Contracting for Services with a Limited or Incorporated Company Procedure

<table>
<thead>
<tr>
<th>Office of Administrative Responsibility:</th>
<th>Supply Management Services</th>
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<tbody>
<tr>
<td>Approver:</td>
<td>Associate Vice-President (Finance &amp; Supply Management Services)</td>
</tr>
<tr>
<td>Scope:</td>
<td>Compliance with this university policy/procedure extends to all Academic Staff and Colleagues and Support Staff as outlined and defined in Recruitment Policy (Appendix A and Appendix B). This procedure does not apply to project management, design, maintenance and trade services for facility construction.</td>
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Contact for questions about this procedure: SMS Customer Service 780-492-4668 customerservice@sms.ualberta.ca

Overview

Supply Management Services (SMS) oversees the acquisition of goods and services on behalf of the University. The role of SMS is one of a consultative nature assisting University units with the procurement of required goods and services while ensuring that all applicable University policies and procedures, sponsor terms and conditions as well as all applicable federal and provincial legislation and regulations governing the acquisition of goods and services are adhered to.

SMS is the delegated authority to enter into agreements for services as approved by The Board of Governors of the University of Alberta through the Contract Review and Signing Authority Policy. Specific authority to acquire services has been extended to campus through certain procurement methods and in compliance with the established University of Alberta purchasing procedures (eg. Low Dollar Purchase (LDP) System Procedure).

This procedure does not apply to project management, design, maintenance and trade services for facility construction. The Contracting for Project Management, Design, Maintenance and Trade Services related to Facility Construction Procedure provides details related to these services.

Purpose

The University Purchase Order or Agreement issued by SMS ensures that the Contractor is informed of its obligations including the services to be provided, schedule for services, WCB coverage, insurance requirements, intellectual property and copyright requirements and other terms and conditions of the contract including cancellation.

This procedure also provides standard criteria for University units to use in confirming a contract for services exists and to safeguard the University from the potential liability associated with the wrongful categorization of work.
PROCEDURE

1. Submit a completed Purchase Requisition. The Purchase Requisition is the authorization to initiate the procurement process, enables a Purchase Order or Agreement to be generated and provides the accounting details for entry into the financial accounting system. The Purchase Requisition with a clearly defined scope of work, term of project and total costs should be provided. Any associated components (e.g. detailed information, drawings, Contractor proposal) must be included with the Purchase Requisition. The Purchase Requisition must be signed by an authorized University staff member and include their printed name.

2. Proposed services in excess of the Competitive Bid Thresholds are subject to a competitive bid process as outlined in the Competitive Bid Procedure.

3. SMS may request that the University unit complete the Determination of a Worker’s Status Checklist (Checklist) to confirm that a contract for services exists. The Checklist outlines the four standard tests used by Canada Revenue Agency (CRA) in determining the nature of the relationship. Failure to classify a relationship correctly can result in interest and penalties under the Income Tax Act, the Employment Insurance (EI) Act and the Canada Pension Plan (CPP) Act for both the University and the Individual. Please review the Determination of a Worker’s Status Procedure for further details.

4. If the Checklist result indicates the work should be considered employment, payments will be processed with all required deductions through Human Resources. If a CRA ruling is subsequently received indicating a Contractor status, the contract and payments will be corrected. Contractors may not apply rulings from other seemingly similar situations, as small changes in context may change the decision of CRA. If an old CRA ruling is provided for the same scope of work, SMS may request an updated ruling but will proceed with the contract.

5. Agreements for services that are under $25,000.00 do not require a signed Services Agreement. The details provided with the Purchase Requisition will be transferred to a Purchase Order by SMS and issued to the Contractor. The Supplemental Conditions of Purchase Order will govern these transactions.

6. A Services Agreement is used when the total value of services exceeds $25,000.00. The Services Agreement may be completed by the department to assist with clarifying contract details. SMS will review the documentation and/or prepare the Services Agreement for issuance to the Contractor. Terms and conditions in the Services Agreement may not be amended or changed without approval from SMS.

7. A fully authorized Purchase Order or Services Agreement must be in place prior to commencement of any work or services. In order for a Services Agreement to be considered fully authorized, the agreement must be signed by an authorized representative in SMS and by the Contractor.

8. Certain transactions may fall under the non-resident tax legislation and may be subject to withholding of tax. In accordance with the provisions of the Income Tax Act (Canada), the University will withhold and submit 15% of the fees charged on each invoice for services performed in Canada by the non-resident unless the Contractor obtains from CRA a waiver or reduction in the amount to be withheld.

9. All revisions or changes to Purchase Orders or Services Agreements must be completed by way of Change Order Draft. The completed Change Order Draft must be forwarded to SMS for amendment to the existing agreement.

10. All transactions are to be requested only by authorized University staff in accordance with the University Signing Authority and Delegation of Signing Authority Policy – All Funds and the Signing Authority and Approval Procedure.

DEFINITIONS

| Contract for Services | A contract for services is an agreement by which a Contractor undertakes to carry out physical or intellectual work or provide a service to the University for a stipulated fee. The Contractor is free to choose the mean |
of performing the work and no relationship of subordination exists between the Contractor and the University in respect of such performance.

### Four Standard Tests

The Canada Revenue Agency uses four criteria to determine the nature of the worker’s status. The four standard tests will not necessarily be given equal weighting in determining the type of contract.

1. **Control** – the ability of the individual to determine his/her own work plan.

2. **Integration** – the extent to which an individual forms a component part of the department or unit’s operations and organization. This test is often considered to be a secondary test to the control test.

3. **Economic Reality** – involves examining the test of control, ownership of tools, chance of profits and risk of loss.

4. **Specified Results** – the overall nature of the engagement that the independent contractor has been hired to perform.

### FORMS

Should a link fail, please contact uappol@ualberta.ca.

<table>
<thead>
<tr>
<th>Change Order Draft</th>
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<tr>
<th>Determination of a Worker’s Status Checklist</th>
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<tr>
<th>Purchase Requisition*</th>
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*This form is a manual Purchase Requisition. Use of the on-line Purchase Requisition in the financial system is recommended.

### RELATED LINKS

Should a link fail, please contact uappol@ualberta.ca.

- **Competitive Bid Thresholds** (University of Alberta)
- **Contract Review and Signing Authority Policy** (UAPPOL)
- **Determination of a Worker’s Status Procedure** (UAPPOL)
- **Signing Authority and Approval Procedure** (UAPPOL)
- **Signing Authority and Delegation of Signing Authority Policy – All Funds** (UAPPOL)