

PROCEDURE NUMBER: FINA 2.40 Procedure

SECTION: Administration and Finance

SUBJECT: Independent Contractors

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Procedure for: All Campuses

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Issued by: Administration and Finance – Controller’s Office

Procedure

The University Administration and Finance Division, Controller’s Office, will ensure compliance with University Policy FINA 2.40 through the guidelines and procedures outlined below. This procedure is applicable to all independent contractors, and units/departments engaging independent contractors, regardless of the source of funds used for payment.

Identify and Engage an Independent Contractor

The following procedure is a required component of the respective policy and includes the steps a department must take to properly identify and engage an independent contractor. At any time during this process, the department should consult with the Controller’s Office if they need help determining whether an independent contractor or employee classification is appropriate.

The department must complete the [Independent Contractor Guidance Checklist \(Appendix A\)](#) before contracting with an individual to document the rationale for the respective classification. It should be certified by a responsible department representative and retained to support accompanying payments processed by Accounts Payable. Once complete, take the appropriate action as detailed below:

- If the checklist indicates the provider is an **independent contractor**, the department should refer to FINA 2.12 (Accounts Payable) to determine the appropriate payment method and contact the Purchasing Department to assist with the procurement of services when required (refer to BUSA 7.00 [Purchasing]).
- If the checklist indicates the provider should be treated as an **employee**, the department should contact their department’s Human Resources manager or the

Division of Human Resources for assistance – refer to ACAF 1.00, ACAF 1.01, HR 1.24, HR 1.25, and/or HR 1.86, as applicable.

- If the department is not able to make a determination, contact the Controller’s Office for assistance.

Exceptions

A. Limited Engagement of an Individual Independent Contractor

A limited engagement is a service provided by an individual independent contractor that qualifies for an exception to the regular independent contractor process. A limited engagement is defined as a service provided by an independent contractor on a one-time basis (either a single occurrence or once a year).

When this applies and there is an appropriate legal agreement/contract approved by General Counsel and the Board of Trustees, the Independent Contractor Guidance Checklist requirement is waived. If associated with a foreign national individual providing services outside of the United States, the [Foreign Source Statement \(Appendix B\)](#) must also be completed and retained, or the applicable information must be included in the agreement/contract.

Please note that professional entertainers and artists hired to create works for the University never qualify for a limited engagement exception. Below are common examples of independent contractor services that generally qualify as one-time limited engagement:

- Academic guest speaker or artist
- Distinguished guest speakers at University functions
- Professional publication manuscript reviewers and editors
- Non-recurring seminar and workshop leaders

B. Honorarium Payment for an Academic Limited Engagement

An honorarium is payment for an academic limited engagement. To be considered an honorarium, the payment must include **all** the following criteria:

- related to usual academic activity such as lecturing, teaching, conducting research, attending meetings, symposia, or seminars, or otherwise sharing knowledge;
- for a one-time nominal payment (typically \$5,000 or less); and
- offered for a volunteer service (as an expression of gratitude), with no invoice provided by the individual.

Further, any of the following criteria disqualifies a payment as an honorarium:

- expense on federally sponsored awards;

- designated to a third party; and
- intended as payment to a University employee (including student employees) or an individual who was employed by the University during the current calendar year.

Roles and Responsibilities

Purchasing Department	Assists with sourcing and reviews and approves Purchase Requisitions and Purchase Orders.
Controller's Office	Provides guidance when engaging independent contractors, honoraria recipients, and foreign national service providers.
Division of Human Resources	Hires employees and provides respective guidance.
Office of General Counsel	Provides guidance, review, and approval of contracts.