

## Vendor Integrity: Online Research

*By Vincent Green, Director of Vendor Integrity and Investigations for the City University of New York, and H. Tina Kim, Deputy Comptroller for the Division of State Government Accountability Office of the New York State Comptroller*



Prior to contracting with a vendor, government agencies must make a determination that the vendor that it wishes to do business with is "responsible." A vendor's integrity is one of the key areas to be reviewed as part of a responsibility determination. Government agencies want to ensure that they are only doing business with firms that possess high ethical standards and a record of law-abiding conduct. Proper pre-screening of a vendor's record of conduct helps to prevent or minimize the loss from vendor-related fraudulent activities and is one of the cornerstones of a strong fraud prevention program. In assessing a vendor's integrity, factors to be considered include, but are not limited to, criminal indictments, judgments or convictions, government suspensions or debarments, penalties and sanctions imposed by governmental agencies, health, safety, labor and environmental violations, ethical violations, tax delinquencies, or prior findings of non-responsibility related to integrity. The first key step in a vendor integrity review is to ask a vendor to complete a background questionnaire. Information submitted should then be validated by third party sources. A best practice is to use a checklist of resources to be consulted. After using all the information that comes to its attention, including any news articles that might speak to the company's and the employees' integrity, as well as other information submitted by the vendor, the agency should then make a responsibility determination.

### Online Research

There are a number of web-based resources that are available to support the evaluation of the responsibility of a vendor. Many of these resources involve public records. A public record is information which a governmental entity is required to maintain that is open to public inspection. As more public records are

are accessible online, including sensitive data, it is easier for anyone with a computer to conduct research over the internet. While online public records research is a good starting point for a review of vendor integrity, caution needs to be exercised. It is important to verify the accuracy of the information obtained as timeliness and reliability of each source varies. Additionally, as government entities increasingly redact common identifiers from public records, it is important that the identity of the subject be confirmed. This is especially applicable for entities/ individuals with common names.

The following are just some of the sources of information that government agencies often make available online and that should be consulted when performing vendor integrity research:

- **Criminal history checks:** In many states, listings of individuals who have been sentenced to state prison are available online from the state's Department of Corrections. For federal inmates, this information is available from the Federal Bureau of Prison's website at <https://www.bop.gov/inmateloc/>. Criminal history data from court records may also be available online. However, while an arrest is public information, to get the details surrounding that arrest might require establishing a connection with the prosecutor's office. A simpler approach is to require the contractor to explain the arrest and document the disposition. Access to Federal Court records (PACER) is discussed below.
- **Government Sex Offender registry:** This is not always included in due diligence checks. It only takes a minute and can be useful if the contract in question involves or is near children or academic institutions. The National Sex Offender Public Website, coordinated by the U.S. Department of Justice, can be found at [www.nsopw.gov/](http://www.nsopw.gov/).

<sup>1</sup> Agencies should consider using questions from sister agencies or other agencies to allow matching the answers with information submitted to other agencies and reduce the vendors' excuses that the questions were not understood as a defense against inaccurate submissions.



- Various databases maintained by individual states listing companies that are banned from doing business within that state. The federal excluded parties list (SAM) is discussed below.
- Occupational Health and Safety Administration: This database provides information on the results of enforcement inspections and is available at [www.osha.gov/pls/imis/establishment.html](http://www.osha.gov/pls/imis/establishment.html).
- U.S. Department of Treasury's Specially Designated Nationals List (SDN): As part of its enforcement efforts, Treasury publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups, and entities, such as terrorists and narcotics traffickers designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals" or "SDNs." Their assets are blocked and U.S. citizens are generally prohibited from dealing with them. This information can be found at [www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx](http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx).
- Press releases issued by prosecutors and other law enforcement offices.

Proper pre-screening and due diligence regarding vendor integrity is the first line of defense in warding off fraud, waste, and abuse in government procurement.

**Focus on Resources for Vendor Responsibility Checks: Public Access to Court Electronic Records (PACER)** is an electronic service provided by the federal judiciary that allows the public and others to obtain case and docket information from Federal Appellate, District, and Bankruptcy courts at <https://www.pacer.gov/>. Users can get access by registering with PACER at <https://pacer.psc.uscourts.gov/pscof/registration.jsf>.

Limitations: While PACER currently includes over half a billion case file documents, most files created prior to 1999 are not available electronically and are maintained only in paper format. Paper-based information must be accessed through the appropriate court or a Federal Records Center. There will also be some variations among jurisdictions as to the format and content of the information available due to differences in the way courts maintain their data. Finally, similar to many other public records, a lack of identifiers (e.g. Taxpayer Identification Number (TIN), Social Security Number (SSN), or date of birth)

may make it difficult to determine the relevance of search results without a review of each individual case file, especially if the name searched is a common one.

Cost: There is fee per page to access a file from PACER with a maximum charge per document. Users can also request audio files.

Uses in Vendor Responsibility Determinations: PACER can provide information regarding financial capacity (Bankruptcy/ Reorganization Filings) as well as information related to a business's integrity (civil and criminal court actions).

**The System for Award Management (SAM)** is a Federal procurement system that includes, among other contracting information, the former Excluded Parties List System (EPLS). SAM provides users with access to search its database for entity registration records or entity exclusion records. It has the electronic version of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs. It identifies those parties excluded by various federal government agencies from receiving federal contracts or certain subcontracts and from certain types of federal financial and non-financial assistance and benefits. While the system is maintained by the United States Government, some of the information is provided by third parties via user agreements and individual federal agencies. Users can access the SAM website at <https://www.sam.gov/portal/SAM/#1>.

Limitations: SAM can be searched by multiple criteria (including name, date of action, termination, creation, modification, and deletion, DUNS, and CAGE code as well as classification of the excluded party, type of program the party has been excluded from, cause of exclusion, agency that imposed the exclusion, and location of the excluded firm) as well as by an exact match name or SSN/TIN. However, certain types of searches should be used with caution. For example, an exact match name search will yield results only if the search term is an exact match to the name and record in SAM. This includes punctuation, suffixes, and prefixes, so that "A.C.E. Co." will not match "ACE. Co", "ACE Inc.", and "ACE". Searches to be used with caution include exact match name and DUNS searches (SAM does not contain this information for all firms and such a search may lead to a false negative). Cost: Free of charge.

Uses in Vendor Responsibility Determinations: By definition, debarred or suspended vendors listed on SAM are not responsible contractors.

**DISCLAIMER:**

This publication has not been approved, disapproved or otherwise acted upon by any senior technical committees of, and does not represent an official position of, the American Institute of Certified Public Accountants. It is distributed with the understanding that the contributing authors and editors, and the publisher, are not rendering legal, accounting, or other professional services in this publication. If legal advice or other expert assistance is required, the services of a competent professional should be sought.