Welcome to the Introduction to Consultant Payments on Sponsored Projects
When you have completed this mini course, you will be able to answer the following questions:

Who are consultants?  
How do they differ from regular Northwestern employees?  
How do consultants receive payment for their work?

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Who are consultants?  How do they differ from regular Northwestern Employees? and 
How do consultants receive payment for their work?  You will also be provided with 
additional resources such as forms and departments to contact if you have questions 
regarding engaging consultants for sponsored research.
Who are consultants? Consultants are individuals who provide fee-based professional services, analysis, or highly technical expertise hired by a Principal Investigator or PI to assist in sponsored projects. Consultants must use their own equipment, and the work is usually on a short-term basis. Consultants are not an integral part of the project work scope or responsible for a portion of the project effort or outcome.
Faculty are encouraged to share their expertise as consultants, however specific condition apply. The work must be outside of their regular appointment and expertise they are offering must not be already available in the department or research team. It is also encouraged for departments to seek out expertise within the university before making the decision to hire outside consultants.

The decision to hire a consultant is preferred to be made at the proposal stage, however, the nature of a project may result in unforeseen circumstances requiring the additional assistance of consulting services later on.

Also note that external consultants are not regular Northwestern employees and Northwestern students cannot work as consultants.
Now that we have determined who are consultants, we will explore how they differ from regular Northwestern employees.

In this slide we have included highlights from the 20 characteristics of employees and consultants or sometimes called the common law classification factors. These characteristics assist in determining the difference between employee and consultant or independent contractor. An employee follows Northwestern University schedule, mostly works only for Northwestern, required to complete work in person and may leave the university without being liable for non completion of work. Many aspects of an employee’s work is controlled by Northwestern. Consultants are not employed by Northwestern so they follow their own schedule, works for Northwestern or other employers freely. They may complete the work on their own or through others. Since they are engaged in sponsored projects through Northwestern, the consultant is liable for not completing the work requested. To see the full list please visit the Office of Human Resources page and search 20 characteristics of employees and independent contractors.
The Human Resources Compensation Division will complete an assessment after an Independent Contractor Questionnaire, or ICQ has been completed and submitted to make a final determination. The ICQ is important because the Internal Revenue Service has requirements requesting the University tracks payment to a consultant for tax purposes and that they are reported correctly. The ICQ should be completed by a department if an individual does not have a vendor code. It should not be completed if they are currently employed by Northwestern. Human Resources makes their final determination based on how the questions are answered on the form. The ICQ lists a series of questions under three main categories used by the IRS called Common Law Rules that measure the degree of control an employer has over an employee. They are Behavioral control, Financial control and The Type of Relationship. The IRS says there is no “magic” set of rules or factors in determining the difference between employees and consultants. The importance of determining the difference is Northwestern’s risk for tax liability.
Here are sample questions from the Independent Contractor Questionnaire. For the full form, please visit Northwestern University Office of Human Resources and search ICQ form.
Now that we have explored the differences between consultants and regular Northwestern employees we will learn how consultants get paid for their work.

Consultants who are regular Northwestern employees and US residents are paid via payroll. From what we learned earlier, faculty are encouraged to share their expertise as consultants if specific conditions are met. An additional pay request form will be required and the flat fee paid the faculty is determined by the collaborating department. The additional pay must be allowable if the fees are charged to a grant. A non-US resident working for Northwestern who completes work in the United States is also paid through payroll.

Consultants who are US resident non-Northwestern employees are paid via accounts payable and non-US residents performing work for Northwestern outside of the US should be paid through accounts payable.

Since paying consultants for their work is such a broad topic, for the scope of the rest of this presentation we will focus on the steps for work completed by U.S. resident/ non-Northwestern employee consultants paid by accounts payable.
Communicating with consultants early on is important to determine the details. It is required that consultants provide detailed documentation. A detailed invoice should be received requesting payment. It is highly recommended that Northwestern is billed monthly. This is a great way to record all the expenses charged to the grant and avoids surprises when monitoring grant expenditures. The invoice should list the title of the project, a description of their expertise, a detailed scope of work, they must clearly state the hourly rate or flat fee for their services, and document the total hours contributed to the project.
Next we will explore two important forms that must be submitted to ASRSP.

It is university policy that all expenses and payments be submitted within 90 days. You must take note of the service start date because the 90 day count starts on the first day of service. If there are requests for payment more than 90 days past the service date, a 90 day memo form must be completed and submitted to ASRSP. Justification is required for why the request for payment is over 90 days. For more information on how to complete the 90 day memo form, please see the Consulting section of our website. There is a link to “Reimbursement requests over 90 days” which includes instructions and the memo to complete.

The Contracted Services Form must be wet signed by the Principal Investigator and school official. The form will not be accepted if the signatures are not original. Along with the contracted services form the detailed documentation or itemized invoice from the consultant must be attached. For grant related expenses the forms must first go to ASRSP then ORS for review. Once all of the paperwork is approved it is sent to accounts payable to issue a check for consultants.

Payments over $5000 to consultants require a detailed description of the work or deliverable completed or provided to Northwestern. This could be reports, data, detailed evidence or publication.
This is a sample of the Contracted Service Form for U.S. Residents. FFRA or Finance, Facilities, and Research Administration has provided a guide to complete the Contracted Service Form as well as useful links to Financial Operations, and Human Resources regarding paying an independent contractor.
For invoices from companies that provide consulting services, it is important to receive written confirmation from the principal investigator that the invoice is ready to pay. This written confirmation is a simple hand written note on the invoice stating the invoice is alright to pay with an original signature and date from the PI. For more information please see ASRSP’s website under expenses, then consultants.
Lastly we will briefly touch on two payment topics that appear in research, honorarium and speaker fees.

Honorarium is a payment to confer distinction or to symbolize respect, esteem, or admiration for the recipient. Grants normally do not allow payments of honoraria.

Speaker fees are not normally allowable on research grants. They are allowable on conference grants, training grants or where they are specifically included in an approved budget. The presentation should only be related to the particular project and only the individuals involved in the project should attend. It is important to note that fees for departmental seminar speakers are not allowable charges on research grants. Forms that will be required for speaker fees are the contracted services form we explored earlier, and a flyer or brochure from the event. The flyer or brochure must include: date of speech within the project period, topic of the speech, name of the sponsor and the title of the project.

For more information please contact Human Resources Compensation department.
Here is a list of departments to contact regarding the subject of paying consultants, how to classify employees vs consultant and how to issue payment.

Useful Information

Departments to contact:

- Vendor File Management unit of Procurement and Payment Services
- Human Resources Compensation Division
- Payroll Department
- Accounts Payable
- ASRSP website: Expenses tab, Consultants
Congratulations! You have completed the course.