



Operating Procedure

Effective Date June 1, 2018	Number 210.4
Amended	Operating Level Department
Supersedes Operating Procedure 210.4 (5/1/14)	
Authority COV §2.2-803; §2.2-1822, §2.2-4347 through §2.2-4356; §53.1-10	
ACA/PREA Standards 4-4027; 4-APPFS-3D-23; 2-CO-1B-05; 1-CTA-1B-02, 1-CTA-1B-05	
Office of Primary Responsibility Chief Financial Officer	

Subject
ACCOUNTS PAYABLE
ADMINISTRATION AND MANAGEMENT

Incarcerated Offender Access Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Public Access Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
	Attachments Yes <input checked="" type="checkbox"/> #1 No <input type="checkbox"/>

I. PURPOSE

This operating procedure provides all Department of Corrections organizational units with specific guidance in the proper management and administration of the total agency Accounts Payable function, including receipt and proper certification of goods and services, in accordance with Commonwealth of Virginia guidelines.

II. COMPLIANCE

This operating procedure applies to all units operated by the Department of Corrections (DOC). Practices and procedures shall comply with applicable State and Federal laws and regulations, Board of Corrections policies and regulations, ACA standards, PREA standards, and DOC directives and operating procedures.

III. DEFINITIONS

Accounting Voucher - A document that generates a payment to a non-state agency vendor

Agency Purchase Order (APO) - A document, via electronic or hard copy, that authorizes the procurement of, and the payment for, goods or services processed directly to a vendor on State Contract, or within the DOC DPS delegated authority, by the respective agency Purchasing Office

Agency Transfer Voucher (ATV) - An accounting document that transfers expenditures or revenue within the same agency from one fund, program, sub-program, object code, or cost code to another

Commonwealth Accounting Policy and Procedure Manual (CAPP) - State accounting policies and procedures promulgated by the Virginia Department of Accounts to guide financial management processes for all state agencies

Contract - An agreement enforceable by law, between two or more competent parties, to do or not do something not prohibited by law; contracts include but are not limited to: state contracts, eVA purchase orders, vendor contracts, and memoranda of agreement.

DPS Purchase Order (DPS/PO) - A purchase order issued by the Division of Purchases and Supply (DPS) in response to the DOC request for specific goods or service outside agency limits; purchase request is bid and awarded based on dollar amount or an existing contract

Due Date - The date a payment is due; the due date is calculated as thirty days after the receipt of the goods or service, or the operating unit's receipt date of the invoice, whichever is later, or as specified by contract payment terms.

EDI - The State Electronic Data Interchange program which is a direct deposit method of payment distribution; payroll direct deposit account information is used for distribution of reimbursements to employees.

EIN - Employer Identification Number

Employee Expense Reimbursement - Original multi-part authorized documentation for requesting reimbursement of expenses incurred by an individual while traveling on official State business and for non-travel related expenses reimbursement; this documentation, including itemized, original zero balance hotel bills and receipts as required, provides support for reimbursement of travel and non-travel expenses.

Interagency Transfer Voucher (IAT) - A document generating payment, expenditure credit, or revenue actions between state agencies

IRS Form 1099 - An Internal Revenue Service required document that State agencies must transmit to qualified individuals or vendors who provided certain services that exceeded the annual dollar amount threshold established by the IRS; an electronic copy of this form must also be sent to the IRS.

Organizational Unit - A DOC operating unit, such as a correctional facility, regional office, probation and parole office, Virginia Correctional Enterprises (VCE), Academy for Staff Development, Corrections Construction Unit, Agribusiness Unit, (i.e. Human Resources, Offender Management, Internal Audit)

Organizational Unit Head - The person occupying the highest position in a DOC organizational unit

Payable - Any debt which has not been paid

Payment Due Date -All payments to non-governmental and privately owned businesses for the purchase of goods and services must be due dated. Agencies should assign a payment due date of 30 calendar days after the receipt of the goods, services, or invoice, whichever is later, or the due date specified in the vendor's contract. ([CCAP Topic 20315](#))

Purchase Request - An initiation of a procurement transaction that is documented by submission of an approved Purchase Requisition to the appropriate DOC procuring official

Receiving Report - A signed and dated document prepared by the agency indicating the quantified receipt of the goods/services, its condition, and the time/date of its receipt; Receiving Reports are submitted as hard copy or performed via electronic receiving through the eVA procurement process.

Source Material - Documents used for the fiscal review and management of accounts payable

TIN - Taxpayer identification number; this could be either EIN or SSN (Social Security Number).

Travel Expense Reimbursement Voucher - Original authorized documentation for requesting reimbursement of expenses incurred by an individual while traveling on official State business; this documentation, including itemized, original hotel bills and receipts as required, provides support for reimbursement of travel expenses.

Utility Services - Expenditures for electricity, water, gas, coal, oil, steam, wood fuels, telephone, sewer, and trash removal

Prompt Payment Statutes - Code of Virginia sections that require State agencies to ensure non-state agency and DOA identified state agency payables are processed to create check mailings or EDI transfers no later than 30 days after receipt of the valid vendor invoice, or the goods or service, whichever occurs last, or as specified by contract payment terms. For vendor payments made by check, the postmark date shall be deemed the payment date. For vendor payments made using EDI, the bank settlement date is deemed the payment date.

IV. PROCEDURE

A. Accounts Payable

1. The accounts payable function assures that payment is made only for goods and services received in accordance with specifications; inhibits fraud through separation of the requisitioning, receiving, and procurement duties from the voucher processing duties; reduces delays in payment processing time to enable DOC to take advantage of payment time-discounts; and assures that all organizational units are in compliance with the *Prompt Payment Statutes* . (4-4027, 4-ACRS-7D-22; 1-CTA-1B-02, 1-CTA-1B-05)
2. Agency Personnel Responsibility
 - a. *Primary* - DOC Fiscal Officers and the Director of Financial Services shall be ultimately

responsible for implementing and following these procedures. Organizational Unit Heads shall provide these personnel with the support and authority to ensure effectiveness in compliance.

- b. *Secondary* - All DOC employees shall assist Fiscal Officers in implementing and complying with these procedures.
3. Analysis and Maintenance of Source Material
 - a. The analysis, implementation, monitoring, and maintenance of source material are performed by Fiscal Officers as material is received. This is accomplished to assess the impact of such material on the existing manuals and to ensure agency compliance.
 - b. The DOC Chief Financial Officer shall ensure that current procedures, directives, and regulations are accessible through the DOC Virtual Library. Unit Fiscal Officers shall ensure that paper copies are available at their respective units when electronic documents are unavailable. The following documents are considered to be primary source material:
 - i. Code of Virginia
 - ii. Current Appropriations Act
 - iii. Directives or operating procedures issued by:
 - (a) Department of Accounts
 - (b) Department of General Services
 - (c) Department of Treasury
 - (d) Virginia Information Technology Agency (VITA)
 - (e) Secretary of Public Safety
 - (f) Executive Orders of the Governor
 - (g) Department of Corrections
 - (h) DOC General Accounting

B. Compliance Procedures for Receipt of Goods and Services

1. Each organizational unit shall comply with the [DOA Receiving Report CAPP Policy 20305](#) regarding receipt and payment for invoiced materials, equipment, supplies and services. The following are additional DOC requirements.
 - a. A [Cardinal Receiving Report 210_F6](#) should be completed on the same day (but no later than the next working day), upon receipt of the properly purchased good or service. An organizational unit may not wait until receipt of an invoice from the vendor to complete this report.
 - b. No organizational unit may approve an invoice for payment without first completing a proper receiving report, (proper receiving report is defined as goods/services verified on date of receipt and report completed in total, signed and dated at the time of verification), or obtaining a delivery ticket or packing slip containing the same information as the receiving report and bearing the signature of an authorized agency receiving official, or an authorized individual who was associated with all materials, equipment, supplies, or services covered by the invoice were received in accordance with specifications.
 - i. Where applicable, receiving may be performed through eVA electronic receiving process.
 - ii. Where the number of employees available permits segregation of duties, the authorized official or individual signing the receiving reports should be independent of the purchasing and accounting functions.
 - iii. The Unit Head and other authorized staff member who sign the Accounts Payable certification must be the same persons whose names and signatures appear on the Authorized Signatories form submitted to the Department of Accounts (DOA). ([CCAP Topic 20305](#)) ([4-4027](#), [4-APPFS-3D-23](#), [2-CO-1B-05](#), [1-CTA-1B-02](#))
2. DOC purchasing procedures may be found in Operating Procedure 260.1, *Procurement of Goods and Services*. These procedures have been developed in compliance with guidelines issued by the Division of Purchases and Supply in accordance with the [COV §2.2-4300](#), [§2.2-4343](#) and [§53.1-179](#). Authorized individuals making purchases shall instruct vendors to forward state or vendor invoices directly to the organizational unit's designated accounting office for invoice processing.

3. Each organizational unit shall ensure that its invoice processing procedures require that the receiving report, purchase order, and original requisition, if applicable, are obtained, matched, and compared to each corresponding vendor invoice prior to the voucher's approval for payment. Invoice verification should include comparison of contract terms upon which the purchase order was based.
4. Each organizational unit's accounts payable office shall take an active role in developing specific guidance stressing the importance of timely processing of vendor invoices and receipt certification in accordance with all provisions of the Prompt Payment Statutes.
 - a. Each accounts payable office shall routinely review invoices and receiving reports to verify that timely payment processing is taking place.
 - b. Each organizational unit should make every effort to accurately date stamp the invoice to coincide with the actual date of receipt of the invoice.
5. Each vendor invoice is considered a separate payment and should be due dated and processed independently of other invoices. If contract provides for partial deliveries separate payment dates may be specified. The [Purchase Order Spend Down Tracking Sheet 210_F10](#) may be used to assist in keeping a running balance of the remaining funds and time available against the specified purchase order number and to assist in tracking when and if changes or a new purchase document in necessary.
6. Organizational unit heads should submit approved, signed/dated invoice(s), with supporting documentation, as described in the *Automated Accounting Voucher Payments* Section of this operating procedure to their respective Accounts Payable Office as soon as possible after receipt of the invoice(s), but no later than three work days after the receipt date stamped on the invoice(s).
7. Each organizational unit should submit documents in a manner consistent with established policies and procedures to maintain a minimum 95 percent time and accuracy rate.

C. Automated Accounts Payable Processing

1. DOC units shall use the accounting forms located in the Virtual Library to initiate payment or billing for goods or services.
2. The Fiscal Officer shall ensure that the assigned accounts payable staff monitors, audits, and enters into the automated accounting system all accounting transaction data for payment of goods or services received or travel reimbursement payments in conformance with all relevant CAPP Manual topics.
3. If the automated accounting system is unavailable for a predetermined extended period of time, i.e., a week or more, it is the responsibility of the Fiscal Officer to contact the Manager of Pre-Audit and Compliance, Department of Accounts, to make arrangements for alternate data entry of all accounting documents into the system.
4. Prior to transmittal to the organizational unit's respective accounts payable office or release of payable documents to DOA, the payment request package must include the following:
 - a. Original invoice
 - i. Authorized original vendor invoice
 - ii. If an original invoice has not been received, the organizational unit should contact the vendor and request a copy of the original invoice. The organizational unit should stamp the invoice as "Certified Copy." The "required" payment due date should be calculated from the date the invoice copy is received from the vendor.
 - b. Approval signature and agency stamp-in date on the vendor invoice is used to verify payment due date
 - c. All signatures must be dated
 - d. Completed receiving report where required by [CAPP Topic 20320](#)
 - e. Approved purchase documentation, if applicable

- f. Completed distribution coding sheet and [Cardinal Distribution Continuation Sheet](#) 210_F8 if needed.
5. The Receiving Report preparation and submission shall comply with DOA CAPP Topic 20305 and the *Compliance Procedures for Receipt of Goods and Services* Section of this operating procedure.
6. It shall be verified that a Purchase Order (PO) or Contract, has been assigned for the goods or services received.
 - a. If no Purchase Order or Contract is recorded on the receiving report or invoice, the appropriate agency personnel responsible for generating such documents (e.g., Purchasing Office) shall be contacted. The only time there should not be a Purchase Order is if something is on the Demand Payment List. (see Operating Procedure 260.1, *Procurement of Goods and Services*)
 - b. End users must submit a Purchase Order number (PO#) before authorizing a vendor to provide goods or services (with the exception of those good and services listed on the Demand Payment List). Any goods or services received without a purchase order will be reported to Executive Management on the non-compliant report.
 - c. The payment to the vendor must not be held if such numbers are missing. The payment shall be processed as required and the PO attached to the master file copy when obtained from the respective organizational unit purchasing office. (see Operating Procedure 260.1, *Procurement of Goods and Services*)
7. All coding on the *Distribution Coding Sheet* must be verified prior to transmitting to accounts payable or the Department of Accounts (DOA). Unlike *Travel Reimbursement Vouchers*, Transaction Codes may vary; [CAPP Manual Topic 60103](#) or the accounts payable office may be referred to as necessary.

D. Expenditures for Refreshments or Meals at Meetings

1. This section does not apply to conferences.
2. The CAPP manual ([Topic 20310 Subsection 606](#)) disallows the expenditure of state funds for snacks/refreshments at ongoing, recurring meetings of short duration. Regularly scheduled staff meetings and in-house training are considered ongoing and do not typically qualify for provision of refreshments or meals.
3. Generally, meetings of a non-recurring, non-routine nature involving significant resources and time may allow for expenditures for refreshments to allow participants to accomplish meeting objectives in a more timely and efficient manner.
 - a. Written expenditure approval shall be obtained prior to the meeting. A brief letter shall be sent by the organizational unit to their respective Chief of Corrections Operations or Deputy Director detailing the anticipated expenses, the meeting's purpose and confirmation of the requirements:
 - b. In order for a meeting to qualify, a majority of the following requirements should be met.
 - i. The meeting must be for planning a major event or project, resolving a significant issue or revision/creation of a critical policy/procedure, and the meeting should encompass significant time and resources.
 - ii. Generally, the purpose of the meeting should relate to an issue having a definitive beginning/end date, and be of a non-routine and non-recurring nature.
 - iii. Time constraints or location would not allow time for refreshment breaks without impeding the effectiveness of the meeting.
 - iv. The meeting should generally involve executive staff, upper management staff or staff invited from other field locations.
 - v. A meeting where participants are required to travel from a distance that would require expenditure of overnight travel related funds, and where it would be more cost effective to provide meals versus paying lodging and per diem expenses.
 - vi. The meeting length must be no less than one half business day.

- vii. Meetings must be infrequent.
 - viii. Any meeting cost shall be charged to the cost code requester.
4. Cognitive Programs and Educational Programs Graduation Ceremonies
- a. All graduations expenses must be approved by the Regional Operations Chief prior to ordering food and at least one month prior to the event.
 - b. Graduations should be limited to twice a year at each facility.
 - c. Expenses for the event will be charged to the Cardinal account code 55012640.
 - d. The DOC Director of Food Services has established a selection of approved standard menus (see Attachment 1, *Offender Graduation Event Menus*) for all graduations. No deviations are allowed. Forward any questions to the DOC Director of Food Services.
- E. Travel Reimbursement Vouchers (4-APPFS-3D-23)
- 1. DOC staff shall be required to maintain current address and payroll banking information which is used for payment via the State Electronic Data (EDI) Interchange Program for receipt of reimbursements. Contact the DOC Agency EDI Coordinator in the General Accounting Office for assistance with, payment receipt and exception issues.
 - 2. For submission requirements, refer to the current State Travel Regulations CAPP policies 20335, 20336 and 20360 on the Department of Accounts website, www.doa.virginia.gov; and Operating Procedure 110.2 *Overtime and Schedule Adjustments* and Operating Procedure 240.1 *Travel*.
 - 3. The Department of Corrections uses a consolidated billing and payment method through assigned charge cards for acquisition of airline tickets. Contact the appropriate cardholder in Office of the Director, Chief of Corrections Operations, Deputy Directors, or Regional Offices for guidance and assistance with airline ticket acquisition.
- F. Petty Cash Reimbursement Vouchers
- 1. Refer to the CAPP Topic 20330 and Operating Procedure 210.5, *Petty Cash*, prior to processing.
 - 2. It is the responsibility of the Organizational Unit Fiscal Officer to ensure the following:
 - a. The Reconciliation of Account section is completed
 - b. The body of the voucher (date of payment, petty cash number, payee, amount) is audited
 - c. All appropriate receipts are attached
 - d. Coding is correct
 - e. Approval signature is correct and is dated
- G. Interagency Transfer Vouchers (Refer to CAPP Topic 20405 for current State requirements) (2-CO-1B-05; 1-CTA-1B-02)
- 1. *Charge Agency* - Prior to transmittal to DOA, it is the responsibility of the Organizational Unit's Fiscal Officer to review for the following:
 - a. Goods or service delivery date is correct
 - b. Goods or service is correctly described
 - c. Quantity, pricing, and amount are correct
 - d. Credit line of coding is complete
 - e. Debit line of coding is correct
 - f. Appropriate support documentation as applicable, (i.e., receiving report, PO) is attached
 - g. Approval signature is present and is dated
 - h. Total of the debits and credits is equal. Agency total is the total amount certified for payment.
 - 2. *Credit Agency* - Prior to transmittal to the charge agency, it is the responsibility of the credit agency to ensure that the following is complete:

- a. Name and code of agency supplying goods or services
 - b. Address of agency
 - c. Name, address, and code of charge agency
 - d. Invoice number and date
 - e. Purchase Order number
 - f. Description of goods or services
 - g. Pricing information
 - h. Total dollar amount
 - i. Distribution coding line
3. The charge (debit) agency normally batches and processes IAT documents, but the credit agency, with prior approval from the Director of General Accounting, Department of Accounts, may batch and process the documents.
- a. If the credit agency processes the documents, the credit agency shall ensure the validity of the charge agency's distribution coding.
 - b. The credit agency shall notify the DOC debit Agency in writing that a batch has been processed.
 - c. This notification should be sent no later than one working day after the batch is transmitted. The notification shall include a copy of the voucher and supporting documentation.

H. Agency Transfer Vouchers

1. Refer to DOA CAPP Topic 20410 for current State policy requirements.
2. Prior to processing the [DOC to DOC ATA Transaction 210_F7](#), the Fiscal Officer shall ensure that all coding is appropriate, and the total of all debits and credits equal.

I. Internal Control Standards

1. Accounts Payable internal control responsibility rests with management, in accordance with Operating Procedure 210.1, *Internal Fiscal Controls*.
2. Management helps to ensure that resources are protected, reports are reliable, policies and procedures are followed, and operations are conducted effectively and efficiently
3. Each Organizational Unit Head shall make all reasonable efforts to comply with Operating Procedure 210.1, *Internal Fiscal Controls*.
4. Internal controls will provide reasonable, but not absolute, assurance that the objectives will be accomplished.
 - a. This standard recognizes that the cost of internal controls should not exceed the benefits to be derived from the controls.
 - b. The benefits consist of significant reductions in the risks of failing to achieve the stated objectives.

J. Prompt Payment Statutes Compliance (Refer to the DOA CAPP Topic 20315 for current State policy requirements)

1. The DOC Director, DOC Chief Financial Officer, and Organizational Unit Heads have the responsibility to ensure DOC compliance with the *Prompt Payment Statutes* [COV §2.2-4347](#) through [§2.2-4356](#).
2. The State Comptroller has established a minimum 95% compliance level as the acceptable standard in meeting prompt payment. In order to meet or exceed this level, all payments that require a due date must be processed to ensure a check is released no more than 30 days from receipt of goods or services, or the receipt of the invoice, whichever is later, or as specified by contract.
3. Organizational unit fiscal officers may process payments earlier than the required payment due date,

if the vendor's cash discount terms are advantageous.

4. If an organizational unit falls below the acceptable compliance level, a work plan must be prepared by the organizational unit's Fiscal Officer and submitted to the DOC General Accounting Unit, and the DOA Manager, Pre-Audit and Compliance. The work plan must provide workable solutions and alternatives, and milestone dates of completion in correcting those situations which caused the non-compliance.
5. Organizational unit Fiscal Officers must ensure that their respective organizational unit annual compliance rate averages 95% or more each fiscal year. For example: if 1 month is 90%, then another month must be 100% in order to average to 95%. The DOC Director of Financial Services or the DOC Chief Financial Officer should be consulted when an agency Fiscal Officer determines external assistance is required to ensure compliance.
6. Organizational unit Fiscal Officers must review the weekly/monthly *Payments Made After the Due Date Report* and monthly *Due Date Monitoring Report* for compliance with the *Prompt Payment Act*.
7. For vendor payments made by check, the postmark date shall be deemed the payment date. For vendor payments made using Financial EDI, the bank settlement date is deemed the payment date.
8. How payment due date affects the *Prompt Pay Report*:
 - a. All payments to non-governmental and privately owned businesses for the purchase of goods and services must be due dated. Organizational units should assign a payment due date of 30 calendar days after the receipt of goods, services, or invoice, whichever is later, or the due date specified in the vendor's contract.
 - b. For disputed invoices, organizational units should assign a due date of 30 calendar days following the date the payment dispute is resolved with the vendor. However, in circumstances where an invoice has already been delayed more than 30 calendar days, and a contractual agreement exists with vendor, or vendor relations are in jeopardy, an earlier due date may be assigned to expedite the payment
 - c. For utility payments different procedures may be required when due dating and processing these invoices. Generally a contract or agreement containing the rates and payment terms must be signed whenever a service is initiated with a utility company. This contract continues in effect until the service is terminated. Thereafter, changes in utility service rates, late payment fees, and billing practices are communicated through enclosures in the vendor's monthly billing statement. Organizational units should apply the following due dating practices when processing utility payments:
 - i. *Governmentally owned and operated utility companies.*
 - (a) These are not subject to the *Prompt Payment Statutes*. Therefore, payment is generally required by the due date specified on the utility's invoice. A due date of approximately 5 working days earlier than that specified on the invoice should be assigned to ensure adequate time for central processing and to prevent the payment from appearing on the organizational unit's late payment reports.
 - (b) If such a practice is not feasible, an alternative procedure that identifies the utility payment upon receipt and expedites invoice processing must be implemented. Such payment alternatives may include paying by EDI or establishing a budget plan allowing organizational units to pay by predetermined due date, a fixed amount, for a twelve month period. At the end of the twelve month period, an analysis of the organizational unit's utility expenses would be performed to determine if a payment adjustment is required.
 - ii. Organizational units that have contracted with public utility companies to provide utility services should process payments by the due date specified in the contract.
 - (a) Often the specified payment due date is 10 to 20 calendar days following the vendor's billing date. As a result of mail delays and the internal routing of utility invoices for approval of utility invoices for approval and payment, organizational units have little time

for payment processing. Therefore, internal procedures should be established for identifying and expediting utility payments to avoid late payment penalties.

(b) Additionally, [COV §2.2-4348](#) states, "The provisions of this article shall not apply to the late payment provisions contained in any public utility tariffs prescribed by the State Corporation Commission." Therefore, the public utility companies have the authority to assess late charges and fees for payments received after their specified due date.

iii. Utility companies that are not included in the first two categories are subject to the due dating requirements of the Prompt Payment Statutes. Therefore, agencies should calculate the payment date to be 30 calendar days from the date the agency receives the invoice.

9. *Interest Payments* - The Code of Virginia provides that interest shall accrue on all amounts owed by a State agency to non-governmental or privately owned business that remain unpaid for seven days following the required payment due date. The vendor must invoice the agency for the assessed interest charge. DOC fiscal officers should verify the vendor's invoice to ensure the amount of interest assessed is calculated at the appropriate rate and from the first day following the required payment due date (31st day). Interest cannot be assessed for payments that are legitimately offset by the Comptroller's Debt Set Off Program. Vendors may ask for interest for those payments that are erroneously offset.

a. Since public utility companies are not subject to the Payment Act, the DOC must abide by the utility's late payment provisions. Therefore, if interest is assessed by a public utility company on a late payment, the DOC is obligated to pay the invoiced amount.

b. Fiscal officers shall use proper sub-object codes indicated in CAPP Manual Topic 20315 when processing interest charges for vendor payments.

K. IRS Form 1099 - Refer to [CAPP Topic 20320](#) for the current regulations related to Information Returns Reporting.

1. It is the primary responsibility of the DOC Financial Systems Manager to ensure the timely preparation and submission of annual IRS Form 1099's. Due to the specific filing requirements of these forms and the changes that occur on an annual basis, it is imperative that the annual procedures memo issued by the DOC Financial Systems Manager be reviewed and followed.

2. Secondary responsibility is assigned to each DOC Fiscal Officer for:

a. Communicating vendor data to the DOC General Accounting Office when a new vendor is to be added to the vendor edit table, no later than one work day after receiving an invoice from a new vendor

b. Making a determination prior to hiring an individual as to whether that individual should be classified as an employee and added to the DOC payroll or paid as a non employee. Refer to [IRS Publication 15 - Circular E, Employer's Tax Guide](#) and [Publication 15-A, Employer's Supplemental Tax Guide](#) for guidance in this matter.

c. Identifying reportable payees who may be:

i. Individuals (non employees)

ii. Sole Proprietors

iii. Partnerships

iv. Medical or legal corporations (for services rendered)

v. Trusts or estates

vi. LLC – single owner, disregarded entity, partnership or corporation base

vii. Corporations are exempt from receiving information returns in most cases. However, legal corporations and medical corporations must receive [1099-MISC Returns](#) for medical and healthcare service payments totaling \$600.00 or more during the calendar year. When reporting payments to medical corporations reported on 1099-MISC, the corporation shall be listed as the recipient rather than the individual providing the services.

d. Identifying all sources of payments and adjustments, including:

- i. Petty cash funds (individual payees)
 - ii. Non-state funds (Commissary funds)
 - iii. Stop payments
 - iv. Voided checks
 - v. Garnishments for non-employees
 - vi. Refunds from payee
 - vii. Debt set off reductions
 - viii. Backup withholding
- e. For withholding of backup withholding taxes, the requirements as stated in CAPP Manual Topic 20320 must be followed.
- f. Keying "Y" in the CARS 1099 indicator field each time payments are made to the 1099 qualified vendors for certain services.
- g. Sending the dollar *Amount Adjustments* (for qualified vendor payments) to the DOC Financial Systems Office on a monthly basis; these adjustments must be sent by the 15th day following the close of the month for each of the months from January to November. The adjustments for the month of December shall be sent to the Financial Systems office by the date as established in the memo issued by the DOC Financial Systems Manager at the end of each calendar year.
- h. Reviewing the DOA monthly report ACTR 3005 and turnaround report ACTR 3000 to verify the correctness of "Y" amounts and "Amount Adjustment" entries, within three work days after receipt.
- i. Maintaining of files for W-9 forms ([Request for Taxpayer Identification Number\(s\) and Certification](#) 210_F1) for all vendors and submitting a copy to the DOC General Accounting Office for new vendors and vendors with TIN or name changes. This form determines who is a qualified vendor for IRS 1099 forms.
- j. If the vendor refuses to provide the W-9 required for TIN verification, the vendor must be contacted by the Fiscal Officer of the agency within 15 working days following the receipt of the invoice to obtain the required payment information. At the time, organizational units should inform the vendor that:
- i. *Delayed Payment* - Their payment will be delayed pending the receipt of the vendor's TIN.
 - ii. *State Law* - Code of Virginia, [§2.2-4354\(2\)](#) requires contracts awarded by State agencies to include a special payment clause which directs individual contractors to provide their SSN, and sole proprietors, partnerships, and corporations to provide their EIN. Invoices for vendors who refuse to provide such information are considered in dispute under the provisions of the *Prompt Payment Statutes*.
 - iii. *Federal Law* - The IRS Code requires vendors to certify that they are not subject to back up withholding taxes. This certification is stated on Form W-9. If a taxpayer does not provide an agency with the required certification, payments to that vendor are considered in dispute and potentially subject to backup withholding taxes.
- k. Documenting the information, if the agency is paying a vendor that positively does not have a TIN, and attaching it to the payment voucher
- l. Sending the year end 1099 "Certification" to DOC Financial Systems office by the due date as annually established and communicated by the DOC Financial Systems Manager.

V. REFERENCES

[Commonwealth Accounting Policies and Procedures Manual \(CAPP\)](#)

Department of General Services, Division of Purchases and Supply: [Agency Procurement and Surplus Property Manual](#),

Operating Procedure 110.2, *Overtime and Schedule Adjustments*

Operating Procedure 210.1, *Internal Fiscal Controls*

Operating Procedure 210.5, *Petty Cash*
Operating Procedure 240.1, *Travel*
Operating Procedure 260.1, *Procurement of Goods and Services*

VI. FORM CITATIONS

[Request for Taxpayer Identification Number\(s\) and Certification](#) 210_F1

[Cardinal Receiving Report](#) 210_F6

[DOC to DOC ATA Transaction](#) 210_F7

[Cardinal Distribution Continuation Sheet](#) 210_F8

[Purchase Order Spend Down Tracking Sheet](#) 210_F10

VII. REVIEW DATE

The office of primary responsibility shall review this operating procedure annually and re-write it no later than three years after the effective date.

Signature Copy on File

5/9/18

N. H. Scott, Deputy Director for Administration

Date