

Independent Contractor Agreement Instructions

Purpose: The Independent contractor agreement template and these instructions are designed to provide general guidance and structure for drafting basic operating contracts with external vendors. The Independent Contractor Agreement is not the preferred format for some types of contracts (e.g., capital construction projects, high cost contracts). To avoid creating potential liability, please read these instructions carefully and do not hesitate to reach out to the Canon for Finance and Administration or your church's Chancellor for assistance.

Step 1: Planning

It is important to fully analyze the need for a good or service so you can adequately document requirements in the scope of work.

- A through scope of work will clearly define the "who, what, where, when and how" of the contractor's delivery of a good or service.
- Consider how you would like to set up the cost structure of the agreement. For example, in many cases it is beneficial to negotiate a firm fixed price for a good or service, but in some cases, capped hourly fees will be necessary. Setting the cost structure in advance will also allow you to compare "apples to apples" as you gather quotes and compare vendors. The scope of work should outline the payment schedule and any necessary benchmarks or inspections necessary for the contractor to be paid.
- Carefully consider the extent of the church's exposure to liability for acts or omissions of the prospective Contractor and whether that Contractor actually will have the ability to indemnify or hold the church harmless for that liability. When feasible, the Contractor should be expected to provide proof of insurance protecting the church, which is provided in the bracketed language of paragraph 9b. However, if the nature and extent of the services are minor and the amount of compensation small, it may be appropriate to consider deleting the bracketed language.

Step 2: Procurement Process

- Ensure appropriate funding and approval.
 - All contracts between mission churches and contractors must be approved and signed at the Diocesan level, by the Canon for Finance and Administration, or other designated individual.
 - If diocesan funding is needed, submit a request to the in accordance with the property grant process or in conjunction with the annual grant request to the Vital Congregations Committee.
- If proceeding with local funding, gather quotes
 - Three informal (verbal) quotes (<\$5,000)
 - Three written quotes (>\$5,000)
- Agree on written scope of work and complete Independent Contractor Agreement template. Some contractors may require that their standard be contract be used. If this is the case, contact the Canon for Finance and Administration or your church's Chancellor for assistance.

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- Collect necessary licensure and insurance documentation.

Step 3: Manage the project

- Adequate communication, management and quality control during the term of an agreement can often prevent problems down the road.
- Ensure compliance with all Diocesan commitments in the scope of work (e.g., access to facilities, prompt payment, prompt inspection of completed work product).
- Complete necessary documentation to close out the project.
- For contracts valued at \$600 or more, IRS form 1099 must be issued.

General precautions:

- Avoid conflicts of interest (e.g., hiring relatives); always select the contractor that offers the best value (i.e., lowest price for acceptable quality good or service).
- Be cautious of hiring “contractors” that should be employees (e.g., organist). See attached independent contractor analysis.
- If you are unsure how to proceed at any point in the process or you are having difficulty with a contractor, please contact Canon for Finance and Administration.