Honoraria and Contracts for Services Under $10,000

Presented by:
Tammy Ziegler, Payables
Jay Simpson, Purchasing
Deborah Gorvin, Purchasing
Objectives

- After this presentation, you will:

  Know how to process and pay an allowable honorarium.

  Know how to process and pay a General Services Contract under $10,000
Honorarium

Definition:
An honorarium is a one-time payment, limited to $5000 or less, to an individual who is not a University employee for a special or non-recurring activity for which no remuneration is collectible by law. ¹

¹ From OBFS website at: https://www.obfs.uillinois.edu/honorarium-payments/
Honorarium

An Honorarium is a gift to an individual to show appreciation for giving a public address, presentation or participation in an event.
Honorarium

Restrictions on an Honorarium payment:

- Any transaction where there is a pre-negotiated Statement of Work ("SOW").
- Parties previously negotiated payment for services.
- University is invoiced.
- The recipient is a University employee.
- Honorariums should not be reoccurring.
Honorarium Restrictions

An honorarium cannot be used to:

- replace or circumvent procedures for paying consultants
- pay University of Illinois salaried or unsalaried employees
- reimburse a party in lieu of undocumented expenses.
- pay a party more than $5000
Restriction Example

Under an amendment to the Illinois Governmental Ethics Act, 5 ILCS 420/2-110, members of the Illinois General Assembly are prohibited from accepting an honorarium.
Honorarium

- Honorariums are paid through TEM
- Individuals must have a Vendor ID established in Banner
- Use the purpose “Misc. Payment – Vendors, Non-Employees & Students”
- Expense type 154200- Honoraria
Honorarium

- Provide a detailed business purpose (think “who”, “what”, “when”, “where” and “why”).

- TEM will provide an additional text box to help determine if the expense is truly an honorarium.
Expense Item 154200-Honoraria → Exceptions

Please explain the reason for the honoraria (lecture, speaker, etc.) in the box below. In addition, please list the name and the date(s) of the event.

*Explanation

Continue  << Back
Reminder

If the transaction does not meet the requirement for payment as an Honorarium, the procurement may be a service-for-hire transaction.

A Contract for services under $10,000 may need to be utilized.

Do not process an honorarium as a reimbursement (IRS tax implications)
Contract for Services under $10,000

- The Contract for Services under $10,000 template is used to procure certain services in accordance with University Policy.

- Contract can only be used when the total cost is less than $10,000 for the life of the contract.

- The term of the contract is limited to 12 months with no renewals. Both parties must sign the contract before services may commence.
Contracts for Services under $10,000

Review the chart in the Contract for Services under $10,000 template to confirm that the Contract can be used.

If the services are listed in the chart, the transaction will require Purchasing to execute a contract.
<table>
<thead>
<tr>
<th>Ambulance</th>
<th>Employment Separation Agreement</th>
<th>Services involving children or childcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadcasting Services</td>
<td>Equipment Loan Agreement</td>
<td>Settlement of Claims</td>
</tr>
<tr>
<td>Catering</td>
<td>Executive Search Firms</td>
<td>Solicitation Specification Review or Specification Development</td>
</tr>
<tr>
<td>Charter (Air and Bus)</td>
<td>Prevailing Wage Services</td>
<td>Testing/Beta Testing Agreements</td>
</tr>
<tr>
<td>Contracts for Legal Services</td>
<td>Product Demonstration</td>
<td>Travel Agencies</td>
</tr>
<tr>
<td>Employment related Contract</td>
<td>Services for the Support or Provision of Patient Care</td>
<td>Veterinarians</td>
</tr>
<tr>
<td></td>
<td>Services related to radioactive materials, controlled substances or hazardous waste</td>
<td></td>
</tr>
</tbody>
</table>

If a contract is needed for any of the Prohibited Services defined or listed above, please contact your campus OBFS Purchasing Division for assistance.
Payment--Contract for Services under $10,000

- Single payments are processed through TEM with “CFS” in the **Contract field**.

- Multiple payments are processed on a Banner requisition with “CFS” in the **Comments field**.
Contracts for Services under $10,000

Department submits the entire Contract for Services with the payment request.
Contract for Services under $10,000

What is reviewed by Purchasing and Payables prior to payment of the services?
Contract for Services under $10,000

Responses provided to the Conflict of Interest ("COI") questions. If a box is marked “Yes” the template Contract cannot be used.
For a contract with an individual, the following questions must be answered.

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

If the answer to any of the above questions in this section C is YES, this template may not be used. If all questions are answered NO, the University will treat the individual as an independent contractor and will report payments to the IRS as required without withholding income taxes. If the IRS determines that the individual should have been classified as an employee, the department will be responsible for payment of any penalties or back taxes.
Contract for Services under $10,000

Some fields of the Contract are fillable. Contract is reviewed to confirm that fillable fields are completed and no changes have been made to the terms.

ARTICLE 2. SCOPE OF SERVICES

2.1. Services. Vendor will perform the following “Services” and will furnish to University the following “Work Product.” Vendor will obtain at Vendor's expense all necessary licenses and permissions necessary for Vendor's performance. Vendor shall not subcontract any portion of the Services.

[Enter scope of Services and description of Work Product including any specifications, timetables, and milestones for delivery.]
Contract for Services under $10,000

Vendor must mark a response to the State Certification confirming compliance with State Board of Elections Certification.
11.18. **Board of Elections.** Vendor certifies that it has read, understands, and is in compliance with the registration requirements of the Elections Code (10 ILCS 5/9-35) and the restrictions on making political contributions and related requirements of the Illinois Procurement Code. Vendor will not make a political contribution that will violate these requirements. 30 ILCS 500/20-160 and 50-37

*In accordance with section 20-160 of the Illinois Procurement Code*, Vendor certifies as applicable:

- [ ] Vendor is not required to register as a business entity with the State Board of Elections.

or

- [ ] Vendor has registered with the State Board of Elections. As a registered business entity, Vendor acknowledges a continuing duty to update the registration as required by the Act.

*Under Section 20-160(c) of the Procurement Code, registration is required by a business entity (i) whose aggregate bids and proposals on State contracts annually total more than $50,000, (ii) whose aggregate bids and proposals on State contracts combined with the business entity's aggregate annual total value of State contracts exceed $50,000, or (iii) whose contracts with State agencies, in the aggregate, annually total more than $50,000.*
Contract for Services under $10,000

On the mandatory State of Illinois Certifications did the Vendor mark an applicable Check box for Certification 32, registration with the Secretary of State?

32. This applies only to bidders and offerors for competitive procurements, but is otherwise not applicable. A person (other than an individual acting as a sole proprietor) must be a duly constituted legal entity and authorized to do business in Illinois prior to submitting a bid or offer. If you do not meet these criteria, then your bid or offer will be disqualified. 30 ILCS 500/20-43

Vendor must make one of the following four certifications by checking the appropriate box. If C or D is checked, then Vendor must attach to this form the requested documentation.
Contract for Services under $10,000

Amendments

Units are authorized to make only one amendment to the contract by using the Amendment for Contract for Services under $10,000 template to:

- modify scope of work
- increase or decrease the cost as long as the total cost remains under $10,000 for the life of the contract
- extend the term of the contract as long as the total term of the amended contract does not exceed 12 months
Questions
University Payables:
TEM Resource page
http://go.illinois.edu/TEM

University Payables
Illini Plaza Building Suite 210, MC-660
1817 South Neil Street
Champaign, IL 61820
Telephone: 217-333-6583 or 888-872-9953
Email: obfsupay@uillinois.edu
Questions

University Purchasing:

Contracts under $10,000 resource page:

http://go.illinois.edu/Contractsunder10000

University Purchasing
Illini Plaza Building Suite 212
1817 South Neil Street
Champaign, IL 61820
Telephone: 217-333-3505: email:
urbanapurchasing@uillinois.edu