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Vendor / Customer File and Form W-9 Policy

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Executive Summary

The Office of the Comptroller (CTR) is required to implement a state accounting system and issue instructions on accounting practices to be used by all departments, pursuant to M.G.L. c. 7A §§ 7, 8, 9 and M.G.L. c. 29 § 31. CTR is also responsible for accurate state and federal tax reporting for all reportable expenditures made by the Commonwealth.

All payments processed through the Commonwealth statewide enterprise accounting and financial reporting system ("Mosaic"; "the system") are matched to vendor records in the Vendor/Customer (VCUST) file. To be registered in the VCUST file, a vendor must submit certification of a Federal Tax Identification Number (TIN). All vendors paid using federal funds must have their Unique Entity Identifier (UEI) number recorded in the VCUST file.

The VCUST file also contains information on customers. Customers enter into a business or service relationship with the Commonwealth to purchase goods or services from the Commonwealth, in accordance with state finance laws.

Considerations

The Commonwealth statewide enterprise accounting and financial reporting system is the official record of encumbrance and payment information for the Commonwealth. CTR has authority to prescribe, regulate, and make changes to the method of keeping and rendering accounts, and may direct Commonwealth departments to implement changes in their systems to meet these statewide standards. Supporting documentation must be kept for each transaction. Department vendor/customer activity is subject to quality assurance reviews by CTR. Quality assurance reviews include a review of the federal tax forms and other supporting documents to ensure that departments are in compliance with this policy.

Policy

IRS Form W-9 or W-8 for Vendor Registration

To receive payments from the Commonwealth, a vendor/customer must be registered in the VCUST file. Departments must obtain a completed Form W-9, or a Form W-8 for foreign vendors, to register a vendor in the system, and whenever there is a change to the vendor's legal name, legal address or federal Tax Identification Number (TIN). A TIN is either a Social Security Number (SSN), issued by the Social Security Administration (SSA) for individuals, or an Employer Identification Number (EIN), issued by the IRS for non-individuals, such as trusts, estates, partnerships, and corporations.

Departments should ensure that vendors/payees submit to them an official Form W-9 or W-8 identifying the legal name, legal address and TIN (SSN or EIN) that matches what the vendor has already filed with the IRS and the Massachusetts Department of Revenue (DOR). Departments should also ensure that the payee is really a new vendor that does not have an existing vendor code in the VCUST file before submitting a Vendor/Customer Entry (VCC) transaction. A search using the TIN can be used to identify whether the payee has a current vendor code.

Tax reportable payments require a Form W-9 confirming and validating the existence of a valid TIN that matches the individual or business. (See the Expenditure Classification Handbook to determine tax reporting requirements for the object code of the payment.) Mismatch of information may subject the vendor to IRS backup withholding. (See Backup Withholdings for Missing and Incorrect Name/TIN(s) for additional information.)

Customers are classified as either a type "I" for an individual or a type "O" for sole proprietorship, partnership, incorporated, nonresident alien, trust, foreign, state government, other government, or other. Other types of customers include a miscellaneous customer and a third-party customer. A third-party customer code represents a single liability for which one or many parties are responsible (joint and several liability). For more information, refer to the CTR Third Party and Multiple Third Party Billing Policy.

Vendor Information Verification and Authorization

CTR is required to issue tax reporting forms based upon the types and amounts of payments made to vendors. Even if vendors are paid via electronic funds transfer (EFT), departments are responsible for ensuring that VCUST information is accurate by periodically verifying that information with vendors (e.g., as part of annual renewals of contracts). Departments must validate the legal remittance address, classification, and TIN type (SSN or EIN) are recorded correctly on the 1099I and VCUST tables in Mosaic.

A department begins the registration or update process in the system by entering a VCC or a Vendor Customer Modification (VCM) transaction. For vendors on statewide contracts, the Operational Services Division (OSD) is responsible for registration and information changes, however lead departments can make changes for delegated contracts.

When contracting with a vendor, departments must also obtain a CASL Form (Contractor Authorized Signatory Listing) naming all of the individuals who are authorized to make changes to vendor information and sign off on obligations on behalf of the vendor.

Departments must verify that registration or modification requests are made by an authorized signatory who can legally bind the vendor and verify the signature matches that on the CASL Form. Departments may use this listing to verify that a Form W-9 or Form W-8 for vendor registration or a Form W-9 modification request is legitimate. When a department submits a VCC or VCM transaction to pending status, the authorized department signatory certifies that the document is accurate and complete, helping reduce the risk of directing payments to the wrong payee or address, delaying payments, creating inaccurate tax reporting, or inadvertently allowing fraudulent payments.

To prevent fraud, identity theft, and misdirection of payments, departments may not rely solely on electronic submissions and must verify personally with an authorized signatory initial submissions and

changes to legal name, legal address, TIN, EFT, or remittance addresses. Agents of an authorized signatory who are not listed on the CASL Form do not have the authority to approve changes.

Departments must verify that information matches the supporting documentation, such as the Form W-9, contract forms, and Electronic Funds Transfer (EFT) Authorization Forms. The legal name, legal address, and TIN must match either a newly submitted Massachusetts Substitute Form W-9 or the information on record in the 1099 Reporting Information Table in Mosaic.

VCCs and VCM changes impact all departments using a vendor code. Departments must exercise due diligence to ensure that payees understand that a new vendor code or vendor code changes will affect all payments under the vendor code for all contracts with Commonwealth departments. Changes to a legal name, legal address, remittance address, tax ID, legal name, or structure should not be made unless an authorized signatory of the payee has:

1. Submitted an updated Form W-9 or other acceptable supporting documentation; and
2. The department has independently verified personally with an authorized signatory of the payee that the requested changes are legitimate in comparison to the information already in the system. (See Vendor Information Verification and Authorization above.)

Electronic Fund Transfers

Electronic Funds Transfer (EFT) is the expected form of payment to Commonwealth vendors. The Commonwealth's policy is to pay its bills through EFT while maximizing the use of prompt payment discounts (PPD). (See Prompt Payment Discount Policy and the Bill Payment Policy.) New EFTs should be processed at the time a VCC is submitted. Mosaic does allow a vendor code to have more than one EFT account. (See Job Aid: Creating a Vendor with Multiple EFT Accounts.)

Timely Submission of VCCs

VCCs require secondary review by CTR. Departments should enter VCCs in Mosaic and submit supporting documentation for secondary review as soon as the department has verified that a new vendor code is required. EFT paperwork should be submitted along with the VCC to enable the EFT set-up process and validation through the Office of the State Treasurer to be completed prior to the first payment.

Intercept Pre-Match for NEW VCCs

All payments are subject to intercept for debts owed to Commonwealth departments. DOR's records of child support debts or tax intercepts are pre-matched against the Commonwealth Information Warehouse (CIW) to identify vendor codes that have outstanding debts. For more information about intercepts, see Intercept - Office of the Comptroller.

Non-Contract Payments

If a department is not contracting with a payee but is instead using an incidental purchase or making another type of payment, the department must take appropriate steps to verify that the vendor registration or modification is legitimate and was submitted by someone authorized to make such a request. A cover letter on letterhead or a name is not sufficient. The department must verify that the requester is an authorized signatory. To do so, Forms W-9 should be validated against the signature on the CASL Form.

UEI Requirement for Vendors Receiving Federal Funds

Effective April 4, 2022, the Federal Government transitioned from using the Data Universal Numbering System (DUNS) number, to a non-proprietary identifier known as a Unique Entity Identifier (UEI). For entities that had an active registration in SAM.gov prior to April 4, 2022, the UEI was automatically assigned and no department action is necessary for this transition. Any entity that does not have a UEI number can apply for one online at Unique Entity Identifier Update | GSA. Departments should enter or update the UEI number using a VCC or VCM. Individuals, such as foster parents, are paid using their SSN and cannot obtain and do not need a UEI number.

All vendors (defined as sole proprietor, corporation, profit and non-profit, partnership municipal or regional government) that receive federal grant funds must have their UEI number recorded with and subsequently reported by the granting agency. Vendors must submit their UEI number using the Form W-9.

Issuance and use of Commonwealth UEI numbers by non-Commonwealth entities is prohibited.

Additional Remittance Addresses and Assignment of Payments

Departments may process an additional remittance address for a VCUST record when a signed request is received from a vendor on business stationery, or if the vendor submits a Form W-9 requesting an additional remittance address, provided that certain verification steps are performed. The request must give the reason for an additional remittance address, such as when a different office has been designated for certain payments.

A Form W-9 is not required to establish another remittance address unless the vendor is also changing its legal address, legal name, or TIN. To ensure that payments are not misdirected to an improper address, departments must verify that the submission is valid by confirming that the request was submitted by an authorized signatory of the vendor (see Vendor Information Verification and Authorization, above).

Unless otherwise provided by law (and except for the payment of fees as provided by statute), departments may not establish additional remittance addresses for cities or towns. Each city and town is assigned a single remittance address for all payments. All payments must be made to the treasurer of the local governmental entity.

An additional remittance address is sometimes requested when a vendor wishes to assign payments to a third party. Although departments have the right to prohibit the assignment of performance, departments cannot prohibit the assignment of payments by a vendor to a third-party payee. (See M.G.L. c. 106, § 9-405 and the CTR Bill Payments Policy.) Departments must verify that a request for the assignment of payments is legitimate, however, and that it was requested directly by the vendor and not the third party. Absent a court order meeting certain requirements, departments may not honor demands for assignments made by a third party, even if the third party produces an assignment agreement signed by the vendor. Vendors must provide supporting documentation to showing that the assignment is allowable and ensure that a Form W-9 with the new remittance address is submitted.

Many payees have multiple divisions and may send a Form W-9 under a new procurement, a new contract, or amendment, which may or may not match what is already in Mosaic. Multiple payment remittance addresses should be avoided unless necessary, since the risk of fraud and inadvertent

misdirection of payments may occur. Departments should work with payees to verify all current remittance addresses in Mosaic and identify if any are no longer valid. Any additional remittance addresses should be set up to support EFT payments.

To assign payments, departments must establish a new remittance address, not a new legal address for the vendor. Payments must be made using the vendor's TIN and vendor code, because the contract authorizes payment for the vendor's performance and tax reporting must be made based upon the vendor's TIN. The only difference occurs at the time of payment, when a department chooses the remittance address code for the third party. The division line or the remittance record may be used for "or third-party name." Payment is recorded as issued to the vendor in Mosaic for tax purposes, but the check or EFT will be sent to the third-party payee's address.

In some cases, vendors will request that all payments be issued to a third party. Departments may accommodate this request by creating a new remittance address and requiring the vendor to instruct all active departments to issue payments using the new remittance address. The vendor's main remittance address may not be changed to the third-party address, since the contract authorization for payments and resulting tax reporting responsibilities remain with the vendor.

Departments may not establish a separate vendor code for a third-party payee for the purpose of issuing payments directly to the third party**.** The third party is not a signatory to the vendor's contract, and has no authorization to receive payments directly from a department. All payments under a contract must be issued in the vendor's name and the tax reporting must be made to the vendor, even if payments are assigned to a third party.

Vendor Legal Name or Legal Address Change

If a vendor changes its legal name and/or address, but does not materially change its organizational structure, financial condition, procurement or contract obligations, departments may continue the underlying contract(s) without amendment, an interim contract, or a new procurement. Underlying contract transactions and payments are not impacted by a legal name and/or address change, but departments are strongly encouraged to identify the new legal name and/or address on all contract and payment transactions.

If a vendor changes its legal name, it must notify any department with whom it has a contract and provide documentation supporting the change. The contracting department is responsible for updating the VCUST file with the new information. Vendors must sign a new Form W-9 and provide any other supporting documentation to validate the legal name and/or address change. To prevent fraud, identity theft and misdirection of payments, departments may not rely solely on electronic submissions and must verify personally with an authorized signatory that the legal name or address change is valid.

Material Changes in Vendor Identity

A material change in vendor identity occurs whenever the vendor changes its legal name, organizational structure, TIN, vendor code or anything else that was presented in the vendor's response to a procurement. A change in a vendor's TIN usually signals a material change in the vendor's identity, such as a merger, acquisition, consolidation or other organizational restructuring.

If a vendor requests a material change in identity, departments must balance the following when making a determination:

- The best interests of the department;
- What actions are appropriate to prevent a lapse in any necessary services or a project;
- The most cost-effective action given available resources and funding; and
- What action will maintain the integrity of the original procurement.

See the CTR/OSD Amendments, Suspensions and Terminations Policy for more information on material changes in vendor identity and available options and requirements.

Inactivation of Vendors and Vendor / Customer File Purge

Inactive vendors and customers are purged periodically from the VCUST file in Mosaic. CTR will communicate to state departments the purge cycle and purge criteria for vendors that are listed as active, but have not had any activity in the system for an extended period. If a purged vendor subsequently seeks to do business with the state, the vendor must submit a new Form W-9.

Department requests for the inactivation of a vendor are managed by CTR. Departments must provide the reason (e.g., merger, buy-out, etc.) for the action requested. In considering requests for inactivation, CTR reviews any outstanding contractual obligations recorded in Mosaic, and any other system dependencies that may apply to the vendor, to ensure there is no interruption of business for other departments unless required by a court order, oversight agency directive, or as directed by CTR.

Proof of Tax-Exempt Entity

Departments may be asked to provide proof that the Commonwealth is a tax-exempt entity or proof of the Commonwealth's TIN. Departments may not use the Commonwealth TIN without CTR's prior written approval. CTR will provide a certification of tax-exempt status and determine if the Commonwealth TIN is required. Please submit any such requests to paymentsc@mass.gov. In order to prevent fraud and identity theft attempts against the Commonwealth, departments may not publish or publicly disclose the Commonwealth TIN.

Electronic signature and Department Head Authorization of Enterprise Systems documents

CTR has aligned electronic security with Department Head Signature Authorization (DHSA) to take advantage of electronic signatures for processing in Mosaic. Every action must be confirmed/authorized by the department head or an authorized signatory. For more information regarding DHSA, see the CTR Department Head Signature Authorization Policy.

Internal Controls

Departments must implement sufficient internal controls to ensure that all vendor and customer information submitted to CTR is verified, authorized, accurate, and complete. See the CTR Internal Controls Policy.

Department heads are required to annually complete CTR's Internal Control Certification. CTR may also conduct periodic interviews and desk reviews to verify a department's compliance with this policy.

Records Management

In accordance with 815 CMR 10.00 the department is the keeper of the official record copy of contract documents and the contract/procurement file information, including vendor file information. Mosaic is the official record of the encumbrance and payment documents entered into the system and supersedes any paper copies of the same information.

Departments are responsible for retaining contract records in accordance with the Statewide Records Retention Schedule issued by the Secretary of the Commonwealth. Departments are also responsible for ensuring that vendor records are maintained in accordance with any additional federal grant requirements and are retained in an accessible format and available for audit purposes. CTR is the keeper of the official record copy of vendor file documents submitted for VCC/VCMs. Please see the CTR Fiscal Records Management Policy for more information.

Contact

For questions pertaining to this policy, contact the Office of the Comptroller Solution Desk.