MOM-SFSD-POL-SAB 330-Payments, Suppliers, and Related IRS Reporting

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I. Purpose

This policy provides information and guidance related to the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) Accounts Payable (AP) Module. This policy also covers supplier maintenance, 1099/1042 Internal Revenue Service (IRS) reporting, and other payment-related topics.

II. Scope

This policy applies to all state agencies and component units, excluding community colleges.

III. Policy Outline

[IV. Policy Overview](https://montana.servicenowservices.com/sp#IV)

[V. Vouchers and Payments](https://montana.servicenowservices.com/sp#V)

[VI. Suppliers](https://montana.servicenowservices.com/sp#VI)

[VII. MT Payment Inquiry Screen](https://montana.servicenowservices.com/sp#XII)

[VIII. Express and Pulled Warrants](https://montana.servicenowservices.com/sp#VIII)

[IX. Copies of Cashed Warrants](https://montana.servicenowservices.com/sp#IX)

[X. Payment Cancelation](https://montana.servicenowservices.com/sp#X)

[XI. Warrant Replacement](https://montana.servicenowservices.com/sp#XI)

[XII. Electronic Funds Transfer (EFT) Returns](https://montana.servicenowservices.com/sp#XII)

[XIII. Minimum Refunds](https://montana.servicenowservices.com/sp#XIII)

[XIV. Stale-dated Warrants](https://montana.servicenowservices.com/sp#XIV)

[XV. Forgeries](https://montana.servicenowservices.com/sp#XV)

[XVI. 1099-MISC IRS Reporting](https://montana.servicenowservices.com/sp#XVI)

[XVII. 1042 IRS Reporting](https://montana.servicenowservices.com/sp#XVII)

IV. Policy Overview

The Statewide Accounting Bureau (SAB) serves as the AP helpdesk for the State of Montana, providing support to all agencies and component units. Responsibilities of SAB include overseeing the issuance and reconciliation of payments, IRS reporting, maintaining the State’s supplier system, as well as administration of the State’s stale-dated payment fund.  Throughout this policy the word “warrant” refers to a paper check payment and the word “payment(s)” refers to both warrant payments and Electronic Funds Transfer (EFT) payments.

V. Vouchers and Payments

Agencies are encouraged to use State of Montana procurement cards (PCards) when paying suppliers, except for foreign payments. See section V.(C) below for payments to foreign suppliers. If the use of a PCard is not an option, vouchers must be created to pay suppliers.

Vouchers are created in SABHRS to generate outgoing payments to suppliers. Vouchers are entered by following the path Main Menu>Accounts Payable>Vouchers>Add/Update>Regular Entry. Payments are created the night that vouchers are approved and are transmitted to the payee the following business day. The SABHRS General Ledger (GL) Module journals that are created for a voucher include the following:

1. An “ACC” journal is created when the voucher posts to record the expense.
2. A “PYT” journal is created when the payment posts to record the cash.

For detailed instructions on entering vouchers, visit the SABHRS Documentation web page and review the AP Vouchers Manual or the AP Enter Regular Voucher user guide.

A. Payment Method

Besides PCards, payments to suppliers can be made in the form of a warrant (paper check), EFT, Payment Plus, or Wire Transfer. SAB encourages the use of EFT to process payments as it is more cost-effective for the State and allows suppliers to receive their payments quicker.

1. The payment method is selected on the Payments tab of the voucher in SABHRS.
2. A check can be either a mailer or non-mailer. If the mailer type is chosen, the warrant is mailed directly to the supplier. A non-mailer is delivered to the issuing agency.
3. It is the responsibility of the agency to choose the correct mailing address, as suppliers may have multiple addresses on file.

Suppliers may have various EFT accounts on file. SABHRS uses the location field to identify different accounts using the last four digits of the corresponding bank account number. It is the responsibility of the agency to choose the correct location on the supplier file to make the payment to the correct bank account. If the account is not known, agencies must verify the correct account information with the supplier.

Payment Plus is a method of payment offered by US Bank that sends the payee a one-time use credit card number by email to run for the amount owed. Suppliers must run the card number only one time and for the exact amount owed. If a supplier has elected to participate in the program, this payment method will automatically be selected when entering a voucher.

Requests for outgoing Wire Transfers must be submitted to SAB using the Domestic Wire Transfer or the International Wire Transfer request in ServiceNow. See MOM Policy 325 for additional details.

B. Payment Advice

Payment advice is entered at the discretion of the agency. This information is printed on the advice section of a warrant and is entered on the Payment Advice tab of the voucher in SABHRS. A Taxpayer Identification Number (TIN) is not allowed to be included in any payment advice issued, regardless of payment method. No derivative of such a number is allowed on a payment advice. The advice sent for EFT payments is sent via email to the email address that corresponds to the address selected on the voucher. This email address can be updated using the Supplier Update Form in SABHRS.

C. Foreign Supplier Payments

Vouchers payable to foreign suppliers (government class type 99) are automatically held in SABHRS.  Foreign payments are not created the night that the voucher is approved; they are created the night that SAB releases the hold.  The warrants are then printed the business day following the hold release. Foreign suppliers should not be paid via EFT without SAB authorization.

Agencies are to review the MTAP\_HELD\_VOUCHERS query for held foreign payments. They must then submit the [Foreign Payment Release](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=7bc0fc14db5348509ecc362f7c961900&sysparm_category=e91813c8db4af3009ecc362f7c961995) request in [ServiceNow](https://montana.servicenowservices.com/sp) for SAB to review and release foreign payments. SAB will not release a voucher hold if there is no valid W-8 on file and will contact the paying agencies for an updated W-8. A W-8 is valid from the year in which it is signed plus an additional three calendar years, unless a change in circumstances occurs that makes any information on the form incorrect. Agencies should be sure a valid W-8 is on file with SAB or send one with the Foreign Payment Release request.

SAB also requires invoices for the corresponding foreign payment before releasing the hold on the voucher. Invoices are used to gather information about the payment for IRS reporting purposes (see *1042-S IRS Reporting*). Invoices for foreign payments are to be attached to the [Foreign Payment Release](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=7bc0fc14db5348509ecc362f7c961900&sysparm_category=e91813c8db4af3009ecc362f7c961995) form in ServiceNow. SAB may reach out to agencies for additional information about foreign payments to ensure reporting and withholding IRS guidelines are met prior to payments being released.

It is prohibited to use a state PCard to make payments to foreign suppliers unless the charges are related to travel expenses or are otherwise approved by SAB.

D. Internal Payments

Agencies are not allowed to pay each other, or themselves, with warrants or EFT payments and must use a SABHRS GL module inter-unit (IU), statewide interface (SWI) journal, or a state PCard (if acceptable by the receiving agency). An exception to this rule is when the money is being paid from the Department of Labor and Industry’s Unemployment Insurance Fund (UI) to any other state fund, as UI has a separate bank account that is not attached to the main state account. SAB may approve other limited exceptions.

If a state PCard is used to pay another agency, the receiving agency must agree to pay the interchange fees associated with the underlying transaction. All PCard payments must be in compliance with the MOM Procurement Card Program policy.

E. Department of Revenue (DOR) Offset

If a supplier owes money to the State of Montana, DOR has the ability to offset payments made to that supplier to pay the debt owed. The amount that a payment is offset depends on the amount owed. Payments may be partially or fully offset. If an offset occurs, it will be noted on the Payments tab of the voucher. At the bottom of this page is a section called, "Schedule Payment". Under the Action field, you will see an "Offset" indicator with "Yes" next to Offset. If you see this "Yes," and that the payment reference ID is blank, you know your voucher was fully offset and no warrant was created. If you see this "Yes," and a payment reference is shown, you know your voucher was partially offset. If a partial offset occurs, an additional line shows on the payment details of the MT Payment Inquiry Screen with the offset amount.

The payee and/or the agency must work with DOR to get the details of the offset. For questions regarding payments that have been fully or partially offset, please contact DOR Other Agency Debts line at 444-3900. You can also email DOR at DOROtherAgencyDebts@mt.gov

F. IRS Levy and Held Payments

Periodically, SAB receives levy notifications from the IRS. Levies are served when a supplier is indebted to the IRS. Funds owed to the supplier by the State of Montana on the date that the levy is served are subject to transfer to the IRS. Upon receiving an IRS levy, SAB enters the levy information into the DOR offset system. This process will hold funds from any payments made to the supplier that day, up to the amount of the debt shown on the levy. Any offset payments are reviewed by SAB the following business day. If necessary, offset funds are transferred to the IRS. The offset process will only be active on the date that the levy is served.

SAB has the authority to withhold, either permanently or temporarily, or re-route payments issued to suppliers by agencies, in order to comply with MCA or other federal requirements. SAB will inform the respective agency as these situations materialize.

G. EFT Payment Hold

To assist in the mitigation of fraud, certain EFT payments are held for review prior to being released for payment. EFT payments held will include those made over a certain dollar amount that is being paid to a bank account that has not been used previously by the supplier. The dollar amount threshold for the hold process is determined by SAB management. The MTAP\_HELD\_VOUCHERS query can be run daily to determine if your agency has any vouchers being held. Paying agencies of held EFT payments must verify the banking information with the supplier. The verification must be done with a separate phone call to the supplier using a phone number confirmed as belonging to the supplier. The agency must then submit an [EFT Payment Release](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=2c99f74cdb9b08509ecc362f7c9619bd&sysparm_category=e91813c8db4af3009ecc362f7c961995) request in ServiceNow to notify SAB of the verification, including the person that was communicated with, the phone number that was used, and the date of the contact. Once SAB receives the request, the payment will be released.

Agencies adding or updating banking information for a supplier are responsible for any fraudulent activity that may happen as a result of the change. Agencies are also required in accordance with MCA 5-13-309 to "...notify both the Attorney General and Legislative Auditor in writing upon the discovery of any theft, actual or suspected, involving state money or property under that agency's control or for which the agency is responsible."

H. Single Payment Voucher (SPV)

The SPV process can be used only upon approval from SAB. It is used in instances in which an agency is unable to obtain a TIN from a supplier, the payment is infrequent in nature, and the payment is not subject to offset or IRS reporting. SPV is not permitted for payment for goods or services. Approval may be requested and considered for insignificant payments that are required in circumstances when obtaining TIN information is impractical or impossible. Examples include small-dollar refunds, overpayments, or payments received in error. Other situations will be considered on a case-by-case basis.

1. Requests to use SPV must be submitted on a [Single Payment Voucher (SPV) Request](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=551911de1b9dd41049e0ed3ce54bcb9c&sysparm_category=e91813c8db4af3009ecc362f7c961995) in ServiceNow.
2. Agencies must submit a SABHRS Business Unit request in ServiceNow (if one is not already established) to create a unique business unit for the purpose of SPV payments. The business unit is chosen based on availability.
3. Approved SPV payments must be processed using the assigned BU approved by SAB.
4. Individual users need specific SABHRS security to enter SPV payments (FS31).
5. Supplier information entered for SPV payments is only stored and secured within the voucher, not within the STATE supplier file.
6. The payment advice of an SPV payment must contain details of the payment and justification for using the SPV process.

For detailed instructions on entering a SPV payment, visit the SABHRS Documentation webpage and review the AP Enter Single Payment Voucher user guide. Approval for the use of SPV regarding interface files is based on the business process concerning routine payments and the agencies’ inability to obtain a TIN. For example, a TIN cannot be collected or shared by the agency due to a specific statute or federal regulation. For SPV interface requirements, visit the SABHRS Documentation webpage and review the IN–Accounts Payable Load document.

VI. Suppliers

This section addresses the State Supplier File requirements and information needed to process suppliers in SABHRS.

A. Consolidated Supplier File

The State has only one supplier file, thus all suppliers are created using the Remit SetID STATE. The only exception is if an agency has been approved by SAB to use the SPV process.

1. Agencies are required to research a supplier’s status in SABHRS before requesting an addition or update. Existing suppliers can be researched in SABHRS by following the path Main Menu>Suppliers>Supplier Information>Add/Update>Supplier OR Menu>Suppliers>Supplier 360 to search based on address.
2. A supplier may be paid by multiple agencies. Multiple agencies may request changes to the same supplier. Agencies are responsible for choosing the correct payment information when creating a voucher for a supplier.
3. Suppliers are matched by TIN, therefore, a TIN is required to add a new supplier. For foreign suppliers see section D. *Foreign Suppliers* below.
4. Only one supplier account is allowed per TIN. New supplier requests are denied if the TIN already exists in SABHRS.
5. When a new supplier is added to SABHRS (interface included) a supplier ID is generated by the system. The supplier ID cannot be a TIN.

B. Adding a New Supplier in SABHRS

New suppliers can be requested using the Supplier Add Form in SABHRS by following the path Main Menu>Suppliers>Supplier Information>Add/Update>Supplier Add Form.

1. Required fields on the form are noted by an asterisk.
2. The Attachments tab is used to attach necessary documentation including an IRS Form W-9 or Form W-8 and/or Form 204 – Electronic Funds Transfer Sign Up for EFT payments. A W-9 is required to add a new domestic supplier. A W-8 is required to add a new foreign supplier. These forms and their instructions can be found at [www.irs.gov](http://www.irs.gov/).
3. IRS forms and backup documentation sent by suppliers must be retained at the agencies in accordance with Secretary of State records retention schedules, and accessible for inquiries.
4. [Form 204–EFT](https://sfsd.mt.gov/SAB/AgencyResources/204---Electronic-Funds-Transfer-Sign-Up-2019.pdf) Sign-Up is required to add banking information for electronic payments.
5. The Instructions tab contains detailed instructions for submitting the Supplier Add Form.
6. Once the form is saved, it is submitted to SAB for review and approval. If approved, the supplier is automatically added to SABHRS. The requestor gets an email notifying of the approval, and the email includes the new supplier number.
7. If a supplier add request is denied by SAB, a comment is left on the approval page in SABHRS explaining the reason for denial and is also emailed to the requestor.

C. Updating an Existing Supplier in SABHRS

Existing suppliers can be updated using the Supplier Update Form in SABHRS by following the path Main Menu>Suppliers>Supplier Information>Add/Update>Supplier Update Form.

1. Required fields on the form are noted by an asterisk.
2. To update Address 1 or change the name of a supplier, a W-9 or W-8 is required. Address 1 is where all 1099 forms are mailed. A supplier update request will be denied if the correct documentation is not attached. The Attachments tab is used to attach necessary documentation for the update.
3. IRS forms and backup documentation sent by suppliers must be retained at the agencies in accordance with Secretary of State records retention schedules, and accessible for inquiries.
4. The Instructions tab contains detailed instructions for submitting the Supplier Update Form.
5. If a supplier has changed their TIN, a new supplier account must be requested for the new TIN. Please help keep our supplier records clean. If a supplier is no longer valid, let SAB know so that the invalid supplier account can be inactivated.
6. Form 204–EFT Sign-Up is required to add/edit banking information for suppliers to receive electronic payments. Agencies are responsible for removing invalid supplier banking information.
7. The Supplier Update Form contains a More Information box that can be used by agencies to explain the changes being made.
8. Once the form is saved, it is submitted to SAB for review and approval. If approved, the changes then reflect on the supplier account in SABHRS. The requestor also receives an email notifying of the approval.
9. If a supplier update request is denied by SAB, a comment is left on the approval page in SABHRS explaining the reason for denial and is also emailed to the requestor.

D. Foreign Suppliers

A completed and signed IRS Form W-8 must be obtained from a foreign supplier before the supplier is added to SABHRS. Foreign suppliers must be entered with a government class type 99.

1. Foreign suppliers can be entered in SABHRS without a TIN if, by law, the supplier is not required to have a United States (U.S.) TIN.  A W-8 must still be obtained from the supplier. Per the IRS, all foreign payments are deemed reportable and/or taxable until proven otherwise. A W-8 is the primary way to determine the status of a foreign supplier to determine the reportability of payments.
2. Agencies may receive W-8s from foreign suppliers by mail, fax, or secure email. For a non-individual entity, agencies must establish that the individual that furnishes the form is an owner or employee of the entity.  If an agency accepts W-8s by fax or secure email, the following IRS guidelines must be followed:
3. If received by fax: Ensure that the form was faxed by the individual or entity named on the form by getting verbal or email confirmation. Document who gave the confirmation and the date.
4. If received by secure email: match the sender’s email address to the email address in the agency’s files. Get verbal or email confirmation from the entity or person named on the form that they intended to send the form. Document who gave the confirmation and the date.

Listed below are the available W-8 forms. Be sure to collect the form applicable to the situation and the supplier.

Form W-8BEN/W-8BEN-E (Beneficial Owner)

1. Entities or individuals not eligible for the other W-8 forms should use the W-8BEN for individuals or the W-8BEN-E for entities.
2. Used primarily by entities and individuals to claim foreign status or treaty benefits.
3. No U.S. or foreign TIN is required if the form is being used simply to document a supplier’s foreign status as a non-U.S. person (i.e., there are no treaty claims or payment is documented as non-U.S. source income). A U.S. or foreign TIN is required if a supplier is claiming tax treaty benefits for exemption or reduction of tax withholding.
4. IRS Form 8233 must be used by individuals making treaty claims on U.S. source services income.  The form must be original and signed by both the beneficial owner and the payer. It is sent to the IRS for verification of treaty claims within five days of payer’s acceptance, and the IRS has ten days to respond. The agency can assume that the treaty claim is valid if no response is received within that time.

Form W-8ECI (Effectively Connected Income)

1. Entities conducting business activities within the U.S.
2. U.S. TIN required for exemption or reduction of tax withholding.

Form W-8EXP (Exempt Certificate of Foreign Government or Other Foreign Organization for United States Tax Withholding)

Limited application by the following entities: foreign governments, foreign tax-exempt organizations, foreign private foundations, government of a U.S. possession, or foreign central bank of issue.

Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-Through Entity, or Certain U.S. Branches for United States Tax Withholding)

For more information on W-8s, visit www.irs.gov. See *Foreign Supplier Payments*for specific information regarding payments made to foreign suppliers.

E. Interface Supplier File Requirements

Suppliers that are directly interfaced into SABHRS are independently added and do not go through the supplier add/update process outlined above. Agencies that interface suppliers are responsible for verifying the accuracy of the supplier information in their file, as well as maintaining banking information including removing invalid locations no longer used. IRS forms and backup documentation sent by suppliers must be retained at the agencies in accordance with Secretary of State records retention schedules, and accessible for inquiries. For complete instructions on requirements for interface systems into the Accounts Payable Module in SABHRS, visit the SABHRS Documentation webpage and review the IN–Accounts Payable Load document.

F. Protecting Supplier Information

All personal identifiable information (PII) shall only be transferred to an appropriate recipient via File Transfer Service. Examples of common supplier documents containing PII include W-8, W-9, and Form 204-EFT Sign-up. For additional information about this requirement, see [MOM-SITSD-STD-Acceptable Use of IT Resources Standard](https://montana.servicenowservices.com/sp?sys_kb_id=081c0a361b441d50ed0ca64ce54bcb12&id=kb_article_view&sysparm_rank=1&sysparm_tsqueryId=cdb324901b262150135cebdbac4bcbfc).

VII. MT Payment Inquiry Screen

Throughout this policy, the MT Payment Inquiry Screen is referenced for research and confirmation of payments and can be a useful tool for agencies.

1. Navigate to the following SABHRS path: Main Menu > Accounts Payable > Review Accounts Payable Info > Payments > MT Payment Inquiry.
2. One or more of the following fields are required to search for a payment:
   1. The payment reference ID (warrant or payment number) including all leading zeros in the Payment Reference box.
   2. The supplier ID including all leading zeros in the Remit Supplier box.
   3. The supplier name in the Supplier Name box.
3. Other search criteria may be used to narrow results.
4. The Remit SetID defaults to STATE. Universities and other limited exceptions may use a different SetID.
5. Click the Search button to reflect the results.

VIII. Express and Pulled Warrants

A. Express Warrants

Express warrants may be requested on limited occasions when a warrant is needed same day. Requests are made using the [Express Warrant Request](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=f2a7f915dbcf08109ecc362f7c9619f1&sysparm_category=e91813c8db4af3009ecc362f7c961995) in ServiceNow. The request must be submitted to SAB by 12:30 p.m. on the day the warrant is needed.

1. The supplier must be in SABHRS. If not, the supplier must be added before a warrant can be issued. See *Adding a Supplier*for more information. Contact SAB to ensure the supplier is added as soon as possible in order to issue an express warrant.
2. The requesting agency must enter the voucher into SABHRS, and it must be approved and budget checked before an express warrant can be issued. The voucher must be marked as a non-mailer.
3. Upon submitting the request in ServiceNow, call 406-444-3092 to confirm receipt of the request.
4. State Print & Mail delivers express warrants to SAB. SAB notifies the requesting agency via ServiceNow when the warrant has been delivered. Only personnel authorized to pick up warrants can pick up express warrants from SAB.
5. Express warrants cannot be cashed until after 4:00 p.m. on the date of issue due to banking requirements.

B. Pulled Warrants

In the event that a warrant needs to be pulled before being mailed, the requesting agency must submit the [Pulled Warrant Request](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=5d1d18721b6098100b73a8efe54bcb35&sysparm_category=e91813c8db4af3009ecc362f7c961995) in ServiceNow no later than 10:00 a.m. SAB contacts the requesting agency once the warrant has been delivered to SAB. At that time, the warrant may be picked up by personnel authorized to pick up warrants from SAB.

IX. Copies of Cashed Warrants

Copies of cashed warrants are provided to the agencies by request only. These copies may be used as proof of payment. Requests for copies of cashed warrants are submitted using the [Copy of Cashed Warrant](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=14f9e887db7e7b009ecc362f7c9619b1&sysparm_category=e91813c8db4af3009ecc362f7c961995) request in ServiceNow. Images are only available for the last seven years.

X. Payment Cancelation

Payments may be canceled if they are issued in error (incorrect amount, wrong payee, duplicate payment) and are still outstanding. Per MCA 17-8-306, it is prohibited to cancel payments that are still due to the payee including lost, stolen, or destroyed warrants. These payments must be reissued as outlined in *Warrant Replacement*. Agencies are responsible for canceling warrants issued in error and for determining which employees can cancel warrants in SABHRS. The ability to cancel warrants is determined by having the SABHRS FS role of “FS Agency Cancel Payments.”

Payments are canceled by following the SABHRS path: Main Menu > Accounts Payable > Payments > Cancel/Void Payments > Agency Cancel Payments Search. Upon cancelation of a warrant the SABHRS overnight batch process automatically reverses the accounting entries of the original warrant. If the original voucher was marked 1099-MISC reportable, the system also reverses that amount. Once a cancel has been processed through the overnight batch process, it cannot be reversed, and a new warrant must be issued if a cancelation was done in error. The cancelation process is a two-night process. The following SABHRS GL Module journals are created during the cancelation process:

1. A “CAN” journal reverses the cash from the original warrant processing ("PYT" journal). The CAN journal is generated during BATCH on night one
2. A “CLO” journal reverses the expense from the original warrant processing ("ACC" journal). The CLO journal is generated during BATCH on night two.

Cancelation of EFT payments must be done by processing a manual return with the assistance of SAB. It is not a guarantee that SAB can retrieve the funds from these types of cancelations. To request a manual EFT return, submit the Manual EFT Return request in ServiceNow.

A. Confirming a Cancelation

Agencies may use the MT Payment Inquiry screen to verify that a payment has been canceled. The following information reflects once a payment has been successfully canceled:

1. A cancel date on the right panel of the screen;
2. “Void” in the pay status field; and
3. “Close” in the cancel action field.

Agencies may also use the query MTAP\_PMT\_CLOSED\_CURRENT\_DAY to view payments that have been canceled.

B. State Payroll Warrant Cancelation

The cancelation of payroll warrants issued in error must be initiated through the SHRD at 406-444-3871.

C. Warrants Already Written (WAW) Cancelation

To cancel a payment that was not processed through the SABHRS AP module (WAW), agencies utilize the Agency Cancel Payments Search page as noted above. The accounting entries for WAW cancelations are not automatically processed in SABHRS. SAB staff sends WAW cancelation information to respective agencies in a monthly spreadsheet.  Those agencies enter the account and fund that cancelations are to be directed, return the spreadsheet to SAB, and SAB creates the journals to return the funds to the agency. Agencies may use the query MTAP\_WAW\_CANCEL\_PAYMENTS to view WAW payments that have been canceled.

D. Offset Payment Cancelation

When a payment is offset by DOR, the funds are held in a DOR holding account for 30 days or until DOR uses the funds to pay another agency debt.

1. A payment that has been fully offset cannot be canceled. The agency must work with DOR.
2. If an agency cancels a warrant that has been partially offset, the full amount of the payment is returned to the issuing agency. The offset amount is journaled to the agency from DOR and the payment amount is journaled to the agency in the CAN/CLO journals.
3. If a partially offset EFT payment needs to be canceled, the agency must work with both SAB and DOR to retrieve the funds. It is not a guarantee that the funds can be retrieved for EFT payments.
4. DOR reviews canceled offset payments daily. No action is needed unless DOR finds that an offset payment has been canceled and the funds from the offset are no longer in the holding account or have already been used to pay another debt.  In that case, DOR contacts the agency to discuss how to proceed.
5. For questions about offset payment cancelation, contact DOR's Other Debts line at 444-3900. You can also email DOR at DOROtherAgencyDebts@mt.gov.

XI. Warrant Replacement

As defined in MCA 17-8-306, replacement warrants are issued for warrants that have been lost, stolen, or destroyed. The payee is considered entitled to these funds and the payment cannot be canceled and reissued by the agency. An exception exists for payments that have been previously offset by DOR, in which case, the payment must be canceled before being reissued (see *Payment Cancelation*).

Prior to initiating a replacement, the issuing agency must verify that the payment is unreconciled using the MT Payment Inquiry screen. The agency then works with payee to complete Form 212 – Standard Reissue. The payee must sign the form in front of a notary public. If possible, payee should return the Form 212 directly to the issuing agency, who will complete the [Payment Reissue Form 212](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=a6602f451bfbd9100b73a8efe54bcb02&referrer=popular_items) in ServiceNow, so SAB can process and reissue the warrant. If completed forms are returned to SAB, SAB completes the Payment Reissue Form in ServiceNow. The replacement process involves reissuing the payment using the original voucher and marking the replacement as a non-mailer. Replacement payments cannot be reissued via EFT, to another supplier name, or for a different amount. The following SABHRS GL Module journals are created during the reissue process:

1. A “CAN” journal reverses the cash from the original warrant processing.
2. A “PYT” journal is generated once the new payment posts to record the cash for the new payment.

The replacement warrant is delivered to the issuing agency and that agency is responsible for ensuring the payee receives the warrant. If the original warrant is damaged during the printing or mailing process, SAB is responsible for completing Form 212 and reissuing the payment. If the original warrant is damaged while in possession of the issuing agency, that agency is responsible for completing Payment Reissue Form 212 in ServiceNow, so SAB can reissue. If an agency or SAB receives an original warrant after it has been replaced, the warrant is to be destroyed by the agency.

A. Confirming a Replacement

Agencies may confirm a replacement by viewing the description field in the MT Payment Inquiry screen. A replacement can also be confirmed by reviewing the voucher following these steps:

1. Navigate to the following SABHRS path: Main Menu>Accounts Payable>Vouchers>Add Update>Regular Entry.
2. Enter the voucher number.
3. Click on the Payments tab.
4. Click “View All” in the Payment Information box.
5. Look for Payment 2 in the Scheduled Payment box. This shows the replacement warrant number.

B. WAW Replacement

To replace a warrant that was not processed through the SABHRS AP module (WAW), agencies must work with the payee to complete [Form 211 – WAW Reissue](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=e89f602d1b7b9d100b73a8efe54bcbe6&sysparm_category=e91813c8db4af3009ecc362f7c961995" \o "form 211 – WAW Reissue" \t "_blank). If the original warrant cannot be provided, the payee must sign the form in front of a notary public. The agency must include the appropriate account and fund information on the form and complete the WAW Reissue 211 form in ServiceNow. Upon receiving the completed form in ServiceNow, SAB initiates the replacement process that involves the cancelation of the original warrant and the completion of a new voucher. The payment is processed as a non-mailer and the warrant is delivered to the issuing agency. The agency is responsible for ensuring the payee receives the replacement warrant.

C. Decedent Warrants/Reissues

To replace a warrant previously issued to a payee that is now deceased, the following is required:

1. Death Certificate
2. Legal letter assigning personal representative (PR) of the estate

The PR will need to obtain an EIN and open a bank account for the estate. Most banks will not allow the PR to cash the warrant otherwise. Warrants cannot be reissued in the name of the PR, or any other name (spouse, child etc.). This could create problems for the beneficiaries or creditors, and the PR. If the documentation above is provided, reissues will be made out to the payee's estate.

D. State Payroll Replacement

To replace a state payroll warrant, an authorized employee in the agency’s payroll or human resources office must complete Form 213 – State Payroll Replacement in ServiceNow. Upon receiving the completed form, SAB initiates the replacement process that involves cancelation of the original warrant and the completion of a new voucher. The payment is processed as a non-mailer and the warrant is delivered to SAB. SAB staff notifies the appropriate party from the issuing agency and an authorized staff member may then retrieve the warrant from SAB and deliver to the payee.

If a payroll EFT payment is rejected, SAB processes a SABHRS AR deposit to return the funds to the paying agency, using clearing account 2552 and the deposit is completed and posted by SAB. Issuing agency will create a voucher in the SABHRS AP module, and must code it against the clearing account 2552. SPV must not be used to reissue payroll payments. If the paying agency is concerned about a replacement payment being subject to DOR offset, an email can be sent to DOROtherAgencyDebts@mt.gov to verify if the payee owes money to DOR. If money is owed, DOR can ensure that the replacement will not get offset in SABHRS.

E. State Payroll Decedent Warrant Replacement

Warrants that are made payable to a decedent employee must be replaced with the assistance of the SHRD by calling 406-444-3871.

XII. Electronic Funds Transfer (EFT) Returns

If payment made to a supplier via EFT is rejected by the receiving financial institution, the funds from the payment are journaled back to the originating agency by an automatic un-reconciliation/cancelation process in SABHRS. This process runs daily, and agencies are responsible for running the query MTAP\_ACH\_RETURNS to view returned payments. Agencies are responsible for issuing a new payment to the payee.

A. Notifications of Change (NOC)

Notifications of change (NOC) are sent to SAB by receiving financial institutions when a payment is accepted, but the payee’s banking information needs corrected. NOCs are sent via File Transfer Service to agencies daily by SAB and agencies are required to make the necessary corrections. A Supplier Update Form must be submitted in SABHRS with the NOC spreadsheet attached to update the supplier’s banking information. The corrections must be made in both SABHRS and internal interfacing systems, if applicable.

XIII. Minimum Refunds

In accordance with MCA 17-8-203, the Department of Administration establishes a minimum refund of $10. No refund less than the established minimum refund shall be paid except:

1. Upon the specific written request of the person entitled to receive the refund;
2. Where specifically required by law or federal regulations;
3. Where an agency’s business needs dictate the issuance of a refund under the minimum listed above.

The request for a refund must be submitted in the format designated by the issuing agency or university system's refund policy. If a refund is not issued in accordance with the minimum refund requirements of this section, the agency shall not input the payment/voucher into SABHRS. The monies will remain within the fund that originally received them, unless otherwise required by law, regulation, or agreement.

An agency’s refund policy should contemplate the time a person is allowed to request a refund and if the minimum refund will accumulate during that time frame. If refunds accumulate across fiscal years, an agency should also consider recording a liability for unrequested refunds, if appropriate.

XIV. Stale-dated Warrants

As defined in MCA 17-8-303, State of Montana warrants have an expiration date of 180 days following the issue date. If a warrant is not cashed within this time, it is considered “stale.” In SABHRS, the actual date for a payment to be considered stale is up to 210 days following the issue date. All funds from stale-dated warrants are transferred into a stale-dated fund that is maintained by SAB. SABHRS runs a monthly process that identifies and marks stale-dated payments and SAB sends auto-generated letters to the payees to allow them to claim the funds before being reclassified as unclaimed property. After a payment is in a stale-dated status for 180 days, it is reclassified as unclaimed property, subject to the provisions of MCA 70-9-815. The funds for these payments are transferred to DOR, and the payee must then work with DOR to claim the funds.

A. Agency Review of Stale-dated Warrants

Agencies are responsible for reviewing the query MTAPAFSD\_STALEDATE\_INFO on a regular basis. If a payee is entitled to the funds on a stale-dated payment, the agency has the option to request the payment to be reissued before the funds are transferred to DOR. If the payee is no longer entitled to the funds, the agency may request to have the funds returned with an inter-unit journal (IUJ) using the Stale-date Interunit Journal request in ServiceNow.

1. Procedure for stale-dated funds entitled to payee

If a payment is in a stale-date status, the issuing agency may initiate the stale-date replacement process by supplying the payee with Form 214 – Stale-date Warrant Replacement Affidavit. The agency is responsible for completing fields 1-6 on the form. The payee’s signature must be notarized unless the original warrant is returned with Form 214. The completed form is submitted to SAB in ServiceNow for processing. Agencies can confirm the replacement status of a stale-dated payment by utilizing the MT Payment Inquiry screen.

For issuing agencies using a trust fund (085XX, 086XX, or 095XX), the agency may request the stale-date funds be returned to the agency with an IUJ by completing the Stale-date Interunit Journal request in ServiceNow. SAB then returns the funds to the agency. The agency then works with the payee to replace the payment.

2. Procedure for stale-dated funds no longer entitled to payee

If the payee of a stale-dated payment is no longer entitled to the funds, the issuing agency may request the funds be returned with an IUJ by completing the Stale-date Interunit Journal request in ServiceNow. This request must not be used for a payment that has an invalid address to be reissued by the agency. SAB completes the IUJ to return the funds to the agency.

3. Procedure for unclaimed funds no longer entitled to payee

If the payee has notified the State that they are no longer entitled to the funds after the warrant has been transferred to unclaimed property, the issuing agency may contact DOR unclaimed property to request the funds be returned. Please contact DOR unclaimed property if this applies to your agency at 406-444-6900 or DORHelp@mt.gov

XV. Forgeries

Forgeries are identified and declared by the payee after a warrant has been cashed and the payee has been provided a copy of the cashed warrant. To begin the forgery process, an email request is sent by the issuing agency to [warrantwriter@mt.gov](mailto:warrantwriter@mt.gov) that includes the supplier number, payee name, warrant number, and reconcile (cash) date. SAB then requests a forgery affidavit from US Bank. Once received, SAB sends the affidavit to the issuing agency who in turn remits it to the payee to sign and return. SAB then pursues collection that may take a year or longer. Agencies are notified of actions taken. Per MCA 5-13-309, each state agency is required to "...notify both the Attorney General and Legislative Auditor in writing upon the discovery of any theft, actual or suspected, involving state money or property under that agency's control or for which the agency is responsible."

A. Recovery of Funds

If the funds are recovered, SAB initiates an inter-unit journal to return the funds back to the paying agency. The paying agency is then responsible for issuing a new payment to the payee.

B. Claim Refused by Bank

If the forgery claim is refused by the bank, SAB notifies the requesting agency, and a copy of the rejection letter is given to the agency. Agencies have the option to ask SAB to submit an incident/claim to insurance for the lost funds. There is a $1,000.00 deductible (to be paid by the issuing agency) and the covered limit is $500,000.00. Please contact [warrantwriter@mt.gov](mailto:warrantwrited@mt.gov) if you would like to submit a claim to the State's insurance.

XVI. 1099-MISC/NEC/G IRS Reporting

It is the responsibility of the agencies to determine if a payment is 1099-MISC/NEC/G reportable. Detailed instructions and information on 1099-MISC/NEC/G reporting can be found online by visiting the IRS website.

A. General Information

Agencies must abide by the following to ensure accurate 1099 reporting:

1. Persons or businesses to be issued 1099-MISC/NEC/G tax forms must be on the State Payee Supplier File with a valid TIN;
2. If the payee is using a Social Security Number (SSN) for their business, the name of the registered owner must be in the Supplier Name Line 1 and the Supplier Name Line 2 must contain “Doing Business As” (DBA) name; and
3. The TIN and legal name must match to the information registered with the IRS, otherwise the IRS rejects the information reported.

Starting in tax-year 2020, nonemployee compensation was removed from the 1099-MISC form and moved to the 1099-NEC form. These two forms are sent to suppliers separately. If corrections are made to tax-years prior to 2020, corrected forms will follow the format of the corresponding year (all on 1099-MISC). Starting in tax-year 2020, SAB included 1099-G reporting for Box 6 - Taxable grants only. No other 1099-G boxes are available for use. If agencies have 1099-G reporting other than Box 6, the agency is responsible for completing and submitting the forms.

Upon annual 1099 filing, the IRS matches the name and TIN for verification. If the information does not match, notification (CP2100) is sent to SAB. SAB then solicits payees for correct information and an updated W-9. If this information is not received within 30 days, the supplier may be inactivated until proper information is received. In addition, SAB periodically processes a TIN match of suppliers with the IRS in order to reduce the findings on the CP2100. Based on these results, suppliers may be inactivated if the information on the supplier file does not match with the IRS. Agencies must then solicit the suppliers for correct information on an updated W-9.

B. 1099-MISC/NEC/G Payments

Payments are marked for reporting at the time of voucher creation. This is done by clicking the “Withholding” hyperlink on the Invoice Information tab of the voucher. The withholding code corresponds with the type of 1099 form and the box number.

1. M01 MISC Rental payments
2. M02 MISC Gross royalty payments
3. M03 MISC Other income (Prizes, Awards, etc.)
4. M04 MISC Federal income tax withheld
5. M05 MISC Fishing boat proceeds
6. M06 MISC Medical or health care services
7. M08 MISC Substitute payments in lieu of dividends or interest
8. M09 MISC Crop insurance proceeds
9. M10 MISC Gross proceeds paid to an attorney
10. M14 MISC Excess golden parachute payments
11. G02 State Income Tax Refund/Credit
12. G06 Government taxable grants
13. N01 NEC Nonemployee compensation (services, honorariums, non-employee travel reimbursement, etc.)
14. N04 NEC Federal Withheld

Refer to the IRS instructions for each form and box to determine correct reporting. Most boxes have a minimum dollar threshold that must be met for a 1099 to be filed. Those thresholds can be found on the IRS website. SABHRS runs a consolidation process to total all payments made to suppliers from all State agencies. Therefore, although one payment to a supplier might not meet the threshold, it is possible for the sum of all payments to meet it. If a reportable payment is under the threshold, it must still be marked as reportable. Wire transfer payments processed in the Accounts Receivable (AR) Module in SABHRS that are 1099-MISC/NEC/G IRS reportable must be added to the Adjust Withholding screen in SABHRS (See Section XVI(E)).

C. Grant Payments (1099-G)

Section 61(a) of the Internal Revenue Code states that the gross income, which means "all income from any source", is reportable/taxable (box 06 of 1099-G), unless the source is:

1. Excluded by law;
2. General Welfare; or
3. A disaster relief payment.

There are additional characteristics a payment must meet to qualify for exclusion under sources 2 & 3. Please contact SAB to determine if your payment qualifies for one of these exclusions.

D. Backup Withholding

The IRS states that backup withholding is required in the case of any reportable payment if:

1. The payee fails to furnish his/her TIN to the payer in the manner required;
2. The IRS notifies the payer that the TIN furnished by the payee is incorrect;
3. The payer has been instructed by the IRS to withhold on a payee that has previously underreported on an income tax return; or
4. There has been a payee certification failure.

In any of these cases, the payer shall deduct and withhold the applicable tax rate from reportable payments. The current withholding rate can be found on the IRS website. Agencies must notify SAB if withholding is required in order to transmit the funds to the IRS correctly.

E. Adjustments to 1099-MISC/NEC/G Reporting

Agencies may make corrections to reported 1099-MISC/NEC/G information at any time during the current tax year using the Adjust Withholding screen in SABHRS at the following path Main Menu>Suppliers>1099/Global Withholding>Maintain>Adjust Withholding. Changes must be made to any payments where errors exist, regardless of the minimum filing requirements. To correct errors on previous tax years, agencies must submit the [1099 Correction/Duplicate](https://montana.servicenowservices.com/sp?id=sc_cat_item&sys_id=5402b4cbdb7e7b009ecc362f7c961926&sysparm_category=e91813c8db4af3009ecc362f7c961995) request in ServiceNow. To view 1099 balances and vouchers, follow the path Main Menu>Suppliers>1099/Global Withholding>Review>Voucher by Supplier or Supplier Balances by Class. To review payment information for 1099 reporting purposes, agencies may use the following queries: MTAP\_Payment\_Detail\_Report, MTAP\_PAYMENT\_DTL\_BY\_SUPPLIER, and/or MTAP\_1099\_VCHR\_INFO. The most useful date range to search by is January 1 through December 31 for the applicable tax reporting year.

F. 1099 Interface Requirements

Agencies that provide 1099 tax data through the SABHRS interface process must provide a file that meets the layout specifications found in the IN – 1099 Balances Load document on the SABHRS Documentation webpage. Any file that does not meet these specifications is rejected. Interface files must be provided to SABHRS no later than the date specified by SAB each year.

G. State PCard 1099-MISC/NEC IRS Reporting

Pursuant to federal regulations, 1099-MISC/NEC reporting on State PCard transactions is the responsibility of the merchant acquiring entities, not the State of Montana. US Bank also reports PCard transactions to the IRS. Questions and further information on PCard transactions may be directed to the Agency PCard Administrators. Information on PCards can also be found on the MINE website.

H. IRS TIN Matching

SAB performs periodic IRS TIN matching. This process involves sending a file of suppliers and their corresponding TINs to the IRS, which the IRS then validates. The results of the validation are sent to SAB and those suppliers with TINs that do not match IRS records are inactivated if the paying agency is unable to gather the correct TIN information in a timely manner.

XVII. 1042 IRS Reporting

Payments to foreign suppliers for services are subject to 1042 IRS reporting and possible tax withholding. There is no minimum dollar threshold for reporting. Reporting is directly related to income sourcing. It is the responsibility of the agencies to obtain proper documentation from foreign suppliers before submitting payments. More information and detailed instructions on 1042 reporting can be found on the IRS website.

A. General Information

Payments to foreign suppliers are subject to IRS reporting and backup withholding at the applicable tax rate, unless any of the following conditions are met:

1. The supplier has submitted a valid treaty claim on their W-8.
2. The supplier has submitted a valid Effectively Connected Income (ECI) claim.
3. The supplier and/or agency has submitted documentation stating that the income is not from U.S. sources.
4. Goods purchase.

Not all treaties exempt suppliers from withholding, some treaties may only apply a lower tax rate. Some payments are reportable even if no withholding is needed.

B. Agency Requirements

Vouchers for foreign suppliers are held in SABHRS until SAB determines that proper documentation has been received. That documentation includes the following:

1. A complete and correct IRS Form W-8. See Suppliers for more information on this form.
2. An invoice for the payment detailing the nature of the payment and whether the payment is considered US Source income. If payment is not considered US source income, the invoice must clearly state this to be exempt from withholding.
3. W-8 and invoices are required regardless of whether the payment is reportable or not.

Agencies are responsible for determining the type of payment being made and identifying the income source. Agencies may reach out to SAB for clarification in determining if payments are reportable and if withholding is required, or if a treaty claim is valid. The agency is also responsible for withholding at the applicable tax rate when necessary or proper documentation has not been obtained. If withholding is required, agencies must contact SAB.

SAB sends emails to agencies towards the end of the tax (calendar) year with a report listing all foreign transactions made via PCard or wire during that year. Agencies must review the information for reportability and submit all documentation, including invoices and a completed W-8 form for any reportable payment by using the 1042-S Reporting request in ServiceNow. Foreign suppliers paid via PCard or Wire must also have a supplier ID in SABHRS. Because SAB already has invoices and W-8 forms from all payments made via the SABHRS AP module, there is no need to resubmit those documents to SAB. A third-party Certified Public Accountant (CPA) contracted with the State works with SAB to review 1042-S forms and complete the 1042-S IRS reporting on behalf of the State of Montana. The CPA may contact agency staff if questions arise. Required IRS reporting that is not 1099-MISC/NEC, 1099-G Box 6, or 1042 related, such as interest or sales proceeds, is the responsibility of the agency issuing those types of payments.