

# Office of the Comptroller

## POLICY UPDATE FOR INDEPENDENT CONTRACTORS

Thank you for your help in significantly mitigating Penn's compliance risk related to worker classification laws and regulations. Your feedback has helped us adjust policies and streamline process to enhance compliance. As a result, we are providing further information about policy updates regarding independent contractors, and the impact those have on Penn's procure-to-pay process.

Policy #2319 describes the different classifications of non-employee individuals with which Penn does business. This includes Human Subjects, Honoraria, Independent Contractors, and Limited Engagements. This memo addresses Independent Contractors and Limited Engagements.

**Independent Contractors - Individuals doing business as Independent Contractors should be procured as Purchase Order (PO) Suppliers.** As such, new Independent Contractors are to be onboarded as PO suppliers prior to performing work for the University. This is done through the new online New Supplier Request process in the Penn Marketplace. In requesting the new supplier, the system will automatically require collateral (Service Provider Evaluation form and Service Provider Questionnaire) to be uploaded as part of the online request, while the individual will upload their W-9 during the registration process. Following the onboarding process, a PO may then be raised for the services.

**Limited Engagements** – While laws and regulations consider Limited Engagements a form of independent contractor, **the University has established policy whereby Limited Engagements are specific types of engagements that may be exempted from the Independent Contractor PO process, and handled through the non-PO payment process.** A Limited Engagement Fee is a payment to an individual (non-employee/faculty, non-student) for providing a service of an academic nature, short duration, and/or low dollar amount (\$1,000 or less per transaction; \$5,000 per year max). Penn intends Limited Engagement to be used for the following:

- Distinguished guest speakers at University functions
- Artist, performer
- Writer, editor
- Board members, critics, preceptors, and mentors
- Service meeting the dollar threshold

As with Independent Contractors, all arrangements with Limited Engagement service providers should be made in advance of the service. With the new process for supplier/payee onboarding in the Penn Marketplace, this means that a **new Limited Engagement service provider should be requested to be added as a *Non-PO* supplier through the New Supplier Request process in the Penn Marketplace.** We are configuring the system to require documentation of the agreement with the Limited Engagement service provider at the time of the new supplier/payee request. This will help Penn ensure compliance at the time of setup.

Separately, and in accordance with Policy #2301, contracts for Limited Engagements must be executed by Purchasing Services. To facilitate that, the agreement document(s) should be submitted to [sourcing@upenn.edu](mailto:sourcing@upenn.edu). Upon execution of the agreement and the onboarding of the Limited Engagement service provider, a Non-PO payment request may be processed for the supplier/payee.

For general information regarding the classification of individual service providers, please visit Penn's Individual Service Provider Classification website. For any questions regarding the onboarding process of individual service providers of any type, please contact [SupplierSupport@upenn.edu](mailto:SupplierSupport@upenn.edu).

We have aligned the introduction of these new policies and processes with the introduction of new procure-to-pay tools to ensure an efficient end-to-end process. We appreciate your embracing these changes as we continue to move Penn forward with heightened compliance and efficiency. We also encourage your continued feedback as we work together to best serve all of the University's stakeholders.