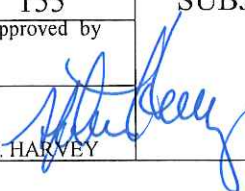


FINANCIAL MEMORANDUM		
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155	SUBJECT: CONSULTANT SERVICES – PURCHASE ORDERS AND INVOICES	Date Issued/Amended 07/06/2016
Approved by  S. HARVEY		Replaces 07/01/1998

1. PURPOSE

The purpose of this memorandum is to establish guidelines for the preparation of requisitions, purchase orders/contracts, and invoices for consultant services, regardless of funding source.

2. DEFINITION

For the purpose of this memorandum, consultant services are defined as those professional services performed for the School by firms or individuals, other than employees of the Medical Center. Consultant services do not apply to personnel services such as typing, clerical, laboratory, art or statistical services; see Personnel Policy HR-02.02 (1/11/84). For these personnel services, obtain form P-180, "Request for Temporary Assistance".

3. GENERAL GUIDELINES

The following guidelines must be adhered to prior to completing the Purchase Requisition and should be included as part of the Purchase Requisition documentation:

- A. Written evidence that the services to be provided are essential and cannot be provided by persons receiving salary support from Mount Sinai.
- B. Written evidence that a selection process has been employed to secure the most qualified consultants available, considering the nature and extent of services to be performed (Letter of Justification for sole source).
- C. Written evidence that the fee is appropriate considering the qualifications of the consultant, his normal charges and the nature of the services to be provided (Letter of Justification for sole source).
- D. The consultant agreement, specifying the nature of the service, period of performance, rate/basis of payments and the maximum amount to be paid must have been signed by the President's Office prior to commencement of services.

4. PURCHASE REQUISITION

The department requesting consultant services should initiate a Purchase Order/Contract Requisition in Sinai Central before the services are rendered. Consultants for renovation projects should be coded as a Capital Equipment Purchase Requisition. All professional service consultants must be pre-qualified by the Purchasing department, based on criteria provided the requisitioning area Department Head/Medical School equivalent to the Purchasing department, in addition to the normal Vendor Credentialing process.

The Purchase Requisition must be used by the requesting department for committing funds for these services and submitted along with the appropriate documentation.

The following should be stated specifically on the Purchase Requisition:

- Name(s) and addresses of the consultants
- Tax identification number and/or Social Security number
- The HIPAA Business Associate Agreement
- A completed HR Policy 2.2 Form,
- Consultant cost per hour, day or units of service; limits on professional fee or reimbursable expenses or both
- A short description of the services and end products to be provided,
- A Not-To-Exceed amount,
- Period covered
- Name(s) and title(s) of those who will be approving invoices.
- A copy of the fully signed Consulting arrangement should be attached to the requisition.

Once approved by all required, Purchasing will assign the Purchase Requisition a Purchase Order number against which the consultants may submit invoices for payment of services rendered.

5. INVOICES

Invoices should be sent directly to Accounts Payable Department. They will be forwarded to the originating department for review and approval to pay. The invoice should then be returned to Accounts Payable for processing.

Consultants must use the following guidelines in preparing invoices:

Charges for consultant services must be supported by an invoice from the consultant, stating the name of the consulting firm or individual consultant(s), the nature of the service rendered (e.g., statistical, analysis of data, reports presented or participation on project advisory committee), the relevance to the project, the period of service, the amount to be paid, and the Purchase Order number.

If the fee is based on a rate per day or hours, the rate and the actual dates and/or hours worked should be clearly indicated on the invoice.

If the fee is based on a rate per unit of service rendered (e.g., number of patients treated), the rate per unit as well as the beginning and ending dates of the period that the service was rendered should be indicated on the invoice.

If the fee is determined on some other basis, the basis for determining the fee as well as the beginning and ending dates of the period that the service was rendered should be indicated on the invoice.

If charges for fringe benefits are to be included in the rate calculation, the specifics of this calculation should be indicated on the invoice.

6. REIMBURSABLE EXPENSES

Many consultant agreements provide for reimbursement of expenses incurred by consultants. These should include only those out-of-pocket expenses specifically applicable to the approved project (e.g., long distance telephone calls, travel, per diem or subsistence supporting costs, photocopies for other than internal use) and should, to the extent possible, be listed specifically and documented as part of the invoice.

Note: With regard to Consultants, unless stated otherwise, reimbursable expenses in the contract will be capped at 10% of the original project cost. Any costs associated with overruns that are not attributed to a change in scope will not increase the reimbursement. Reimbursable expenses must also be clearly defined in the contract.

7. TIME LIMITATIONS

All invoices for services and expenses should be submitted within 45 days of the actual services rendered or expenses incurred.

8. INDIVIDUAL CONTRACTORS

Copies of the completed Internal Revenue Service form 1099- "Non-Employee Compensation" will be sent to individuals, at the end of the calendar year, if they received more than \$600 in non-- employee earnings during the calendar year from School. The School and individuals are subject to penalties imposed by the Internal Revenue Service if this requirement is not carried out.

9. CONSULTANTS WORKING UNDER GRANTS/CONTRACTS

The following guidelines are specific to consultants working under DHHS/PHS/NIH Federal grants and contracts, as well as grants from foundations and associations (e.g., American Heart Association, American Cancer Society, etc.).

The DHHS/NIH Grants Policy Statement and NSF Grant Policy Manual outline requirements for using grant funds for payment of consultant fees. Generally, there are limits on rates of compensation for consultant services set forth by the DHHS/NIH granting agencies, although, as with all costs those payments must meet the test of reasonableness and be consistent with institutional policy. For NSF awards, payment for a consultant's services may not exceed the daily equivalent of the then current maximum rate paid to an Executive Schedule Level IV Federal employee (exclusive of indirect cost, travel, per diem, clerical services, fringe benefits and supplies).

These policies should be followed by Principal Investigators and Program Directors with respect to the payment of fees to consultants working under an extramural grant/contract:

- A. Consultant fees may not be paid to members of the faculty or employees of Mount Sinai or its affiliates.

The use of grant/contract funds for the payment of consultant fees is allowable as a direct cost for essential services that cannot be provided by persons receiving salary support under the grant/contract or otherwise compensated for their services.

- B. Although grant/contract applications are expected to anticipate consultant requirements and to indicate the proposed use of consultants in the grant/contract application, PHS and NSF prior approval for payment of consultant fees is generally not required, except if the use of consultants under a discretionary grant (1) constitutes a transfer of substantive programmatic work, (2) results in a contract for general activities that requires such approval, or (3) is required by program regulations or other award terms.
- C. Charges to grant/contract funds for consultant services may include consultant fees and out-of-pocket expenses incurred by the consultant(s) that are specifically applicable to the approved project (e.g., long distance telephone calls, travel, per diem or subsistence supporting costs, photocopies for other than internal use). Reimbursable expenses incurred by consultants should, to the extent possible, be listed specifically and documented as part of the invoice.
- D. Consultant fees cannot be paid to a U.S. government employee except under unusual circumstances as specified in the DHHS Grants Administrative Manual. Under no circumstances may NSF employees receive compensation from a NSF-supported project.
- E. When third-party awards are under a grant/contract, steps shall be taken to assure that such third-parties adhere to the provisions of this memorandum and to all institutional rules and regulations.
- F. Specific terms of the grant/contract dealing with consultant services shall be followed by the Principal Investigator or Program Director.

- G. The Principle Investigator/Program Director must approve selection of all consultants for grants/contract
- H. Written evidence must be provided showing that a procurement process has been employed to secure the most qualified consultant available, considering the nature and extent of services to be performed.
- I. Written evidence must be provided showing that the fee is appropriate considering the qualifications of the consultant, his normal charges, and the nature of the services provided. Granting agencies' limits.
- J. Funds for consulting services must be available and all allowable under the terms of the grant award. This will be verified prior to the President's Office execution of the agreement.
- K. The Sinai Central Contract/Purchase Requisition shall be used for these services and submitted with the appropriate supporting documentation. All information listed under '4' above shall be stated specifically on the Purchase Requisition:
- L. Consultants must use the guidelines under '5' above in preparing invoices:
- M. A written narrative report, acceptable to the Principal Investigator/Program director and approved by the fund owner, is required before payment is made. In the event that multiple visits are made, at the discretion of the Principal Investigator/Program Director, he may submit one complete report after the final visit, or multiple progress reports after each visit with the final report submitted after the last visit. The final invoice must be approved by the Principle Investigator/Program Director, before payment is made.
- N. The following special conditions apply to all contracts with consultants: Granting agencies' limits on rates of compensation must be observed.

A paid consultant must adhere to the ISMMS patent policy, as well as that of the extramural agency.

An individual will not be eligible to serve as a paid consultant on any program, project, or activity in which the Principal Investigator or Program Director is directly related (i.e., spouse, child, father, mother, uncle, aunt, cousin and in-laws) subject to Policy No 155A Consultant Services Provided by a Related Party.

10. TIME LIMITATIONS

All invoices for consulting services and expenses should be submitted within 45 days of the actual services rendered or expenses incurred.

11. APPROVED PROTOCOLS

A. Contracts for services below \$10,000

1. Competitive bidding is encouraged when the Purchasing department buyer determines that the current pricing is not considered competitive; however competitive bidding is not required. A purchase requisition approved by the requisitioning department management and a purchase Order issued by the Purchasing department is required prior to any purchasing of services being obtained.

B. Contracts for services \$10,000 to \$25,000

1. A minimum of three (3) informal quotations (bids) from pre-qualified vendors, either verbal, by fax,

Or in writing offering such commodity/services solicited by the Purchasing Department. The Quotations or bids must include, at a minimum:

- (1) Contact person at the company.
- (2) Phone number
- (3) The date of the price quotation, and
- (4) The quotation amount.

C. Contracts for services over \$25,000

- (i) A minimum of three (3) sealed written bids must be obtained by way of an RFP sent by the Purchasing department to pre-qualified vendors. If less than three (3) bids are received, the Purchasing department will follow up with the vendors to ascertain why they failed to submit a bid. Additionally, if time permits, the Purchasing department will attempt to obtain a fourth vendor.

- (ii) If the Department wants to award the contract to the vendor that is not the lowest bidder, the written justification as to why must be included in the Letter of Justification and signed by the Department Chairman. This justification will be reviewed by Procurement Services, and may, after review require a Department's Chairman and Dean's approval.
- (iii) Contract amount is over \$1,000,000 and over
 - 1. The Purchase Requisition must be approved by the Dean, and:
 - 2. If the Department wants to award the contract to the vendor that is not the lowest bidder, the Letter of Justification should be signed by the Dean, prior to Procurement Services' review.
- (iv) Consulting Contracts with Public Accounting Firms
- (v) Contract amount is \$25,000 or less

Follow all of the policies and procedures from paragraphs A. and B. above. If you need some guidance in working with Public Accounting Firms, it is suggested that you contact the School's Senior Vice President of Finance for assistance. They have experience in working with these firms and may be able to share existing arrangements that could help minimize project risk and/or take advantage of favorable pricing.

Contract amount is over \$25,000

Follow all of the policies and procedures from paragraphs a. and b. above. Prior to Department's acceptance of any proposal on contracts over \$25,000, including fee arrangements and payment terms will be reviewed by, and will require the approval of the School's Senior Vice President of Finance prior to issuance. The Senior Vice President of Finance is qualified to assess pricing and negotiate contracts with these firms that offer the greatest level of discounts and value TO ISMMS. Since these firms may perform other consulting services for the Medical Center, it is necessary to obtain consistent pricing or understand the price to value of each contract. Further, we must assure compliance with professional practice guidelines on pricing methodologies and potential conflicts of interests.

Additional Guidelines

- a. If you plan to enter into a large or complex agreement with consultants, it is suggested that you call the General Counsel's office for assistance.
- b. If you need to contract with information systems consultants it is suggested that you contact either Information Management Systems and Services (IMSS) Department or the Academic Computing Department for assistance. They are aware of consultants in a variety of systems specialties and may be able to share existing consultant arrangements that could help minimize project risk and/or take advantage of favorable pricing.
- c. If you need to obtain legal services, you must contact the General Counsel's Office prior to signing any contracts.
- d. Consultants used to help put capital assets into use (i.e. systems consultants installing applications) may qualify for capitalization. This determination will be made by Finance.

If a consulting project is subject to capitalization, it must then be approved by the School's Senior Vice President for Finance.

For purposes of these approved protocols, consultants include all non-employee individuals or firms that provide specialized assistance to any department of the Medical Center on a temporary basis. This excludes the procurement of temporary staff routinely obtained through and in accordance with the policies and procedures of our Human Resources Department or the Home Health Agency. Honorariums paid to speakers by the Medical School are not considered Consulting Services and are also excluded from this policy.

13. ADDITIONAL INFORMATION

Questions or requests for further interpretation of this memorandum should be referred to the Sponsored Projects Finance Department or the Accounts Payable Department.