

Captiva Erosion Prevention District

Board Review: W-9 Vendor Record Compliance Policy

****Date:**** November 2025

****Prepared for:**** CEPD Board of Commissioners

****Subject:**** Absence of W-9 Forms in Vendor Files and Policy for Collection and Compliance

Background

A recent internal review of vendor files found that no W-9 forms were collected for any vendors, including professional service providers, contractors, and other entities receiving payment from the Captiva Erosion Prevention District (CEPD). The absence of W-9 forms represents a gap in federal tax reporting compliance. The W-9 form is required by the Internal Revenue Service (IRS) for any entity or individual that receives payment for services, to ensure proper taxpayer identification and issuance of Form 1099 where applicable.

The absence of vendor W-9 forms exposes the District to several risks, including:

- **IRS Penalties:** Failure to collect W-9s may result in the District being held responsible for backup withholding (currently 24%) on payments made to vendors, as required under IRS regulations.
- **Audit Findings:** During annual audits or grant compliance reviews, missing W-9s can be reported as internal control deficiencies or noncompliance with federal reporting requirements.
- **Inaccurate 1099 Reporting:** Without accurate taxpayer identification, CEPD cannot properly issue required Form 1099-NEC or 1099-MISC statements, increasing the risk of federal reporting errors.
- **Vendor Verification Issues:** Missing W-9 data impedes validation of vendor legitimacy, potentially creating exposure to fraudulent or misclassified vendors.

To maintain compliance with IRS regulations and public-entity financial controls, CEPD must obtain and retain completed W-9 forms from all vendors and service providers before issuing payment.

Policy Statement

CEPD shall require a valid IRS Form W-9 from every vendor prior to payment for goods or services. This policy applies to all vendors, contractors, consultants, and professional service providers engaged by the District.

1. ****Purpose:**** To ensure compliance with federal tax reporting requirements and maintain

complete and auditable vendor records.

2. ****Required Vendors:****

- All vendors providing goods, materials, or services to CEPD.
- All professional service providers (e.g., accounting, legal, lobbying, engineering, or consulting firms).
- Independent contractors and sole proprietors.

3. ****Exceptions:****

W-9 collection may be waived only when the vendor is:

- A governmental agency or instrumentality of the United States, State of Florida, or Lee County; or
- A corporation or institution whose payments are categorically exempt from 1099 reporting (e.g., publicly traded corporations or nonprofits with IRS documentation).

Any waiver must be documented in the vendor file with justification approved by management.

4. ****Records Maintenance:****

- All completed W-9 forms must be stored securely in CEPD's vendor records (digital or physical).
- Maintained for a minimum of four (4) years after the last payment to the vendor.
- Matched to the vendor's name, address, and Taxpayer Identification Number (TIN) within accounting records.

Compliance Action Plan

- Request W-9 forms from all current and active vendors.
- Update vendor records in QuickBooks Online and administrative files.
- Implement a procedure that requires a completed W-9 before issuing payment or entering new vendor information.
- Maintain a checklist in each vendor file showing presence of W-9, COI, and contract.
- Incorporate this requirement into the Policies & Procedures Manual and vendor onboarding process.

Board Review

The Board of Commissioners is asked to review and acknowledge this policy confirming that:

"No W-9 forms were on record for any vendors. CEPD will require a valid W-9 from all vendors prior to payment, and maintain documentation in each vendor file as part of standard

compliance practice.”

The absence of W-9 records represents a compliance gap that must be corrected immediately to ensure IRS, audit, and grant compliance. This action plan will protect CEPD from potential penalties, reporting errors, and audit findings, while ensuring transparent vendor documentation.

This policy ensures full compliance with IRS regulations, strengthens CEPD’s internal controls, and aligns the District’s financial practices with local government standards.

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