

**Sample Monetary Threshold Policy & Guidance for when a**

**Written Contract is not Required**

What follows is a sample policy and guidance document developed for a fiscal sponsor to establish a monetary threshold where engagements with amounts under the threshold do not require a formal written contract. This shouldn’t exist as a standalone document but rather a part of a comprehensive procurement or contracting policy and procedures manual. Likewise, the $5000 threshold used in the sample is not offered as a definitive recommendation but rather where this particular fiscal sponsor arrived at after reviewing a host of factors including volume of contracts at or below that amount and relative risk exposure.

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**Expense Engagements below $5000**

**Policy:** Formal written contracts are typically not needed when a Project desires to engage with a Contractor (which includes independent contractors, consultants, vendors or other third party service providers) and will pay them less than $5000 in a calendar year.

**What to Do:**

The process for engaging with such Contractors paid less than $5000 in a calendar year is as follows:

1. Complete a contract request form [link], including agreed upon scope, terms for compensation, and payment terms, and submit with a Form W9 completed by the Contractor. Fiscal Sponsor will review the information to confirm:
   1. Payment terms are reasonable and funds are available for the engagement; and
   2. If the engagement is with an individual, they are appropriately classified as an independent contract rather than an employee.
2. Fiscal Sponsor will generally follow up with questions or approval within 5 days of receipt of complete information.
3. Approval will typically take the form of an email. Once approved, work by the Contractor may commence without a written contract.

**Unexpected Cost Increases:**

If a Contractor is engaged without a contract because the arrangement was believed to be less than $5000 and the scope and/or level of effort increases to where they will be paid at least $5000 in that year or if the sponsee wishes to enter into a new engagement with that party where the aggregate amount is at least $5000 during that year, Fiscal Sponsor may require a written contract be entered into covering the full period of work done by the contractor.

**When Contract May Still be Appropriate:**

Even when a Contractor will be paid less than $5000 in a calendar year, there still may be reasons Project will want a written contract or when Fiscal Sponsor will require one. Examples include:

1. When intellectual property is being developed and the Project desires clarity on ownership;
2. When working with youth and a background check is required;
3. When an upper-tier funding source requires a written contract; and
4. When the work entails a level of risk where safety protocols and insurance requirements need to be clearly agreed upon in writing.

In such instances, Fiscal Sponsor will inform the Project of the need for a written contractor after it reviews the initial request and will support the drafting of said contract. Additionally, Projects are always welcome to request a written contract regardless of the amount of funds transacted.