

# INDIAN AFFAIRS MANUAL

**1.1 Purpose.** This policy clarifies and standardizes Indian Affairs' (IA) process for collecting 1099-related data and processing, issuing, and correcting 1099s, as required by the U.S. Internal Revenue Service (IRS). A 1099 is a tax document that reports income that vendors receive from sources other than an employer.

IA utilizes the Department of the Interior's (DOI) financial system to issue required 1099 tax documents.

**1.2 Scope.** This policy applies to IA programs and offices under the authority of the Assistant Secretary - Indian Affairs (AS-IA), including offices reporting to the AS-IA, the Bureau of Indian Affairs (BIA), and the Bureau of Indian Education (BIE).

**1.3 Policy.** It is the policy of IA to comply with all federal laws, regulations, and DOI policies pertaining to 1099 tax documents. Those employees responsible for processing transactions in the financial system must adhere to the standard processes and procedures included in this policy.

**1.4 Authority.**

**A. Statutes and Regulations.**

- 1) 26 U.S.C. § 61, Gross income defined
- 2) 26 CFR Chapter 1, Subchapter A, Income Tax

**B. Guidance.**

- 1) Office of Management and Budget (OMB) Circular No. A-123, Appendix B, A Risk Management Framework for Government Charge Card Programs
- 2) IRS General Instructions for Certain Information Returns
- 3) IA Purchase Card Program Standard Operating Procedure (SOP), v07, February 2024<sup>1</sup>
- 4) DOI Purchase Card Program Policy, June 2021

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<sup>1</sup> This SOP and other related guidance can be found on IA's Acquisitions Toolkit SharePoint site here: <https://doimsp.sharepoint.com/:u:/r/sites/doi-asia-ocfo-dam/bia-faract/DivAcqMgmt/SitePages/Purchase-Cards.aspx?csf=1&web=1&e=ahQNUe%20>. This site is only available to DOI employees.

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## 1.5 Responsibilities.

- A. Directors, BIA and BIE** are responsible for ensuring IA processes and resources are in place to facilitate cooperation and responsiveness to ensure accurate 1099 information is entered in the financial system for convenience check transactions.
- B. Chief Financial Officer (CFO)** is responsible for:
- 1) ensuring financial management is consistent with the requirements of the CFO Act, OMB, U.S. Department of Treasury, Government Accountability Office (GAO), and Federal Accounting Standards Advisory Board (FASAB) guidance; and
  - 2) providing senior leadership, policy, and oversight of all financial and acquisition management functions.
- C. Division of Accounting Operations, Office of the CFO (OCFO)** is responsible for the management, administration, and oversight of vendor payments.
- D. Division of Financial Systems, OCFO** is responsible for the management, administration, and oversight of the IA Vendor and 1099 Teams.
- E. Business Integration Office (BIO), DOI** is responsible for maintaining the Department's financial system and for issuing required 1099 informational returns to vendors receiving 1099-eligible payments.
- F. Head of Contracting Activity (HCA)** is responsible for the administration and oversight of charge card policies and procedures.
- G. Bureau Agency/Organization Program Coordinator (A/OPC)** is responsible for:
- 1) issuing convenience check authority to authorized individuals;
  - 2) ensuring proper training is completed by convenience check writers and regional A/OPCs, including 1099 requirements;
  - 3) removing convenience check authority from check writers that fail to meet requirements; and
  - 4) notifying the IA 1099 Team when an individual obtains or loses convenience check authority.
- H. Regional A/OPC** is responsible for:
- 1) ensuring the financial system Account Controllers assign the correct financial system roles to those with convenience check 1099 reporting responsibilities;

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- 2) updating the financial system Charge Card Master Table with the financial system User ID for individuals with convenience check authority;
- 3) monitoring the monthly Convenience Check 1099 Report for their area of responsibility, and ensuring 1099 information is updated within prescribed timelines; and
- 4) recommending the removal of convenience check authority to the Bureau A/OPC when requirements are not met.

**I. Convenience Check Holder** is responsible for:

- 1) ensuring that all training requirements for convenience check authority is completed in a timely manner;
- 2) obtaining 1099 information from vendors prior to check issuance using IRS Form W-9 (Request for Taxpayer Identification Number (TIN) and Certification);
- 3) ensuring that 1099 information is updated in the financial system for all purchases paid by convenience check regardless of transaction amount or vendor 1099 applicability; and
- 4) assisting the IA1099 Team in resolving any issues discovered during the monthly or annual reviews.

**J. Certifying Funds Approver** is responsible for ensuring that a correct Commitment Item/Budget Object Classification (BOC) is used on all financial postings in the financial system by approving transactions in the financial system, or through the review and approval of hard copy forms outside of the financial system.

**K. Requisitioner** is responsible for the purchasing process by inputting the procurement request package into the financial system.

**L. Charge Card Reallocator** is responsible for ensuring a correct Commitment Item/BOC is used for all convenience check transactions.

**M. Accounts Payable (AP) Technician** is responsible for using an approved Commitment Item/BOC for non-referencing payments.

**N. IA Vendor Team** is responsible for ensuring that new IA vendor requests that are not processed through the System for Award Management site (SAM.gov) have the appropriate 1099 flag applied on their vendor record in financial system.

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- O. IA BOC Team** is responsible for an annual review of the 1099 BOC table in the financial system to ensure that Commitment Items/BOCs are appropriately classified as 1099 reportable or non-reportable.
- P. 1099 Team** is responsible for:
- 1) providing the Convenience Check 1099 Report to regional Charge Card A/OPCs and check writers monthly;
  - 2) providing 1099 orientation training for new convenience check holders, and refresher training for all convenience check holders on an annual basis;
  - 3) completing the annual review of the calendar year 1099-Miscellaneous (MISC) and 1099-Nonemployee Compensation (NEC) output file compiled by the BIO before it is used for 1099 issuance;
  - 4) correcting errors after 1099 issuance such as returned 1099 mailings, vendor inquiries, and those identified in IRS Notice Computer Paragraph (CP)-2100; and
  - 5) identifying 1099 issues and notifying the appropriate team for correction.

### 1.6 Definitions.

- A. 1099s** are tax documents that report income that vendors receive from sources other than an employer. There are two types of 1099 documents issued by IA:
- 1) 1099-MISC: issued to vendors receiving payments for rents, royalties, or other payments not listed as separate category.
  - 2) 1099-NEC: issued to vendors receiving payments for nonemployee compensation such as goods and/or services provided.
- B. 1099-eligible vendors** are determined by a field marked in the financial system as 1099-eligible. All vendors are considered 1099-eligible unless otherwise specified by a Commitment Item/BOC.
- C. Commitment Item/Budget Object Classification (BOC)** is a standard set of codes used to classify what is being purchased or collected. These codes represent the spending transactions and are derived from the last five characters of the General Ledger (GL) account. A list of 1099-eligible BOCs is stored in the financial system under the transaction code “ZBOC”.
- D. Convenience checks** are a payment tool intended only for use with merchants who do not accept charge card or other forms of electronic payment.

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- E. **Non-referencing invoices** are those invoices and payments that are not associated with a Purchase Order (PO) or Miscellaneous Obligation (MO), and are not submitted through the Invoice Processing Platform (IPP).
- F. **Referencing invoices** are those invoices and payments that are associated with a PO or MO.

## 1.7 Standards, Requirements, and Procedures.

### A. Standards and Requirements.

In order to be eligible to receive a 1099, the following standards and requirements apply.

#### 1) General 1099-eligible vendor requirements

- a. On a calendar year basis, the financial system is programmed to determine which transactions are eligible for a 1099 form to be distributed using the following criteria:
  - be a 1099-eligible vendor in the financial system; and
  - receive greater than \$600 in total other payments with a 1099 reportable Commitment Item/BOC within the calendar year; or
  - receive greater than \$10 in total royalty payments with a 1099 reportable Commitment Item/BOC within the calendar year.
- b. Vendor records are entered in the financial system as 1099-eligible as determined by a flag on the Vendor Record. The only exceptions to this are vendors registered in SAM.gov as ineligible or vendors that fall into certain vendor groups that are determined to be 1099-ineligible vendors. The Vendor Record is created based on information entered by the vendor in SAM.gov unless they are manually requested. If manually requested, the requester must identify if the vendor is 1099-eligible.
- c. While a vendor can be 1099-eligible, the service or supply provided may or may not be eligible and is determined by the Commitment Item/BOC used on the transaction in the financial system.

**2) Convenience check 1099 requirements**

- a. Convenience checks are a payment tool intended only for use with merchants who do not accept charge card or other forms of electronic payment.
- b. Prior to issuing a convenience check, check writers must obtain 1099 information from the vendor. This must be accomplished by obtaining a signed IRS W-9 form from the vendor. Once the form is received, the convenience check can be issued.
- c. Those employees receiving convenience check authority are responsible for completing all training requirements for convenience checks and completing 1099 training annually with the IA 1099 Team. If training is not complete, convenience check authority will be removed by the Bureau Lead A/OPC.
- d. When convenience check authority is granted, regional A/OPCs must work with the financial system Regional Account Controllers to ensure that the individual receiving the authority is assigned the “A\_CC\_HLDR” role in the financial system.
- e. A/OPCs must also update the financial system Charge Card Master Table with the financial system User ID for each account with convenience check authority.

**B. Procedures.**

The following procedures apply to transactions within the financial system that may be taxable and therefore require a 1099 form to be sent to a vendor.

**1) General 1099 procedures**

- a. During the fourth quarter of the calendar year, the DOI’s BIO runs a program within the financial system which produces the preliminary 1099 report and sends it to IA’s 1099 Team for review and approval.
- b. The IA 1099 Team reviews the file and completes corrections in the financial system.
- c. At the conclusion of the calendar year, the BIO runs the 1099 program again. Generally, this report is generated in early January, and the IA 1099 Team has one week to complete its review and updates.

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- d. The BIO is responsible for issuing 1099s to those identified on the report and a copy is sent to the IRS.
- e. 1099s are normally mailed at the end of January for the prior calendar year's payments.
- f. Any errors found after issuance must be corrected. IA's 1099 Team must coordinate with the BIO to issue a correction.

### 2) Convenience check 1099 procedures

- a. Once the vendor deposits the convenience check, IA's charge card provider processes the payment, and that process interfaces the transactional data to the financial system.
- b. The convenience check writer must therefore ensure that the 1099 information is updated in the financial system for all convenience check transactions, regardless of the amount or vendor 1099 flag-eligibility.
  - 1099 information must be updated in the financial system within 45 days of the bank posting date. In December, the 45-day rule is replaced by a shorter time frame to facilitate IRS reporting deadlines. Any convenience check transaction posted in December must be updated in the financial system by January 5<sup>th</sup> of the following year.
  - If a check writer routinely does not meet 1099 reporting requirements, the regional A/OPC or 1099 Team must report it to the Bureau A/OPC. Failing to meet 1099 reporting requirements includes: not collecting 1099 information on the IRS W-9 prior to check issuance; writing checks to vendors that accept the charge card or Electronic Funds Transfer (EFT); or not updating 1099 information in the financial system within the prescribed timelines.
  - The Bureau A/OPC must work with Regional A/OPCs and the direct supervisor of check writers to determine appropriate steps to remedy the issue.
- c. The A/OPC, charge card reallocator, or convenience check writer selects the vendor's 1099 eligibility on each convenience check transaction as determined by information on the IRS W-9 form.

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- d. If the 1099 flag is set to 'Y,' the financial system determines if the Commitment Item/BOC is 1099-eligible for that calendar year. A table in the financial system is used to identify which Commitment Items/BOC are reportable.

### 3) Acquisitions and referencing invoices

Referencing invoices are those invoices and payments that are associated with a PO or MO. Referencing invoices may require a 1099 if the vendor and Commitment Item/BOC are determined to be taxable.

- a. Invoices received on purchases made using a PO are considered to be referencing purchases. The invoice will reference the PO number.
- b. Before a referencing invoice can be processed and posted, an obligation must be made in the financial system.
- c. For acquisitions above the micro-purchase threshold, the process includes a Requisitioner entering a Purchase Requisition (PR) in the financial system.
- d. When the Requisitioner enters the PR in the financial system, the system automatically derives the Commitment Item/BOC based on the Universal Product Code (UPC) and the unit price used for the items being requested.
- e. The PR is approved by the Requisitioner's supervisor and a Certifying Funds Approver.
- f. Once the PR is fully approved, it is sent to the award management system.
- g. Once the Contracting Officer completes the award, it transmits to the financial system as a PO, thereby obligating the funds.
- h. The Commitment Item/BOC used on the award and the subsequent PO must match what was approved on the PR. If not, a system error will prevent the release from the award management system.
- i. All subsequent postings against the PO, including receiving documents and invoices, will use the same Commitment Item/BOC.



**4) MO and referencing invoices**

A MO is an obligation that does not go through the standard acquisition process. Referencing invoices using a MO may require a 1099 if the vendor and Commitment Item/BOC are determined to be taxable.

- a. Before a referencing invoice can be processed and posted against a MO, an obligation must be established in the financial system.
- b. Regardless of the form or transaction being used to create the MO, the Commitment Item/BOC must be clearly identified and approved by the Certifying Funds Approver.
- c. Those with the necessary role to enter a MO in the financial system must use the Commitment Item/BOC identified and approved by the Funds Certifier. If a Commitment Item/BOC is not identified, the MO must not be entered; otherwise, the request for the creation of the MO will be returned to the requesting office as “incomplete”.
- d. The Commitment Item/BOC used on the MO will be used for all subsequent postings, including invoices.

**5) Non-referencing invoices**

Non-referencing invoices do not require an obligation but may require a 1099 if the vendor and Commitment Item/BOC are determined to be taxable.

- a. Non-referencing invoices will not have a PO number; however, a complete line of accounting (LOA), which includes the Commitment Item/BOC, must be used to post the transaction. The LOA must be provided approved by the Funds Certifier in the payment request.
- b. AP staff must use the Commitment Item/BOC identified and approved by the Funds Certifier included in the payment request.
- c. If a Commitment Item/BOC is not identified, the invoice should be rejected back to the program office and not posted until the correct Commitment Item/BOC is provided.

**6) Correcting 1099 errors**

The IRS provides an annual error report (i.e., CP-2100) to agencies and bureaus filing 1099 informational returns. Errors can include: missing TIN; invalid TIN; missing taxpayer name; or a mismatch between the TIN and the taxpayer's name. It is the responsibility of IA's 1099 Team to complete follow-up actions based on the report; these actions are as follows:

- a. Within 15 days of receiving the report, the IA 1099 Team must mail a letter (first "B" Notice) to the last known address associated with the vendor.
  - The letter must include a brief statement regarding the issue and a formal request to the vendor to supply updated tax information on a signed IRS W-9 form.
  - If the vendor is registered in SAM.gov, an additional certification will be requested to ensure the SAM.gov record is updated correctly.
- b. If the vendor complies with the request and supplies an updated IRS W-9 form, the 1099 Team will review the SAM.gov record, or any current year convenience check payments, to ensure they are updated appropriately.
- c. If correct, no further action is required.
- d. If the submitted information is incorrect, incomplete, or the SAM.gov record is not updated, the 1099 Team must contact the vendor via phone or mail requesting the necessary updates.
- e. If updates are not made, or the signed form is not received within 30 days of mailing the first "B" Notice, the 1099 Team will issue a second "B" Notice.
  - This notice requires the vendor provide an IRS Letter 147C, which assigns a vendor their TIN, or a copy of a Social Security card, as appropriate, and does not require an IRS W-9 form be completed.
- f. If the vendor does not comply with this request, IA's 1099 Team must contact the Contracting Officer, AP staff member, or the convenience check writer for appropriate follow-on actions.
  - Actions can include further warnings, stop payments, cancellation of future orders, or backup withholding from future payments.

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- g. If the vendor is a SAM.gov vendor and does not comply with the request to provide the corrective actions, the 1099 Team will notify the Department's BIO by email that the vendor has not complied.
- h. If the BIO has not received updated information from the vendor, the BIO will add the vendor to the CP-2100 Table in the financial system and block the vendor with the "T1 Code" (Subject to IRS Withholdings field) in the system.
- i. Vendors blocked with the T1 Code cannot receive future obligations or payments and cannot be unblocked until they have provided the necessary information and updated their SAM records.

## 1.8 Reports and Forms.

- A. The Convenience Check 1099 Report is generated in the financial system, once a month or as needed, by the 1099 Team.
- B. All IRS forms mentioned throughout the policy can be found on the IRS website here: <https://www.irs.gov/forms-instructions>.

## Approval

JASON  
FREIHAGE

Digitally signed by JASON  
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Jason Freihage  
Deputy Assistant Secretary - Management

Date