

Engaging DIRECT or INDIRECT Independent Workers: FAQs for Booz Allen Hamilton Managers

GENERAL PROGRAM INFORMATION

Booz Allen Hamilton engages independent professionals—commonly known as contractors, consultants, freelancers, small services providers, and non-employee workers—to deliver specialized services. These independents provide Booz Allen with workforce flexibility and subject matter expertise that can augment the abilities of its full-time staff.

In short, independent professionals help Booz Allen compete in the ever-escalating war for talent—and it is critical that Booz Allen engages them safely and efficiently.

Why does Booz Allen use a program for engaging independent workers?

A consistent independent workforce engagement program promotes enterprise-wide process consistency, improves productivity, controls costs, increases visibility into provider relationships and spend, and mitigates the risks associated with using independents—most notably, independent contractor reclassification.

Reclassification can occur when the IRS or state tax authorities determine that independents working for a client do not meet the necessary criteria to engage as qualified vendors (or “independent contractors”) and be paid on a “1099” basis. These authorities may then **reclassify** them as employees, which frequently results in significant penalties and back-tax payments for the client. Reclassified workers may also try to recoup back-benefits through class-action lawsuits, which could prove very damaging to Booz Allen and its reputation, brand, and bottom line.

How will this program remove these risks?

The program ensures that only independent professionals who meet all appropriate qualification requirements may engage as vendors. All others must either work with MBO to establish a qualified business or engage as reclassification-safe payrolled employees of MBO Partners.

This eliminates Booz Allen’s reclassification risk entirely and minimizes other risks, such as class-action lawsuits and business liability risk.

ENGAGEMENT PROCESS

How do I refer new independents to MBO?

When you’ve identified a new independent for a project, complete the New Contractor Referral Form located within the [Program Reference Guide](#). MBO will coordinate all onboarding activities with the independent and let you know when the work can begin.

In the meantime, be sure to communicate the following to keep the worker informed throughout the process:

For easy access to key program information and instructions, please visit [MBO’s Program Reference Guide for Booz Allen](#)

1. Explain that MBO Partners manages Booz Allen's independent workers. MBO will email them onboarding instructions and follow up with a phone call answer to any initial questions.
2. The onboarding process typically takes several days (see details in the next question below). Onboarding includes the completion of a questionnaire, a conversation with MBO, and standard onboarding paperwork, which can be completed online. The onboarding timing depends on the worker's responsiveness, so be sure to convey the importance of completing these steps quickly.
3. While MBO charges a program fee (which varies based on the MBO service through which the worker engages), Booz Allen covers this fee.

How long does it take to onboard workers after I refer them to MBO?

As shown below, onboarding times vary by the MBO service that's most appropriate for each worker's situation.

- For **Vendor Services**, typically five to seven business days.
- For **Business Services**, typically five to ten business days.
- For **Payroll Services**, typically two to four business days.

Please note that these estimates may be impacted by the time it takes for the worker to launch and complete the Booz Allen-required background check. While this check can take up to five days to complete, it can occur in parallel with other onboarding activities. As such, Booz Allen recommends referring the worker to MBO 10 business days before the project's expected start date.

This [Engagement Lifecycle Process Summary](#) includes a closer look at the Booz Allen / MBO onboarding process and timing expectations.

Note that onboarding timing strongly depends on the worker's responsiveness. MBO provides clear instructions and works closely with each worker to improve responsiveness and accelerate the process as much as possible.

As the manager, you have a part to play as well. We recommend that you stress the importance of completing the steps quickly when you're communicating with a worker you intend to engage.

Are background checks required?

All new independents must undergo a background check. MBO coordinates these screenings as part of our onboarding process. It is Booz Allen policy not to allow workers to begin work until the required screenings are complete.

How do I approve time and expense entries?

You'll receive an email notification from MBO each time a worker engaged on your projects submits time, milestones, deliverables, and/or expenses. Follow the instructions in the email to execute the approval.

Please be sure to approve all submissions by noon ET each Monday. Failure to meet this deadline may delay payments.

How long does it take for workers to receive their payments?

Payment timing varies by the worker's MBO engagement service.

- **Vendor Services** and **Business Services**

MBO invoices Booz Allen for all approved time and expense submissions each Wednesday. Booz Allen pays MBO based on Net 15 terms. Once MBO receives this payment, we pay workers in the next weekly payroll cycle. As such, independents in these services receive their payments three weeks after a given work week. See the [Booz Allen Payment Calendar](#) for details.

- **Payroll Services**

MBO pays Payroll Services workers on Fridays, two weeks after a given work week (or one week if required by state law).

Again, it is very important that you approve your independents' time and expense submissions before the noon Monday deadline each week.

How do I re-engage an existing independent professional?

If you need to re-engage an independent who has already engaged through MBO, or to add a new project for a current independent, send an email to MBO and include the following:

- The worker's contact information
- Start and end dates
- Rate information

Depending on the time of the last engagement, a background check or other documents may or may not be required.

MBO PARTNERS AND ITS SERVICES

Why MBO Partners?

Since 1996, MBO Partners has delivered solutions that make it safer and easier for enterprise organizations and top independent professionals to work together. MBO strengthens relationships, minimizes risk, and maximizes value for businesses like Booz Allen. Our unmatched experience and industry leadership enable us to operate on the forefront of the independent economy and consistently advance the next way of working.

Can MBO help me find talent for my projects?

When you need a new non-employee for a project and you do not already have someone in mind, contact MBO and our independent workforce sourcing experts will assist you.

MBO operates Booz Allen's independent talent marketplace: the fastest and easiest way to attract, source, and re-engage professional independent talent—without expensive staffing intermediaries. The MBO marketplace enables Booz Allen to build a trusted community of independent professionals that you can use as your first-choice alternative when looking for top independent talent.

If you haven't already, you can [get started here](#).

What services does MBO offer for engaging independent workers?

MBO features three engagement services which together ensure that all independents engage through a compliant program suited to their needs, expectations, and eligibility to operate as independent vendors.

- **Vendor Services.** A business-to-business engagement service for professionals who qualify to engage with Booz Allen as independent vendors. Workers interested in engaging through Vendor Services must undergo qualification evaluation during the Booz Allen / MBO onboarding process to ensure they meet [these criteria](#).
- **Business Services.** A unique engagement alternative for Sole Proprietors and other independent professionals who wish to work as compliant independent business owners (LLCs or corporations) but need assistance meeting and maintaining the appropriate credentials to do so. These workers enjoy the freedom and flexibility of operating an independent business at less cost and with less administration than doing it alone.
- **Payroll Services.** A conventional W-2 payrolling solution for engaging workers who are ineligible for Vendor Services or Business Services due to their requirements, expectations, or status as an independent business.

The table that follows compares these three services side-by-side, or you can click here to see more [detailed descriptions](#).

	MORE LIKE A BUSINESS		MORE LIKE AN EMPLOYEE
	Vendor Services	Business Services	Payroll Services
Snapshot	Agent-of-record service for qualified vendors; MBO indemnifies Booz Allen for tax-related penalties of reclassified	Business set-up and management for professionals who need help meeting and maintaining vendor credentials	Traditional payrolling; FLSA applies, including overtime and double-time as per state laws
Who is appropriate?	Professionals who operate as independent businesses and meet vendor requirements	Professionals who see themselves as independent businesses but do not currently qualify as vendors	Hourly workers who do not see themselves or operate as true independent businesses
Vendor-qualified?	Yes	Not initially	No (not evaluated)
Tax status	Independent vendor (1099)	Independent vendor (1099)	W-2 of MBO Partners
Business insurances	Must carry insurances at Booz Allen-required levels	Covered under MBO's General Liability and Errors & Omissions*	Covered under MBO's General Liability and Errors & Omissions
Rate negotiation	Negotiate a rate that already factors in statutory taxes. The negotiated rate is the final bill rate to Booz Allen (inclusive of program fees).	Negotiate a rate that already factors in statutory taxes. The negotiated rate is the final bill rate to Booz Allen (inclusive of program fees).	Negotiate a pay rate that does not factor in statutory taxes
When is the worker paid?	On the Friday of the pay cycle following Booz Allen's weekly invoice and Net 20 payment terms.	On the Friday of the pay cycle following Booz Allen's weekly invoice and Net 20 payment terms.	Two weeks after a given work week (or sooner if required by state law)

* Independents in Business Services may be required to purchase their own GL or E&O insurance to show an investment in their business for compliance purposes.

How does MBO decide which engagement service is best for each worker?

MBO directs all Booz Allen-referred independents to complete a brief online survey that explores their independent experience, business structure and characteristics, expectations, and vendor qualification status. We also conduct a one-on-one consultation with the worker if necessary. We then have the information we need to select the engagement service that best fits the worker's unique situation.

Please note that we factor workers' wishes into our service determination, but we always ensure that they meet applicable eligibility requirements before onboarding them into the appropriate service. For example, independents wishing to engage through Vendor Services must meet [Booz Allen's qualification criteria](#) and pass a thorough compliance evaluation to qualify.

What is the value of Business Services?

Traditional providers offer a 1099 / agent-of-record service for qualified vendors—and then force everyone else into a conventional W-2 payrolling service. But this solution poorly serves to the large percentage of independent workers who resist W-2 payrolling yet do not qualify as vendors:

- If the provider engages them through an agent-of-record service, their client's risk and regulatory scrutiny increase dramatically.
- If the provider forces them into payrolling, it will likely lead to discontent, talent loss, and unnecessarily high costs.

Business Services is the only solution for independent business owners who do not meet eligibility requirements for engaging as independent vendors, yet are likely to reject the limitations of traditional payrolling. It lets Booz Allen better serve—and compliantly engage—the most common types of independent businesses, including corporations (C corps and S corps), LLCs, and Partnerships. Through Business Services, MBO even walks independents through the complexities of setting up their own compliant businesses

Business Services does more than reduce risk and create a better experience for your independents—it also helps control costs. With a mark-up that's up to 70% lower than traditional payroll providers, Business Services can help Booz Allen **cut overall engagement costs by up to 20%.**

Can MBO hold security clearances for contractors I refer?

Yes. Please contact MBO if you are engaging an independent who requires clearance.

How do I contact MBO Partners?

Booz Allen managers can use the [Program Reference Guide](#) for how to contact MBO.

PROGRAM COSTS

Is there a cost for this program?

MBO applies a fee to the rate you negotiate with the worker. As indicated below, the fee varies based on the service through which each independent professional engages. You may wish to take this fee into consideration when negotiating rates with the independents you engage.

- **Vendor Services.** A fee equal to 3.0% of the worker's billings applies. As such, the worker's final bill rate will be slightly higher than the rate you negotiate.
- **Business Services.** A fee equal to 4.0% of the worker's billings applies. As such, the worker's final bill rate will be slightly higher than the rate you negotiate.
- **Payroll Services.** MBO applies a 17.87% mark-up to the negotiated rate.

Why are the Vendor Services and Business Services fees so much lower than Payroll Services?

Vendor Services and Business Services are intended for professional independents who understand the tax obligations of working independently and factor statutory costs (such as Social Security, Medicare, and other obligations) into the rate they negotiate with you. MBO therefore uses an innovative and cost-saving pricing model for these services.

While most providers apply the same mark-up—which includes statutory taxes—even if these taxes are already factored into their negotiated rate, only MBO ensures that Booz Allen never double-pays these taxes. As introduced above, this results in **cost savings of up to 20%** compared to traditional payroll providers when workers engage through one of these services.

Payroll Services works differently. Most commonly, individuals in Payroll Services are hourly workers who do not factor in these taxes when setting their rate. As such, our Payroll Services mark-up includes appropriate statutory costs.

OTHER MBO VALUE AREAS

Can MBO help me find new independent talent?

MBO offers Booz Allen managers access to the [MBO marketplace](#): a fast, convenient, and inexpensive way to source and redeploy top independent talent directly (without relying on expensive staffing intermediaries). You can realize **average savings of 15% to 20%** for every engagement you source through MBO's marketplace rather than through a staffing firm.

Booz Allen managers may also turn to our team of experienced MBO Advisors to provide a full-service independent workforce sourcing solution. These dedicated experts do the recruiting legwork for you by:

- learning your objectives,
- developing targeted project postings,
- screening applicants,
- coordinating interviews, and

- preparing workers for onboarding.

MBO Advisors simplify the sourcing process, reduce time-to-fill, and help you secure hard-to-find independent talent. Use of our Advisory Services is optional and carries a low 15% fee for each successful fill (in addition to our standard engagement fees).

Can I engage independent workers outside the U.S through MBO?

Yes. MBO is headquartered in the U.S. and has offices in the UK and Ireland. Through these offices and an extensive international partnership network, we can compliantly engage talent in most countries.