





# Consultant and Independent Contractor Services Policies & Procedures

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## **Foreword**

Vanderbilt is subject to increasingly intense regulatory scrutiny from various branches of the federal government in the areas of consulting, independent contracting, and employee-employer relationships. These policies and procedures were developed to meet regulatory requirements while minimizing administrative burdens as much as possible.

The policies and procedures are to be used in determining employee/employer relationships and in procuring and paying for consulting services. While the stricter policies may seem burdensome, Vanderbilt has much to lose if found not to be in compliance with the policies. The IRS has made clear its heightened level of attention to consulting arrangements. If someone has been paid as a consultant who in fact should have been classified as an employee, Vanderbilt will be liable for FICA and federal withholding taxes on the applicable payments, in addition to any interest and penalties which may apply.

Vanderbilt also stands to lose substantial funds from federal contracts and grants if we do not have documented policies or if we are found to be in non-compliance with the federal requirement. The A-133 audit required by federal regulations and submitted to the federal government in July, 1993, pointed out a deficiency in that Vanderbilt did not have written policies for procuring and paying for consulting services. Our external audit firm is required to report any instances in which the University has failed to implement recommendations from the previous audit. The ultimate penalty for non-compliance with recommendations could be disallowed costs or withholding of research funds.

These policies and procedures have been developed collaboratively among the various divisions of the University.

## **Purpose of Policy and Procedures**

This manual sets forth a number of requirements, definitions, and procedures to be used when the need arises to retain the services of independent contractors (1) (including consultants).

The Internal Revenue Service and various Government granting agencies have increased their level of attention in the areas of consulting, independent contracting, and employee-employer relationships. The Government's expectation is that Vanderbilt has in place policies and procedures in to ensure that:

- all payments for services performed by individuals who would be classified as employees under Internal Revenue Service guidelines are processed through Vanderbilt's payroll system, recording the appropriate FICA taxes and Federal income tax withholding amounts;
- all agreements to retain services of independent contractors and external consultants are planned to allow for sufficient competition in pricing with written documentation retained for those of \$10,000 or more;

- Vanderbilt faculty and exempt staff are not paid amounts in excess of stated annual salary for work performed on Government grants and contracts other than approved summer pay for faculty on academic year appointments, except in certain unusual circumstances that may require the Government's approval in advance;
- there is no conflict of interest for the independent contractor/external consultant or members of their family or those with whom the consultant has business or other ties for purposes of financial gain beyond that received directly for consulting services;
- payments made to independent contractors or external consultants are supported by sufficient documentation, including information regarding the work performed by each consultant and independent contractor and on what basis the fee was calculated and paid; and
- the procurement of services is conducted according to Vanderbilt University's Affirmative Action policies and procedures and applicable Government procurement regulations.

(1) An **Independent Contractor** is an individual or firm hired to provide services over which the University has the right to control or direct **only** the result of the work and not the means and methods of accomplishing the result. For purposes of this policy, and **external consultant** (firm or individual) is a specific type of independent contractor often used, for example, to evaluate a project. An **internal consultant** is a faculty or staff member of Vanderbilt University and engaged to provide consulting services that are in addition to his/her normal workload and across departmental lines or that involve a separate or remote operation.

## How to Use this Manual

There are two basic steps involved in securing and paying for consultant and independent contractor services. The first step is to determine the status of the service provider, and the second step is to initiate the appropriate paperwork based on the status determined in step one.

The [flow chart](#) illustrates this process.

### STEP ONE:

**DETERMINE THE STATUS OF THE SERVICE PROVIDER** from one of the alternatives below (Caution: Do not assume the provider is an independent contractor. Please review [Section I.](#))

The process used to secure and pay for services will vary depending on the status of the service provider. For example, employees are distinguished from independent contractors since employees are paid through the payroll system and independent contractors are not. Once an independent contractor status is determined, independent contractors would generally be paid through the purchasing system. However, an alternative payment process is described in [Section](#)

[IV](#) for external independent contractors whose primary business is **not** consulting, **and** whose fee is less than \$5,000.

Following is a list of various types of service providers:

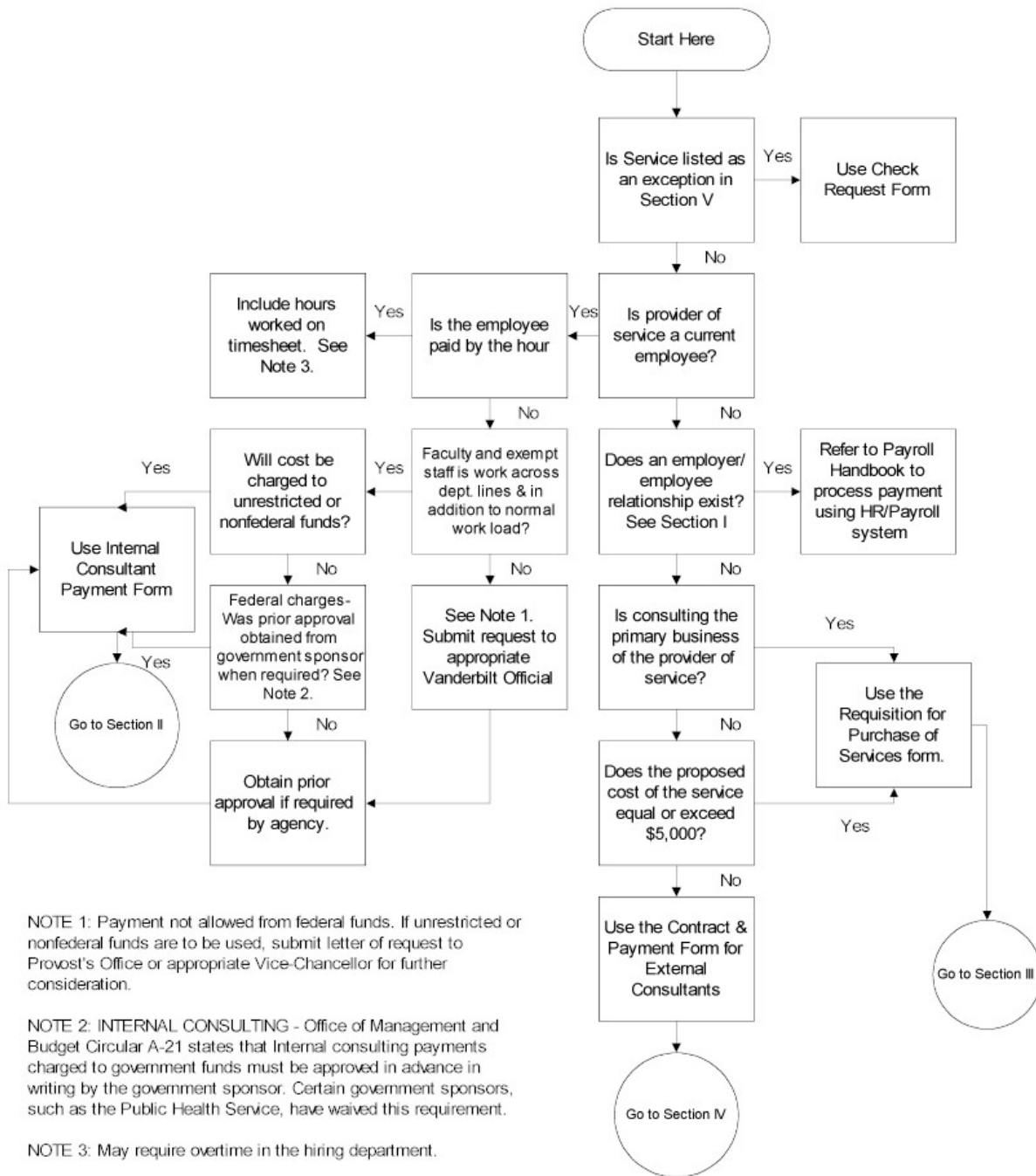
- A. Employee: Vanderbilt **faculty/staff** (paid for services as part of stated annual salary)
- B. Internal Consultant: Vanderbilt **faculty/exempt staff** (paid for services in addition to stated annual salary)
- C. Independent Contractor/External Consultant,
  - 1. **firm or individual**: Primary business is providing the required service
  - 2. **individual**: Primary business is NOT consulting and anticipated fee is \$5,000 or more
- D. Independent Contractor/External Consultant, **individual**: Primary business is NOT consulting and anticipated fee is less than \$5,000
- E. Exceptions: See [Section V](#) of this manual for list of exceptions

## **STEP TWO:**

### **INITIATE THE APPROPRIATE PAPERWORK BASED ON THE STATUS DETERMINED IN STEP ONE.**

- Employee status "A": No action required under the Independent Contractor/External Consultant Policy. Process using appropriate payroll forms. Reference the Vanderbilt University *Payroll Handbook* (copies available at the University Central Payroll Office).
- Employee status "B": See [Section II](#) of this manual
- Employee status "C1": See [Section III](#) of this manual
- Employee status "C2": See [Section III](#) of this manual
- Employee status "D": See [Section IV](#) of this manual
- Exception status "E": See [Section V](#) of this manual

## Choosing the Correct Payment Method



## Determining Employee-Employer Relationship

The first step in the process of retaining services is determining the status of the prospective service provider. It is most crucial to determine at the outset whether or not an employee-employer relationship exists, **as failure to classify persons as employees when an employee-employer relationship exists can result in substantial taxes, interest, and penalties imposed upon Vanderbilt.**

### When does an employee-employer relationship exist?

An employee-employer relationship exists when Vanderbilt University (which includes any Vanderbilt faculty or staff member acting in an official capacity) has the ultimate right to direct and control an individual in the way he/she works both as to the final results and as to the details of when, where, and how the work is to be performed. **The University does not need to actually exercise control; it is sufficient that the University has the right to do so.**

The relationship established with a firm, the specifications of the service to be performed, and associated factors need to be evaluated to determine the appropriated category of payment for such services. Unless there are clear facts to support a **bona fide** independent contractor/external consultant status or an exception status (see list in [Section V](#)), payment for services should be made on the basis of an employee-employer relationship.

### What factors are to be considered in determining whether an individual is an employee or an independent contractor?

1. If the relationship to Vanderbilt University of the individual whose services are being retained is currently solely one of faculty or staff member, an employee/employer relationship automatically exists and procedures for payment of services to employees should be followed. Refer to the *Payroll Handbook* available through University Central and Medical Payroll Offices.
2. The determination of employee/employer status for all others is made by reviewing criteria established by the Internal Revenue Service. Use the materials in this section (**Section I**) for assistance in determining whether or not the individual whose services are being retained should be paid as an employee or as an independent contractor/external consultant.

### Who should be called to offer assistance in interpreting specific circumstances to determine whether or not a prospective service provider would be considered an *employee* by the Internal Revenue Service?

Because of Internal Revenue Service and other tax guidelines, it is important to select the appropriate method of payment. Detailed knowledge of the assignment/engagement is necessary in determining the appropriate payment method. The specific content of the engagement/assignment can be discussed with departmental and school business officers who in

turn can obtain interpretive assistance from Human Resource Service staff who frequently work with job design matters related to employee-employer relationships.

See [Section VI](#) for persons who are available to offer assistance in this regard.

**NOTE:**

The IRS "[20 Rule Test](#)" for determining employee-employer relationship and an article entitled "[Employee or Independent Contractor?](#)" are found in this section to assist in determining if an employee-employer relationship exists with the service provider.

**What procedure should be used to pay an employee-consultant or an independent contractor/external consultant?**

***Employee or Internal Consultant:*** If it is determined that the individual whose services are being retained is an employee, payment is made through the payroll system using properly executed and approved forms. Detail of processes and procedures are found in the ***Payroll Handbook*** available through the University Central Payroll Office. Faculty and exempt staff who meet the criteria for Internal Consultants should follow the payroll payment procedures as stated in [Section II](#) of this manual.

***Independent Contractor/External Consultant:*** If it is determined that the individual whose services are being retained is an independent contractor/external consultant, payment must be made using procedures established in [Section III](#) or [Section IV](#) of this manual, whichever is appropriate.

***Exceptions:*** If it is determined that the prospective service provider is an exception listed in [Section V](#) of this manual, payment should be processed on a check request form using the University Central or Medical Center demand check system.

## **Section I**

### **20 Rule Test**

#### **Re: Employee/Employer Relationship**

*See Following Article for Explanation of Guideline*

<b>Test #</b>	<b>The Individual</b>	<b>Employer/ Employee Status</b>	<b>Consultant Ind. Cont. Status</b>
1	Must comply with the employing department's instruction about work	Yes	No
2	Receives training from or at the direction of the University	Yes	No
3	Provides services that are integrated into the University's business	Yes	No
4	Renders services personally; cannot sub-contract the work	Yes	No
5	Permitted to hire, supervise, and compensate assistants for the University	Yes	No
6	Has a continuing working relationship with the University	Yes	No
7	Must following set hours of work	Yes	No
8	Works full time for the University	Yes	No
9	Reports regularly to the University employing department	Yes	No
10	Department directs the sequence in which work is performed	Yes	No
11	Oral or written reports regularly submitted	Yes	No
12	Paid on a regular basis (i.e. bi-weekly, monthly)	Yes	No
13	Paid for business expenses	Yes	No
14	Uses University tools and materials	Yes	No
15	Lack a major investment in facilities used to perform services	Yes	No
16	Can make a profit or suffer a loss from their services	No	Yes
17	Work for more than one employer	No	Yes
18	Offers services to the public	No	Yes
19	Can be "fired"	Yes	No
20	May quit work at any time and not incur liability	Yes	No

\* *Source: Internal Revenue Ruling 87-41.*

## Section I

### "Employee or Independent Contractor?"

#### **Guidelines for Determining Employment Relationships**

by R.C. Chip Goldsberry

The ability to correctly identify people engaged to provide goods or services as either employees or independent contractors can lower an institution's tax liability and increase its chances of withstanding an Internal Revenue Service audit.

Recently IRS auditors have given high priority to correct classification of employment relationships and the tax implications of decisions made. The IRS has announced that its emphasis on employment relationships and tax reporting will continue in the foreseeable future.

Employers are legally required to pay FICA, FUTA, and withheld income tax on the wages of workers classified as employees. If the worker is legitimately characterized as an independent contractor, the employer is not responsible for employment-related taxes.

Definitions of the terms "employee" and "independent contractor" may provide a helpful context within which to make the correct employment decision. An employee is an individual who performs services that are subject to the will and control of an employer-both what must be done and how it must be done. The employer can allow the employee considerable discretion and freedom of action, so long as the employer has the legal right to control both the method and the result of the services.

An independent contractor is an individual over whom the employer has the right to control or direct only the result of the work and not the means and methods of accomplishing the result.

Determining the correct employment relationship is often an ambiguous task. The IRS has provided a list of 20 common law factors to assist in determining if the service provider is an employee or an independent contractor.

These factors, which appear in IRS Revenue Ruling 87-41, are intended as guidelines rather than strict rules. The closeness of most of a situation's facts to one relationship or the other will often determine what the appropriate classification should be. If the proper relationship is unclear after analyzing these factors, the employer-employee relationship should be established.

#### **20 RULE TEST**

**1.** An employee is required to comply with instructions about when, where, and how to work. The employer's right to instruct, not the exercise of that right, is the key. Instruction may be oral or in written procedures or manuals.

An independent contractor is hired to provide goods or services and is not instructed in great detail about how to provide the goods or services.

**2.** An employee is usually trained by one of the institution's experienced employees. Training indicates that the employer wants the services performed in a certain manner.

An independent contractor ordinarily uses his or her own methods, is hired for his or her expertise, and receives no training from the institution that purchases services.

**3.** An employee's services are usually integrated into business operations, generally showing that direction and control are being exercised. Integration of services into the business operation occurs when the success or continuation of a business depends to an appreciable degree on the performance of services that are difficult to separate from the business operation.

An independent contractor's services can usually stand alone and are not integrated into business operations.

**4.** An employee is hired to render services personally. If the employer is interested in who does the job as well as in getting the job done, it indicates that the employer is concerned about the methods used as well as the results of services performed.

An independent contractor is hired to provide a service and often the employer does not care who performs that job.

**5.** An employee has little control over the hiring, supervising, and payment of assistants. Such action by an employer generally shows control over people on the job with whom assistants work.

An independent contractor will hire, supervise, and pay other workers under a contract in which he or she agrees to provide materials labor and is responsible for the attainment of a given result.

**6.** An employee normally has a continuing relationship with the person for whom services are performed. Services may be continuing even though they are performed at irregular intervals, on a part-time basis, seasonally, or over a short term.

An independent contractor has a defined relationship that typically ends when the services are completed.

**7.** An employee has set hours of work established by the employer, indicative of control. Such a condition bars the worker from allocating time to other work, which is a right of an independent contractor.

An independent contractor tends to establish time use as a matter of right.

**8.** An employee usually devotes full time to the business of the employer. Full time does not necessarily mean an eight-hour day or five-day week. Its meaning varies depending on the intent of the parties.

An independent contractor is free to work when, for whom, and for as many employers as desired.

**9.** An employee typically does his or her work on the employer's premises which implies control, especially if the work could be performed elsewhere. Someone who works in the employer's place of business is at least physically within the employer's direction and supervision. However, performance of work off-site does not, of itself, mean that no right to control exists.

An independent contractor usually does work that can be completed on or off the employer's premises.

**10.** An employee often must perform services in a prescribed sequence, which shows a level of employer control. Here, too, the right to set the sequence, not the exercise of that right, is the key.

An independent contractor normally is free to perform services in any manner that produces desired results.

**11.** An employee submits or provides regular written or oral reports that indicate employer control.

An independent contractor submits reports as specified by the contract and may provide them in the broadest of terms and with less frequency than an employee would.

**12.** An employee is usually paid for work by the hour, week, or month. The guarantee of a minimum salary or the granting of a drawing account at stated intervals with no requirement for repayment of the excess over earnings tends to indicate the existence of an employer-employee relationship.

An independent contractor is customarily paid by the job in a lump sum or on a commission basis.

**13.** An employee is reimbursed or paid by the employer for business and traveling expenses, a factor that indicates control over the worker.

An independent contractor is paid on a job basis and normally has to assume all expenses except those specified by contract.

**14.** An employee usually is furnished by the employer with any tools and materials needed, which is indicative of employer control over the worker. In some jobs employees customarily use their own hand tools.

An independent contractor supplies the tools and equipment.

**15.** An employee normally does not have a significant investment in the facilities used in the job.

An independent contractor often has a significant investment in facilities used in performing services. Facilities generally include equipment or premises necessary for the work, but not such items as tools, instruments, and clothing that are provided by employees as a common practice in their trade.

**16.** An employee usually does not realize a profit or suffer a loss as a result of the service provided.

An independent contractor is in a position to realize a profit or suffer a loss as a result of services provided.

**17.** An employee tends to work exclusively for one employer.

An independent contractor normally works for more than one employer at the same time.

**18.** An employee usually does not make services available to the general public.

An independent contractor makes services available to the general public. "Making services available" may include hanging out a shingle, holding a business license, and having advertising and telephone directory listings.

**19.** An employee is subject to discharge, showing that control is exercised. Limitation of the right to discharge under a collective bargaining agreement does not detract from the existence of an employer-employee relationship.

An independent contractor cannot be fired so long as results produced measure up to contract specifications.

**20.** An employee has the right to end the employment relationship 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 the job.

If administrators are still not sure whether a person is an employee or an independent contractor, they may file a Form SS-8 (Information for Use in Determining Whether a Worker Is an Employee for Federal Employment Tax Withholding) with the IRS to request an official determination. The Form SS-8 is available from local IRS offices.

## **SAFE HARBOR FOR INDEPENDENT CONTRACTORS**

Until Congress enacts legislation on the classification of workers as independent contractors or employees, an employer can continue treating workers as independent contractors without incurring income tax withholding if:

- a "reasonable basis" exists for not classifying the individual as an employee;

- the employer did not or does not treat a similar individual as an employee; and
- the employer files all tax returns required to be filed (including information returns) on the basis that an individual is not an employee.

An employer who meets the reasonable basis test can exclude an individual from employee status, if the employer reasonably relies on one of the following types of authority:

- judicial precedent, published rulings, or a technical advice memorandum ruling or a letter ruling issued to the employer;
- a past IRS audit of the employer in which the IRS did not assess employment tax deficiencies for amounts paid- to individuals holding positions substantially similar to a job held by an individual;
- a long-standing recognized practice of a significant segment of the industry in which an individual is engaged.

These three tests are not the exclusive means of satisfying the reasonable basis requirement. An employer may also meet the reasonable basis requirement by general evidence that the individual functions as an independent contractor rather than as an employee.

The safe harbor rules exclude technical personnel-such as engineers, computer programmers, systems analysts, or other similarly skilled workers-who are involved in three-party situations in which the specialist provides services for a client of a technical services firm pursuant to an arrangement between the firm and its client. These technical personnel, even if they are retained by a firm for the purpose of providing services to its clients, are treated as employees or independent contractors under the common law definitions discussed above.

## **CONCLUSION**

Business officers need to assess if appropriate institutional mechanisms are in place that ensure correct employment relationship decisions are made. The assessment should begin with an examination of the current process for engaging independent contractors. A "review point" should be put in place that will test each situation for the proper employment relationship. Application of the 20 Rule Test can be a basic part of that review process. Procedures should be as nonbureaucratic as possible, yet complete enough to protect the institution in the event of an IRS audit. Some colleges and universities have placed their review point in the purchasing department, and others have chosen the human resources, accounting, or payroll areas.

Business methods are changing, and business officers must change with them.

Additional assistance may be obtained by reviewing IRS Code Section 3401. IRS Publication 539, Employment Taxes, is available from the IRS by calling 800-829-FORM. Most payroll services also have information.

R.C. Chip Goldsberry is assistant director of personnel services for compensation and information systems at Purdue University. He is a member of the NACUBO Benefits and Personnel Committee.

## **Section II**

### **Internal Consultants**

Request for internal consultant payments for Vanderbilt University faculty and exempt staff should be submitted only when both of the following conditions exist:

- a. The consultation is **across departmental lines** or involves a separate or remote operation.

**AND**

- b. The work performed by the faculty or exempt staff member is in **addition** to his/her regular departmental workload.

If these conditions are NOT met, a written letter of request for payment should be submitted to and approved by the appropriate Vice Chancellor (or designee) or Provost's Office prior to completion of an [Internal Consultant Payment Form](#).

**When using government funds** to pay for internal consulting, the budget for the grant or contract must have a specific budget line item for internal consultants or, absent this budget line item, when required, the initiating department must obtain written approval from the sponsoring agency.

Payments for internal consulting by Vanderbilt Faculty or exempt staff are initiated by completing the attached [Internal Consultant Payment Form](#).

The consultant must certify that to the best of their knowledge and belief, in acting as a consultant, they will not use their position for purposes of financial gain beyond that received directly for consulting service nor will the work performed as a consultant on this project create the appearance of a conflict of interest for the consultant or members of their family or those with whom the consultant has business or other ties.

All payments made to University faculty and exempt staff for internal consulting are processed through the payroll process, are subject to federal income tax and FICA withholding and reported on IRS form W-2 each calendar year.

Indicate the appropriate job code from the list below:

<b>Job Code</b>	<b>Internal Consultant</b>	<b>Account</b>
9907	Faculty	50450
9909	Faculty, Cost-Shared	50480
9911	Exempt Staff	52190
9913	Exempt Staff, Cost-Shared	52180

After all required approvals have been obtained (e.g. Department Heads, Directors, Deans, Provost, Vice Chancellor or designee), the form is routed to one of the two following areas:

<b>MEDICAL CENTER</b>	<b>UNIVERSITY CENTRAL</b>	
Unrestricted Centers	Medical Payroll S-2311 MCN 2567	Payroll Office Box 6310, Station B
Restricted Centers	Medical Payroll S-2311 MCN 2567	Contract & Grant Accounting VU Station B, Box 351591

NOTE:

The [\*\*Internal Consultant Payment Form\*\*](#) may be copied and used to initiate payment for internal consulting.

## **Section III**

### **Independent Contractor/External Consultant**

#### **Definition**

An independent contractor/external consultant is an individual or firm in the business of making recommendations based upon evaluations of circumstances, giving opinions on how to proceed with a given projects, or offering a proposal or plan. Independent contractors/external consultants perform a service or complete a specific task without supervision or control by the University.

#### **Examples of Independent Contractors/External Consultants May Include:**

Independent contractors/external consultants include program evaluators, scientists providing input on research projects, architects, landscaping companies, engineers, etc. providing services such as evaluation of programs, expert knowledge, independent opinions, painting, plumbing, electrical, air conditioning, heating, equipment repair, etc. Although the above types of services are generally performed as independent contractors, each situation should be evaluated on the

basis of its own facts by looking at the 20 criteria presented in [Section I. Section V #3](#) contains examples of some specific types of independent contractors who are not paid using this method.

### **Additional Criteria for Retaining Independent Contractors/External Consultants**

Independent contractors/external consultants may be engaged in those cases where the required knowledge or expertise is **not** available at the University and such services are needed only for a limited period of time. An independent contractor/external consultant relationship exists if an individual or firm is engaged to independently perform a specific task or service for a stated rate or total fee. The following characteristics are applicable to independent contractors/external consultants:

- There is no conflict of interest for the independent contractor/external consultant or members of their family or those with whom the consultant has business or other ties for purposes of financial gain beyond that received directly for consulting services.
- The Individual or firm is solely responsible for the manner and details of performance. However, their performance should not interfere with or disrupt the education, research, or patient care objectives of the University.
- The University defines/controls the final results or end products only.
- The individual or firm may or may not carry out his/her duties at the site of the project.
- All activities of the independent contractor/external consultant are conducted at his/her own risk. Thus, the University can require the individual or firm to have minimum insurance coverage as a condition of service.

The University must retain a sufficient level of control over the content of work to insure that it receives adequate value for its money.

### **Procedures**

The following procedures for independent contractors/external consultants are to be used for all non-employee services with two exceptions:

**Exception #1:** The abbreviated process described in [Section IV](#) of this manual should be used for external consultants whose primary business is **NOT** consulting and where **the cumulative dollar value of services to be retained is less than \$5,000**. An example would be a professor from another university who is retained by Vanderbilt to evaluate a program or project. The professor's primary business is not consulting; rather it is his/her appointment as a faculty member at the other university.

**Exception #2:** Certain independent contractors/external consultants may be paid by use of check request forms through the University Central or Medical Center demand check system. A list of these exceptions is found in [Section V](#) of this manual.

For all other independent contractors/external consultants, the following procedures must be used:

1. Complete an **Independent Contractor/External Consultant Requisition “S” Req form**. **Do not** authorize an independent contractor/external consultant to commence work or submit an invoice for payment until a purchase order and contract (where applicable) have been issued by Procurement Services.
2. Send the standard **Vanderbilt Conflict of Interest Form** to the independent contractor/external consultant and request their signature attesting that there is no conflict of interest. The [certification statement](#) of this policies and procedures document must be signed by the service provider and attached to the **Independent Contractor/External Consultant Requisition “S” Req form**.
3. Complete and send the **Vanderbilt Professional Services Agreement (PSA)** to the consultant/contractor for their signature. The department representative endorses the completed PSA and routes the original documents to Procurement Services.
  - Completing the PSA involves filling in the blanks with information relative to the consultant/independent contractor and the specific engagement and attaching the Statement of Work
  - [Professional Services Agreement \(PSA\).doc](#)
4. There are several questions on the **Independent Contractor/External Consultant Requisition “S” Req form** that address the issue of employee-employer relationship. If you answered YES to any of these questions, please consult [Section I](#) of this manual to determine if an employee-employer relationship exists.
5. Attached the appropriate documentation on competitive bids received or documentation for sole source procurement. When using funds from government contracts and grants, attach documentation of sponsoring agency approval for sole source procurement, if required.
6. Route through the required signature authorities for your area. Procurement Services should receive the completed requisition at least **two weeks** prior to the anticipated start of services or tasks.
7. **For services costing \$10,000 or more**, written documentation of **competitive bidding** is required as an attachment to the **Services, Independent Contractor/External Consultant Requisition “S” Req form**. Such bidding may be conducted by the department and/or Procurement Services as the complexity, sensitivity, or government regulations may dictate. If competitive bids are not obtained, written documentation justifying a sole source purchase is required.

**Services, Independent Contractor/External Consultant Requisition "S" Req (MC 2995)** form is ordered from the VUMC Copy Center [VUMC Copy Center Forms Ordering](#) using an 1180 internal purchasing form.

8. Procurement Services reviews the contract and, if approved, signs the agreement and issues a Purchase Order. **Work may commence upon issuance of the Purchase Order.**
9. Invoices from the independent contractor/external consultant are processed using Disbursement Services procedures. Even in cases where no fees are involved and only travel expenses are paid, the travel expenses must be processed through Disbursement Services. The Purchase Order number must appear on all consultant invoices.
10. Payments to individuals or partnerships who are independent contractors/external consultants are reported to the IRS on Form 1099 Miscellaneous in accordance with IRS regulations. For individuals or partnerships who are independent contractors/external consultants, please indicate the Social Security Number or Tax ID Number of the service provider.

#### **Subcontracts for "Substantive Work":**

The procedures outlined above are **not** applicable to Subcontracts for "substantive work" on government and non-government grants and contracts. Subcontracts for substantive work are processed by the offices of Sponsored Research and Contracts Administration in the Medical Center and the Division of Sponsored Research for University Central colleges, schools and divisions.

## **Section IV**

### **External Consultant**

#### **Primary Business is not Consulting Fee is Less than \$5,000**

The following abbreviated procedure is available for retaining external consultants whose primary business is **not** consulting, and whose fee is less than \$5,000:

#### **Procedure**

1. Prior to commencement of work, complete **Section A** of the *Contract and Payment Form for External Consultants*. Obtain the required signatures and approvals in your area including the approval of the Provost/Vice Chancellor or designee. This section should be completed prior to the individual commencing work at Vanderbilt University.
2. When services are completed, complete **Section B** of the *Contract and Payment Form for External Consultants* to include travel related expenses and total amount to be paid to the consultant. Section B also requires the signature of the Provost/Vice Chancellor or Designee. A separate check request form is NOT needed when using the "Contract and Payment Form for External Consultants."

3. If progress payments are required, complete **Section A** of the *Contract and Payment Form for External Consultants* for the **total amount** due for services to be provided. When issuing progress payments, use photocopies of the approved form for each progress payment. However, Section B must be completed for each progress payment and include the required original approval signatures. Total of progress payments cannot exceed original amount approved in Section A.
4. Payments using this form will be made through the existing demand check process.

**NOTE:**

If the total amount of the fee for services is expected to be \$5,000 or more, follow procedures outlined under [Section III](#) of this manual.

The attached [Contract and Payment Form for External Consultants](#) may be copied and used to initiate payment for external consultant services which are less than \$5,000.

## **Section V**

### **Exceptions**

Payments for the following types of services are processed by completing a [Check Request Form](#):

1. **Visiting Speakers:** A one-time payment to an external speaker that consists of the speaker fee and the speaker's travel expenses, if reimbursed. Account 63775 has been established for this purpose. (Guest Speakers who are Vanderbilt faculty or exempt staff **must** be paid through the Personnel/Payroll process using the Internal Consultant Payment Form).
2. **Subject Participants:** Payments to individuals who volunteer to participate in a Vanderbilt program or project, often a sponsored research project, for a nominal fixed amount not based on any University academic or service requirements. Medical Students are NOT permitted to participate as subjects in research studies.
3. **Legal, Public Accounting, Real Estate, and Other Special Expenditures:** Payments for special services such as legal fees, public accounting fees, real estate services, outside catering fees, business-related entertainment fees, scholarship/fellowship/traineeship stipends, travel agency invoices, and conference registration fees. Payments to external employment agencies (1) for temporary help may be paid by check request form.

Payments requested on a demand check request form will be returned to the originating department if they are determined to meet the definition of consulting or independent contractor services subject to the requirement of [Section II, III, or IV](#) of this manual.

(1) When temporary assistance is needed (positions to be filled for less than three months ONLY), departments should call Vanderbilt Temporary Services (VTS), a division of Human Resource Services at 343-8760. A pool of staff is available for clerical, technical, and support services positions. Temporary staff complete timesheets in their employing departments and are paid through the payroll system.

## **Section VI**

### **Contact Persons**

#### **Determining whether or not an employee/employer relationship exists:**

##### **Human Resources**

Susan Mezger 322-8362

##### **Financial Management**

Karen Nanney 343-4203

Warren Beck 322-0084

Craig Carmichel 322-3293

#### **Federal Grant and Contract Policy:**

##### **University**

Division of Sponsored Research

John Childress 322-3977

Contract and Grant Accounting (OGCA)

Michelle Vazin 343-1558

##### **Medical Center**

Office Contracts & Grant Management (OCGM)

Libby Salberg, Director 322-7400

##### **Procurement Procedures**

Procurement Services

Charles Nicholas, Director 322-2917

Andrea Netterville, Purchasing Agent 322-3275

**Invoicing and Payment Procedures**

Disbursement Services

Kathryn James, Director 322-4375

**University Affirmative Action Policies and Procedures**

**Opportunity Development Center**

Sam Starks 322-4705