

Payments to People for Services

7/25/2014

There are FIVE types of payments to individuals for services that they provide to use. Here is a short summary of each and how to process those payments. If you have questions – contact your Business Office Representative.

NEW EMPLOYEE: The IRS has very specific guidelines on when someone is considered an employee of a company and when someone is considered an independent contractor. See the chart with 20 factors to consider when deciding if this person is an employee or not. Not sure? Contact your Human Resources Representative.

<http://cfaesfinance.osu.edu/resources>

Employee or Independent Contractor? Here are 20 factors the IRS offers to help someone determine the difference between employees and independent contractors.		
Factor	An Employee...	An independent contractor...
1. Instructions	... is instructed when, where and how he or she is to work.	...determines when, where and how work is performed.
2. Training	The company may provide employee training before the work is done.	... perform the job without training and uses his or her own methods.

EXISTING EMPLOYEE:

- If you are using an existing employee in their normal job capacity you should discuss with them up front what kind of compensation their department will want (payment to the individual is not allowed). Some unit will have set fees – IE State Extension Specialists use this transfer form: <http://cfaesfinance.osu.edu/forms> They may ask for a flat rate to be transferred via journal entry or they may ask for a specific amount for mileage reimbursement. Make sure you know the cost before booking the time.
- If you want to use an existing employee outside their normal job capacity you need to work closely with your Human Resources Representative to 1) determine if it is allowable and 2) determine how to pay them.

INDEPENDENT CONTRACTOR: Independent contractors are individuals that we hire to do specific jobs but do not need to be considered employees. These are individuals who are expecting payment for their work and have a set scope of services.

- **Examples:** Nurses for camps, Disk Jockey's for camp, Drivers for charters (buses, boats, etc), Speakers
- **Method of Payment:** You must set up a Purchase Order before you commit them to the service. Submit an **eRequest – Standard Purchasing Request** and include a scope of services and payment expectations.
- **Paperwork:** New contractors are required to complete the AP Payment Compliance Form/Vendor Profile Form. <http://cfaesfinance.osu.edu/forms> If the individual will be interacting with youth (i.e. camp nurses), you must have them do the same background check process as our [volunteers](#). After payment has been made your vendor will be contacted by Central OSU Human Resources to complete a form that exempts them from receiving OPERS benefits. You are not involved in that process.



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UNKNOWN CONTRACTOR: Occasionally you may hire an independent individual for non-recurring small dollar services where the specific individual cannot be determined prior to the service. This is rare – but in those instances it is understood that getting a pre-service PO number isn't possible.

- **Example:** You have a Purchase Order with a Charter Bus Service. The bus company says you have to pay the driver for their time directly (not through the PO) but they cannot tell you who that driver will be until two days before your event.
- **Method of Payment:** Submit an **eRequest – Payment** after the event. Include an explanation as to why you couldn't get the PO in advance and reference convenience order number X14011 in the Additional Info Section.
- **Paperwork:** New contractors are required to complete the AP Payment Compliance Form/Vendor Profile Form. <http://cfaesfinance.osu.edu/forms> If the individual will be interacting with youth (i.e. camp nurses) you must confirm with the company you are working with that the individual goes through background checks at least every four years.
After payment has been made your vendor will be contacted by Central OSU Human Resources to complete a form that exempts them from receiving OPERS benefits. You are not involved in that process.

HONORARIA: Honoraria payments are to be used as a thank you gift to those non-employee individuals who provide periodic voluntary services to your office. If the individual is expecting payment – this is not the right buying tool. This is simply an expression of gratitude.

- **Example:** You ask an expert on irrigation come to talk at a course you are conducting on water control.
- **Option 1:**
 - **Method of Payment:** Submit an **eRequest – Payment** after the event. Reference convenience order number X14006 in the Additional Info Section and provide a clear description of what they did for your unit.
 - **Paperwork:** These individuals are required to complete the AP Payment Compliance Form/Vendor Profile Form. <http://cfaesfinance.osu.edu/forms>
- **Option 2:**
 - **Method of Payment:** One time gift card or similar item. We recommend a gift of this kind should be \$200 or less. This method is only available for non-recurring honoraria.
 - **Paperwork:** Purchase the gift using a PCard, Personal Reimbursement or Extension Checking Account. Very clearly document the Business Purpose, the recipient and the affiliation with the university (non employees only).
- **You should treat these individuals as volunteers** – especially if they will be working with youth – and have them complete a background check if appropriate.