# Southern University Comptroller's Office

## POLICIES AND/OR PROCEDURES FOR PROCESSING 1099s

### PURPOSE

To enter and print 1099 forms and prepare the tape of all 1099 transactions for the Internal Revenue Service and Louisiana Department of Revenue.

### **OVERVIEW**

The first steps in the 1099 process are:

Be sure that when vendors are being created that their tax ID is entered on screen 103 (or alternate screens 203, 204, or 205) AND that the correct 1099/1042 code is entered on screen 123. When vouchers/invoices are being created on screens 104 and 240 the 1099 field on those screens will automatically be filled with the 1099 code (normally non-employee compensation) if the Vendor record has a 1099/1042 code. If the Vendor record is not marked (as indicated above) then you must manually add the applicable 1099 code to the voucher on screen 103 (Voucher Create) or on screen 240 (Invoice Header Create) if an entire invoice is 1099 reportable, or on screen 244 (Invoice Line Item Create) if individual lines on an invoice are 1099 reportable.

AP or other personnel need to be diligent in carrying out the two steps above. Failure to carry out the two steps above causes additional work to be carried out later. The system relies upon both indicators to make a determination as to which vendors/vouchers are to be included in 1099 processing.

The 1099 process includes the steps of running a program that examines vendor and voucher records, and copies information from those vendors and vouchers which have 1099 indicators entered into a separate 1099 workspace. You then have reports that highlight inconsistencies (i.e. 1099 vendors with vouchers that are not marked as 1099 or vouchers marked as 1099 for vendors who are not marked as 1099 vendors) The 1099 workspace provides screens 132 and 133 for making corrections to the vendor or voucher records. The actual 1099 reporting process will only process vendors marked as 1099 vendors along with vouchers marked as 1099 vouchers. All others will be bypassed.

The 1099 process is designed so that the extract and analysis program VBY100 can be run multiple times during a calendar year. There is no need to wait until the year is over. In fact, I always recommend that universities start their analysis early. I suggest that they run the extracts and analysis at least quarterly, if not monthly to avoid situations such as the one that you find yourself in.

Here are the jobs that are run:

VBY100 is the first part of the 1099-MISC reporting process. This program selects the vendors and vouchers flagged as 1099-reportable or all vouchers related to a 1099 vendor, and adds this data to the 1099 vendor/voucher extract files. This program also produces an exception report, a detailed extract or a summary report of the selected 1099 vendors and vouchers, and a duplicate tax ID report.

You need to review the on-line help topics VBY100BP to see how this program works. You also need to review the on-line help topic VBY100CR to see the options that are available. You should be running this program multiple times to produce exception reports (when vendor and voucher flags do not match).

Once the records have been extracted and exception reports run, you can then use screens 132 and 133 to make any corrections, or add 1099 coding to either vouchers or vendors as appropriate. If vendors and vouchers have been properly flagged throughout the year, there should be few exceptions to deal with. If littlo or no attention is given to 1099 flags during the year, then there could be many exceptions to review and correct.

When you have mismatches that are intentional, you delete either the vendor (if you do not wish to consider that vendor in 1099 processing) or delete the voucher (if you do not wish to consider the voucher in 1099 processing).

VBY110 is the second part of the 1099-MISC reporting process. This program generates the forms and/or magnetic tape containing the 1099 vendor and voucher information that is to be sent to the IRS. VBY110 also produces a six-part report that allows you to verify the vendor/voucher data before it is reported to the IRS. Once verified, the 1099-MISC tape and forms can be sent to the IRS and statements can be delivered to each vendor being reported. You should review the on-line help topics VBY110BP and VBY110CR for information on this program.

Adequate attention should be given to the 1099 flags on vendors, invoices and vouchers during the year to assure that they were properly entered where applicable. Also, work should be done during the year to keep up with 1099 processing and correct any exceptions so that there will not be a crunch at the end of the calendar year.

The IT department can write a program to go in and mark all of the vouchers as 1099 reportable; however, this cannot be recommended since you would be overriding your accountants 1099 decisions without review. The FRS process, as designed, provides for continual review capabilities throughout the year, provides exception reports to assist in reviewing 1099 data and provides screens for making any necessary adjustments.

Chapter 10 of the Accounts Payable User Guide covers this subject, and the on-line help topics provide additional information regarding VBY100 and VBY110.

#### **DUTIES AND RESPONSIBILITIES**

Chief Disbursement Officer – Responsible for having transactions flagged as 1099 transactions throughout the fiscal year. The 1099 process should be run at least every quarter to determine whether or not the process is including all 1099 recipients.

Information Systems Division – Responsible for running the 1099 jobs which includes printing the 1099s on the appropriate forms.

When you are ready to run the 1099s submit a service request to ISD for a FOCUS report of all individuals that will receive a 1099 form. After the 1099s are run compare the total on the print out to the total on the FOCUS report. If the totals do not agree send a service request to ISD to run an exception report to determine whether there were individuals that were not included in the 1099 run that should have been included. If there are exceptions go directly to screen 103 and make the corrections.