Don’t Overlook the Basics with 1099s

Tips and a checklist for preparing, filing, and following up on the 1099 issuance process.

SOMETIMES we’re so focused on finding out about the latest innovations, we completely neglect the basics. Getting the complicated stuff right doesn’t do you much good if you get the fundamentals wrong. As the time to issue 1099s is upon us, we thought a review of the basics would be a good idea. This information is a small part of a presentation given by Connie Davis of Greatland Corporation.

Throughout The Year
Facilitating the 1099 issuance process at the end of the year are tasks that should be performed on an ongoing basis. These include:
1. Collect the name and TIN information before the first payment is made to the vendor.
2. Sign up to use the Internal Revenue Service’s TIN Matching service.
3. Verify the name and TIN using TIN Matching, where applicable.

Preparing for the Issuance Process
Many professionals make it part of their annual routine to either attend a one-day 1099 seminar or webinar, depending on the complexity of the forms issued. If you are just issuing 1099-MISCs, a webinar might suffice, especially if it is focused on that form. Those with more complex operations might want to send staff to an all-day event, or perhaps a two-day event. Some organizations will send two or three people. These seminars are offered by several organizations in the fall and are typically given in various cities so overnight travel if often not a concern.

As the time approaches, take the following preparatory steps:
1. Identify which accounts payable payments are subject to 1099 reporting requirements.
2. Determine filing method you will use (paper, software, online).
3. Once you’ve determined...
Lessons on Teaching Old Dogs New Tricks

Six easy steps to help your employees adapt to company policy changes.

WHETHER IT’S your travel and entertainment policy, the way your purchase cards (p-cards) are used, or how you expect vendors to interact, getting people to change the way they do things is not an easy task. Like everyone, employees get set in their ways and don’t welcome change. Let’s face it; in all likelihood your change is not going to be something they are happy about. But there is hope for a smooth transition. Implement the following six steps and your changes should be accepted with a little less complaining and shenanigans.

STEP 1 Have the change signed by someone with authority. This ensures that no one will try an end run around the accounts payable department, essentially securing approval to ignore the new policy from a higher-level executive. If the change is likely to affect everyone in the company, having the new policy announced under the signature of the CFO or COO or even the CEO is a great way to ensure compliance.

If the change is going to affect only the accounts payable staff, having the policy signed off on and announced by the accounts payable manager might do the trick in some cases, and in other case it may be prudent to have the controller sign the new policy. Finally, if you are trying to make a change affecting your vendors, make sure the purchasing department is on board. The announcement to the suppliers could be signed by a finance/accounting and procurement executive.

Employees get set in their ways and don’t welcome change.

STEP 2 Clearly spell out the new policy. Don’t assume everyone knows what you mean. Inevitably there will be a few people who don’t see things the way you think they should. So, don’t give them any wiggle room.

STEP 3 Set an effective date. Don’t give them the chance to claim ignorance as to when the policy was to be implemented. Effective immediately might seem good enough, but it might not be enough. You might even mark the effective date the day before you send your announcement to fully avoid any games.

STEP 4 Spell out the consequences for not adhering to the policy. If there are no repercussions for noncompliance you’ll have less than 100% observance. For example, if you are announcing a policy of not paying for charges put on personal credit cards, say, “we will no longer reimburse employees for charges put on their personal cards.”

STEP 5 Make sure everyone understands you intend to enforce the new policy. You would think by announcing the consequences of noncompliance, employees would get the message. Most will, but not everyone. Expect there will be at least one case, if not more, in which employees will test you. To make the policy stick, you will have to refuse someone’s charges on the personal card. If you don’t, employees will tend to ignore the policy. However, if one or two employees end up eating charges put on personal cards, everyone will get the message.

STEP 6 Make sure everyone affected by the change is included in your communication. This is especially true if you have administrative assistants who complete expense reimbursement reports for their bosses. Again, by including everyone in the distribution of the announcement of the policy change there are no loopholes for employees to pass through.

CFO LEARNING PRO
Intro to Vendor Portals, Part I

You may have heard of vendor portals, but are still unsure of what they are and how they work. This two-part introduction should put vendor portals in context.

THERE’S BEEN A LOT OF DISCUSSION ABOUT PORTALS in accounts payable during the last few years. That conversation has gotten louder in recent months and with good reason. Vendor portals (occasionally referred to as supplier portals) are another step on the path to automation that is currently part of the accounts payable evolution. But all portals are not the same. Let’s take a look at some of the differences.

What Is a Vendor Portal?
Let’s start with a basic definition: a portal is an interactive, online repository of information that allows access to a variety of self-service applications. There are many types of portals and accounts payable isn’t the only function taking advantage of them. For instance, when you sign up for a free publication and the news alerts you’d like to receive, you are using a type of portal.

In the accounts payable arena vendor portals are all the rage. It is important to understand that unlike the publishing world where anyone can sign up, vendor portals are by invitation only. It is not the kind of “Open House” where anyone who finds your website can sign up. Your vendors should not be able to sign up unless you’ve sent them a link. Otherwise you could end up with crooks signing themselves up to be your suppliers.

What Do Portals Do?
Basically, portals collect information and allow a self-service experience for many tasks that traditionally would require interaction between a vendor and customer. The most common example of a portal that replaces vendor-customer communication – and has accounts payable functionality – is one that allows vendors to sign into the online system and check on the payment status of open invoices. This keeps the “where’s-my-money” calls away from accounts payable.

Portals can be stand-alone or part of a larger enterprise. Some readers may remember that roughly a decade ago interactive voice recognition (IVR) systems were making news. IVR systems allowed vendors to get certain accounts payable information over the phone. These systems were similar to the automated phone services offered by many pharmacies that allow customers to call and key-in prescription numbers for refills.

There are many different portals that can be used in accounts payable. For example, another common portal aids in the electronic delivery of invoices either by a third party or directly by the vendors. In the case of a third party, the portal “collects” invoices from several vendors and delivers them electronically to the customer. Alternatively, some companies allow their vendors to deliver invoices online by uploading the documents or information directly to their portal. It should be noted that this is different than simply emailing invoices to an individual. CFO.

What did you do with that communication? Here’s an idea: Post letters of praise from your boss, or someone in another department praising the efforts of your team? Have you ever gotten a note or e-mail from your boss, a vendor, or someone in another department praising the efforts of your team? What did you do with that communication? Here’s an idea: Post letters of praise from on the wall or in hallway, or on the company Intranet, for every one to see. Let it serve as a constant reminder of a job well done. If it is an e-mail you can take this one step further. If the praise came from another department, forward the note to your boss and copy all your employees. That way, you get a double benefit. They know about the praise and they know that you communicated it to your boss. But, what if you don’t have such a note? If appropriate, ask your boss to send one that you can share with the staff. There’s no need for them to know that you asked.

FAST TIP
Improving staff morale.
Some managers overlook golden opportunities to raise morale without spending a red cent. Have you ever gotten a note or e-mail from your boss, a vendor, or someone in another department praising the efforts of your team? What did you do with that communication? Here’s an idea: Post letters of praise from on the wall or in hallway, or on the company Intranet, for everyone to see. Let it serve as a constant reminder of a job well done. If it is an e-mail you can take this one step further. If the praise came from another department, forward the note to your boss and copy all your employees.

Fraud Waiting to Happen continued from page 1

your filing method do one of the following as appropriate:
- Order paper forms early.
- Purchase and/or test software.
- Register for online services and obtain logins and passwords.
- Reconcile accounts payable payments with 1099 totals and balance with any withholding amounts paid to IRS and/or states.

Issuing Your Form 1099s

Begin by reading the instructions for the forms you will be completing. You may think you remember everything from last year but don’t rely on your memory. It won’t take you long to go through the instructions and it could save you countless hours later on. Don’t forget to focus on the “What’s New” section. Clearly this portion contains information that you may want to spend a little extra time reviewing.

When you issue your 1099s:

1. Make sure your Form 1096 balances with Forms 1099 being filed.
2. Mail or distribute recipient forms to the recipients by the due date.
3. Submit all forms timely to both the IRS and the states.

After The Issuance

Your responsibilities don’t end the day you put the forms in the mail. For starters, if any of your recipients report errors you will need to research and correct them, if required. Most importantly, watch for correspondence from the IRS. This can be tricky as letters from the IRS tend to be addressed to the person who signs the tax return. This person typically has little to do with 1099s. Respond promptly to any correspondence from the IRS.

After the task has been complete, take a moment to think back over the whole process and note when you think you ran into any snags. Think about whether you can fix your processes for next year so you don’t run into the same problems. And finally, ask the staff who worked on preparing and issuing your 1099s for recommendations to make the operation go a little easier next year as well.

ACCOUNTS PAYABLE TERMINOLOGY:

Dirty Data

WHILE THE TERM HAS been kicked around for a while in technology circles, it does have serious implications for the accounts payable function. Basically, dirty data is inaccurate, incomplete or flawed data. When it comes to the accounts payable function it can also mean duplicate listings (in the master vendor file), outdated contract information, as well as missing W-9s.

If no attempt is made to regularly update contact information what started out as good or clean, data will eventually get dirty. Increasingly, this type of unmaintained data is becoming a fraud-related issue as certain new types of schemes target accounts payable processes that rely on the quality of data.

Dirty data also presents a problem when issuing 1099s. If the Internal Revenue Service TIN Matching system is not used to identify mismatches, then B Notices will abound. Better to clean the data after the mismatch is identified and avoid the problem later on. Expect to hear a lot about dirty data in accounts payable in the upcoming months.

FAST TIP

PROCESSING INVOICES

- There is nothing wrong with referring coding standards when someone is not certain how to enter a piece of information when processing invoices. In fact, it is a recommended best practice and a sure way to avoid mistakes.
- Likewise, if you are not certain how a particular invoice should be processed, asking or checking the policy and procedures manual is a recommended best practice. Guessing will eventually get you into trouble.

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