

These are the responsibilities of all agencies:

- Accuracy of payments made to vendors
- Determination of which payments are reportable on a 1099-MISC form
- Retention of documentation (reports run, corrections made)
 - ✓ **ITD Records Retention says to keep 3 years after the current Fiscal Year**
- 1099 clean-up of vouchers
 - ✓ **This includes the proper reversing of vouchers where the checks are returned or voided. If the voucher is not corrected in AP properly, a 1099 may still issue for that payment!**
- Collect Forms W-9 from payees/vendors before they are set up on the database.
 - ✓ Forms W-9 are needed regardless of whether or not their payments get reported on a 1099 form. A W-9 not only verifies the taxpayer identification number, but the correct name, address, and type of organization (corporation, nonprofit, etc.)
 - ✓ An accurate W-9, W-8, or approved substitute all but eliminates incorrect reporting to the IRS. The State pays a \$50 fine for each 1099 with the wrong TIN.
 - ✓ The State is required by IRS to have certain information on file. Not having a W-9 or substitute W-9 on file makes the State liable for 28% backup withholding on payments to that vendor.
- Procedures for Vendor Registry and the agencies to collect forms W-9 from existing vendors:
 - ✓ Vendor Registry will make two attempts through form letters.
 - ✓ After two unsuccessful tries to get this information, it will be turned over to the **agency** that pays this vendor to contact them for the paperwork. Vendor Registry will supply a form letter warning the vendor that failure to submit an accurate W-9 could affect future payments being received.
 - ✓ Agencies will be given a due date to collect a W-9 from the vendor. If nothing has been received in our office by that date, the vendor will be inactivated.
- Explanation to vendors of why a 1099 was issued.
- Issue any 1099 form other than the MISC (i.e., 1099-G, 1099-S, 1099-INT, etc.)
 - ✓ **See the ITD General Records Retention schedule, #011001, for list of documents your agency needs to keep for this reporting.**

- If IRS should audit the State of North Dakota, agencies are responsible for:
 - ✓ Providing the documentation concerning whether or not payments are reportable
 - ✓ Proving to the IRS how this determination was made through grant legislation, invoices, contracts, etc.
 - ✓ Any adjustments made to the vendor's 1099 information
 - ✓ Any fines, penalties, etc. would be assumed by the agency
- Recommended security roles in PeopleSoft to achieve these responsibilities:
 - 1099 Maintenance Role
 - Vendor Inquiry Role
 - See the Security Access Request form at <http://www.nd.gov/eforms/Doc/sfn54418.pdf>

Following are OMB's responsibilities:

- Vendor set up
- Vendor on-going maintenance
- Provide forms W-9 and other forms for agencies and vendors
- Creation and mailing of 1099-MISC forms at year end
- Provide training and distribution of information
- Help agencies with correction problems
- Submit the final 1099-MISC reporting to IRS
- Email requests and spreadsheets from agencies will be kept for records retention at Vendor Registry.
- OMB's Timeline for 1099-MISC Processing:
 - ✓ During February and March of each year, any 1099 reprints will be done on Wednesday of each week.
 - ✓ The 1099 file is submitted to IRS by March 31 each year. Any corrections requested after that will be attended to immediately.