

# CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

## **INDEPENDENT CONTRACTORS/STIPENDS/SCHOLARSHIPS**

### **Policy**

As an auxiliary organization of California State University, Fresno, the California State University, Fresno Foundation must comply with university policy, federal regulations, and all regulations and laws governing non-profit organizations. As a non-profit organization and a private employer it falls under federal and state wage and hour laws.

The following will assist in determining when and how payments can be made to individuals.

### **Consultants/Independent Contractors:**

Often called subcontractors or subrecipients, consultants and independent contractors provide a service(s) where the performance is measured against meeting objectives. The Foundation uses the vendor/consultant data form for services provided by an individual or company. To determine if an individual meets the Internal Revenue Service qualifications of an independent contractor, use the brochure entitled Independent Contractors available at [www.auxiliary.com/Foundation/FormsPolicies.htm](http://www.auxiliary.com/Foundation/FormsPolicies.htm)

### **General rules governing Consultants, Subcontractors and Subrecipients:**

- Individuals or companies must have the expertise to provide the necessary services to the department or project. If the consultant is to be paid with funds through a grant or contract that individual or company should be named in the budget proposal of the grant to allow approval by the funding agency at time of award.
- An independent contractor usually retains control over how the work is done. The following common law factors that would indicate employee status.
  - Instructions – an individual who is required to follow instructions about when where and how to work.
  - Services must be rendered personally by the worker
  - Training - provided to perform a job in a particular manner
- If federal funds are involved, the daily rate for a consultant must be reasonable given all the circumstances. Federal agencies or programs will specify maximum daily rates. Currently NSF and NIH limit daily rates to no more than \$482 per day available at [www.nsf.gov/bfa/cpo/policy/ques.htm](http://www.nsf.gov/bfa/cpo/policy/ques.htm). The daily rate is exclusive of other costs such as travel, per diem, supplies and indirect costs.

- No California State University system faculty or staff or anyone on University or Foundation payroll including Auxiliary employees qualify as consultants/independent contractors, subcontractors or subrecipients, and cannot be paid as such. (IRC Sec(s) 117)
- Consultant or subcontractor fees should be based on a daily rate. An hourly rate should not be used as consultants are not employees and are paid for completing an overall job.

## Stipends and Honoraria

### Definition:

**Stipends/Scholarships/Fellowships:** The Internal Revenue Service (IRS) provides no exclusion from wages for payments made to any California State University faculty, staff, foundation or auxiliary employee that receives training as a stipend payment. Stipends fall under the IRS definition of “scholarships or fellowships” (IRS Publication 520).

- A **Stipend** is generally paid to a student or attendee of a class or workshop for their participation ONLY, not for services rendered. The IRS does not use or acknowledge the term stipend or honoraria.
- A **Scholarship** is generally an amount paid for the benefit of a student at an educational institution to aid in the pursuit of studies. The student may be either an undergraduate or graduate.
- A **Fellowship** is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

**Honorarium:** An Honorarium is a payment for services on which custom or propriety forbids a price to be set. The method of payment is usually used to present an honorarium to a guest speaker or lecturer. It is a **“thank you” gesture of good will and appreciation.** An honorarium is not based on an agreed amount between the individual providing services and the individual seeking services. If payment is agreed upon, this constitutes a contractual agreement.

- Honoraria are unallowable expenses under OMB A-21 and cannot be charged to a grant or contract.
- Honoraria must be paid from discretionary funds.
- An honorarium can be given in the form of cash or a tangible gift. Refer to community relations policy # 3 under allowable expenditures section.

### **Payment processing procedures for Independent Contractors:**

1. Read the brochure on Independent Contractors/Consultant.
2. Fill out Vendor/Consultant Data Form completely before work is started and forward to Foundation office for approval.
3. When work is completed forward invoice from Contractor/Consultant attached to payment authorization and forward to Foundation.

### **Payment processing procedures for training/stipends/scholarships/fellowships provided to California State University system faculty or staff or anyone on University, Auxiliary or Foundation payroll.**

1. Must be paid through payroll
2. Obtain new hire packet from Foundation payroll
3. Fill out all forms and follow all instructions
4. Return forms to payroll office
5. When training is completed fill out Temporary Help Voucher completely
6. Submit to Foundation payroll
7. See payroll schedule for payment dates

### **Payment processing procedures for training provided to other individuals outside the University system including Foundation and Auxiliary employees.**

1. Fill out W-9 form prior to training session and return to Foundation
2. When training is completed forward documentation explaining training that was provided on the payment authorization with the W-9.
3. A 1099 (Miscellaneous Income) form will be issued by the Foundation for compensation to an individual in excess of \$600.00 per calendar year.

### **Payment processing procedures for honorariums.**

1. Read community relations policy #3 under allowable expenditures section.
2. Fill out community relations form completely with documentation explaining the need for the payment.
3. Individual receiving payment must complete a W-9 form
4. Submit both the community relations and W-9 form to Foundation
5. A 1099 (Miscellaneous Income) will be issued by the Foundation for compensation to an individual in excess of \$600.00 per calendar year.