



Appendix C: Detailed Instructions Regarding Financial Processing and Approval Process for Independent Contractors (IC)

Departments or units must not submit a payment to an Independent Contractor (IC) until:

1. The Independent Contractor Questionnaire (ICQ) has been reviewed and the individual classified as an Independent Contractor (IC) by Human Resources or meets ICQ Exception,
2. A contract has been negotiated and signed, and
3. The work has been completed and an invoice submitted.

I. Independent Contractor Approval Procedure

A. Independent Contractor Questionnaire or Exemption Attestation

Prior to engaging an individual and any work is performed, be sure the individual is eligible to work in the U.S. and has been classified as an IC by Human Resources (HR) through the HR review of the completed Independent Contractor Questionnaire (ICQ) or the individual meets an ICQ Exception.

Note: In addition to the above, an ICQ must be completed for:

- Single-employee companies which may be a sole proprietor, unincorporated, incorporated, or a limited liability company (LLC). Single-member LLCs, including those not in an individual's name must still follow the Independent Contractor Policy and ICQ process, OR
- Third-party entities that are not considered managed service providers and do not go through a formal classification process, but rather act as "freelancer marketplaces" (e.g., TaskRabbit, freelancer.com).

B. Contracts

Follow local school or unit requirements around contracts and the contract review process. Be sure that any IC contract contains the following language:

[Consultant/Contractor/Vendor] shall be an independent contractor, free from Harvard's direction and control, and not an agent or employee of Harvard.

The Office of the General Counsel makes available model consulting/services contracts, which may be suitable for the engagement and are available [here](#). Strategic Procurement (SP) has additional master service agreement templates as well as a contract checklist which may be found on their [internal website](#).

NOTE:

- A debarment form or debarment language must be included in contract language when using federal funds, cost-share funds, or expect expenses to be journaled onto to federal funds. See [Procurement Policy](#) or [Procure to Pay Manual](#).
- Be sure to note in the contract or communicate to ICs the requirement that they follow Harvard Policy for any travel or out-of-pocket reimbursements, as well as requirements related to the Massachusetts [Performers Tax](#) and tax withholding for nonresident aliens (i.e., foreign nationals) for work completed inside of the U.S. See [Performer Tax](#) information.
- Based on the type of service, location of service and individual's tax residency status, additional taxes may be withheld.

- #### **C. Receive and prepare payment.**
- After the work has been completed to the hiring department or unit's satisfaction, the IC must submit an itemized invoice to the school or unit for processing. Purchasers and preparers should confirm that the required documentation has been completed (ICQ and contract) and review



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the invoice following the [Responsibilities of Purchasers, Preparers and Approvers](#) (ROPPA) policy.

Payment through HCOM is the only acceptable method of payment for independent contractors. Harvard must not pay for such services out-of-pocket or by using a Harvard Corporate Card or PCard.

1. Collect required documentation to set individual up as a vendor. See [Vendor Set Up](#) materials in the Training Portal.
2. Review and prepare invoice for payment.
 - a. Invoices should be itemized and contain the following information:
Invoice date, payment due date, full name (which must match the vendor name), address, telephone and email of vendor, full name and address of customer (i.e., Harvard Department), invoice number or other unique tracking number. An itemized invoice should show the total amounts due – each invoice line should have the description of the goods or service, quantity purchased (count of items or number of hours billed) and per-unit price. Tax ID Number is helpful but not required.
3. Be sure to note if work was completed within or outside the U.S., since it may affect tax withholding rates for Nonresident Aliens.
4. Use the appropriate object code based on the services completed.
 - a. Use object codes 8690 or 8692 for ICs who earn income connected with performances (i.e., speakers, presenters, charges related to a performance [actors, musicians, directors, production crew, sound, light, stage workers], athletes, etc.). See [Performers Tax](#) for additional information.
 - b. Other professional services are generally processed within the M784 object code range though other object codes may also be appropriate.

D. Documentation and Review Requirements at the Approver Level

The documentation listed below must be completed and on-file prior to approving a payment to an IC. Based on a school or unit's approval hierarchy structure, the documentation may be collected and kept on file at the department, school, or unit level.

1. Approver Responsibilities:
 - a. When submitting the invoice for approval, the hiring department or unit must have completed the required documentation listed below. The approver is responsible for ensuring that the required documentation listed below has been completed before any payment is issued to an IC.

Required documentation includes:

- A completed questionnaire (ICQ), signed by HR, approving the classification of the individual as an IC or the IC Questionnaire Exception Attestation Form (Exception Attestation) or exception language.
 - The ICQ may be submitted with the invoice or evidenced in some other way. Some schools or units may use [Conga-Novatus](#) as an ICQ and contract management tool or have other internal processes for tracking that the ICQ has been completed, OR
 - The Exception Attestation Form or language that confirms the contractor meets the following:
 - Meets all three ICQ criteria below (see [IC Policy](#); if not certain, complete the ICQ Questionnaire)
 - The worker must be free from Harvard's control and direction in connection with the performance of the service, both under a contract for the performance of the service and in fact, **AND**
 - The service performed by the worker must be outside the usual course of Harvard's business, **AND**



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- The worker must be customarily engaged in an independently established trade, occupation, profession, or business of the same type as the service being performed for Harvard, **AND**
 - Total amount to be paid by School, local unit, or department, is \$3,000 or less in a calendar year, AND
 - Period of work is less than 90 calendar days.
 - A completed and signed contract. Some schools or units may use [Conga-Novatus](#) as a contract management tool or have other internal processes for tracking approved contracts.
 - An itemized invoice. See [Section C.2.a](#) regarding information an invoice should contain.
2. Approvers must review the documentation and invoice following the [Responsibilities of Purchasers, Preparers and Approvers](#) (ROPPA) policy.

If the approver does not receive or have evidence of the above required documentation, the payment cannot be processed.

E. Record Retention

Follow Harvard's [General Records Schedule](#) regarding record retention. Independent Contractor Questionnaires should be retained as long as the contracts are retained.



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(not required, follow school or unit's internal processes)

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