E-7-3 Worker Classification
Employee or Independent Contractor

Hand in Hand We Learn
April 27, 2017
Background

Until 2013, worker classification was left to individual departments. At that time, an IRS audit ordered the University to strengthen its procedures and controls for worker classification.

As a result, BPM E-7-3 containing the current procedures, administrative oversight and guidance for worker classification was developed and implemented in July 2013.
Summary of BPM E-7-3

1. The departmental hiring official must complete the Worker Status Evaluation form *prior to making any arrangements* for an individual’s services and forward it to Human Resources Compensation.

2. HR Compensation reviews the form and determines the appropriate classification and notifies the department whether a worker may be hired as an Independent Contractor or must be hired as an employee.
Summary of BPM continued

3. For an employee the department must initiate the employment process and hire the worker into an established position, create a new position or work with STEPS to place the worker in a temporary position.

4. For an Independent Contractor (IC) the department must complete a Scope of Work Document (contract) detailing the terms and conditions of the engagement and obtain the signature of the IC.
Summary of BPM continued

5. The department refers to the Purchasing / AP Quick Reference Guide for proper payment process for IC. (PO or PRD)

6. The department initiates a vendor application if necessary.
Summary of BPM Continued

7. If the engagement requires payment by Purchase Order - Create a SRM Shopping Cart requesting the invoice(s) be sent to the department. (PO to IC)

8. IC performs services and sends invoice to the department.
Summary of BPM continued

9. For PO payments: Upon receipt of the invoice, the department prepares a Vendor Invoice Transmittal to authorize payment and forwards it to Accounts Payable Services.

10. For PRD payments: Prepare a PRD attaching the Worker Status Evaluation Form, the Scope of Work Form and the Invoice as documentation.
Examples of IC Services

Delegated authority to pay on PRD

• Contest judges
• Editors
• Entertainers
• Honoraria
• Speaker, visiting or guest lecturer
• Writing publications or articles
Examples of IC Services that Require an SRM Shopping Cart

- Auctioneer
- Interviewer
- Interpreter

Also Requires a Personal Services Contract
- Attorney
- Consultant Services
Worker Status Evaluation Form
Required for all IC

• Generally, required each time an individual is to be retained.
• Not necessary for an honorarium of less than $2,000. (excluding travel expenses)
• May be prepared for group of individuals expected to perform same type of services for a specified period, within the fiscal year.
Common Issues

• Worker Status Evaluation form missing
• Scope of Work form missing
• Worker Status Form is “out of date”
• Invoice missing from PRD
• Worker Status Evaluation form not approved by HR
• Improper payment method PO/PRD?