

Hourly Rate Service or Consultant Procedures

Background:

As part of the Procurement Office's continuous improvement process to streamline and strengthen University internal controls, our office is introducing a new Consultant form within Buyways to ensure all information is collected at the time of initiation. A recent federal audit identified a weakness in our controls that is the result of Clemson placing POs and/or entering contracts for broad services in lump sum amounts. The failure to provide details on the scope and lack of analysis as to why that price is fair and reasonable for the work being performed or even simply detailing the work that is being performed, is something Clemson must address.

Guidance:

Clemson University will place POs for any "Hourly Rate Service" in accordance with other procurement policies and guidance (based on competitive bidding, small dollar purchases, sole source, exemption, etc...) by utilizing the appropriate Hourly Rate Service form(s) in buyWays.

The form is structured to require certain information so that a PO will be issued with appropriate details to document and detail the work being performed and the rates that Clemson is paying for the service. It is not appropriate to simply contract for something described as "services" or "consulting", nor is it acceptable to contract for a single lump sum amount without some details explaining the time period in which work will be completed.

If work has already been performed and no PO has been issued (i.e. in violation of the No PO, No Pay policy), users may use either the Unauthorized Expenditure of Funds form OR the Hourly Rate Service form and indicate work has already been performed. Both will route accordingly for approvals and issue POs, but the Unauthorized Expenditure of Funds form will include clear instructions for the supplier not to duplicate work.

Examples/Discussion:

- 1) Contracting for a consultant to assess a process through delivery of a report should be written in a PO description as "Consulting services to assess _____ at the rate of \$100 per hour for 10 hours, and provide a written report to Clemson" What is not acceptable is simply describing it as "Consulting Services" and then a total PO amount of \$1000. In that case we have no idea what they are doing, how much time they are spending, and/or is it a reasonable cost; as well as the deliverable/s which in this case is a written report.
- 2) Hiring a painter to paint a classroom. They quote you \$1500 to complete the job. Is that reasonable? A painter spending 3 days painting with a crew of 4 people provides more detail to determine if that is a fair rate. 3 days x 4 people x 8 hrs per day = ~100 hrs of work so we are paying \$150 per hour to have the 4 people there. While we would suggest in such an instance like this that you still get multiple prices

before contracting, but if not, a PO can be issued that says “Paint classroom over 3 days” and you CAN choose the lump sum by listing it as a LOT in amount of \$1500 to include labor supplies and service. Then use the form fields to provide the additional details of days, hours, # workers, etc... to show that we are paying them ~\$37/hr, which seems reasonable. It is best practice to get the painter to break down their cost into labor and supplies. Use the Hourly Rate Service form for line one for the labor and then add a line for the paint supplies as line 2 on the requisition using the I need to buy Something (non-catalog) form.

- 3) Clemson has a marketing contract with a list of marketing firms that provide various services for different hourly rates but those rates are not to exceed \$120/hr. A PO to any of these should be clearly broken out to list the # of hours they will work and the proper hourly rate (\$120 or less) to show the total amount we are paying. They may choose to work more or fewer hours based on how productive they are, but we are contracting for an amount that is based on a set hourly rate.
- 4) Clemson needs to hire a researcher/faculty from another University or entity to assist on a project that requires them to travel to a remote location on behalf of Clemson. They quote you \$5000 plus travel expenses. Use the Hourly Rate Service form to issue a PO for “Research Support Service to include _____” for 25 hrs at \$200 per hour. Use a non-catalog form to add a line for Not to Exceed amount for travel expenses by using the description of “Travel expenses not to exceed this amount without prior written approval.”

In each of these instances, utilizing the form in buyWays will ensure we are providing the necessary details justifying the cost we are paying and at the same time issuing a PO that is detailed and accurate. It is the job of the requestor needing the service to get the details as part of obtaining a quote from the supplier.

It is important to ensure that an agreement that defines the scope of work, anticipated hours, and rate per hour is documented and signed by Clemson and the consultant or service provider. A purchase order should be entered into Buyways prior to the work being performed or an invoice received.

Definition:

“Hourly Rate Service” – a service that is provided by a supplier or 3rd party where the amount Clemson pays is determined by how much time will be spent by the supplier or 3rd party to complete the task. Most consulting contracts would be considered Hourly Rate Service as would contracts for laborers (painters, mechanics, custodians, etc...) or even speakers, entertainers, etc...

Exclusions:

Honorariums – by definition, an Honorarium is NOT a service, so you are not paying an hourly rate for a deliverable. You are simply making a lump sum payment in recognition of something an individual did.