

# Selecting the best vendor for your program

## Top 10 Questions for Evaluating a Payroll and Compliance Vendor

**1. Is the company financially stable and responsible?** It may seem obvious, but you want to ensure they have the ability to pay your contractors accurately, on time, and will withhold the correct taxes. A full financial analysis should be a part of your evaluation process, and you should check if they are involved in any litigation.

**2. How long have they been providing Independent Contractor (IC) compliance programs?** IC compliance is a complex minefield of legislation and risk. Choosing a company with real experience and expertise is important in protecting your organization from the potential cost of misclassification. By using a specialized firm you are reducing your risk considerably but in the event of an audit you may still have a level of exposure. No company is able to provide complete indemnification from risk so it's important you choose a supplier that will partner with you to create a solid program.

**3. What are the qualifications and experience level of resources that make the compliance decisions?** How many years of experience do they have? What kind of training do they receive? Have they been involved in any audits?

**4. How do they remain current with new laws and changes to existing legislation?** What procedures are in place to ensure the vendor and their employees are kept up to date on the constantly changing world of IC compliance? What types of seminars do they attend? What publications do they subscribe to?

**5. What is their Independent Contractor classification process?**

It is important that the company can demonstrate it has a standardized process for reviewing both the work and the worker to make the most appropriate classification. The process needs to be documented and repeatable and approved by legal experts. What documentation is collected to support the classification and how is it retained? In the event of an audit by a federal or state agency, the auditor will be evaluating if there is a clear, robust continued process in place for classifying workers compliantly.

**6. Does the supplier have an automated system to evaluate prospective independent contractors and arrive at a decision?**

Is there manual oversight to the process? There is no formula or equation that can be used to determine the most compliant classification of a worker. If there was, the IRS would have us all using one central system. The factors that need to be considered in each case vary greatly when making a determination on the most compliant way to engage a contract worker. It takes manual oversight to ensure that for each and every contract worker put through the program that all factors are taken into consideration and the most appropriate determination is made.

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## Tips for Obtaining Management Buy-in

### Calculate your Risk

[Click here to calculate your potential risk from misclassifying ICs.](#)

### Calculate your Savings

Using a specialized vendor to payroll pre-identified contractors can be significantly more cost-effective than using a traditional staffing firm.

[Click here to calculate how much you could save your company.](#)

### 7. How does the supplier ensure continued compliance within the program?

The legislative environment is constantly changing on a federal and state level. It is imperative that the supplier you choose is constantly monitoring and adjusting their program accordingly. But it is not only legislation that needs monitoring. Things like insurances, required business licenses, DBA, etc. of sub-vendors and independent contractors can expire during the length of an assignment putting your organization at risk. And then there's the actual work performed by the worker. If the worker's role changes it may become more of an employer/employee relationship. Without monitoring and follow-up during the duration of the assignment you may face additional risk.

**8. Is the supplier vendor neutral?** By choosing a supplier that is not affiliated with any staffing firm you are ensuring a total focus on compliance issues, a dedicated service for contractor payroll, and your existing staffing suppliers will not feel threatened.

**9. Does the supplier account for change management and provide training and education programs during the implementation phases?** Introducing a compliance program can be challenging without a successful change management plan in place. There is a natural tendency for managers to push back on the new initiative and try to find loop holes within the program - especially if they are not fully informed about the risks they could be unintentionally be exposing their company to.

### 10. How do they measure program success?

As recruitment is not a part of this type of program, traditional methods for measuring success are not always relevant. Annual contractor and/or hiring manager surveys are a good starting point. You may want have quarterly or semi-annual reviews of the program, ensuring the vendor can measure and record items such as turn-around times on IC evaluations, onboarding and timeliness of payments.