Step-by-Step Payment Processing for Independent Contractors/Consultants

The responsibility for the processing of documentation and payments to Independent Contractors rests with several areas. For this reason, it is vitally important that the procedures, as outlined, are followed in order.

The procedures outlined here do not pertain to subcontracts. Contact the Office of Research Financial Services regarding questions related to the processing of subcontracts.

Services Costing $4,999 or Less

Services which cost less than $5,000 generally do not require a contract, nor do they require the issuance of an Express Purchase Order (PO). However, the best practice is to prepare a memo to communicate and acknowledge the expectation of work to be performed, in situations where the service will cost less than $5,000.

Hiring departments may prepare the Employee Compensation Agreement Form relative to University System of Georgia employees (agreement between institutions). When entering into an agreement between institutions, even if the amount of the agreement is less than $5,000, use the Contract Routing Form to secure signatures of approval. The President of the providing institution must sign the Employee Compensation Agreement Form before it is routed for approval at Georgia State University. Georgia State University’s Office of Legal Affairs must review and sign the agreement before it is submitted for signature to Georgia State University’s President.

Many visa categories restrict employment as Independent Contractors/Consultants. Before hiring a foreign national as an Independent Contractor/Consultant, contact the Tax Accountant at finisi@langate.gsu.edu to discuss.
The following steps will guide University representatives through the process of paying Independent Contractors/Consultants, when the cost of the service is less than $5,000, and where no Express PO for the services is required.

Important Note: Do not use this method of payment if the service being provided requires multiple payments which may total $5,000 or more. This method must not be used in place of a contract.

Step 1
Unit: Hiring Department
When the need for outside help has been validated there must be a documented worker classification determination. Approved documentation can be either:

- **Common Industry Practices Checklist (CIPC Form)**
  Listing of services are pre-approved (see updated CIPC form and instructions for a listing of pre-approved services).

- **Worker Classification Review Questionnaire (WCRQ Form)**
  Service to be provided must be evaluated and approved by the Office of Disbursements prior to service being performed (see updated WCRQ Form and instructions).

Complete one of the following forms for the individual who will provide the service:

**CIPC Form**
- Form must accompany requests for payments to service providers (includes Honorarium).
  - Attach:
    - **Payment Request Form**
      (Payments to an individual always requires the submission of a Payment Request Form).
    - **Vendor’s Invoice**
    - **One-page CIPC Form**
For Honorarium, the invoice may be replaced with a memo, signed and submitted by management, stating the purpose, amount of honorarium, and the name and remittance address of the individual receiving the honorarium. Also attach the Program/Agenda for the event.

- Signature requirement
  - Form must be reviewed and signed by both the department's hiring official and the department's administrator
  - No approval required from the Office of Disbursements (however, Disbursements reserves the right to further question or reject, in writing, a worker classification determination prior to payment processing).

WCRQ Form
- Form must be completed and submitted to Disbursements for a worker classification determination prior to hiring a service provider (use the WCRQ Form only if the services to be provided are not listed on the CIPC form). Disbursements will make the worker classification determination and return (scan or fax) the WCRQ to the hiring department within seven (7) business days.

The service provider should not perform service to the University until the worker classification has been established and approved by the Office of Disbursements.

- WCRQ Form must accompany requests for payments to service providers.
  - Payment Request Form
  - Vendor’s Invoice,
  - page 3 of the WCRQ Form (page bearing signature approval by the Office of Disbursements).

Step 2
Unit: Hiring Department
A hiring department may choose to enter a contract for services costing less than $5,000 (follow steps for Services Costing $5,000 or greater).
(Contracts are not required for services costing less than $5,000 for the “total” engagement. Contracts are never required for honorariums of any amount).
• If the service provider is not set up as a vendor, the service provider must complete Form W-9 for submission to Purchasing. The unit is responsible for vendor setup.

• If the service provider is a foreign national, attach (in place of the W-9) Form W-8BEN. It is only necessary for the foreign national to complete Parts I and IV of the form. Form W-8BEN should be submitted to Purchasing for vendor set up.

Refer to the Foreign National Tax Analysis and Payments document for instructions on how the foreign national may participate in a tax analysis, which may decrease the federal tax liability on the payment.

Step 3
Unit: Independent Contractor/Consultant / Hiring Department

• The service provider must satisfactorily perform the service, as agreed.

• The service provider should submit an invoice to the hiring department for the services rendered.

The hiring department must not create the invoice on behalf of the service provider. (For an honorarium, if an invoice is not presented for payment, the department may submit a memo signed by management, stating the purpose and amount of the honorarium, and the name and remittance address of the individual receiving the honorarium).

Step 4
Unit: Hiring Department

• Review the service provider’s invoice. Verify that invoiced services have been satisfactorily performed.

• Prepare a Payment Request Form for the invoice and secure approval signatures. Best Practice: Have the vendor sign the Payment Request Form, whenever possible.

• Attach the vendor’s invoice and either the one-page CIPC Form (pre-approved) or page 3 of the WCRQ Form (must bear signature approval from the Office of Disbursements).

• Enter a voucher for the Payment Request into the Spectrum Plus Accounts Payable System. Log the voucher number onto the Form.

• Staple (do not clip) all forms together. Submit the payment documents to the Office of Disbursements.
Step 5  
Unit: Office of Disbursements  
- Perform a review/audit of the Payment Request Form and attached documentation.  
- Process payment to the service provider (Generally within 7 to 10 working/business days from the date the document is stamped as received by Disbursements, provided all documentation (including updated address in Spectrum) is in order).  
- At calendar year end, issue/record Form 1099 Misc to the Independent Contractor/Consultant for earnings totalling $600 or more for the calendar year.

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**Services Costing $5,000 or Greater**

Services which cost $5,000 or more require a contract and the issuance of an Express Purchase Order (PO).

Hiring departments may prepare the Employee Compensation Agreement Form relative to University System of Georgia employees (agreement between institutions). When entering into an agreement between institutions, (even if the amount of the agreement is less than $5,000), use the Contract Routing Form to secure signatures of approval. The President of the providing institution must sign the Employee Compensation Agreement Form before it is routed for approval at Georgia State University. Georgia State University’s Office of Legal Affairs must review and sign the agreement before it is submitted for signature to Georgia State University’s President. When complete, the hiring department will proceed to enter an Express PO for the services. The PO will be set-up in the name of the providing institution.

Many visa categories restrict employment as Independent Contractors/Consultants. Before hiring a foreign national as an Independent Contractor/Consultant, contact the Tax Accountant at finisi@langate.gsu.edu to discuss.
The following steps will guide University representatives through the process of paying Independent Contractors/Consultants when the cost of the service is $5,000 or more (Purchase Order (PO) required) – (PO not required for honorarium of any amount).

Step 1
Unit: Hiring Department

- The need for outside help must be validated.
- The department must coordinate with Purchasing to determine if competitive bidding is required for the services requested. Refer to the Payments to Independent Contractors/Consultants Guide, Section 8.3, Administrative Review, Procurement Officer for more information.

Contact Purchasing at mccalop@gsu.edu or clallen@gsu.edu to discuss competitive bid requirements. Provide a description of the services rendered.

Step 2
Unit: Hiring Department

Complete worker classification documentation on the individual who will provide the service:

- Common Industry Practices Checklist (CIPC Form)
  Listing of services are pre-approved (see updated CIPC Form and instructions, for a listing of pre-approved services)
  or
- Worker Classification Review Questionnaire (WCRQ Form)
  Service to be provided must be evaluated by the Office of Disbursements prior to service being performed (See updated WCRQ Form and instructions).

CIPC Form

- Signature requirement (form must be reviewed and signed by both the department’s hiring official and the department’s administrator)
  - No approval required from the Office of Disbursements (Disbursements reserves the right to further question or reject, in
writing, a worker classification determination prior to payment processing)

WCRQ Form

- Form must be completed and submitted to Disbursements for a worker classification determination prior to hiring a service provider (Use the WCRQ Form only if the services to be provided are not listed on the CIPC Form).

Step 3
Unit: Office of Disbursements

WCRQ Form (ONLY)

Disbursements will make the worker classification determination and return (scan or fax) the WCRQ to the hiring department within seven (7) business days.

The service provider should not perform service to the University until an official University purchase order and contract have been provided to the vendor.

Step 4
Unit: Hiring Department

- Enter an Express Purchase Order into Spectrum Plus Purchasing Module, in the name of the service provider (Payee). Include a full statement regarding the scope of work on the Express PO. (In the case of an agreement between institutions, the service provider will be the providing institution). This step establishes a valid funding source and workflow approval for the expenditure.
  - If the service provider is not already set up as a vendor, the service provider must complete Form W-9 for submission to Purchasing. The unit is responsible for vendor setup.
  - If the service provider is a foreign national, attach (in place of the W-9) Form W-8BEN. It is only necessary for the foreign national to complete Parts I and IV of the form. The W-8BEN form should be submitted to Purchasing for vendor set-up. Refer to the Foreign National Tax Analysis and Payments document for instructions on how the foreign national may participate in a tax analysis, which may decrease the federal tax liability on the payment.
Step 5  
Unit: Purchasing  
If Purchasing accepts the Express Purchase Order, an e-mail (confirmation) will be sent to the hiring department stating, “OK to Proceed” or other appropriate action.

Step 6  
Unit: Hiring Department  
On receipt of the “OK to proceed” e-mail from Purchasing, the hiring department will prepare a contract for services (Consultant Agreement).

- Hiring departments will prepare the Consultant Agreement – Use the Long Form for Independent Contractors/Consultants other than State of Georgia Governmental Entities.
- Hiring departments will prepare the Consultant Agreement – Use the Short Form for Independent Contractor/Consultants relative to (non-Higher Education) State of Georgia Governmental Entities.
- Hiring departments will prepare the Employee Compensation Agreement Form relative to University System of Georgia employees (agreement between institutions).

Step 7  
Unit: Hiring Department  
Contracts must be routed for signature approvals. The contracts should be properly routed and signed by all parties. Attach the Contract Routing Form to ensure proper routing of the contracts/documents.

Refer to Section 8, Policy on Contract Review and Approval, in the Payments to Independent Contractors/Consultants Guide for guidance.

Attach the Contract Routing Form to the contract (document) chosen in Step 6: Consultant Agreement-Long Form, Consultant Agreement-Short Form, or the Employee Compensation Agreement Form. The Contract Routing Form must be completed before a contract can be reviewed by Purchasing. In the case of the Employee Compensation Agreement Form, the President of the providing institution must sign the form before it is routed for approval at Georgia State University. Georgia State University’s Office of Legal Affairs must review and
sign the agreement before it is submitted for signature to Georgia State University’s President.

**Note:** If any change is made to the University’s standard form documents, then the Office of Legal Affairs must review and approve the contract/document. Additionally, the Office of Legal Affairs is the only office authorized to negotiate and/or change the Agreements on behalf of the University. Only an authorized signatory for the University, as delegated by the President and maintained by the V.P. for Finance & Administration, may sign any contracts.

**Step 8**

**Unit: Hiring Department**

The hiring department must deliver the original contract (with attachments) to Purchasing for review.

- Purchasing Unit
- PO Box 4016
- Suite 901, 1 Park Place, South
- Atlanta, GA 30303
- (404) 413-3150

The original contract must be accompanied by:

- The completed Contract Routing Form
- The 1 page CIPC Form (pre-approved services) or page 3 of the WCRQ Form (with signature approval provided by the Office of Disbursements).
- (Sole Source Form, where applicable)

The original Employee Compensation Agreement Form must be accompanied by the completed Contract Routing Form.

When Georgia State University enters into an agreement between institutions with another University System of Georgia institution which is using the services provided by a Georgia State University employee, the Employee Compensation Agreement Form should be received by the Office of Legal Affairs. Legal Affairs attaches the Contract Routing Form, reviews the agreement, and forwards the agreement to the Georgia State University President for signature approval. The President’s Office may: (1) route the original
agreement back to the requesting University and retain a copy or (2) route the original agreement back to Legal Affairs to be forwarded to the requesting University.

Step 9
Unit: Purchasing
Purchasing will review the contract/document and e-mail the hiring department to advise when a Purchase Order has been dispatched. The e-mail will include the Purchase Order number, as assigned.

Step 10
Unit: Independent Contractor/Consultant
- The contractor must satisfactorily perform the service as agreed.
- The contractor must submit an invoice(s) to the hiring department for the services rendered, as agreed.

The hiring department must not create the invoice on behalf of the service provider.

Step 11
Unit: Hiring Department
- Review the consultant’s invoice. Verify that services have been satisfactorily performed.
  - Attach a Consultant Payment Authorization Form (CPA) to each invoice (CPA Form indicates approval for payment and whether or not the invoice represents partial or final payment). The contractor may submit periodic invoices throughout the life of the contract.
  - Attach either the one-page, pre-approved CIPC Form or page 3 of the WCRQ Form bearing signature approval from the Office of Disbursements.

Step 12
Unit: Hiring Department
- The hiring department will retain copies of signed contracts and approvals according to the Records Retention schedule (minimum 7 years).

http://www.usg.edu/usgweb/busserv/series/index.phtml
Step 13
Unit: Office of Disbursements

- Perform a review/audit of the requested payment.
- Process payment to the Independent Contractor/Consultant against the PO (decrease PO encumbrance). (Generally, payment is processed within 7 to 10 working/business days from the date the document is stamped as received by Disbursements, provided all documentation is in order (including updated address in Spectrum, and the PO dispatched).
- At calendar year end, issue/record Form 1099 Misc to the Independent Contractor/Consultant for earnings totalling $600 or more for the calendar year.

Step 14
Unit: Hiring Department

- Best practice: Perform a monthly/quarterly review of all open Purchase Orders.
- Review open Purchase Orders at Fiscal Year End.
- Request Purchase Order maintenance from Purchasing, when needed.