

## WORRY-FREE USE OF INDEPENDENT CONTRACTORS

### BEGINNING STATE

A global technology company relied heavily on independent contractors to support engineering, design, and manufacturing projects. These workers were engaged directly by hiring managers across multiple divisions, often outside of standardized processes or central oversight.

While this approach gave managers speed and flexibility, it also created inconsistencies in how contractors were screened and classified. Some engagements were supported by Statements of Work, while others moved forward informally with little documentation. Hiring managers and talent acquisition teams lacked the compliance expertise needed to properly evaluate contractors against complex federal and state rules.

As the company expanded its use of contractors, the risks grew. Leadership had no enterprise-wide visibility into who was engaged, how they were classified, or whether they were compliant with evolving regulations. This left the organization exposed to potential misclassification claims, financial penalties, and reputational damage.

Executives recognized that continuing with fragmented processes was not sustainable. The clear goal became to eliminate misclassification risk and establish a structured, enterprise-wide compliance framework for independent contractors. nextSource was engaged to deliver that solution.

### BUSINESS CHALLENGES

The absence of centralized controls created widespread compliance and operational risks:

- **Heavy Reliance on ICs without Safeguards:** The company relied heavily on independent contractors for essential work but lacked standardized processes for vetting, onboarding, and managing them. This created significant compliance, quality, and operational risks due to the absence of oversight and formal controls.
- **Fragmented Processes Across Divisions:** Each business unit managed IC engagement independently, leading to inconsistent practices, duplicated efforts, and gaps in compliance. The lack of central oversight made it difficult to enforce standards or share best practices.
- **Misclassification Risk:** Hiring managers lacked the expertise to correctly apply federal and state worker classification rules. Without legal review or guidance, decisions were often based on convenience, increasing the risk of misclassification and potential legal penalties.
- **Lack of Visibility:** Leadership had limited insight into who was engaged as an IC, for how long, and under what terms. This lack of visibility hindered compliance monitoring, workforce planning, and risk management.
- **Regulatory Pressure:** With increased enforcement from federal and state agencies, the company faced growing exposure to audits, fines, and reputational damage. The absence of a centralized, compliant IC management framework left the company vulnerable.

## SOLUTION

The client engaged **nextSource** to implement an **Independent Contractor Compliance Program** built to reduce risk, improve consistency, and provide enterprise-wide visibility.

- **IC Readiness Assessment:** nextSource conducted an initial readiness assessment, identifying a high level of misclassification risk if the client continued without change.
- **Rapid Contractor Evaluation:** Using the nextSource IC platform, more than 400 contractors were onboarded and evaluated within the first 30 days. Each engagement was reviewed by classification specialists to ensure compliance with federal and state rules.
- **Enterprise Risk Profile:** A comprehensive company risk profile was created, flagging high- and medium-risk items with recommended mitigation steps for leadership action.
- **Standardized Documentation and SOW Language:** nextSource provided standardized SOW templates, audit defense checklists, and clear documentation requirements for every contractor engagement.
- **Continuous Monitoring and Re-Certification:** Assignments were continuously monitored for changes in scope, hours, and frequency of work. Annual re-certifications ensured ongoing compliance.
- **Program Team Support:** The nextSource program team worked directly with managers and talent acquisition teams to ensure adoption, provide training, and deliver a smooth compliance process.

## RESULTS

- **Comprehensive Reporting and Visibility:** For the first time, leadership had a clear view of all independent contractors across the enterprise, including risk levels, documentation status, and compliance posture.
- **Rapid Risk Reduction:** More than 400 contractors were screened and classified within 30 days, eliminating immediate misclassification exposure.
- **Improved Compliance Posture:** Automated monitoring and annual re-certifications ensured the workforce remained compliant over time, even as regulations evolved.
- **Cost Savings:** By eliminating duplicative screenings and standardizing documentation, the company reduced unnecessary compliance costs.
- **Peace of Mind for Leadership:** With indemnification from nextSource and an auditable compliance framework in place, executives could confidently leverage independent contractors without fear of penalties or reputational damage.

## CONCLUSION

By partnering with nextSource, the client gained a Direct Sourcing solution that is not just faster and cheaper, but smarter and more sustainable. The program was deliberately designed to maximize effectiveness by focusing Direct Sourcing on the right roles, while continuing to leverage staffing providers for niche expertise.