

PROCEDURE FOR CONTRACTING WITH INDEPENDENT CONTRACTORS (INCLUDING CONSULTANTS)

Designation of independent contractor (IC) status for an outside service provider is governed by the Internal Revenue code and common law. Significant tax penalties exist for incorrect classification of an employee as an independent contractor. In addition, contracting with an independent contractor may expose the University to significant risk. Therefore, it is imperative that common standards are applied in classification and contracting, and that each case is fully documented and auditable. Individuals who have not been certified by the University as an IC must be hired as an employee before providing services.

The following outlines the three conditions that must be fulfilled **before** engaging an outside service provider:

- I. Determination of status
- II. Procurement of services
- III. Risk management and insurance

Procedures for fulfilling the conditions associated with each item are listed below.

I. DETERMINATION OF STATUS

A. Contact Human Resources to determine employee versus IC status. Provide Human Resources with the information Requested on Form A – Independent Contractor Status. Exceptions to this procedure are described below:

1. The service provider is incorporated, a professional firm, or a partnership.
2. The payment is for the following:
 - a. Royalty or permission fee – a payment representing compensation for the sale or use of copyrighted or patented work
 - b. Prize or award (non-employee only) – reward or monetary gift for a competition or other scholastic achievement
 - c. Human subject fee – a nominal fee paid to an individual to participate in a research project, survey or study
 - d. One-time lecture fee (non-employee only) – compensation for a one-time service, such as a discourse or lecture to a class
3. The service provider has an existing vendor number assigned by Accounts Payable (indicating prior approval by Human Resources)
4. The amount of the contract requires bidding procedures. The Purchasing Department will obtain IC approval in this instance.

B. Human Resources will make a determination of employee versus IC status and notify the requestor. If HR determines the service provider should be an employee, follow established hiring procedures. If HR determines the service provider is an IC, continue to Section II.

II. Procurement of Services

- A. Follow established University purchasing procedures for contracted services. (See University Policy Manual Sections V-4-4, Purchasing Policies; V-4-5, Unauthorized Purchases; and V-4-6, Bidding Policies and the University Purchasing website for current procedures.)
- B. If a purchase requisition is not necessary, complete the Independent Contractor Agreement and obtain the signature of the IC. Obtain appropriate University signatures in accordance with established procedures before work begins. Note: See Section III below before obtaining any signatures.
- C. Submit executed contract, IC approval from HR for new vendor, and completed substitute form W-9 with payment requisition to Accounts Payable.
- D. Accounts Payable will assign a vendor number and process requisitions according to established procedures.

III. Risk Management and Insurance

- A. Contact Risk Management to determine what evidence of liability coverage, if any, is needed before executing the Independent Contractor Agreement.