THE UNIVERSITY OF MICHIGAN

STANDARD PRACTICE GUIDE

SECTION:	Independent Consultants	**Number:**	201.86
		Revised:	6/22/04
SUBJECT:	Services of (Form G-2)	**Date Issued:**	
		Review Date:	6/22/08
		Attachment(s)	3

APPLIES TO: Non-University employees engaged as Independent Consultants

ISSUED BY: Office of Contract Administration and the Human Resources

I. General Policies:

A. An independent consultant may be engaged only after:

1. It has been determined that the services needed are so urgent, special, temporary, or highly technical that they cannot be performed economically or satisfactorily by University staff members within the scope of their normal University responsibilities.

2. A selection process has been followed to ensure the engagement of the most suitable consultant available, considering qualifications, travel costs, daily rate, availability, etc.

3. It has been shown that the consultant fees are reasonable, considering the qualifications of the consultant, the consultant's usual charges, and the nature of the services.

B. Documentation of the foregoing must be sufficient to enable the appropriate University officials to approve the engagement and to satisfy the requirements of sponsoring agencies.

C. Only the Vice-President and Chief Financial Officer or delegated Official can commit the University to engage an outside consultant. Project Directors and others requiring the services of a consultant will necessarily have preliminary discussions with possible candidates, but they should avoid making a commitment.

D. The use of independent consultants is expected to be infrequent and to solve clearly delineated problems. An independent consultant shall not be engaged to carry out a major portion of a program; if services are needed to direct or to participate extensively in a program, the individual(s) shall be hired through the regular employment process.

E. When there is any likelihood that the proposed engagement of an independent consultant may result in an employer-employee relationship, the case shall be referred to the Human Resources/Compensations Office for review and consultation with the Office of the General Counsel when appropriate.

F. The services of an independent consultant shall not entitle this person to credit other than as a "consultant" in any published report or other document.

G. An independent consultant shall not hire any employee of the University to perform any service pursuant to the engagement without approval by the Human Resources/Compensation Office.

H. The consultant should be informed that a Personal Service Contract will be required if total payments for a calendar year will exceed $5,000.00 from all University sources.

I. If the individual to be paid is not a U.S. citizen, the alien status (resident or non-resident) must be indicated as well as the country of residence if a non-resident alien. It should be noted that 30% Federal and applicable state income taxes will be withheld from non-resident aliens unless those individuals are exempt under tax treaty regulations. IRS Form 8233 must be submitted to claim exclusion from withholding under tax treaty provisions (if it is in effect) between the individual's country of residence and the United States. The IRS Form 8233 (Exemption from Withholding on Alien Individual), available from the Payroll Office, must be completed and signed by the individual in order to qualify for exemption from tax withholding and submitted with the Form G-2, prior to the completion of services.

J. The G-1 Supplement may be attached to the G-2 form when several consultants are being paid on the same account number and have the same criteria. Be sure to change the Job Class on the G-1 Supplement form from 61901 to 61902.

K. A Contractor Classification Checklist (Form GQ) will be completed and included with each G-2 Form submitted for processing. The purpose of the GQ Form is to provide central documentation regarding the employment status for each individual paid as an Independent Contractor at the University of Michigan.

L. Invoices are required for all G-2 payments. The invoice should include a detailed description of work completed, billing date, current date and amount being requested for period. It also must include consultant signature and departmental approval.

M. Send an original plus one copy of all forms to The Office of Contract Administration.

II. Definitions

A. Employer-employee Relationship. An employer-employee relationship exists when the University has a right (whether or not it exercises it) to supervise and control the manner of performance as well as the result of the service.

B. Independent Consultant Relationship. An independent consultant relationship exists when an individual or organization is independent of University supervision and control with respect to the manner of performance.

III. Fees in Excess of $5,000.00 for a Calendar Year:

A. Fees in excess of $5,000.00 per calendar year from all University sources will require execution of a "Personal Service Contract" in addition to the Form G-2 and GQ.

B. Provide justification as to why this consultant was selected.

C. A Curriculum Vitae must be provided for the selected consultant.

IV. Procedure

RESPONSIBILITY		ACTION
Project Director/Individual Requesting Services	1.	Complete (in detail) request for services of an independent consultant Form G-2, Form GQ, and obtain a detailed, signed invoice from the consultant. Be sure to perform an evaluation of the consultant's fee and document reasonableness on Form G-2. Make a copy and forward to Departmental Chair for approval.
		a) A detail of all expenses and original receipts should be processed with the G-2 when expenses are to be charged on the G-2.
	2.	If the consultant engagement will exceed $5,000.00 per calendar year, or if this engagement together with other known payments to the consultant in the calendar year will exceed $5,000.00, prepare a Personal Service Contract, obtain a current curriculum vitae or resume and have the consultant sign the contract.
		a) When payment is to be made, receive a detailed, signed invoice from the consultant. Sign invoice certifying that the services being invoiced were satisfactorily performed and forward the original plus one copy to Contract Administration for processing to the Payroll Office.
Chair/Department Head	3.	Review necessity, selection and reasonableness of fee: approve and forward to the Dean or Director.
Dean Director	4.	Review, approve and forward to Contract Administration Office.
Contract Administration Office	5.	Review the Request for Services of an Independent Consultant, checking for completeness and required approvals.

6. If the consultant engagement will involve $5,000.00 or less and if this engagement together with other known payments to the consultant in the calendar year will not exceed $5,000.00, forward the original request, invoice and GQ to the Payroll Office.

7. If the consultant will receive over $5,000.00 in either of the above respects have the Personal Service Contract signed by the appropriate University Administrative Officers and distribute to principals.

   a) Send the consultant a letter along with the signed copy of the contract, confirming the services to be performed.

   b) Receive consultant's signed and approved invoice from the department, including receipts for any expenses, process and forward to the Payroll Office.

V. Forms:

A. The G-2, GQ and Personal Service Contract forms are available through the Office of Contract Administration. Call 763-3193 or write to 2044 Wolverine Tower, 1273.

Form G-2

THE UNIVERSITY OF MICHIGAN

Request for Payment for Services of an Independent Consultant
(*See instructions at SPG 201.86*)

Prepared by: _____ Telephone No: _____

Recommended Consultant: Account No.: _____ Date _____

Name: _____ Social Security No.: _____
(*Last, First, Middle*)

Business Address: _____

City, State and Zip _____ Country: _____

Nature of Services to be Rendered (*Please be specific*): Performed at: (*Location*): _____

Non-U.S. Citizen: ☐ Nonresident Alien Visa Type _____ Country of Residence _____
☐ Resident Alien (*Form 1078*)

Consultant's Qualifications: (*See I A (3) on reverse*) Highest earned degree: _____

☐ Present ☐ Most recent affiliation: _____

Position held: _____

Unique qualifications not presently available within the University: (*See I A (1) on reverse*)

State basis of selection to include a statement regarding reasonableness of fee:

Daily rate: _____ No. of days: _____ Total Consulting Fee: $ _____
(*See III on reverse*)

Travel Expenses must be vouchered separately. For information purposes these costs are estimated to be: $ _____
Submit voucher to Contract Administration Office.

The consultant services are to be rendered for the period _____ , 20 ____ to _____ , 20 ____

The Consultant shall report to _____

Approval below certifies compliance with the policies and procedures outlined in Standard Practice Guide 201.86

Chair/Department Head

Project Director

Dean/Director or Designated Representative

Contract Administration Office

Form 10056

Independent Consultants *(Non-University Employees)*

I. General Policies:

A. An independent consultant may be engaged only after:

(1) It has been determined that the services needed are so urgent, special, temporary, or highly technical, that they cannot be performed economically or satisfactorily by University staff members within the scope of their normal University responsibilities.

(2) A selection process has been followed to ensure the engagement of the most suitable consultant available, considering qualifications, travel cost, daily rate, availability, etc.

(3) It has been shown that the consultant fees are reasonable, considering the qualifications of the consultant, the consultant's usual charges, and the nature of the services.

B. Documentation of the foregoing must be sufficient to enable the appropriate University officials to approve the engagement and to satisfy the requirements of sponsoring agencies.

C. Only the Executive Vice-President and Chief Financial Officer or delegated Official can commit the University to engage an outside consultant. Project Directors and others requiring the services of a consultant will necessarily have preliminary discussions with possible candidates, but they should avoid making a commitment.

D. The Use of independent consultants is expected to be infrequent and to solve clearly delineated problems. An independent consultant shall not be engaged to carry out a major portion of the program; if services are needed to direct or to participate extensively in a program, the individual(s) shall be hired through the regular employment process.

E. When there is any likelihood that the proposed engagement of an independent consultant may result in an employer-employee relationship, the case shall be referred to the Personnel Office for review and consultation with the Office of the General Counsel when appropriate.

F. The services of an independent consultant shall not entitle this person to credit other than as a "Consultant", in any published report or other document.

G. An independent consultant shall not hire any employee of the University to perform any service pursuant to the engagement without approval by the Personnel Office.

H. The consultant should be informed that a Personal Service Contract will be required if total payments for a calendar year will exceed $5,000.00 from all University sources.

I. If the individual to be paid is not a U.S. citizen, the alien status (resident or non-resident) must be indicated as well as the country of residence if a non-resident alien. It should be noted that 30% Federal and applicable state income taxes will be withheld from non-resident aliens unless those individuals are exempt under tax treaty regulations. IRS Form 8233 must be submitted to claim exclusion from withholding under tax treaty provisions (if it is in effect) between the individual's country of residence and the United States. The IRS Form 8233 (Exemption from Withholding on Alien Individual), available from the Payroll Office, must be completed and signed by the individual in order to qualify for exemption from tax withholding and submitted with the Form G-2, prior to the completion of services.

J. The G-1 Supplement may be attached to the G-2 form when several consultants are being paid on the same account number and have the same criteria. Be sure to change the Job Class on the G-1 Supplement form from 61901 to 61902.

K. Form GQ will be completed as a worksheet each time a G-2 Form is processed. The purpose of the Form GQ is to provide central documentation regarding services rendered for each individual paid as an Independent Contractor at the University of Michigan.

L. Invoices are required for all G-2 payments. The invoice should include a detailed description of work completed, billing date, current date and amount being requested for period. It also must include consultant signature and departmental approval.

M. Send an original plus one copy of all forms to The Office of Contract Administration.

II. Definitions:

A. Employer-employee Relationship. An employer-employee relationship exists when the University has a right (whether or not it exercises it) to supervise and control the manner of performance as well as the result of the service.

B. Independent Consultant Relationship. An independent consultant relationship exists when an individual or organization is independent of University supervision and control with respect to the manner of performance.

III. Fees in Excess of $5,000.00 for a Calendar Year:

A. Fees in excess of $5,000.00 per calendar year from all University sources will require execution of a "Personal Service Contract" in addition to the Form G-2 and GQ.

B. Provide justification as to why this consultant was selected.

C. A Curriculum Vitae must be provided for the selected consultant.

IV. Procedure:

Responsibility:	*Action:*
Project Director/Individual Requesting Services	1. Complete (in detail) request for services of an independent consultant Form G-2, Form GQ, and obtain a detailed, signed invoice from the consultant. Be sure to perform an evaluation of the consultant's fee and document reasonableness on Form G-2. Make a copy and forward to Departmental Chair for approval. a. A detail of all expenses and original receipts should be processed with the G-2 when expenses are to be charged on the G-2.
	2. If the consultant engagement will exceed $5,000.00 Per calendar year, or if this engagement together with other known payments to the consultant in the calendar year will exceed $5,000.00, prepare a personal service contract, obtain a current curriculum vitae or resume and have the consultant sign the contract. a. When payment is to be made, receive a detailed, signed invoice from the consultant. Sign invoice certifying that the services being invoiced were satisfactorily performed and forward the original plus one copy to Contract Administration for processing to the Payroll Office.
Chair/Department Head	3. Review necessity, selection and reasonableness if fee: Approve and forward to the Dean or Director.
Dean/Director	4. Review, approve and forward to Contract Administration Office.
Contract Administration Office	5. Review the Request for Services of an Independent Consultant, checking for completeness and required approvals.
	6. If the consultant engagement will involve $5,000.00 or less and if this engagement together with other known payments to the consultant in the calendar year will not exceed $5,000.00, forward the original request, invoice and GQ to the Payroll Office.
	7. If the consultant will receive over $5,000.00 in either of the above respects have the Personal Service Contract signed by the appropriate University Administrative Officers and distribute to principals. a. Send the consultant a letter along with the signed copy of the contract, confirming the services to be performed. b. Receive consultant's signed and approved invoice from the department, including receipts for any expenses, process and forward to the Payroll Office.

V. Forms:

A. The G-2, GQ, and Personal Service Contract forms are available through the Office of Contract Administration. Call 763-3193 or write to 2044 Wolverine Tower, 1273

FORM GQ

THE UNIVERSITY OF MICHIGAN

EMPLOYEE/INDEPENDENT CONTRACTOR CLASSIFICATION CHECKLIST FOR FORM G/G-2 PAYMENTS

The information provided below will assist the University in determining whether the individual performing the services will be classified for federal, state and FICA tax purposes as an employee of the University or as an independent contractor. Complete Section I, Section II, and Section III (if necessary) and ATTACH TO THE FORM G WHEN APPROPRIATE AND ALWAYS TO THE FORM G-2.

I. _____ (Individual's Name) _____ (Social Security Number) _____ (Account Number)

Department _____ Form Preparer _____ (Name) (Phone No.)

II. Multiple Relationships with the University

	YES	NO
A. Does this individual currently work for the University as an employee?	____	____
B. Is it currently expected that the University will hire this individual as an employee immediately following the termination of his or her Form G/G-2 services?	____	____
C. During the 12 months prior to the date on which the Form G/G-2 services commenced, did the individual have an official University appointment (including temporary) and provide the same or similar services?	____	____

If the answer is "No" to all questions, proceed to the questions in Section III.
If the answer is "Yes" to any of the 3 questions, the individual should be classified as an employee and paid via the normal appointment process or on the Form G.

III. Classification Guidelines (Complete only one of III.A., III.B., and III.C. depending on the services performed by the individual.)

A. Teacher/Lecturer/Instructor

	YES	NO
1. Is the individual a "guest lecturer" (e.g. an individual who lectures at only a few class sessions)?	*Treat as an ind. contractor.*	*Go to #2.*
2. a. Is the individual teaching a course for which students will NOT receive credit toward a University degree.	_____	_____
b. Does the individual provide the same or similar services to other entities or to the general public as part of a trade or business?	_____	_____

If the answer to both questions 2(a) and 2(b) is "Yes", then treat the individual as an independent contractor.
If the answer to either of questions 2(a) and 2(b) is "No", then go to question #3.

3. In performing instructional duties, will the individual primarily use course materials that are created or selected by the individual?	*Treat as an ind. contractor.*	*Treat as an employee.*

III. B. Researcher

Researchers hired to perform services for a University department are presumed to be employees of the University. If, however, the researcher is hired to perform research for a particular University professor or employee, please indicate which of the following relationships is applicable by placing a check mark in the appropriate blank:

Relationship #1: The individual will perform research for a University professor or employee under an arrangement whereby the University professor or employee serves in a supervisory capacity (i.e., the individual will be working under the direction of the University professor or employee).	#1 _____	*Treat as an employee.*
Relationship #2: The individual will serve in an advisory or consulting capacity with a University professor or employee (i.e., the individual will be working "with" the University professor or employee in a "collaboration between equals" type arrangement).	#2 _____	*Treat as an independent contractor.*

III. C. Individuals Not Covered Under Sections III.A. or III.B.

	YES	NO
1. Does the individual provide the same or similar services to other entities or to the general public as part of a trade or business?	*Treat as an ind. contractor.*	*Go to #2.*
2. Will the department provide the individual with specific instructions regarding performance of the required work rather than rely on the individual's expertise?	*Treat as an employee.*	*Go to #3.*
3. Will the University set the number of hours and /or days of the week that the individual is required to work, as opposed to allowing the individual to set own work schedule?	*Treat as an employee.*	*Treat as an ind. contractor.*

Agreement No. _____

THE UNIVERSITY OF MICHIGAN
Personal Service Contract

201.86

This agreement is entered into between the REGENTS OF THE UNIVERSITY OF MICHIGAN, a non-profit constitutional corporation organized and existing under the laws of the State of Michigan (hereinafter referred to as the "University") and _____ (hereinafter called the "Consultant"), acting as an independent consultant and not and employee of the University, whose business address is _____ _____ to furnish certain consulting services. This agreement constitutes a subcontract under _____. The following terms and conditions shall be observed:

I ***CHARACTER AND EXTENT OF SERVICE***

A. Consultant shall furnish the following described services:

_____
_____
_____
_____
_____
_____

which are to be performed at: _____
Except as listed below, the Consultant will not subcontract or otherwise engage subcontractors to perform the work herein without prior written approval of the University.

B. The University will provide such working space, equipment, furniture and utilities as the University determines necessary for performance of said services by the Consultant while at the University.

C. Consultant will not hire any employee of the University to perform any service covered by this agreement without approval of the University Personnel Office.

II ***REPORTING***

In performing consulting services hereunder, consultant shall report to _____
_____

III ***PERIOD OF SERVICE AND TERMINATION***

A. The period of service hereunder shall be from _____ through _____.

B. Either the University or the Consultant may terminate this agreement at any time by giving the other party written notice of such action.

IV ***FEES AND OTHER COSTS***

A. The University will pay fees to Consultant for services performed hereunder on the following basis:
Daily rate _____ No. of days _____ Total consulting fee $_____.
Travel expenses must be itemized separately: actual and reasonable expenses will be reimbursed with your invoice. These costs are estimated to be: $_____.

B. Payments(s) will be made following satisfactory completion of services and submission of invoices, signed by the consultant and approved by the responsible University department, to the Office of Contract Administration. Invoices will include the agreement number, consultant's social security number, appropriate charges, and dates of invoiced services.

Form 10057

V *TAXES*

The fees and other costs stated herein include all applicable taxes and will not be changed hereafter as the result of Consultant's failure to include any applicable tax, or as the result of any change in the Consultant's tax liabilities.

VI *ASSIGNMENT*

The Consultant may not assign or transfer this Agreement or any interest therein or claim thereunder without the prior written approval of the University.

VII *PATENTS AND COPYRIGHT*

A. Whenever any invention or discovery is made or conceived by Consultant in the course of or in connection with this Personal Service Contract. Consultant shall furnish the University with complete information with respect thereto and the University shall have the sole power to determine whether and where a patent application shall be filed and to determine the disposition of title to and all rights under any application or patent that may result. Consultant will, at the University's expenses, execute all documents and do all things necessary or proper with respect to such patent application.

B. Whenever any copyright is secured in connection with the publication of the results of research financed by this Consultant Agreement, title and all rights to such copyright will vest in the University.

C. If the Personal Service Contract is funded under a Government Prime Contract or Grant which provides a different disposition for Items A and B above, the latter will govern.

III *TECHNICAL INFORMATION, RECORDS AND REPORTS*

All notes, designs, drawings, memoranda, reports, computer programs (including supporting data which may be included in cards, tapes, discs, drums, and the like), and other technical data, if any, furnished by the Consultant pursuant to the provisions of the Agreement or developed by the Consultant in connection with the performance of services hereunder shall be and become the property of the University. All such notes, designs, drawings, memoranda, reports and other technical data shall be delivered to the University upon demand, and the University shall have the right to use them, for any purpose which it may deem desirable without the necessity of compensating the Consultant or any other person or persons for the use thereof.

X *ADMINISTRATIVELY CONFIDENTIAL INFORMATION*

The Consultant shall not publish or otherwise disclose, except to the University and except matters of public record, any information or data obtained hereunder from private individuals, organizations, or public agencies, in a publication whereby the information or data furnished by any particular person or establishment can be identified, except with the consent of such person or establishment.

X *LIABILITY*

The Consultant shall perform the work under this agreement as an independent contractor and agrees that the University is to be free from all liabilities and damages resulting from or arising out of the Consultant's performance or activities hereunder.

XI *ACKNOWLEDGMENT OF SPONSORSHIP*

The Consultant agrees that in any publication acknowledgment shall be made of sponsorship by the University and the Government by use of the following footnote: "This work was performed under the sponsorship of THE REGENTS OF THE UNIVERSITY OF MICHIGAN and (insert sponsor identified in Article I)." If the publication is copy-righted, the statement, "Reproduction of this article, with the customary credit to the source, is permitted" shall be added.

Use of the name of the University, except in an acknowledgment of sponsorship of this research, in publication, news releases, advertising, speeches, technical papers, photographs, and other releases of information regarding this Agreement or data developed hereunder, may not be made except upon written approval from the University.

XII ***EXAMINATION OF RECORDS***

The University, and if the Personal Service Contract is funded under a Government Contract or Grant which so provides, the Sponsor or the Comptroller General of the United Sates, shall have access to and the right to examine any directly pertinent books, documents, papers and records of Consultant and of the University involving transactions related to this Agreement.

XIII ***CONFLICT OF INTEREST***

Consultant affirms that to the best of his/her knowledge, there exists no actual or potential conflict between Consultant's family, business, or financial interests, and his/her services under this Agreement. In the event of change in either his/her private interests or service under this Agreement, he/she will inform the University regarding possible conflict of interests which may arise as a result of such change.

THE REGENTS OF THE
UNIVERSITY OF MICHIGAN

By: _____

_____
Title

Date: _____

_____
Signature of Consultant

Date: _____

Name and Address of Consultant
(Please print or type)

_____

_____

_____

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