Foreword

Vanderbilt is subject to increasingly intense regulatory scrutiny from various branches of the federal government in the areas of consulting, independent contracting, and employee-employer relationships. These policies and procedures were developed to meet regulatory requirements while minimizing administrative burdens as much as possible.

The policies and procedures are to be used in determining employee/employer relationships and in procuring and paying for consulting services. While the stricter policies may seem burdensome, Vanderbilt has much to lose if found not to be in compliance with the policies. The IRS has made clear its heightened level of attention to consulting arrangements. If someone has been paid as a consultant who in fact should have been classified as an employee, Vanderbilt will be liable for FICA and federal withholding taxes on the applicable payments, in addition to any interest and penalties which may apply.

Vanderbilt also stands to lose substantial funds from federal contracts and grants if we do not have documented policies or if we are found to be in non-compliance with the federal requirement. Our external audit firm is required to report any instances in which the University has failed to implement recommendations from the previous audit. The ultimate penalty for non-compliance with recommendations could be disallowed costs or withholding of research funds.

These policies and procedures have been developed collaboratively among the various divisions of the University.

Purpose of Policy and Procedures

This manual sets forth a number of requirements, definitions, and procedures to be used when the need arises to retain the services of independent contractors (including consultants).

The Internal Revenue Service and various Government granting agencies have increased their level of attention in the areas of consulting, independent contracting, and employee-employer relationships. The Government's expectation is that Vanderbilt has in place policies and procedures in to ensure that:

- all payments for services performed by individuals who would be classified as employees under Internal Revenue Service guidelines are processed through Vanderbilt's payroll system, recording the appropriate FICA taxes and Federal income tax withholding amounts;
• all agreements to retain services of independent contractors and external consultants are planned to allow for sufficient competition in pricing with written documentation retained for those of $25,000 or more;

• Vanderbilt faculty and exempt staff are not paid amounts in excess of stated annual salary for work performed on Government grants and contracts other than approved summer pay for faculty on academic year appointments, except in certain unusual circumstances that may require the Government's approval in advance;

• there is no conflict of interest for the independent contractor/external consultant or members of their family or those with whom the consultant has business or other ties for purposes of financial gain beyond that received directly for consulting services;

• payments made to independent contractors or external consultants are supported by sufficient documentation, including information regarding the work performed by each consultant and independent contractor and on what basis the fee was calculated and paid; and

• the procurement of services is conducted according to Vanderbilt University's Affirmative Action policies and procedures and applicable Government procurement regulations.

(1) An Independent Contractor is an individual or firm hired to provide services over which the University has the right to control or direct only the result of the work and not the means and methods of accomplishing the result. For purposes of this policy, an external consultant (firm or individual) is a specific type of independent contractor often used, for example, to evaluate a project. An internal consultant is a faculty or staff member of Vanderbilt University and engaged to provide consulting services that are in addition to his/her normal workload and across departmental lines or that involve a separate or remote operation.
How to Use this Manual

There are two basic steps involved in securing and paying for consultant and independent contractor services. The first step is to determine the status of the service provider, and the second step is to initiate the appropriate transaction based on the status determined in step one.

STEP ONE:

DETERMINE THE STATUS OF THE SERVICE PROVIDER from one of the alternatives below (Caution: Do not assume the provider is an independent contractor. Please review Section I.)

The process used to secure and pay for services will vary depending on the status of the service provider. For example, employees are distinguished from independent contractors since employees are paid through the payroll system and independent contractors are not. Once an independent contractor status is determined, independent contractors would generally be paid through the purchasing system. Following is a list of various types of service providers:

A. Employee: Vanderbilt faculty/staff (paid for services as part of stated annual salary)
B. Internal Consultant: Vanderbilt faculty/exempt staff (paid for services in addition to stated annual salary)
C. Independent Contractor/External Consultant (Professional Services)
   1. firm or individual: Primary business is providing the required service
   2. individual: Primary business is NOT consulting and anticipated fee is $5,000 or more
D. Independent Contractor/Skilled Trades
E. Independent Contractor/External Consultant, individual: Primary business is NOT consulting and anticipated fee is less than $5,000
F. Background Check Policy and Process
G. Other Services: See Section VI of this manual for the list of approved non-purchase order payment transactions
**STEP TWO:**

INITIATE THE APPROPRIATE TRANSACTION BASED ON THE STATUS DETERMINED IN STEP ONE.

<table>
<thead>
<tr>
<th>Service Provider</th>
<th>Function</th>
<th>Policy Section</th>
<th>Transaction Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanderbilt Employee</td>
<td>Normal assigned duties</td>
<td>Not applicable</td>
<td>HR Payroll</td>
</tr>
<tr>
<td>Vanderbilt Employee</td>
<td>Performs internal consulting services</td>
<td>Section II</td>
<td>HR Payroll</td>
</tr>
<tr>
<td>Independent Contractor / External Consultant</td>
<td>Company or individual; primary business is providing the services</td>
<td>Section III</td>
<td>Oracle Smart Form Professional Services requisition (Purchase Order) and PSA</td>
</tr>
<tr>
<td>Independent Contractor / External Consultant</td>
<td>Individual; primary business is NOT consulting and fee &gt; $5,000</td>
<td>Section III</td>
<td>Oracle Smart Form Professional Services requisition (Purchase Order) and PSA</td>
</tr>
<tr>
<td>Independent Contractor / Skilled Trades</td>
<td>Company or individual; primary business is providing the services</td>
<td>Section IV</td>
<td>Oracle Smart Form General Order by Total Cost requisition (Purchase Order) and contract</td>
</tr>
<tr>
<td>Independent Contractor / External Consultant</td>
<td>Individual; primary business is NOT consulting and fee &lt; $5,000</td>
<td>Section V</td>
<td>Oracle Smart Form Professional Services requisition (Purchase Order) Contract not required</td>
</tr>
<tr>
<td>Artist or Speaker / Lecturer</td>
<td>Individual; primary business is NOT consulting and fee &lt; $5,000</td>
<td>Section V</td>
<td>Oracle Smart Form General Order by Total Cost requisition (Purchase Order)</td>
</tr>
<tr>
<td>Other</td>
<td>Honoraria, non-employee reimbursements</td>
<td>Section VI</td>
<td>Oracle Non-PO Payment Request Smart Form</td>
</tr>
</tbody>
</table>
Determining Employee-Employer Relationship

The first step in the process of retaining services is determining the status of the prospective service provider. It is most crucial to determine at the outset whether or not an employee-employer relationship exists, as failure to classify persons as employees when an employee-employer relationship exists can result in substantial taxes, interest, and penalties imposed upon Vanderbilt.

When does an employee-employer relationship exist?

An employee-employer relationship exists when Vanderbilt University (which includes any Vanderbilt faculty or staff member acting in an official capacity) has the ultimate right to direct and control an individual in the way he/she works both as to the final results and as to the details of when, where, and how the work is to be performed. The University does not need to actually exercise control; it is sufficient that the University has the right to do so.

The relationship established with a firm, the specifications of the service to be performed, and associated factors need to be evaluated to determine the appropriated category of payment for such services. Unless there are clear facts to support a bona fide independent contractor/external consultant status or an exception status (see list in Section V), payment for services should be made on the basis of an employee-employer relationship.

What factors are to be considered in determining whether an individual is an employee or an independent contractor?

1. If the relationship to Vanderbilt University of the individual whose services are being retained is currently solely one of faculty or staff member, an employee/employer relationship automatically exists and procedures for payment of services to employees should be followed. Refer to HR payroll policies: http://hr.vanderbilt.edu/

2. The determination of employee/employer status for all others is made by reviewing criteria established by the Internal Revenue Service. Use the materials in this section (Section I) for assistance in determining whether or not the individual whose services are being retained should be paid as an employee or as an independent contractor/external consultant.

Who should be called to offer assistance in interpreting specific circumstances to determine whether or not a prospective service provider would be considered an employee by the Internal Revenue Service?

Because of Internal Revenue Service and other tax guidelines, it is important to select the appropriate method of payment. Detailed knowledge of the assignment/engagement is necessary
in determining the appropriate payment method. The specific content of the engagement/assignment can be discussed with departmental and school business officers who in turn can obtain interpretive assistance from Human Resource Service staff who frequently work with job design matters related to employee-employer relationships.

**NOTE:**

The IRS 20-Rule Test is a checklist that can be used to help determine if an employee-employer relationship exists (see next page).

**What procedure should be used to pay an employee-consultant or an independent contractor/external consultant?**

**Employee or Internal Consultant:** If it is determined that the individual whose services are being retained is an employee, payment is made through the payroll system using properly executed and approved forms. Detail of processes and procedures are located at the HR website: [http://hr.vanderbilt.edu/](http://hr.vanderbilt.edu/). Faculty and exempt staff who meet the criteria for Internal Consultants should follow the payroll payment procedures as stated in Section II of this manual.

**Independent Contractor/External Consultant:** If it is determined that the individual whose services are being retained is an independent contractor/external consultant, payment must be made using procedures established in Section III or Section IV of this manual, whichever is appropriate.

**Exceptions:** If it is determined that the prospective service provider is an exception listed in Section V of this manual, payment should be processed on a check request form using the University demand check system.

**Section I**

**IRS 20 Rule Test for Employee/Employer Relationship**

<table>
<thead>
<tr>
<th>Generally tends to indicate:</th>
<th>Employee</th>
<th>Contractor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Is the individual a current Vanderbilt faculty/staff member or student?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>2 Is the individual a former Vanderbilt faculty/staff member who is expected to provide functionally the same services or role as a contractor as s/he did as an employee?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>3 Is the individual required to comply with the department’s instructions about when, where, and how he or she is to work?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>4 Does the individual have to follow set hours of work as determined by the department?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>5 Does the individual devote 30 hours per week or more to Vanderbilt work?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>6 Is the individual required to do the work on Vanderbilt premises?</td>
<td>☐ YES</td>
<td>☐ NO</td>
</tr>
<tr>
<td>7</td>
<td>Does the individual have to perform the services in an order or sequence set by the department?</td>
<td>○ YES</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>8</td>
<td>Is the department providing training to the individual so that the services will be performed in a particular method or manner?</td>
<td>○ YES</td>
</tr>
<tr>
<td>9</td>
<td>Is the service to be performed by the individual part of the regular day-to-day business of the department?</td>
<td>○ YES</td>
</tr>
<tr>
<td>10</td>
<td>Does the individual have the power to hire, supervise, and/or pay assistants who are Vanderbilt employees?</td>
<td>○ YES</td>
</tr>
<tr>
<td>11</td>
<td>Does the individual have a continuing relationship with Vanderbilt? (A continuing relationship may exist where work is performed at frequently recurring although irregular intervals.)</td>
<td>○ YES</td>
</tr>
<tr>
<td>12</td>
<td>Does the individual have to submit regular oral or written reports to the department?</td>
<td>○ YES</td>
</tr>
<tr>
<td>13</td>
<td>Will the individual be paid by the hour, week, or month?</td>
<td>○ YES</td>
</tr>
<tr>
<td>14</td>
<td>Will the department pay the individual’s business and/or traveling expenses?</td>
<td>○ YES</td>
</tr>
<tr>
<td>15</td>
<td>Will the department furnish significant tools, materials, or other equipment to the individual?</td>
<td>○ YES</td>
</tr>
<tr>
<td>16</td>
<td>Is the individual guaranteed payment regardless of whether or not the contract deliverables and deadlines are met?</td>
<td>○ YES</td>
</tr>
<tr>
<td>17</td>
<td>Does the individual work for Vanderbilt exclusively?</td>
<td>○ YES</td>
</tr>
<tr>
<td>18</td>
<td>Does the department have the right to fire the individual regardless of contract specifications?</td>
<td>○ YES</td>
</tr>
<tr>
<td>19</td>
<td>Does the individual have the right to quit at any time without incurring any liability?</td>
<td>○ YES</td>
</tr>
<tr>
<td>20</td>
<td>Does the individual make his/her services available to the general public on a regular and consistent basis?</td>
<td>○ NO</td>
</tr>
</tbody>
</table>

"Employee or Independent Contractor?"

The ability to correctly identify people engaged to provide goods or services as either employees or independent contractors can lower an institution's tax liability and increase its chances of withstanding an Internal Revenue Service audit.

Recently IRS auditors have given high priority to correct classification of employment relationships and the tax implications of decisions made. The IRS has announced that its emphasis on employment relationships and tax reporting will continue in the foreseeable future.

Employers are legally required to pay FICA, FUTA, and withheld income tax on the wages of workers classified as employees. If the worker is legitimately characterized as an independent contractor, the employer is not responsible for employment-related taxes.
Definitions of the terms "employee" and "independent contractor" may provide a helpful context within which to make the correct employment decision. An employee is an individual who performs services that are subject to the will and control of an employer—both what must be done and how it must be done. The employer can allow the employee considerable discretion and freedom of action, so long as the employer has the legal right to control both the method and the result of the services.

An independent contractor is an individual over whom the employer has the right to control or direct only the result of the work and not the means and methods of accomplishing the result.

Determining the correct employment relationship is often an ambiguous task. The IRS has provided a list of 20 common law factors to assist in determining if the service provider is an employee or an independent contractor.

These factors, which appear in IRS Revenue Ruling 87-41, are intended as guidelines rather than strict rules. The closeness of most of a situation's facts to one relationship or the other will often determine what the appropriate classification should be. If the proper relationship is unclear after analyzing these factors, the employer-employee relationship should be established.

20 RULE TEST
1. An employee is required to comply with instructions about when, where, and how to work. The employer's right to instruct, not the exercise of that right, is the key. Instruction may be oral or in written procedures or manuals.

An independent contractor is hired to provide goods or services and is not instructed in great detail about how to provide the goods or services.

2. An employee is usually trained by one of the institution's experienced employees. Training indicates that the employer wants the services performed in a certain manner.

An independent contractor ordinarily uses his or her own methods, is hired for his or her expertise, and receives no training from the institution that purchases services.

3. An employee's services are usually integrated into business operations, generally showing that direction and control are being exercised. Integration of services into the business operation occurs when the success or continuation of a business depends to an appreciable degree on the performance of services that are difficult to separate from the business operation.

An independent contractor's services can usually stand alone and are not integrated into business operations.

4. An employee is hired to render services personally. If the employer is interested in who does the job as well as in getting the job done, it indicates that the employer is concerned about the methods used as well as the results of services performed.
An independent contractor is hired to provide a service and often the employer does not care who performs that job.

5. An employee has little control over the hiring, supervising, and payment of assistants. Such action by an employer generally shows control over people on the job with whom assistants work.

An independent contractor will hire, supervise, and pay other workers under a contract in which he or she agrees to provide materials labor and is responsible for the attainment of a given result.

6. An employee normally has a continuing relationship with the person for whom services are performed. Services may be continuing even though they are performed at irregular intervals, on a part-time basis, seasonally, or over a short term.

An independent contractor has a defined relationship that typically ends when the services are completed.

7. An employee has set hours of work established by the employer, indicative of control. Such a condition bars the worker from allocating time to other work, which is a right of an independent contractor.

An independent contractor tends to establish time use as a matter of right.

8. An employee usually devotes full time to the business of the employer. Full time does not necessarily mean an eight-hour day or five-day week. Its meaning varies depending on the intent of the parties.

An independent contractor is free to work when, for whom, and for as many employers as desired.

9. An employee typically does his or her work on the employer's premises which implies control, especially if the work could be performed elsewhere. Someone who works in the employer's place of business is at least physically within the employer's direction and supervision. However, performance of work off-site does not, of itself, mean that no right to control exists.

An independent contractor usually does work that can be completed on or off the employer's premises.

10. An employee often must perform services in a prescribed sequence, which shows a level of employer control. Here, too, the right to set the sequence, not the exercise of that right, is the key.

An independent contractor normally is free to perform services in any manner that produces desired results.
11. An employee submits or provides regular written or oral reports that indicate employer control.

An independent contractor submits reports as specified by the contract and may provide them in the broadest of terms and with less frequency than an employee would.

12. An employee is usually paid for work by the hour, week, or month. The guarantee of a minimum salary or the granting of a drawing account at stated intervals with no requirement for repayment of the excess over earnings tends to indicate the existence of an employer-employee relationship.

An independent contractor is customarily paid by the job in a lump sum or on a commission basis.

13. An employee is reimbursed or paid by the employer for business and traveling expenses, a factor that indicates control over the worker.

An independent contractor is paid on a job basis and normally has to assume all expenses except those specified by contract.

14. An employee usually is furnished by the employer with any tools and materials needed, which is indicative of employer control over the worker. In some jobs employees customarily use their own hand tools.

An independent contractor supplies the tools and equipment.

15. An employee normally does not have a significant investment in the facilities used in the job.

An independent contractor often has a significant investment in facilities used in performing services. Facilities generally include equipment or premises necessary for the work, but not such items as tools, instruments, and clothing that are provided by employees as a common practice in their trade.

16. An employee usually does not realize a profit or suffer a loss as a result of the service provided.

An independent contractor is in a position to realize a profit or suffer a loss as a result of services provided.

17. An employee tends to work exclusively for one employer.

An independent contractor normally works for more than one employer at the same time.

18. An employee usually does not make services available to the general public.
An independent contractor makes services available to the general public. "Making services available" may include hanging out a shingle, holding a business license, and having advertising and telephone directory listings.

19. An employee is subject to discharge, showing that control is exercised. Limitation of the right to discharge under a collective bargaining agreement does not detract from the existence of an employer-employee relationship.

An independent contractor cannot be fired so long as results produced measure up to contract specifications.

20. An employee has the right to end the employment relationship at any time without incurring liability.

An independent contractor usually agrees to complete a specific job and is responsible for its satisfactory completion or is legally obligated to make good for failure to complete the job.

If administrators are still not sure whether a person is an employee or an independent contractor, they may file a Form SS-8 (Information for Use in Determining Whether a Worker Is an Employee for Federal Employment Tax Withholding) with the IRS to request an official determination. The Form SS-8 is available from local IRS offices.

SAFE HARBOR FOR INDEPENDENT CONTRACTORS

Until Congress enacts legislation on the classification of workers as independent contractors or employees, an employer can continue treating workers as independent contractors without incurring income tax withholding if:

- A "reasonable basis" exists for not classifying the individual as an employee;
- The employer did not or does not treat a similar individual as an employee; and
- The employer files all tax returns required to be filed (including information returns) on the basis that an individual is not an employee.

An employer who meets the reasonable basis test can exclude an individual from employee status, if the employer reasonably relies on one of the following types of authority:

- Judicial precedent, published rulings, or a technical advice memorandum ruling or a letter ruling issued to the employer;
- A past IRS audit of the employer in which the IRS did not assess employment tax deficiencies for amounts paid to individuals holding positions substantially similar to a job held by an individual;
- A long-standing recognized practice of a significant segment of the industry in which an individual is engaged.
These three tests are not the exclusive means of satisfying the reasonable basis requirement. An employer may also meet the reasonable basis requirement by general evidence that the individual functions as an independent contractor rather than as an employee.

The safe harbor rules exclude technical personnel—such as engineers, computer programmers, systems analysts, or other similarly skilled workers—who are involved in three-party situations in which the specialist provides services for a client of a technical services firm pursuant to an arrangement between the firm and its client. These technical personnel, even if they are retained by a firm for the purpose of providing services to its clients, are treated as employees or independent contractors under the common law definitions discussed above.

Section II

Internal Consultants

Request for internal consultant payments for Vanderbilt University faculty and exempt staff should be submitted to Human Resources for approval and processing though the payroll process.

Section III

Independent Contractor/External Consultant

Definition

An independent contractor/external consultant is an individual or firm in the business of making recommendations based upon evaluations of circumstances, giving opinions on how to proceed with a given project, or offering a proposal or plan. Independent contractors/external consultants perform a service or complete a specific task without supervision or control by the University.

Examples of Independent Contractors/External Consultants May Include:

Independent contractors/external consultants include program evaluators, scientists providing input on research projects, architects, landscaping companies, engineers, etc. providing services such as evaluation of programs, expert knowledge, business process/financial consultants, IT systems designers and programmers, writing, editing and publishing services, etc. Trade services include painting, plumbing, electrical, air conditioning, heating, equipment repair, audio visual installation services, etc. Although the above types of services are generally performed as independent contractors, each situation should be evaluated on the basis of its own facts by looking at the 20 criteria presented in Section I. Section V contains examples of some specific types of independent contractors who are not paid using this method.
Additional Criteria for Retaining Independent Contractors/External Consultants

Independent contractors/external consultants may be engaged in those cases where the required knowledge or expertise is not available at the University and such services are needed only for a limited period of time. An independent contractor/external consultant relationship exists if an individual or firm is engaged to independently perform a specific task or service for a stated rate or total fee. The following characteristics are applicable to independent contractors/external consultants:

- There is no conflict of interest for the independent contractor/external consultant or members of their family or those with whom the consultant has business or other ties for purposes of financial gain beyond that received directly for consulting services.
- The Individual or firm is solely responsible for the manner and details of performance. However, their performance should not interfere with or disrupt the education, research, or operational objectives of the University.
- The University defines/controls the final results or end products only.
- The individual or firm may or may not carry out his/her duties at the site of the project.
- All activities of the independent contractor/external consultant are conducted at his/her own risk. Thus, the University can require the individual or firm to have minimum insurance coverage as a condition of service.

The University must retain a sufficient level of control over the content of work to insure that it receives adequate value for its money.

Procedures

The following procedures for independent contractors/external consultants are to be used for all non-employee services:

1. Send the standard Vanderbilt Conflict of Interest Form (COI) to the independent contractor/external consultant and request their signature attesting that there is no conflict of interest. The certification statement of this policies and procedures document must be signed by the service provider and attached to your eProcurement requisition.

2. Complete and send the Vanderbilt Professional Services Agreement (PSA) to the consultant/contractor for their signature. The department representative endorses the completed PSA and routes the original documents to Procurement Services.
   - Completing the PSA involves filling in the blanks with information relative to the consultant/independent contractor and the specific engagement and attaching the Statement of Work (SOW) using the PSA Schedule A form.

3. Use Oracle Procurement to create your purchase requisition by selecting the Professional Services Requisition Smart Form from the drop down menu. Oracle
Procurement will allow you to electronically route the requisition for the appropriate departmental and Purchasing review. If approved, Purchasing will issue a purchase order to the contractor/consultant. Do not authorize an independent contractor/external consultant to commence work or submit an invoice for payment until a purchase order and contract (where applicable) have been issued by Purchasing. Training and reference materials for Oracle Procurement are available at https://www.vanderbilt.edu/skyvu/.

4. The Oracle Procurement Professional Services Smart Form requisition includes several questions related to the nature of the employee-employer relationship. If you answered YES to any of these questions, please consult Section I of this manual to determine if an employee-employer relationship exists.

5. For services costing $25,000 or more, written documentation of competitive bidding is required. Such bidding may be conducted by the department and/or Purchasing as the complexity, sensitivity, or government regulations may dictate. If competitive bids are not obtained, written documentation justifying a sole source purchase is required. When using funds from government contracts and grants, attach documentation of sponsoring agency approval for sole source procurement, if required.

6. Purchasing should receive your requisition with the PSA and all other requirement documentation at least one week prior to the anticipated start of services or tasks.

7. Invoices from the independent contractor/external consultant are processed using Payment Services procedures. Even in cases where no fees are involved and only travel expenses are paid, the travel expenses must be processed through Payment Services. The Purchase Order number must appear on all consultant invoices.

8. Payments to individuals or partnerships who are independent contractors/external consultants are reported to the IRS on Form 1099 Miscellaneous in accordance with IRS regulations. For individuals or partnerships who are independent contractors/external consultants, please indicate the Social Security Number or Tax ID Number of the service provider.

Section IV

Independent Contractor/Skilled Trades

This classification of independent contractors encompasses many of the more traditional skilled trade services such as painters, plumbers, electricians, building services technicians and other infrastructure, construction and systems services. It also includes catering, printing services, audio-visual installations, computer repairs and configuration, fiber optic and other cable installation services among others.

Unlike professional services, the purchase of trade services does not generally involve the delivery of intellectual property such as reports, formulas, computer code, compositions or other
unique works. Intellectual property ownership rights represent a significant value to the university and therefore are included in the Professional Services Agreement template.

Independent Contractor/Trade Services are to be purchased using a purchase order issued by Procurement Services. The “General” eProcurement requisition is the appropriate requisition type to use for these purchases.

A matrix listing common professional services and skilled trades is located on the Purchasing Services web site. Professional Services vs. Skilled Trades

Section V

Consultants and Contractor Engagements <$5,000

This process applies to engagements with consultants, contractors, performers, lecturers or speakers whose total fee is less than $5,000. A standard Oracle Purchase Order will be used for the transaction according to the matrix below:

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>Payment Required</th>
<th>Contract Required</th>
<th>Oracle Procurement Method</th>
<th>Invoice Required</th>
<th>Payment Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honoraria</td>
<td>At discretion of department No legal obligation</td>
<td>No</td>
<td>Non-PO (NPO) Payment Smart Form Category Name: Honoraria</td>
<td>No</td>
<td>Net 0 / Immediate Pay</td>
</tr>
<tr>
<td>Speaker / Lecturer</td>
<td>Yes, as a condition of service</td>
<td>No, PO terms and conditions cover Vanderbilt requirements.</td>
<td>General Order by Total Cost Smart Form Contract required Use Professional Services Smart Form &amp; Speaker’s Agreement template Receiving required</td>
<td>Yes If no invoice is provided by Speaker include comment: No Invoice Payment Request Needed</td>
<td>Net 0 / Immediate Pay</td>
</tr>
<tr>
<td>Consultant / Contractor</td>
<td>Yes, as a condition of service</td>
<td>No, PO terms and conditions cover Vanderbilt requirements. Must include a clear description of scope of work, deliverables and due dates on the requisition</td>
<td>Professional Services Smart Form Category Name: Professional Services Receiving required</td>
<td>Yes If no invoice is provided by Contractor include comment: No Invoice - Payment Request Needed</td>
<td>Net 45 standard terms</td>
</tr>
<tr>
<td>Performing Artist</td>
<td>Yes, as a condition of service</td>
<td>No, PO terms and conditions cover Vanderbilt requirements. A contract is required if Artist is represented by an Agency or their services require non-standard terms and conditions</td>
<td>General by Total Cost Smart Form If contract required Use Professional Services Smart Form &amp; Performing Artist Agreement template Receiving required</td>
<td>Yes If no invoice is provided by Artist include comment: No Invoice - Payment Request Needed</td>
<td>Net 0 / Immediate pay</td>
</tr>
</tbody>
</table>
Section VI

Other Services

Non Purchase Order Payment requests (NPO) are used for the purchase and payment of a limited list of specific goods and services that cannot be made using purchase orders. The list of approved uses is below and posted to the Payment Services website Non-PO Payment Request Guidelines

<table>
<thead>
<tr>
<th>NPO Approved Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Employee Travel/Travel Reimbursement</td>
</tr>
<tr>
<td>Royalties</td>
</tr>
<tr>
<td>Subject/Teacher Participation</td>
</tr>
<tr>
<td>Honoraria</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Services from Foreign Supplier</td>
</tr>
<tr>
<td>Services from US Supplier</td>
</tr>
<tr>
<td>Settlement</td>
</tr>
<tr>
<td>Advertising</td>
</tr>
<tr>
<td>Contribution/Donation/Sponsorship</td>
</tr>
<tr>
<td>Florist/Gift</td>
</tr>
<tr>
<td>Postage</td>
</tr>
<tr>
<td>Professional Licensure</td>
</tr>
<tr>
<td>Refund to Grantor</td>
</tr>
<tr>
<td>Refund to Other</td>
</tr>
<tr>
<td>Registration</td>
</tr>
</tbody>
</table>

The process for submitting an NPO requisition is exactly the same as for a purchasing Smart Form order. The NPO is a Smart Form type selected from the Request Type menu (see below)
Non-PO Payment Requisitions will be returned to the originating department if they are determined to meet the definition of consulting or independent contractor services subject to the requirements of Sections II, III, or IV of this manual.

Section VII

Background Check Requirements

In 2015 institutional policies were revised to require criminal background checks for contractors, consultants and other service providers. It is also a condition of contract renewal for contractors who have not previously completed a background check. This requirement applies to both corporate and individual service providers as a means to prevent access to the Vanderbilt community and/or sensitive Vanderbilt information by individuals convicted of specific offenses. This requirement is included in all applicable purchase agreement templates and in our standard purchase order terms and conditions. The specific clause used is as follows:

“CONSULTANT shall, at its expense, perform local, state and federal background and reference checks, including criminal background checks, on all prospective employees to be assigned to Vanderbilt, for every county of residence of prospective employees for the past 10 years. Such checks shall include any convictions involving any violent crime, any crime involving theft, possession, receipt of stolen property or sale/use or possession of drugs. CONSULTANT agrees not to refer or place at Vanderbilt University any individual having such a criminal record during the 10 year period preceding placement at Vanderbilt University, unless VANDERBILT specifically agrees. VANDERBILT reserves the right to have CONSULTANT remove any employee from placement at Vanderbilt University if such individual is arrested, charged or convicted of such crimes while placed at Vanderbilt University or has determined to falsify their application to conceal their information in anyway.”

Procedures:

a. Background Checks are now required for all contractors / consultants doing work for Vanderbilt
b. Background Check requirements are not limited to on premise services
c. Corporate contractors are covered by background check clause added to standard Vanderbilt contract templates or negotiated contractor agreements
d. Contractors must affirm all assigned personnel meet background check requirements
e. Vanderbilt does not have access to background check reports for corporate contractor personnel
f. Individual / sole proprietor contractors must engage services of Vanderbilt’s designated background check service provider (Sterling Talent Solutions)
g. Contractor logs into the Sterling website https://secure.sterlingdirect.com/login/default.aspx and completes the background check survey
h. Contractor pays the $36.00 service fee to Sterling (not reimbursable by Vanderbilt). The background check report may take up to 5 business days to process
i. Sterling notifies Purchasing the report is available for viewing on its secure website:
   1. If the results of the report are clear, Purchasing notifies the department the contractor is eligible for contracting
   2. If the report indicates a conviction, Purchasing forwards the information to Human Resources for further review and consideration. HR must formally approve the contractor as eligible for contracting

j. No work may be started until the this background review and approval process has been completed and the contract has been signed by Purchasing and the contractor

k. Requests to waive the background check requirements must be submitted to Purchasing Services prior to the awarding of any contract or performance of any work, for consideration by Purchasing Services, Office of General Counsel and/or Risk Management as needed.

Protection of Minors Contract attachment

Vanderbilt University complies with all State of Tennessee and Federal laws regarding safeguards against child abuse and maltreatment. By execution of the contract, the contracting agency [contractor or supplier] agrees to comply with these laws as well as the following Vanderbilt requirements:

a. Prior to interacting with minors (children under 18 years of age) in Vanderbilt programs, contracted personnel are required to have a cleared criminal background check (Attachment #2) and complete training which includes prevention and identification of child abuse, including Tennessee law on mandatory child abuse reporting.

b. Minors are required to be supervised at all times while in Vanderbilt programs.

c. Contractors interacting with minors are required to abide by the Vanderbilt Protection of Minors policy’s Code of Conduct for Interacting with Minors (provided below).

Vanderbilt Minimum Allowable Ratios for Programs with Minor Participants:

<table>
<thead>
<tr>
<th>Age</th>
<th>Day Event/Camp Ratio</th>
<th>Overnight Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 years and younger</td>
<td>1 Adult : 6 Minors</td>
<td>1:5</td>
</tr>
<tr>
<td>6-8 years</td>
<td>1:8</td>
<td>1:6</td>
</tr>
<tr>
<td>9-14 years</td>
<td>1:10</td>
<td>1:8</td>
</tr>
<tr>
<td>15-18 years</td>
<td>1:12</td>
<td>1:10</td>
</tr>
</tbody>
</table>

Any contract for services that meets the requirements of this policy must have the VU Protection of Minors Attachment incorporated as part of the contract before any work may be authorized. This contract attachment is available from Purchasing Services.

Vanderbilt University Risk and Insurance Management is the administrator of the Protection of Minors policy and related programs:  VU Risk Management Protection of Minors program

Section VIII

Policy and Procedure Resources

Determining whether or not an employee/employer relationship exists:

Human Resources

HR Service Delivery Teams: https://hr.vanderbilt.edu/hrconsulting/
Federal Grant and Contract Policy:

Contract and Grant Accounting (OGCA)

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Procurement Procedures

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Invoicing and Payment Procedures

Payment Services

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