MANAGEMENT DIRECTIVE

Commonwealth of Pennsylvania
Governor's Office

Subject: Vendor Data Management Unit (VDMU) for Agencies Using SAP	**Number:** 310.26 Amended
Date: September 18, 2009	**By Direction of:** Mary A. Soderberg, Secretary of the Budget
Contact Agency: Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services (BPS), Telephone 717-425-6538	

This directive, previously titled *Central Vendor Management Unit (CVMU) (For Agencies Converted to SAP)*, establishes policy, responsibilities, and procedures relative to the VDMU and management of the SAP Vendor Master Database and the SAP Customer Master Database. This amendment updates policy, responsibilities, and procedures as a result of the reorganization of the Office of the Budget, Office of Comptroller Operations. Marginal dots are excluded due to major changes.

1. **PURPOSE.** To establish policy, responsibilities, and procedures relative to the VDMU and management of the SAP Vendor Master Database and the SAP Customer Master Database.

2. **SCOPE.** This directive applies to all departments, boards, commissions, and councils (hereinafter referred to as "agencies") under the Governor's jurisdiction using SAP for non-payroll related vendor payments and customer accounts. Vendor and customer information maintained in non-SAP agency systems and payroll related vendor information maintained by the Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Payroll Operations are excluded.

3. **OBJECTIVES.**

   a. To establish policy, responsibilities, and procedures for the maintenance of the SAP Vendor Master Database and SAP Customer Master Database.

   b. To ensure timeliness and consistency in the establishment and maintenance of vendor records in the SAP Vendor Master Database and of customer records in the SAP Customer Master Database.

c. To minimize the number of IRS mismatches and 'B' Notices that the commonwealth must issue to vendors.

4. **DEFINITIONS.**

   a. **'B' Notice.** An Internal Revenue Service (IRS) backup withholding notice indicating that the vendor name and Taxpayer Identification Number (TIN) combination do not match the IRS records.

   b. **Backup Withholding.** A percentage of reportable payments to a vendor, contractor, or estate of a former employee, for whom an agency filed an information return that had a missing or an incorrect TIN, which is required to be withheld for taxes and remitted to the IRS. *IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s)*, defines the percentage for backup withholding and payments subject to backup withholding.

   c. **Electronic Addenda.** Payment identification data included in Automated Clearing House (ACH) transactions sent to banks, replacing paper remittance.

   d. **Employer Identification Number (EIN).** A nine-digit number assigned to sole proprietors, corporations, partnerships, estates, trusts, and other entities for tax filing and reporting purposes. This number may also be referred to as a TIN and is assigned by the IRS.

   e. **Form W-9.** An IRS form entitled "Request for Taxpayer Identification Number and Certification." The form is used by U.S. persons (as defined in IRS Instructions for the Requester of Form W-9) required to file an information return with the IRS for certain reportable payments, in order to obtain the correct TIN of the recipient of such payments.

   f. **Form 1099.** An IRS form used by individuals or entities required to file an information return to report various types of income other than wages, salaries, and tips. Several versions of Form 1099 are used, depending on the nature of the income (e.g., 1099-INT, Interest Income, 1099-MISC, Miscellaneous Income, etc.).

   g. **Information Return.** A tax document businesses must file to report certain business transactions to the IRS. Additional details regarding information returns can be obtained from the IRS Web site.

   h. **IRS CP2100 Notice.** A notice generated by the IRS to report the incorrect matching of a TIN to a taxpayer name.

   i. **IRS Mismatch.** Incorrect matching of a TIN to a taxpayer name, as reported by the IRS on the IRS CP2100 Notice following each year's Form 1099 filing with the IRS. The commonwealth is required to issue 'B' Notices to vendors reported on the IRS CP2100 Notice.

   j. **Non-Procurement Vendor.** A vendor who receives payments from the Commonwealth of Pennsylvania that are not related to bids, contracts or purchase orders; is a construction contractor; is a direct utility provider; or receives grants or loans from the commonwealth.

k. **Notice of Levy.**   Notice from IRS that a vendor owes back taxes.

l. **PA Supplier Portal.** Electronic gateway to the Department of General Service's (DGS) Supplier Relationship Management (SRM) system.   The internet address for the PA Supplier Portal is www.pasupplierportal.pa.gov.

m. **Procurement Vendor.** A vendor who receives payments from the Commonwealth of Pennsylvania under a contract or purchase order; receives requests for quotations, purchase orders or other procurement documents; or is a construction contractor.

n. **SAP Customer Master Database.**   A central database containing information necessary for the accounts receivable and reporting functions in SAP.

o. **SAP Customer Number.**   Unique number assigned to each customer by SAP when the customer is added to the SAP Customer Master Database.

p. **SAP Vendor Master Database.**   A central database containing information necessary for the procurement, accounts payable, and reporting functions in SAP. The SAP Vendor Master Database is not affiliated or coordinated with the PA Department of State Corporation Bureau Database, and vendor data in the SAP Vendor Master Database is not required to match the PA Department of State Corporation Bureau Database.

q. **SAP Vendor Number.** Unique number assigned to each vendor by SAP when the vendor is added to the SAP Vendor Master Database.

r. **Social Security Number (SSN).** A nine-digit number assigned to an individual by the Social Security Administration. This number may also be referred to as a TIN. This number is assigned for identifying payments made to an individual by an employer/contractor for tax filing and reporting purposes.

s. **SRM to SAP R/3 Replication Process.**   An automated, daily process whereby changes to the SRM vendor file are transferred to the SAP Vendor Master Database.

t. **Supplier Relationship Management (SRM).** The web-based procurement module that allows procurement vendors to register themselves for a vendor number and maintain master vendor data (excluding TIN and name) in SAP.

u. **Taxpayer Identification Number (TIN).**   The nine-digit federal identification number assigned to a business or to an individual by the federal government. The TIN may be a Social Security Number, in the case of an individual, or it may be an Employer Identification Number for a business, trust, estate, partnership, corporation or similar entity.

v. **United States Postal Service (USPS) Standard.** An addressing standard established by the USPS for mailing purposes.

w. **Vendor Registration Web Service.** An application maintained by VDMU and the Office of Administration, Bureau of Services and Solutions and available for agencies to access and integrate SAP vendor data into agency applications.

5. **POLICY.**

   a. Vendor information must be created and maintained in the SAP Vendor Master Database and customer information must be created and maintained in the SAP Customer Master Database in accordance with responsibilities and procedures of this directive.

   b. Updates to vendor records in the SAP Vendor Master Database and to customer records in the SAP Customer Master Database must be made by VDMU within four business days of notification of missing data or inaccurate data.

   c. Invoices, contracts, and procurement documents must include a valid TIN and vendor name for each vendor, in accordance with *Management Directive 315.26, Backup Withholding on Missing and/or Incorrect Taxpayer Identification Numbers.*

   d. VDMU must approve the content of all communication with vendors relative to VDMU, vendor registration, or procedures to update vendor records.

   e. Agency requests for access to the Vendor Registration Web Service, or other changes to the Vendor Registration Web Service, must be reviewed by VDMU for approval.

6. **RESPONSIBILITIES.**

   a. **Agencies** shall:

      (1) **SAP Vendor Master Database.**

         (a) Notify procurement vendors to register with the DGS PA Supplier Portal and notify non-procurement vendors to register with the VDMU at www.vendorregistration.state.pa.us.

         (b) Assist the VDMU, when requested, to obtain valid Forms W-9 from vendors.

         (c) Inform the VDMU of missing or inaccurate vendor data in the SAP Vendor Master Database and notify vendors of the appropriate procedure to update vendor data. Procurement vendors should be directed to update vendor data through the PA Supplier Portal; non-procurement vendors should be directed to contact the VDMU to update vendor data (Telephone: 717-346-2676, Fax: 717-214-0140, or E-mail: RA-PSC_Supplier_Requests@state.pa.us)

(d) Obtain VDMU approval for the content of all communication with vendors relative to the VDMU, vendor registration, or vendor data update procedures, and coordinate the issuance of such communications with the VDMU.

(e) Use data in the SAP Vendor Master Database records for contracting purposes and writing loan and grant agreements.

(2) SAP Customer Master Database.

(a) Request a new customer master record or the modification of an existing record, when needed, and provide valid information with the request (Telephone: 717-346-2676, Fax: 717-214-0140, or E-mail: RA-PSC_Customer_Requests@state.pa.us).

(b) Inform the VDMU of any missing or inaccurate data in the SAP Customer Master Database.

b. Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services, Invoice Processing Division shall:

(1) Monitor agency compliance with Section 6. a. (1)(a) through 6. a. (1)(e) of this directive. If an agency does not comply, the Bureau of Payable Services (BPS), Invoice Processing Division, will inform the agency to work with the VDMU and/or the vendor to resolve problems.

(2) Review invoices, contracts, and procurement documents to ensure that payment data includes a valid TIN and vendor name for each vendor. If no TIN is available or a 'B' notice is received, refer to *Management Directive 315.26, Backup Withholding on Missing and/or Incorrect Taxpayer Identification Numbers* for procedures to obtain a TIN and, when required, initiate backup withholding.

(3) Inform the VDMU of missing or inaccurate vendor data in the SAP Vendor Master Database and notify vendors of the appropriate procedure to update vendor data. Procurement vendors should be directed to update vendor data through the PA Supplier Portal; non-procurement vendors should be directed to contact VDMU to update vendor data (Telephone: 717-346-2676, Fax: 717-214-0140, or E-mail: RA-PSC_Supplier_Requests@state.pa.us).

(4) Assist the VDMU with resolving errors relative to the issuing of Forms 1099 (i.e., correcting information prior to printing the Forms 1099, correcting errors prior to transmitting Form 1099 data to the IRS, and resolving IRS mismatch issues).

(5) Initiate backup withholding for foreign vendors in accordance with *IRS Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities* and *IRS Publication 1281, Backup Withholding for Missing and Incorrect Name/TIN(s)*.

c. Office of the Budget, Office of Comptroller Operations, Bureau of Commonwealth Accounting, Accounts Receivable Unit shall:

   (1) Monitor agency compliance with Section 6. a. (2)(a) through 6. a. (2)(b) of this directive. If an agency does not comply, the Bureau of Commonwealth Accounting (BCA), Accounts Receivable Unit will inform the agency to work with the VDMU Unit and/or customer to resolve problems.

   (2) Inform the VDMU of any missing or inaccurate data in the SAP Customer Master Database.

d. Office of the Budget, Office of Comptroller Operations, Bureau of Payable Services, Vendor Data Management Unit shall:

   (1) Process vendor registrations, vendor changes, and customer master forms.

   (2) Communicate with vendors, as necessary, to clarify vendor information and to provide SAP vendor numbers to non-procurement vendors who register through VDMU.

   (3) Process other requested changes to block records or deactivate records in the master databases, when required.

   (4) Monitor the use of the one-time vendor function in SAP, in accordance with *Management Directive 310.28, Use of One-Time Vendor Records in SAP.*

   (5) Work with the agency and/or vendor to obtain a correct Form W-9 or other required vendor information.

   (6) Retain Forms W-9 and establish and maintain a valid TIN for each vendor record in the SAP Vendor Master Database.

   (7) Promote the use of ACH transactions and electronic addenda and process vendor requests to add banking data and electronic addenda to the SAP Vendor Master Database.

   (8) Analyze the Treasury Department's daily ACH rejection file and remove or update incorrect banking data in the SAP Vendor Master Database.

   (9) Respond to inquiries from vendors, customers, agencies, and other commonwealth officials concerning the SAP Vendor Master Database, the SAP Customer Master Database, and SRM registrations.

   (10) Develop and implement procedures to ensure the consistency, accountability, reliability, and integrity of data in the SAP Vendor Master Database and SAP Customer Master Database.

   (11) Ensure data entered into the SAP Vendor Master Database and SAP Customer Master Database is consistent with USPS standards.

(12) Coordinate with the Office of Administration, Office for Information Technology, Bureau of Integrated Enterprise System (IES) to produce and issue Forms 1099, or corrected Forms 1099, to SAP vendors and file the required forms or reports with the IRS in accordance with IRS General Instructions for Forms 1099.

(13) Issue 'B' Notices to vendors reported by the IRS on the IRS CP2100 Notice and process the responses to the 'B' Notices.

(14) Adhere to established archiving standards for retention of vendor data, customer data, and reports.

(15) Review agency requests to use the Vendor Registration Web Service and approve agency requests when justified. Additionally, VDMU shall authorize content, approve data flow, and approve general maintenance and updates to the Vendor Registration Web Service.

(16) Accept, transfer, and replicate vendor registrations from SRM to the SAP Vendor Master Database.

(17) Validate the accuracy and completeness of the SRM-to-SAP R-3 replication process, including problem resolutions and data purging.

(18) Maintain content in the PA Supplier Portal Registration Reference Guide and provide revisions to the Department of General Service (DGS), Bureau of Procurement.

(19) Manage e-mail resource accounts for vendor registrations and payment inquiries.

e. The Department of General Services, Bureau of Procurement shall ensure that revisions to content in the PA Supplier Portal Registration Reference Guide are published timely in the Supplier Services Center section of the DGS website.

f. The Office of Administration, Office for Information Technology, Bureau of Integrated Enterprise System shall coordinate with VDMU to produce and issue Forms 1099, or corrected Forms 1099, to SAP vendors in accordance with IRS regulations.

g. The Office of Administration, Office for Information Technology, Bureau of Services and Solutions shall coordinate agency requests to access the Vendor Registration Web Service, and changes to the Vendor Registration Web Service, with VDMU.

7. PROCEDURES.

a. Requesting Additions to the SAP Vendor Master Database. Agencies and Office of Comptroller Operations staff are to notify procurement vendors to register with the DGS PA Supplier Portal and notify non-procurement vendors to register with the VDMU at www.vendorregistration.state.pa.us. Procedures can be found in the PA Supplier Portal Registration Reference Guide.

b. **Requesting Revisions to the SAP Vendor Master Database.** Agencies and Office of Comptroller Operations staff are to notify procurement vendors to update vendor data through the DGS PA Supplier Portal and notify non-procurement vendors to contact VDMU to update vendor data (Telephone: 717-346-2676, Fax: 717-214-0140, or E-mail: RA-PSC_Supplier_Requests@state.pa.us). Procedures can be found in the PA Supplier Portal Registration Reference Guide.

c. **Requesting Changes to the SAP Customer Master Database.** Agencies and Office of Comptroller Operations staff are to submit corrections or additions to the SAP Customer Master Database by completing a customer master form, available on the IES website, www.ies.state.pa.us and submitting it to the VDMU by one of the following methods:

   (1) Send as an e-mail attachment to the VDMU at the following address: RA-PSC_Customer_Requests@state.pa.us; or

   (2) Send a fax to: 717-214-0140.

This directive replaces, in its entirety, *Management Directive 310.26*, dated February 9, 2004.