

501 Personnel, Payroll Management & Independent Contractors

501.1 Introduction

Personnel management includes all aspects of overseeing the hiring, firing, evaluating, counseling and paying everyone an organization uses to perform its mission and maintain facilities, records and assets. The proper management of personnel or business entities properly designated as independent contractors is also an important part of most diocesan site's operations. This section was created to place emphasis on the aspects of personnel & independent contractor management that have significant financial implications and affect the level of risk to which an organization may be exposed. Much of this information was previously included in Section 401.

501.2 Roles

Pastor/Administrator/Principal

Just as expressed in prior sections, the pastor/administrator/principal is completely responsible for managing all aspects of his organization's operations. A significant part of the responsibility is the proper management of all personnel serving the organization whether employee, volunteer or independent contractor. This requires understanding the nuances of both Federal and State regulations that apply to any for-profit or non-profit company.

Parochial Vicar

It is recommended that the pastor delegate some of his responsibilities for managing the personnel issues at a parish to the parochial vicar. Acting as a team, they may be better able to keep abreast of and react to the changes in personnel management that seem to constantly occur.

Bookkeeper

For personnel management, the bookkeeper primarily focuses on all the documentation required for hiring and compensating employees and independent contractors. He/she will be the one to process every payroll while ensuring all documentation is submitted to the Pastoral Center to create or update an employee's record in the Human Resources and payroll database. Annually, he/she will prepare required reports to the IRS for independent contractors plus provide updates to employee pay records to capture any earnings not paid through the payroll system to ensure the W-2 correctly states the taxable wages for each employee. In small offices, he/she may have to be the individual who maintains the personnel files.

Office Staff

The members of an organization's staff play a supporting role in human resources by maintaining personnel records (in larger offices), assisting the bookkeeper with pay documents and updates to the payroll database especially during open enrollment for the group insurance plan. They must also assist in the maintenance of certificates of insurance for all independent contractors, contractors, service providers and other independent groups who come on to a site's campus.

Finance Council Members

Since the Finance Council must assist the administrator in implementing sound internal control practices and any diocesan financial policies applicable to the business affairs of the

organization they can play a role in personnel management. Their participation is particularly critical at small sites with extremely limited staffs. They can be involved with such processes as:

- Performing random checks of personnel files, approving payroll documents, reviewing job descriptions/FLSA classifications and independent contractor status verifications.
- Checking personnel related disbursing documentation for completeness and accuracy to ensure a solid audit trail.

501.3 Personnel Management

Personnel administration and employment file maintenance includes interviewing candidates, checking references, running background checks, hiring qualified personnel, counseling personnel, documenting performance, maintaining complete records and terminating personnel to list only a few of the required activities. The most important internal control in personnel management involve keeping payroll preparation personnel updated on the addition of new employees, the authorization of initial/periodic changes in pay rates or deductions and the reporting of employee termination dates and reasons.

Policy

The following instructions are minimum requirements for all organizations operating within the Diocese of Pensacola-Tallahassee:

- Segregation of duties within personnel management is particularly important. In offices with sufficient staff, the individual with access to payroll records or checks should not normally have access to personnel records. For one person offices at the extremely small parishes, the personnel file for the bookkeeper should be maintained by the pastor. All personnel actions must be approved by the pastor, however, extra scrutiny and documentation for any such action affecting the bookkeeper is an absolute requirement.
- Prospective employees must be properly screened. Amazingly enough, most embezzlers are repeat offenders! This screening should include a verbal check of all references, former employers (particularly other employers that are entities within the Diocese), etc. The following action items must be completed prior to the actual hiring of the employee:
 - The list of references (minimum of 3) provided by the prospective employee must be contacted to determine any past indications of non-suitability for the position or for working in the Church;
 - Criminal background checks are required regardless of the job assignment or part-time/full-time status; applicants must sign a release that is completed with the employment application;
 - Credit checks are required for all bookkeeping positions and for any employee who may routinely handle funds (cash or checks) or credit cards in the performance of their job. Applicants must sign a Fair Credit Reporting Act release form that is completed with the employment application;
 - Regardless of the job assignment or part-time/full-time status all employees must take the required Safe Environment- Shield the Vulnerable courses, "Recognize, Report & Prevent Child Abuse" and "Detecting Predators;"
 - When applicable, the employee may need to pass a physical should the job require it;
 - When applicable, a Motor Vehicle Record check is required.

- Prospective volunteers must also be properly screened depending on the role(s) they will be filling at the organization.
 - If working around children or vulnerable adults, then they must have a criminal background screening; they must sign a release form and have the screening conducted before the site can allow them on campus;
 - If regularly working in an office environment with access to any type of confidential records, then a criminal background screening must be successfully completed;
 - If regularly working in a position that requires handling of funds (cash and checks) and/or credit cards, then both a criminal background screening and a credit check is mandatory prior to commencing any work at the site. This does not mean members of the count team must be screened since they are never allowed to work alone or with a relative when handling funds;
 - If any volunteer drives a motor vehicle on behalf of the site particularly if transporting children, they must also have a Motor Vehicle Record check completed on them prior to the activity.
- The completion of USCIS Form I-9 is a critical part of a site's employee hiring process due to the close scrutiny of who is being hired in the United States by the Citizenship and Immigration Service. Failure to follow the rules requiring employers to properly document the identity and right to work for each new employee could lead to significant fines. Clerical errors on the Form I-9 can also lead fines by the USCIS. The following edited information pertaining to the Form I-9 is extracted from Handbook for Employers, Instructions for Completing Form I-9 (Employment Eligibility Verification Form), Publication M-274:
 - You must complete Form I-9 each time you hire any person to perform labor or services in the United States in return for wages or other remuneration. Remuneration is anything of value given in exchange for labor or services, including food and lodging. The requirement to complete Form I-9 applies to new employees hired after November 6, 1986. This requirement does not apply to employees hired on or before November 6, 1986, who are continuing in their employment and have a reasonable expectation of employment at all times.
 - You must ensure that the employee completes Section 1 of Form I-9 by his or her first day of work for pay. Employees may complete Section 1 of Form I-9 at any time between acceptance of a job offer and the first day of work for pay. The employer is responsible for reviewing and ensuring that your employee fully and properly completes Section 1. You must ensure the employee presents to you an original document or documents that show his or her identity and employment authorization within three business days of the date employment begins. Some documents show both identity and employment authorization (List A). Other documents show identity only (List B) or employment authorization only (List C). The employee must be allowed to choose which document(s) he or she wants to present from the Lists of Acceptable Documents. These lists appear in Part Eight and on the last page of Form I-9.
 - You (the employer) must examine the original document(s) the employee presents and then fully complete Section 2 of Form I-9. You must examine one document from List A, or one from List B AND one from List C. Record the title, issuing authority, number, and expiration date (if any) of the document(s); fill in the date employment begins and correct information in the certification block; and sign and date Form I-9. You must accept any document(s) from the Lists of Acceptable Documents presented by the individual that reasonably appear on their face to be genuine and to relate to the person presenting them. However, you may only accept unexpired

- documents. If you choose to make copies of documents your employee presents, you must do so for all employees, regardless of national origin or citizenship status. Return the original documents to your employee when you are finished.
- The completed I-9s must be filed in a binder kept in a secure cabinet and not filed in the individual employee's personnel files. The binder must be divided in two sections, one for active employee's forms in alphabetical order and one for terminated employee's forms. The forms for active employees must be retained while they are still employed. Once the individual's employment has terminated, the employer must determine how long after termination the Form I-9 must be retained, which is either three years after the date of hire, or one year after the date employment is terminated, whichever is later.
 - A copy of the Code of Business Conduct Policy (Appendix 16) and the Conflict of Interest Policy (Appendix 17) must be provided and the acknowledgement of receipt statements agreeing to abide by them must be signed and retained in the employee's personnel file. In addition, each employee must be provided and sign receipt for the Confidentiality Agreement and the Employee Handbook. Significant volunteers, which typically are Pastoral, Finance and School Advisory Council members must also be provided copies of appendices 16 and 17, as well as, the Confidentiality Agreement and they must sign the acknowledgement forms that must be maintained in a folder for volunteers.
 - Individual personnel files must be maintained on all employees and secured in a location within the business office. Access to personnel files must be limited to only those individuals having a need to know the information contained in each employee's file. Site's must have all required items, as detailed in Appendix 7, in each employee's file – failure to do so may subject the site to penalties from both State and Federal regulatory agencies. Policies and procedures must be established for handling vacations, holidays and sick leave. Paid Leave (i.e. vacation, sick absences, jury duty, etc.) policies must be developed and communicated to employees.
 - Both Federal and State regulations require posting of a sign Notice to Employees (including Worker's Compensation information) where employees can readily see it. These signs may be obtained on line from a variety of labor law poster vendors.

501.4 Payroll Management

The implementation of the Paycor payroll processing model followed by the consolidation of all the payroll databases into one has drastically altered the way employees are paid in the diocese. While the method for payroll processing has changed, the importance of ensuring that employees are paid correctly with the correct deductions cannot be overstated particularly since compensation represents the most significant portion of total expenses for an organization. It is essential; therefore, that payroll methods, databases and records be maintained in accordance with good accounting practices. Requirements that each site must follow to have their payrolls processed are included in Section 501.6.

Policy

The following instructions are requirements for all organizations operating within the Diocese of Pensacola-Tallahassee:

- Any changes that affect an employee's compensation must be submitted to the Human Resource Office not later than **five working days in advance of the timesheet due dates** as stated above. The changes must be submitted on a fully completed and properly approved Payroll Change Form available on the diocesan web site. For changes in Federal

Income Tax Withholding, an IRS W-4 Form signed by the employee is required. For changes in direct deposit banking information, a Direct Deposit Form signed by the employee along with a cancelled check or official notification from the bank is required. This deadline also applies to required paperwork for any new hires as listed below.

- The mandatory requirements for a site to complete when hiring an employee are as follows:
 - **Prior to an offer of employment**, each prospect must complete a Level II VECHS background screening to see if they are suitable for working in the diocese. If the position is in a daycare or VPK then a Department of Children and Families background check is also required. If the position involves access to financial records or the handling of funds or company credit cards, then the prospect must also successfully pass a Fair Credit Reporting Act credit check.
 - If the above screening returns favorable results, then the following must be properly completed and approved by the Human Resource Office prior to the first day of work:
 - Required Safe Environment Courses
 - USCIS I-9 Form
 - IRS W-4 Form
 - Application for Employment
 - Employee Information Form
 - Employer Information Form
 - Benefit Enrollment Form (if eligible)
 - Motor Vehicle Record check (if driving on behalf of the site)
 - For any school employee, an approved signed contract must be on file in the Schools Office.
- For exempt employees (see section 501.4), timesheets are not required, however, standard working hours and days must be established for them and noted on their job descriptions. Then exceptions to their attendance must be recorded using appropriate leave forms.
- The site must have a leave approval process with appropriate forms for the employee and supervisor to sign. Leave forms for sick and vacation time off are required for all employees whether exempt or non-exempt. Bonuses, monetary gifts to staff and supplemental wages must be included in the payroll process so that the earnings can be appropriately reported on the employee W-2.
- Payments of Mass Stipends for priests must follow the direction provided in the Personnel Policy Handbook for Priests and Canon Law. Mass stipends must be included in the payroll process as supplemental wages.
- Prior to submitting the payroll to Paycor for processing, the administrator must review and sign the pre-post payroll journal. In addition, a random check of the payroll process by an independent person (Finance Council member) is recommended.
- Religious order priests and sisters have taken a vow of poverty and are not to receive checks made in their names. Compensation checks to religious order priests and sisters are to only be made payable to the name of the order for the specific priest/sister. In limited cases, such as foreign order priests with provincial superiors in “unstable” countries, the checks should be made payable to the priest in care of the order. This ensures the priest will receive appropriate compensation. All such payments remain income and social security tax free.
- Clergy compensation is not subject to withholding for Federal income tax, Social Security or Medicare. However, clergy must still pay Federal income tax and Self-Employment Tax so, consequently, an appropriate amount should be deducted from their compensation (and paid to the IRS in the same manner as a regular employee) to cover their complete tax liability for the year. Each clergy should consult his tax advisor to determine the amount of

taxes to be withheld.

- Payroll advances are prohibited regardless of whether provided offline by the entity or through the Paycor payday processing.
- Maintenance of Payroll Records and QuickBooks Entries

With the consolidation of the payroll database under the Diocese, all payroll and income taxes are paid to the IRS by Paycor under the EIN of the Diocese. Consequently, only one quarterly 941 report is filed with the IRS; in the same manner only one UCT6 report is submitted by Paycor to the State of Florida. At year end, Paycor will prepare the W-3 report and provide W-2s for every Diocesan employee to the Social Security Administration. Appropriate copies of the W-2s will be sent to the Pastoral Center, the center will ensure the W-2s are either delivered to the site for distribution or mailed directly to each employee. Each site will no longer be able to see or maintain these reports.

 - Each site with employees must maintain appropriate payroll reports that are generated by Paycor for each payday. These can be maintained by payday either electronically or via hardcopy and must include the following:
 - Payroll Journal Report.
 - General Ledger Report.
 - Cash Requirement Report.
 - Billing Invoice.
 - Payables Journal Report.
 - Check Stub Report – includes both the employees' advice stubs and the stubs for the payables checks sent to the Pastoral center for benefits.
 - Each site must update their QuickBooks records for every payday. The date used to post the required journal entries must be the day that Paycor debits the site's account, usually the day before payday. The required journal entries that must be posted are:
 - General ledger: this is a standard report provided by Paycor
 - Payroll taxes: this is created by the site bookkeeper using the payable payroll tax figures previously posted with the general ledger
 - Paycor payroll processing fee: this is created by the site bookkeeper using the billing invoice from Paycor
 - Payables for the diocesan group plan and the 401(k) contributions: this is created using the benefits and 401(k) payables figures previously posted with the general ledger

The journal entries can be combined into one, however, the cash account must be credited four times to match the four Paycor withdrawals that will show on the monthly bank statement for each payday.
 - While Paycor pays all taxes and provides all the required reports on behalf of all the sites and employees within the diocese, each site should maintain an awareness of applicable Federal and State requirements particularly as they change, Appendix 9 includes a complete discussion of all the applicable Federal and State of Florida tax payment and reporting requirements with links to the source publications available on the internet.

501.5 Fair Labor Standards Act

The Department of Labor administers the Fair Labor Standards Act (FLSA) through its Wage and Hour Division. The FLSA establishes minimum wage, overtime pay, recordkeeping, and youth employment standards affecting employees in the private sector and in Federal, State, and local governments. A much more detailed explanation of the act's implications is in Appendix 8 which

must be read and understood by each administrator and Finance Council member in the diocese. It lays out specific requirements for the classification of every employee and the related personnel management actions that must be followed by the employer. A quick listing of some of the requirements of the FLSA follows:

- Each employee must be classified as either exempt or non-exempt and to do that the sites need to have position descriptions for every employee and then honestly perform the classifying using the guidance in Appendix 8.to ensure their pay status is clearly defined and understood.

The following is a listing of the three types of personnel working in the diocese and their FLSA exemption status:

- Exempt Personnel:
 - Paid \$47,476 or more and meet duties test (salary level subject to change)
 - Teachers – Full Time (FT) & Part Time (PT)
 - School Guidance Counselors who are also certified to teach
 - Pre-School Directors
- Ministerial Exception (Exempt):
 - Clergy (including deacons)
 - Religious
 - DREs (PT & FT) – PT require timesheets
 - Youth Ministers (PT & FT) – PT require timesheets
 - Music Ministers (not accompanists or cantors)
- Non-Exempt
 - All staff making less than \$47,476 (salary level subject to change)
 - ✓ Substitute teachers and teacher's aides
 - ✓ Pre-school teachers
 - ✓ Office personnel
 - ✓ Maintenance personnel
 - ✓ Non-certified school guidance counselors
 - ✓ School nurses
 - ✓ Off staff coaches at schools
 - ✓ Musicians/Cantors
- The minimum wage that must be paid to employees is the higher of the Federal or State of Florida rates that usually change each year. Administrators and business managers need to be aware of the current hourly pay requirements regardless of source.
- For non-exempt personnel:
 - Time worked must be recorded without exception using some timesheet method.
 - A regular time workweek consists of a maximum of forty hours, after which overtime commences for **nonexempt** personnel.
 - Overtime pay must be computed at a rate of 1 1/2 times the employee's regular hourly rate of pay for those hours worked in excess of the forty hours. For non-exempt employees paid on a salaried basis, the hourly rate must be computed for payment of overtime.
 - Overtime, defined as any hours of work over 40 in a standard work week (one without holidays, sick/vacation hours), is not allowed unless specifically approved in advance in writing by the supervisor. Should a non-exempt employee work overtime hours without advanced approval, the supervisor is responsible for counseling that employee and ensuring the policy is understood and followed.
 - Compensatory time off, known as Compt Time, is not authorized for use for any employees in the diocese.

- Regardless of when the employee is paid, all phases of the law are based on a workweek. For most the workweek begins on Sunday at 12:01 a.m. and concludes Saturday at 12 midnight. Pay periods for two or more weeks or for a month may not be averaged out for the sake of overtime or minimum wages.
- “Off the clock” or “voluntary” hours worked by a non-exempt employee on their usual or closely related tasks for the employer could lead to an FLSA lawsuit which can be costly for an employer guilty of this practice.
- Communication with non-exempt personnel during off duty hours via email, phone conversations and texting of any sort is not allowed to ensure this activity, which is considered worktime, does not cause the employee to be paid overtime. Exceptions would be for emergency purposes only and the communication must come from the supervisor who would be the one to approve any overtime.

501.6 Payroll Processing Requirements

The following are the mandatory payroll processing requirements for all sites:

- All payrolls for any diocesan site will be processed at the Pastoral Center by assigned staff in Human Resources, Finance and Pastoral Center Accounting Services.
- Timesheets are required from all non-exempt personnel and exempt PT personnel.
- Exempt FT personnel must submit sick and leave forms if their sites track leave on Paycor; no other timesheet info is needed on exempt except for any unusual circumstances
- All sites must ensure the standard timesheets available on the diocesan website are used; these include:
 - Standard timesheet –Biweekly,
 - Music Timesheet – Biweekly,
 - Music Timesheet – Monthly.

The exception would be if the site has been provided with a Fingertec system for recording non-exempt or exempt part time personnel's time.

- Timesheets must be 100% legible, completed properly noting the type of hours actually worked (R) or taken off (V, S, H) and signed by the supervisor. If using Fingertec, the supervisor can sign the summary sheet.
- The supervisor is responsible for knowing if his/her employees worked during a pay period. If a non-exempt employee works during a pay period and does not submit a timesheet either on time or at all as required by policy, it is the responsibility of the supervisor to provide an estimate of the hours worked. Adjustments will be made on the next payday once the required timesheet is submitted. The supervisor must also counsel the employee regarding his/her non-compliance with policy.
- Timesheets for all appropriate personnel and leave forms for exempt personnel must be submitted as a complete batch for all those being paid on the next pay day. The batch must have a cover sheet with a listing of all personnel to be paid; this includes both exempt and non-exempt personnel. The batch for bi-weekly paydays must be submitted to the payroll processing personnel in at the Pastoral Center **not later than noon on the Monday prior to each biweekly** cycle as shown in the Payroll Cycle sheet. For the school monthly payroll, any timesheets or leave forms must be submitted **not later than noon the 5th working day of each month**.
- Timesheets should be scanned and sent to payroll@ptdiocese.org; the only other acceptable means of transmission would be fax IF LEGIBILITY IS ACCEPTABLE. The fax number to use is 850-435-3568.

- Once the payroll for a site has been entered and reviewed by the processor, the pre-post payroll journal will be sent to the designated responsible party at the organization for the administrator to review and approve. Once the journal has been signed and dated, an email must be sent to the payroll processing person who sent the report stating the payroll has been approved for submission. **This email must be sent before 10 am on the third working day prior to the pay date:**
 - For a bi-weekly payday of Friday, the approval email must reach the processor not later than 10 am on Wednesday.
 - For a monthly payroll (schools) on a Tuesday, the approval email must reach the processor by 10 am on Friday
 - The payroll journals will be checked during the triennial internal reviews.

501. 7 Independent Contractors

The mission of the Church requires that the ordained, the professed, and the laity who may receive paid compensation for their efforts have the payment(s) recorded and properly reported. Two methods are prescribed by the Internal Revenue Service (IRS) to report compensation: Form W-2 for employees, and Form 1099-MISC for independent contractors. Once an employing entity determines the individual's employment status, the reporting procedures are quite straightforward and perfunctory. The challenge lies in the determination of the employment status.

At either extreme with a lay worker, there is little debate. An employing entity classifies a full-time worker with benefits (e.g., a maintenance worker, secretary, or school teacher) as an employee and thus withholds federal, state, and local taxes; withholds and matches Social Security (FICA) taxes; and reports compensation and withholdings on Form W-2. For example, a parish that hires an outside service to repair the air conditioner considers the service to be provided by a commercial contractor and issues a check with no withholding. At the end of the calendar year, if such payments are made to non-corporate entities (usually individuals/sole proprietors), or to a medical care provider or legal entity, whether a corporation or not, and the payments are for services rendered (not for materials), and have accumulated to \$600 or more for the year, then the parish will issue that person a Form 1099-MISC.

It is the in-between worker that was previously a matter of dispute: the once-a-week organist/cantor, part-time housekeeper, substitute teacher, part-time bookkeeper, nursery workers, etc. As a general rule, when in doubt, consider the worker an employee. Rulings by the IRS on church based personnel like the ones listed above definitely classify them as employees causing severe financial penalties for the sites who paid them as independent contractors. The personal preference of the service provider or the administrator **cannot** be a factor when establishing whether an individual is an independent contractor or an employee. To determine whether an individual is an employee under the common law rules, twenty factors have been identified as indicating whether sufficient control is present to establish an employer-employee relationship and thus a W-2. These factors have been developed based on an examination of cases and rulings considering whether an individual is an employee. The IRS lists the twenty factors in Revenue Ruling 87-41 which has been superseded by a "three category approach" which is discussed later. The twenty factors are provided below to further assist a site in its determinations:

1. **Instructions**. An employee must comply with instructions about when, where, and how to work. Even if no instructions are given, the control factor is present if the employer has the right to

control how the work results are achieved.

2. Training. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods and receive no training from the purchasers of their services.
3. Integration. An employee's services are usually integrated into the business operations because the services are important to the success or continuation of the business. This shows that the employee is subject to the direction and control.
4. Services rendered personally. An employee renders services personally. This shows that the employer is interested in the methods as well as the results.
5. Hiring Assistants. An employee works for an employer who hires, supervises, and pays workers. An independent contractor can hire, supervise, and pay assistants under a contract that requires him or her to provide materials and labor and to be responsible only for the result.
6. Continuing relationship. An employee generally has a continuing relationship with an employer. A continuing relationship may exist even if work is performed at recurring although irregular intervals.
7. Set hours of work. An employee usually has set hours of work established by an employer. An independent contractor generally can set his or her own work hours.
8. Full-time required. An employee may be required to work or be available full-time. This indicates control by the employer. An independent contractor can work when and for whom he or she chooses.
9. Work done on premises. An employee usually works on the premises of an employer, or works on a route or at a location designated by an employer.
10. Order or sequence set. An employee may be required to perform services in the order or sequence set by an employer. This shows that the employee is subject to direction and control.
11. Reports. An employee may be required to submit reports to an employer. This shows that the employer maintains a degree of control.
12. Payments. An employee is generally paid by the hour, week, or month. An independent contractor is usually paid by the job or on a straight commission.
13. Expenses. An employee's business and travel expenses are generally paid by an employer. This shows that the employee is subject to regulation and control.
14. Tools and materials. An employee is normally furnished significant tools, materials, and other equipment by an employer.
15. Investment. An independent contractor has a significant investment in the facilities he or she uses in performing services for someone else.
16. Profit or loss. An independent contractor can make a profit or suffer a loss.
17. Works for more than one person or firm. An independent contractor is generally free to provide his or her services to two or more unrelated persons or firms at the same time.
18. Offers services to general public. An independent contractor makes his or her services available to the general public.
19. Right to fire. An employee can be fired by an employer. An independent contractor cannot be fired so long as he or she produces a result that meets the specifications of the contract.
20. Right to quit. An employee can quit his or her job at any time without incurring liability. An independent contractor usually agrees to complete a specific job and is responsible for its satisfactory completion, or is legally obligated to make good for failure to complete it.

As previously stated, the IRS has in recent year's decreased reliance on the twenty factors and instead increased emphasis on the three-category approach. The following explains the new approach.

Where there is no controlling statute, a worker's status is determined by applying the common law test, which applies for purposes of FICA, FUTA, Federal income tax withholding, and the Railroad Retirement Tax Act. A worker's status under the common law test is determined by applying relevant facts that fall into three main categories: behavioral control, financial control, and the type of relationship itself. In each case, it is very important to consider all the facts; no single fact provides the answer.

Behavioral Control. These facts show whether there is a right to direct or control how the worker does the work. A worker is an employee when the business has the right to direct and control the worker. The business does not have to actually direct or control the way the work is done—as long as the employer has the right to direct and control the work. For example:

- **Instructions**—If you receive extensive instructions on how work is to be done, this suggests that you may be an employee. Instructions can cover a wide range of topics, for example: how, when, or where to do the work, what tools or equipment to use, what assistants to hire to help with the work, and where to purchase supplies and services. If you receive less extensive instructions about what should be done, but not how it should be done, you may be an independent contractor. For instance, instructions about time and place may be less important than directions on how the work is performed.
- **Training**—If the business provides you with training about required procedures and methods, this suggests that the business wants the work done in a certain way, and you may be an employee.

Financial Control. These facts show whether there is a right to direct or control the business part of the work. For example:

- **Significant Investment**—If you have a significant investment in your work, you may be an independent contractor. While there is no precise dollar test, the investment must have substance. However, a significant investment is neither necessary to be an independent contractor nor does it automatically denote independent contractor status.
- **Expenses**—If you are not reimbursed for some or all business expenses, then you may be an independent contractor, especially if your unreimbursed business expenses are high.
- **Opportunity for Profit or Loss**—If you can realize a profit or incur a loss, this suggests that you are in business for yourself and that you may be an independent contractor.

Relationship of the Parties. These are facts that illustrate how the business and the worker perceive their relationship. For example:

- **Employee Benefits**—If you receive benefits, this is an indication that you are an employee. If you do not receive benefits, however, you could be either an employee or an independent contractor.
- **Written Contracts**—A written contract may show what both you and the business intend. In an otherwise uncertain situation, this document may be very significant in determining status based on other facts.

When applying these criteria to a particular employment scenario, a preponderance of factors usually emerges. However, in uncertain cases, employers have the option of filing Form SS-8: a

form designed by the IRS that requests their help in the determination and considers the twenty questions outlined above. The IRS is usually not quick in responding to a Form SS-8 inquiry; and if the employment status is so uncertain, it is likely that the IRS will rule in favor of employee (W-2) status.

Policy

- Each site is required to complete the 20 questions and 3 category analysis cited above before classifying a service provider as an independent contractor. Musicians, cantors, nursery workers, housekeepers, cooks, maintenance personnel, bookkeepers, etc. are considered employees in the eyes of the diocese and must be classified and paid as such unless there is outstanding documented evidence they are contractors. That evidence includes:
 - Business license issued by city or county
 - Certificate of Liability Insurance
 - Certificate of Worker's Compensation Insurance (required for sole proprietors with 4 employees or working in any construction related field)
 - Tax returns filed with the IRS showing income from other clients (usually 1099)

Exceptions can only be granted by the Chief Financial Officer.

- If a service provider has been legitimately determined by a site to be an independent contractor, then the following practices are required for all organizations:
 - An IRS Form W-9, Request for Taxpayer Identification Number and Certification must be completed by all vendors/independent contractors that provide all necessary information. The W-9 must be obtained prior to any work being performed by the contractor and must be maintained on file.
 - The independent contractor must be recorded in QuickBooks as a vendor with the "Eligible for 1099" box checked to make the end of year analysis of how much was paid to each independent contractor an easy task.
 - The IRS requires that Form 1099-MISC, Miscellaneous Income, be prepared and provided by January 31st to any independent contractor or unincorporated entity receiving \$600 or more from the organization for services rendered during the year. In addition, Copy A of all Forms 1099 together with Form 1096, Annual Summary and Transmittal of U.S. Information Returns, must be submitted to the IRS not later than January 31st.
- Gifts in any form given to volunteers that have an annual value equal to or greater than \$600 must be reported on a Form 1099-Misc and be sent to the volunteer by January 31st. It is assumed that 1099-Misc forms are only required for independent contractors who performs services, but any gifts presented to volunteers must also be reported to the individual and the IRS. The volunteer must report the gift as income on their income tax forms and pay taxes on any amount equal to or greater than \$600.

Section 501.8 Certificates of Insurance

The Diocese of Pensacola-Tallahassee is part of The Ecclesiastical Province of Miami, Inc., a Florida Not-for-Profit Corporation that provides for and manages a Protected Self-Insurance Program for the participating dioceses in Florida. The program is explained in full in the insurance manual posted under the Insurance page of the diocesan web site. The policies concerning required levels of insurance as supported by acceptable certificates issued by the

entities insurer are reprinted below.

Policy

- Any hired buses, carnival operators and their equipment, etc., must be properly covered by insurance provided by the contracted service. A certificate of insurance must be obtained by the parish, school, institution or agency contracting for the service. The parish or institutions, the Bishop, and the Diocese, must be named in the certificate as “Additional Insured.” This certificate must be submitted to the parish or institution with the contract and a copy of the certificate should be forwarded to the Diocese-Pastoral Center 10 working days prior to the event for review as needed.
- Other Contracted Services: Companies such as lawn maintenance, exterminator service, janitorial service, etc., working on Diocesan property must provide insurance certificates showing current insurance coverage for general liability and workers’ compensation, prior to commencing work. The Pastor, Principal or Administrator is responsible for obtaining the first certificate and renewals thereof. Limits of at least \$1,000,000 should be required. Higher limits may be needed in certain cases. Contact the Pastoral Center when in doubt. If any Diocesan property is rented or provided to others for gatherings, the individual organization will be required to provide a certificate of insurance naming the entity, the Diocese, and the Bishop as “Additional Insured.” No certificates are required from parish organizations.
- Facilities Use: The Space Usage Agreement Form (to be obtained from the Diocesan office) is to be completed for any use of Diocesan property along with a certificate of insurance showing proof of General Liability with limits no less than \$1,000,000, and Workers Compensation coverage and Auto Liability coverage where applicable. Also the Diocese, the entity and the Bishop needs to be named as an “Additional Insured” on all certificates.

Each diocesan site may not grant access to its campus/facilities to any of the entities listed above until their insurance company directly provides to the site the required certificate(s) of insurance with the proper levels of coverage and with the site, the Bishop and the Diocese of Pensacola-Tallahassee listed as additionally insured. For some, the option of buying insurance through the diocesan plan is available; for more information, the site should contact the Insurance Office at the Pastoral Center.

Summary of Revisions effective August 2014

New section created to contain topics not directly related to Section 401 which deals with the disbursement processes at a site.

Section 501.1 Introduction:

- Added language regarding the importance of personnel & independent contractor management.

Section 501.2 Roles:

- Added language defining the roles certain members of the organization play in the proper management of personnel and independent contractors.

Section 501.3 Personnel Management:

- Inserted language from the previous Section 401 and reorganized the information in a more logical manner;

- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added language to emphasize need for all employees to complete at least a portion of the Safe Environment courses regardless of job assignment;
- Added language requiring significant volunteers such as Parish Council, Finance Council and School Advisory Committee members to receive copies of the Code of Business Conduct Policy, the Conflict of Interest Policy and the Confidentiality Policy and acknowledge receipt of those policies;
- Inserted significant section on the requirement for and completion of USCIS Form I-9 for each employee;
- Changed wording regarding each site's vacation, sick, holiday and other leave policies from should develop to must develop.

Section 501.4 Payroll Management:

- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Deleted several sub-sections dealing with processes now controlled by the diocesan third party payroll company or by the Human Resources office;
- Added language directing that all changes to an employee's pay records be sent to the Payroll Coordinator at the Pastoral Center for posting to the consolidate human resources and payroll databases;
- Added language requiring timesheets for all non-exempt employees;
- Added language requiring that standard work hours be created for exempt employees and noted in the applicable job description;
- Added language requiring administrator to review and sign the pre-post payroll journal prior to the payday information being transmitted to Paycor;
- Added significant language on the payroll documents that must be maintained by each site for each payday including the standard reports available to all sites online from Paycor;
- Added significant language dealing with the required postings to each site's QuickBooks after each payday;
- Added language advising the sites to maintain an awareness of applicable Federal and State requirements particularly as they change even though Paycor was now responsible for all the reporting requirements to the federal and state entities.

Section 501.5 Fair Labor Standards Act:

- Inserted language from the previous Section 401 and made minor language improvement.

Section 501.6 Independent Contractors:

- Inserted language from the previous Section 401:
- Changed wording to conform to generic definitions from introduction and made minor language improvements;
- Added language providing examples of common diocesan positions that are not properly classified as independent contractors;
- Added language to make it perfectly clear the personal preference of the employer or the individual cannot be a factor in determining whether a person is an independent contractor or an employee;

- Added language requiring each site to use the IRS guidance to ensure an entity or person is properly classified as an independent contractor and that supporting documentation is obtained to prove the classification;
- Inserts language from the previous Section 401 requiring the site to issue an IRS Form 1099 to site volunteers who are given gifts valued at \$600 or more as a thank you for their services.

Section 501.7 Certificates of Insurance:

Inserts language taken from the diocesan self-insurance program booklet regarding the insurance certificate requirements for a variety of entities should they require a need to come onto a site's campus or use its facilities.

Summary of Revisions effective September 2016

Section 501.4 Payroll Management:

- Language updated to provide specific requirements and deadline dates for any changes to the Paycor database and the entry of new hires

Section 501.5 Fair Labor Standards Act:

- Update the language to reflect changes to the Fair Labor Standards Act and provide specific examples of exempt, exempt with a ministerial exception and non-exempt personnel.
- Provides very specific guidance regarding overtime, compensatory time and communications with non-exempt personnel.

501.6 Payroll Processing Requirements:

- Provides specific requirements for the sites to follow regarding the processing of all payrolls by Pastoral Center personnel.

Section 501.7 Independent Contractors:

- Renumbers the section from 501.6 to 501.7

Section 501.8 Certificates of Insurance:

- Renumbers the section from 501.7 to 501.8