXXXXXXXX 4257
Total	USD 2343.03

Allowances

Baggage Allowance

ATL TO ADD - 2 PIECES

ETHIOPIAN AIRLINES, EACH PIECE UP TO 50 POUNDS/23 KILOGRAMS

PAYMENT DETAILS

Fare Calculation: ATL B6 X/NYC KQ NBO260.50KQ X/NYC B6
 ATL419.00NUC679.50END ROE1.00 XF ATL4.5JFK4.5JFK4.5
 Form of payment: CC VI XXXXXXXXXXXX4257
 XXXX 006717
 Endorsements: NON ENDORSABLE / FARE RESTR CLD
 APPLY -BG KQ

FARE DETAILS

Fare:	USD 680.00
Taxes:	USD 11.20AY USD 22.20US USD 22.20US USD 3.83XA USD 7.00XY USD 6.97YC USD 50.00TU USD 13.50XF USD 536.00YR
Carrier Imposed Fees:	USD 536.00YR
Total Amount:	USD 1352.90

RECEIPT REMARKS

Kenya Airways wishes you a very pleasant trip.

BILLING AND INFORMATION

CHARGEABLE SEAT	\$119.50	USD
Taxes & Fees	\$0.00	USD
Total	\$119.50	USD
Paid with Visa *****4257		

Retain this receipt for your records. This document provides information about specified fees or services you have been charged.

If purchasing Delta Sky Club memberships all Delta SkyMiles and Delta Sky Club rules apply. To review the rules, please visit [Delta Sky Club](#).



W-9



What Is a W-9 & Why Does It Matter?

IRS Form W-9 collects taxpayer identification information from vendors and contractors. It is the foundation for accurate 1099 reporting. Errors or missing W-9s can result in penalties, backup withholding requirements, and audit findings.

When is a W-9 Required?

- Before any payment to a new vendor or contractor
- When existing vendor information changes (name, EIN, address)
- Prior to issuing 1099-NEC (non-employee compensation \geq \$600)
- Before issuing 1099-MISC for rents, royalties, and other payments

1099 Thresholds (Key Examples)

- 1099-NEC: Non-employee compensation \geq \$600
- 1099-MISC: Rents, royalties \geq \$600
- Backup Withholding: 24% if TIN is missing or incorrect
- IRS Penalty: Up to \$310 per missing/incorrect 1099

W-9 Management — Risks, Controls & Audit Focus

Common Risk Areas

- Missing W-9s for vendors receiving reportable payments
- Incorrect TIN (Taxpayer Identification Number) on file
- W-9 not updated when vendor information changes
- Failure to trigger backup withholding when required
- 1099s issued with incorrect name/TIN combinations
- W-9 collected but not stored securely (PII exposure)
- Ghost vendors added without W-9 documentation
- W-9 accepted verbally rather than in writing
- Insufficient review before vendor payment setup

Key Controls

- Require W-9 before entering vendor in payment system
- Annual W-9 recertification for active vendors
- TIN verification through IRS TIN Matching Program
- Automated 1099 tracking in accounts payable system
- Secure, restricted storage of W-9 forms (PII protection)
- Backup withholding procedures for missing/invalid TINs
- Vendor master file maintenance policy with change logs
- Segregation of duties: vendor setup vs. payment processing
- Year-end 1099 reconciliation procedures

Audit Focus Areas

- Verify W-9 on file for all reportable vendor payments
- Test TIN format validity and IRS TIN Matching results
- Identify vendors paid \geq \$600 without a W-9 on file
- Review 1099 filing timeliness and accuracy
- Test for duplicate EINs or SSNs in vendor master
- Assess security controls over W-9 storage (PII risk)
- Review backup withholding compliance
- Reconcile 1099s issued to amounts in general ledger
- Check for vendor changes without supporting W-9 updates

Vendor Management



What Is Vendor Management?

Vendor management is the process of overseeing vendor relationships from onboarding through offboarding — including due diligence, contract performance, risk assessment, and compliance monitoring. Strong vendor management reduces fraud risk and ensures government gets value for its spending.

Onboarding

- Due diligence & background check
- W-9 & required docs collected
- Approved vendor list entry

Active Management

- Contract performance monitoring
- Periodic insurance verification
- Conflict of interest checks

Offboarding

- Final payment reconciliation
- Vendor file closed/archived
- Access removed from systems

Vendor Management — Risks, Controls & Audit Focus

⚠️ Common Risk Areas

- Ghost or fictitious vendors in the vendor master file
- Duplicate vendors with slight name/address variations
- Vendors not screened against debarment/exclusion lists
- Conflicts of interest between employees and vendors
- Expired or inadequate vendor insurance certificates
- No vendor performance monitoring on contracts
- Former employees set up as vendors post-departure
- Vendor changes (banking info) made without verification
- Concentration risk — over-reliance on a single vendor

✓ Key Controls

- Formal vendor onboarding with documentation checklist and approvals
- Segregation: different staff add vendors vs. process payments
- Periodic debarment list checks (SAM.gov, OFAC)
- Annual vendor master file review and cleanup looking for duplicates or inactives
- Insurance certificate tracking with renewal alerts
- Vendor performance scorecards and contract KPI reviews
- Change of banking info requires dual approval + callback
- Related-party transaction disclosure and approval process
- Approved vendor list with documented approval process

🔍 Audit Focus Areas

- Compare vendor addresses to employee addresses
- Identify vendors with same EIN, address, or banking info
- Test vendor additions for proper authorization
- Verify debarment checks were performed and documented
- Review banking change requests for dual approval
- Examine vendor concentration and sole-source frequency
- Audit insurance certificate currency for active vendors
- Trace contracts to performance documentation and evidence of review
- Review vendor aging — payments to inactive vendors

Questions?

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Let's stay in touch!



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