



City of Greater Sudbury

# Supplier Master File Database Policy and Procedure

Part of the Accounts Payable Policy and Procedures Manual

Supplier Master File Database Policy and Procedure



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**DEPARTMENT:** Finance

**SECTION:** Accounts Payable

**POLICY NUMBER:** AP-003

**TITLE:** Supplier Master File Database Policy and Procedure

**APPROVED BY:** Manager of Accounting/ Deputy Treasurer

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## 1.0 PURPOSE

This policy establishes the responsibilities and authorizations related to the setup and maintenance of the City's supplier master file database that is used for the payment of invoices.

The required data elements to be captured in the supplier master file database are set out.

## 2.0 POLICY

The PeopleSoft Accounts Payable module contains the supplier master file database which is used for the payment of the City's suppliers.

The City's supplier master file database for the payment of invoices is managed and maintained by the City's Accounts Payable Section of Accounting in Finance.

Supplier files indirectly provide access to the City's cash; therefore, it is important that supplier master file management occur within a system of effective internal controls.

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New supplier setups and changes to the supplier master file database must be approved by authorized employees of the City prior to activation in the supplier master file database.

The supplier master file should be current, complete and accurate.

Information to be captured in the supplier master file database should be clearly established and the purpose of the required information clearly set out. In establishing the data elements to be captured it is important to balance the cost of collecting data with its beneficial use.

The City values its relationship with its suppliers who provide important goods and services that help in the City's overall success. Accurate, timely and well organized supplier master database files are important to maintaining good relationships.

On a periodic and regular basis, information from the supplier master file database will be used to assist the City in the management of both its supplier relationships and database.

Templates that show the PeopleSoft step by step directions for the common supplier set ups that will occur in the normal course of business are available at:

**J:\S\_Accounts\_Payable\Supplier Maintenance Templates\Supplier Maintenance Templates**

The templates show which data elements are to be entered and which data elements are to be left blank.

### **3.0 RESPONSIBILITIES**

3.1 The Accounts Payable Customer and Vendor Clerk (CV Clerk) and Customer Service Clerks (AP Clerk) are responsible for the creation and setup of suppliers in the supplier master database file and ensuring that all appropriate information is documented on the New Supplier Setup Checklist (NSSC, attached) and that the appropriate supporting documentation is included. The request for the supplier setup and any other supporting documentation must be attached to the NSSC.

3.2 The Accounts Payable Lead (AP Lead) or designated backup verifies and approves all new suppliers for setup in the supplier master file database by

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signing and dating the NSSC and approving the supplier in the master file database. The AP Lead does not have the ability to create a voucher therefore there is appropriate segregation of duties.

3.3 The AP Lead is responsible for ensuring all suppliers entered into the supplier database are valid suppliers and the information entered into the supplier master file database is accurate. The AP Lead trains and coaches the CV Clerk and AP Clerks in the policies and procedures for the supplier master file database.

3.4 The Co-ordinator of Accounting is responsible for the policy and procedures for the supplier master file database and ensuring that the policy and procedures are followed.

#### **4.0 SEGREGATION OF DUTIES**

Segregation of Duties (SoD) separates roles and responsibilities to ensure that an individual cannot process a transaction from initiation through to payment without the involvement of others and thereby SoD reduces the risk of fraud or error to an acceptable level.

In the case of Accounts Payable and supplier set up, one individual should not be able to both set up or modify suppliers and process invoices. The ability to perform both these functions increases the risk of fraud.

Segregation is achieved in this policy as the AP Lead must approve all set up and changes to supplier master file information. The AP Lead does not have access in PeopleSoft to enter supplier information or the ability to process invoices for payment.

#### **5.0 PROCEDURES**

##### **5.1 New Supplier Setup Checklist**

Based on the following documentation the CV Clerk or AP Clerk will create a supplier in the database:

- Invoice received for payment,
- Cheque Request,
- Email request from Purchasing or operating departments.

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The CV Clerk will complete the NSSC for each new supplier to be added to the City's supplier database. The CV Clerk will enter the information per the above documentation into the PeopleSoft supplier master file database and its status will be "unapproved" pending the AP Lead's approval. The AP Lead will sign the NSSC and approve the supplier in the master file database.

The NSSC with attachments are filed by supplier number in **J:\S\_Accounting\_Permanent\Accounts Payable\Supplier Maintenance** and is maintained by the AP Lead.

## 5.2 Supplier Master File Critical Data Elements

The supplier master file should capture all the data elements as set out below. These data elements are established for the purpose of paying the City's suppliers.

Efforts should be made to collect the information where it is not provided.

All data elements should be entered into PeopleSoft as capital letters.

Templates for the set up of various types of suppliers are maintained by the AP Lead and are available at: **J:\S\_Accounts\_Payable\Supplier Maintenance Templates\Supplier Maintenance Templates**, for example Canadian Supplier, US Supplier, etc.

### 5.2.1 Supplier System Identification

The supplier ID is the PeopleSoft system assigned number next in sequence.

A supplier will have only one supplier ID assigned. If the supplier has different addresses the supplier will still be set up as one supplier and the alternate addresses will be in the address tab in the supplier master file database.

### 5.2.2 Naming Convention – Standard Rules

One of the most important ways to prevent duplicate payments and other supplier master file errors is to have a clear, consistent supplier naming convention. The convention should be easily applicable for all suppliers and broad enough to handle unusual names.

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For the Short Name and Name the following rules are to be adhered to:

- If the name contains the symbols hyphen (-), ampersand (&) or at (@) the symbol is to be included in the name.
- Spaces are to be inserted between words. Initials will have no spaces between them but there would be a space between the initials and the following word.
- Do not use a period (.), a comma (,) a quotation (") or apostrophe (") in any supplier name.

E.g. - A.T&T should be AT&T

- J. M. Trucking should be JM TRUCKING

**a) Short Name**

This is a mandatory field in PeopleSoft and it is used primarily for search purposes.

The data field allows for 10 characters. Therefore the supplier short name should be recorded as follows:

- Individual's name: record the last name followed by a space and then the first name until either all 10 characters have been used or the name has been fully spelled out.

E.g. SMITH JOHN

- Estate: exclude "estate" and only include the person's name as indicated above.
- Business name: record the first ten characters of the business name in the 10 characters available. If the business name contains any of the following words they should be abbreviated as indicated below.

- SUDBURY - SUDB
- ONTARIO - ON
- AMERICAN – AMER
- ASSOCIATION - ASSN
- CANADIAN - CND
- GREATER SUDBURY – GS
- INTERNATIONAL - INT

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- NORTHERN - NOR
  - NORTH – NOR
  - CONSEIL SCOLAIRE - CS
- 
- Where a supplier has a commonly used acronym for its business name then this acronym will be used for the Short Name. Examples include:
    - AMCTO (The Association of Municipal Managers, Clerks and Treasurers of Ontario)
    - MFOA (Municipal Finance Officers Association)
    - MPAC (Municipal Property Assessment Corporation)
- Do not use: THE, A, LES, LE, LA, CITY OF, TOWN OF, MUNICIPALITY OF, DISTRICT OF, ESTATE OF, FEDERATION OF

**b) Supplier Name (Name 1 and Name 2)**

Name 1

Purpose is to record the full and legal supplier name.

The data field allows for 40 characters. Therefore Name 1 should be recorded as follows:

- If the company has a designation such as incorporated, llp, association, etc enter the information as it appears on the invoice.  
E.g. – PROVINCIAL DOORS INC
- If the name begins with an article such as "A", "The", include the article in the name.  
E.g - THE PAPER MILL
- If the name has a surname such as Mr., Ms., Dr., etc... exclude the surname title.  
E.g. - Dr. John Smith should be SMITH JOHN
- If the name is composed of all initials and these initials stand for a company name then spell out the supplier name in full.  
E.g – TIFC would be TEXAS INTEGRATED FOOD CO
- If the name includes a number then keep the number in the name.  
E.g. - 2020 VISION INC



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Any logo used on an invoice and which may include an abbreviation or symbol is not to be used as Name 1.

Name 2

Name 2 is used for the following reasons only:

- If full name does not fit in Name 1 then split the name between Name 1 and Name 2. This will allow the whole name to appear on the cheque. The split is to occur between words in the name, do not split a word.

E.g. – The Federation of Canadian Municipalities would be:

Name 1: THE FEDERATION OF CANADIAN

Name 2: MUNICIPALITIES

- If payment is to be made to more than one person then one person is recorded in Name 1 and the other person is recorded in Name 2. The payment cheque will now show both names.

E.g. – John and Diane Smith

Name 1: SMITH JOHN

Name 2: SMITH DIANE

- Operating As (O/A) Business Name. Note that where a company is operating as a particular business name that “operating as” should always be recorded as O/A

E.g. - Name 1: 111111 ONTARIO INC

Name 2: O/A JOHNS TRUCKING

**c) Classification**

The purpose of Classification is to be able to identify groups of suppliers by major category for query purposes.

This data element defaults to Outside Party (R) and can only be overridden for the following:

- A: Attorneys/law firms.
- E: Employees
- F: Federal
- P: Provincial
- S: School Boards

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**d) Persistence**

The purpose of Persistence is to identify the regularity of payments to the supplier at a high level. The options for setup of the persistence data element are:

- Regular,
- One Time,
- Permanent (do not use) and
- Single Pay (do not use).

**Regular** is the default and it can be overridden as follows by selecting from the drop down menu:

One time

When a new supplier is anticipated to transact only once with the City, the CV Clerk will select “One Time”. When “One Time” is selected and the supplier is paid, the supplier is then automatically inactivated in the supplier master file. This will reduce the number of active suppliers and reduce the possibility of error when selecting a supplier for payment. The following items must be selected as One Time:

- Refunds such as: property taxes, cancelled leisure programs, POA late filed tickets,
- Election related suppliers.

**e) VAT Registration**

The VAT Registration field is used to indicate the jurisdiction for commodity tax laws.

The VAT registration number must be entered for companies and other registered organizations. This will reduce the possibility of duplicate corporate suppliers in the system.

For all suppliers select CAN from drop down menu.

If Non-Canadian supplier then click on VAT Default link.

In VAT Control Defaults, VAT applicable – select “Exempt” from drop down menu.

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In VAT Transaction Type Defaults, Exempt - select "PURS" from list – this represents purchases.

It is important that the VAT registration is properly identified for accurate payment and processing the foreign currency gain or loss in the City's financial records. The numbers of payment in currencies other than Canadian or American dollars are small and are therefore paid via wire transfer.

**f) Address and Postal Code Convention**

An address must be recorded on the available lines 1, 2, 3 and 4. Recording the address must begin starting on Line 1. Each address line can hold 55 characters and as a result an address may be recorded using only Line 1. Lines 2, 3, and 4 are to be used as required. There are separate fields for city, province and postal code that must be completed. The following rules apply to the formatting of the address:

- If the address includes "in care of" it must be recorded on Line 1 and is recorded with the symbol, " C/O".
- Otherwise, Line 1 will record the street/postal address.
- If a cheque is to go back to an internal department, use Line 1 for the city department name. The address **should not** include a physical address to ensure that the cheque is not mailed externally.
- Do not use periods, "." or commas, ",".
- PO BOX #### STN A or CP #### SUCC A
- If there is a unit, apartment or suite number record as 10-123 MAIN. Do not include the words "unit", "apt" or "suite".
- SITE 6 COMP 10
- RR 6
- GD STN A (GD - General Delivery)
- All street references should be abbreviated as AVE, BLVD, CRT, CRES, DR, HWY, PL, RD, RUE, ST.
- Record street direction as E, N, NE, NW, S, SE, SW, W.

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- Record the country as CAN or USA.
- Record Canadian postal code as A#A #A#. Include a space between the groupings.
- Record US zip code as ##### or #####-####.

E.g.

|                        |                  |
|------------------------|------------------|
| Country data field     | CAN              |
| Line 1                 | 10-356 MAIN ST W |
| City data field        | SUDBURY          |
| Postal code data field | P3P 1A2          |
| Province data field    | ON               |

Suppliers with multiple addresses

Suppliers can have more than one address if operating out of more than one location therefore an address must be set up for each location. Different supplier locations can have different payment information set up (i.e. EFT vs. cheque).

PeopleSoft assigns address ID numbers to each individual location.

There is a description field that is used to identify supplier's location, e.g. Sudbury, Hanmer, Toronto, Head Office.

All other address fields are to be completed using the address rules set out above.

**g) Supplier Email ID**

This is the business email address and must be entered if provided.

**h) Supplier Contact Information**

This section is to be completed in order to identify a contact person that the CGS can communicate with to resolve any issues.

- Description: Enter information to identify contact identity e.g. address or branch.
- Name: is to be completed following the conventions previously listed. Select address from drop down list.

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- Supplier website: if available, is to be entered on the Internet line.
- Email: enter the email address of the contact person for the supplier.

**i) Payment Alternate Name**

The purpose of utilizing this field is for payments to an entity other than the name provided on the invoice. The Alternate Payee name will only appear on the cheque once printed.

This field can only be used in the following circumstances:

- Withholding order by the Receiver General,
- Supplier indicates "remit to" another corporate entity on their invoice,
- Amounts owing to the City of Greater Sudbury.

Payments are to be made to the name on the invoice.

Any requests, other than those noted above, for changes to the Payee that are not the name on the invoice should be forwarded to the Co-ordinator of Accounting.

**j) Payables - Pay Group**

The purpose is to specify which cheque run the supplier is to be paid in.

Pay Group data field defaults to RE (regular). This can be over ridden for rush suppliers by recording RU (rush) in the data field.

- RE suppliers will be paid on Thursdays
- RU suppliers will be paid on Tuesdays and Thursdays

To be classified as RU (rush) the supplier must be one of the following:

- An employee or member of Council
- A government agency: terms of payment do not follow conventional 30 days
- Employee related deductions (E.g. RRSP, benefits, etc)
- A not for profit organization: reliance on funding from City to provide services. (E.g. daycares, Salvation Army)
- An Insurance claim

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- ETR 407: due to interest/ late charges that are added
- Utilities: due to interest/ late charges that are added
- Refund of monies (E.g. taxes, leisure programs, etc.)
- Suppliers for which service will be cut off if payments not received in a timely manner (E.g. Canada Post, Coca Cola, Spicers, Superior Propane)
- Progress payments: specific schedule is set out for payment which is the month following service provided
- Performing artists who require a cheque on date of performance.

**k) Payables – Handling Options**

The options for set up of the Handling Options are Attachment (AT), High Dollar (HD), Internal Distribution (IN) and Regular (RE). **Regular** is the default and should not be changed (appears as “Default from Higher Level”).

**l) Payment Terms**

Payment terms commence from the invoice date.

Invoice payment discounts are taken when the accelerated payment is in the City’s financial interests to do so.

Invoices are to be processed and paid in order to avoid late fee charges. Late fees are not paid by the City except for utilities and 407 ETR. All other late fees indicated on invoices are crossed out and not included in the invoice amount. Late fees incurred and paid for invoices will be charged to the operating department.

The City’s payment terms are net 30 days and the PeopleSoft (PS) Accounts Payable system will default to these terms.

- a. Requests for non-standard payment terms must be presented in writing to the Manager of Accounting or designate. This applies whether the request is for one-time or for changes to the supplier master file. The request can be made by email. The Manager of Accounting or designate will communicate approval for all non-standard payment terms to Accounts Payable and Purchasing by

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email. A record of this request and approval should be attached to the supplier file. Suppliers noted under Pay group RU (rush) above do not require this approval.

- b. PS will use the invoice date to determine the payment date according to the payment terms set out in the supplier's file.
- c. To allow time for cheque printing and mailing and to meet the net 30 day payment terms, the AP Lead will set up and run the cheque run with a Pay Through date that is 7 days out from the date of the cheque run. All invoices due for payment in this time frame will be paid on the cheque run.
- d. Utility bills are paid directly by Finance without approval from the operating departments and in accordance with the Delegation By-law to ensure that no late charges accrue.

**m) Procurement – Payment Terms Flag**

Default equals 30 days

Other delay options can be selected from the drop down list as required for suppliers listed under Pay Group – RU above or by approval granted by the Manager of Accounting per above.

**n) Location**

Default to be set up for supplier. This can be set to cheque or to Electronic Funds Transfer (EFT). Also the “Default” is used with \*\*\* to identify to the AP Clerks when a selection must be made due to multiple addresses and related locations.

Location “description” is address of supplier.

In “Payables Options” tab address must be selected. Location # and address # must be the same.

Supplier Bank Account Options tab must be completed with banking information as provided on the EFT form completed by the supplier.

Email ID is a required field if supplier has provided EFT information. Email advice will be sent to this address. EFT form provides this email address.

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- i. In “Payment notification” tab click “Enable Email Payment Advice”, and in “Email ID” include supplier EFT email address.

### 5.3 Supplier Master File Changes/Revisions

The AP Clerk will copy the invoice or documentation of request for change (i.e. email) with highlighted changes to enter revised supplier information. The CV Clerk will enter the revisions into the database. Once information is entered the revisions to the supplier database will be marked “unapproved” and the AP Lead will review and approve. The documentation will be filed in supplier name order with the initial NSSC and be maintained by the AP Lead.

Templates are available for specific items that would modify a supplier in the supplier master file:

- Canadian Supplier with EFT
- US Supplier with ACH (US equivalent of an EFT)
- Canadian or US Supplier with Tax exemption change
- Canadian or US Supplier with Payment Alternate Name change
- Supplier to be paid from Pioneer Manor Trust Bank Account change
- Change the address in an existing supplier
- Add a second address to an existing supplier
- Add Hold
- Remove Hold
- Inactivate supplier
- Change payment terms
- Reactive a supplier
- Remove Payment Alternate Name
- Employee

### 5.4 Inactivation of Suppliers

On an annual basis, the AP Lead or designate will conduct a review of the supplier master file database and inactivate any supplier which has had no activity for 18 months.

A process is run in PeopleSoft, by the Financial Information System section of Finance, to identify the suppliers with no activity after the date



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specified. This creates a log of suppliers identified to be possible inactive suppliers.

Log is saved in **J:\S\_ERP\Yearly Inactivation of Inactive Vendors in AP**. A process is then run to inactivate the suppliers identified.

## **6.0 REVIEW OF SUPPLIER MASTER DATABASE FILE**

On a regular and periodic basis, Accounts Payable performs a review of the supplier master file database. The purpose of the analysis is to provide management with information to manage supplier relationships and ensure that the supplier master files are current and accurate.

### **6.1 Number of active suppliers**

Purpose: To be able to identify if process for inactivation should be run as average number of active suppliers is usually between 5,000 and 6,000.

- Run through Supplier information
- Run: Semi-annually
- Reviewed by: AP Lead and Coordinator of Accounting

### **6.1 Duplicate suppliers**

Purpose: To review suppliers to ensure that a second supplier was not created in error when the supplier already existed. This would reduce the possibility of error.

- Query name: CGS\_DUPLICATE\_SEARCH\_WITH\_DESC
- Run: Quarterly
- Reviewed by: AP Lead and Coordinator of Accounting

### **6.2 Suppliers with multiple addresses**

Purpose: To determine if any addresses are no longer in use and to be inactivated

- Query name: CGS\_Ven\_Multiple\_Address
- Run: Annually
- Reviewed by: AP Lead and Coordinator of Accounting

### **6.3 Number of suppliers utilizing EFT for payment**

Purpose: to determine if there has been an increase in EFT setups to reduce the number of cheques issued.

- Query name:CGS\_EFT\_CGS\_COUNT
- Run: Semi-annually
- Reviewed by: AP Lead and Coordinator of Accounting