

Subject: INDEPENDENT CONTRACTOR		Issued By: FINANCE DEPARTMENT	
		Approved By: Kathleen R. Hurtado President & CEO	
Policy #: 402.4	Issue Date: March 29, 2006	Revised Date: April 25, 2006	Effective Date: May 1, 2006

Reference:
Revised from LAC + USC Healthcare Network Policy #112 dated 4-16-2002.

PURPOSE

To ensure that administrative staff, management staff, and others associated with HRA, USC and/or the Los Angeles County Health Department are aware of their authority and responsibilities for conducting HRA business, when services are provided to HRA by contract.

POLICY

- ONLY HRA'S PRESIDENT & CEO CAN ENTER INTO CONTRACTS WITH INDEPENDENT CONTRACTORS:** HRA's President & CEO has the sole authority to approve and/or terminate contracts between HRA and outside vendors. As of the date of this policy, Ms. Kathleen R. Hurtado was HRA's President & CEO;
- INDEPENDENT CONTRACTORS MUST USE STANDARD AGREEMENT:** Independent Contractors must enter into a standardized contract between themselves and HRA, relative to project work. HRA's standard Independent Contractor Agreement currently exists in a Word file named "Independent Contractor Agreement – Blank.doc," which is in the possession of HRA's President & CEO;
- CA INCOME TAX WITHHOLDING FOR NON-RESIDENTS:** The Franchise Tax Board requires HRA to withhold a 7% income tax on payments to California nonresident service providers who meet the following:
 - Do not have a permanent place of business in California;
 - Perform their services in California;
 - Receive HRA payments in a calendar year of \$1,500 or more.

Nonresidents subject to this withholding include corporations, limited liability companies, partnerships and individuals. Types of income subject to withholding include, but are not limited to, payments for services (consultants, speakers, designers, etc.) performed in California and payments of leases, rents and royalties for property (real or personal) located in California.

HRA's Finance Department will withhold 7% from payment amounts that meet the above



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criteria, unless the supplier is exempt from this withholding.

No withholding is required on payments for goods. No withholding is required for nonresidents who are registered through the Office of the Secretary of State or who have provided HRA’s Purchasing/Marketing Department with a completed California Withholding Exemption Certificate Form 590 (available at: www.ftb.ca.gov).

4. **TEMPORARY NATURE OF CONTRACT WORK:** HRA hires Independent Contractors from time to time, to accomplish specific “project” work of a temporary nature. Contracts between HRA and Independent Contractors can be canceled “at will,” by either party, at any time;
5. **INDEPENDENT CONTRACTORS CANNOT HANDLE CASH:** Independent Contractors are forbidden from handling cash that belongs to HRA, USC, and/or LA County;
6. **QUALITY CONTROL:** Once contracts are awarded, the quality of contracted services is monitored by HRA staff through direct supervision of contract staff and/or through formal quality control activities. If, at any time during the term of the contract, the contractor is found to be in violation of the terms of the agreement with HRA, or if the work is determined to be deficient in any way, the underlying contract may be terminated;
7. **PERIODIC REVIEWS:** Service, administrative, and fiscal reviews of contracts are conducted periodically. Service reviews are based on monitoring instruments developed in collaboration with appropriate medical, nursing and/or other professional disciplines. Administrative and fiscal reviews are based on contract stipulations.

RESPONSIBILITY

HRA’s President & CEO / Department Managers / Finance Department / Administration

REFERENCES

- DHS Policy #160, Contract Program
- DHS Policy #161, Patient Service Contracts
- DHS Policy #165, Contracts with Private Businesses to Perform County Services
- California Code of Regulations, Title 22