

Bowling Green State University
BG@100 Information Item
ESC Submission: August 14, 2006

Identification Information:

<i>Reference Number</i>	FMS-0006
<i>Functional Area</i>	Financials
<i>Title</i>	1099 Transaction Processing

Background Information:

For a vendor payment to be tracked for 1099 reporting, both the vendor and the payment type must be eligible:

- Eligible vendors are 1) unincorporated entities structured as independent contractors, sole proprietors and partnerships, and 2) all attorneys whether incorporated or not.
- Eligible payments relevant to BGSU include Rents, Royalties, Nonemployee Compensation, and Gross Proceeds paid to an attorney. Payments made for products are not 1099 eligible irrespective of vendor organizational structure.

During each calendar year all 1099 eligible payments are accumulated for each eligible vendor. If a vendor's total payments meet or exceed the IRS minimum for each payment type, a 1099 is issued to both the IRS and the vendor.

Information Item:

The AFIN legacy system contains a feature where both the vendor and the payment type can be flagged as 1099 eligible: the vendor through the vendor record, and the payment type through the accounting object code on the voucher lines that are paid. Almost every vendor is flagged as 1099 eligible. Vouchers for such vendors are flagged as 1099 eligible if the accounting object code is tied to one of the eligible payment types. Faye Nicholson administers this at the end of each year by reviewing every 1099 eligible payment and manually unflagging those payments made to vendors who shouldn't be 1099 eligible.

PeopleSoft contains the feature to flag a vendor as 1099 eligible, but contains no feature to determine the payment eligibility for each voucher line. Therefore, every voucher to be paid to an eligible vendor is flagged as 1099 eligible, unless the voucher entry person knows to uncheck the 1099 eligible box for that voucher line.

So where AFIN flags payments for vendors who may not be 1099 eligible, PeopleSoft flags payments for payment types that may not be 1099 eligible. So in PeopleSoft the risk

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of error is limited to those 1099 eligible vendors who are paid for non-eligible products as well as 1099 eligible rents, royalties, and non-employee compensation.

One concern that was made pertained to employees who receive payments for both royalties, which are 1099 eligible, and for travel reimbursements, which are not 1099 eligible. A historical review of royalty payments showed none paid in calendar year 2005, and approximately four payments, to two employees, in 2004.

To validate transactions for 1099 accuracy prior to running the PeopleSoft 1099 processes at year end, two exception queries were initiated: the first lists those 1099 eligible vouchers where the eligible payment type does not contain the appropriate object code (account number). The second query lists those account numbers that are used for eligible 1099 payments but the eligible payment type is not correct. In addition, there is a delivered PeopleSoft 1099 mismatch report that lists, for each 1099 vendor, those vouchers that are not flagged as subject to 1099 reporting.

As a result, the PeopleSoft 1099 functionality should perform with little or no exposure to error. Coupled with the exception queries noted above, modifying the system to perform differently seems unnecessary.