

“Risks of Subcontracting”

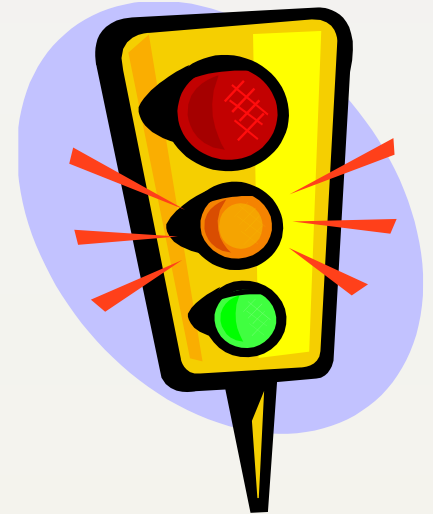
Welcome!!

Presentation Objectives

- Your business structure
- Vendor vs Subcontractor
- Multiple layers of contracts
- Expectations of the employer and end-client
- Utilization and scheduling
- Onsite / Off site and minimum service time
- Agency and end client relationship
- Know the engagement
- Subcontractor agreements
- Payment Process
- Establish a relationship first

Disclaimer

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Your Business Structure

- **W-2:** If you are an “employee”, some the information in this presentation may apply to you.
- **1099, LLC, S-Corp:** You will most likely be signing a contract to perform on an engagement. The information in this presentation applies to you!

Vendor vs Subcontractor

- **If you work “directly with” the End client, you are a Vendor**
 - You sign the contract with client
 - You control the engagement
- **If you work “through” an IT Consulting or Staffing firm (agency), you are a subcontractor**
 - You are subject to someone else’s contract

Subcontracting has multiple layers of contracts

- **If you work through an “agency” they sign a contract with the end client that contains Deliverables, Statement of Work, and Provisions (which includes pay points)**
- **You then sign an agreement with the agency.**

Expectations of the employer and end-client

- **Beyond what you have in your contracts**
 - The “agency” has expectations
 - The “end client” has expectations
 - These may conflict

Utilization and Scheduling

- **You will be working “X” percentage of the work week over “X” number of months**
 - Is that a guarantee?
 - Do you have a retainer?
 - What happens if a project is put on hold?

Onsite / Offsite and minimum service time

- **Is there a commitment to be onsite?**
 - Days and hours per week?
 - Special meetings
 - Does it pay to travel to a client site for a minimal number of hours per day?

Onsite / Offsite and minimum service time

- **Is there a provision to work offsite?**
 - Check the contract between the end client and your employer
 - Are you given a means to work offsite (ie Remote Access, Flash drives ok, other)?

Agency and end client relationship

- **Has the agency worked with the end client before and have a history?**
- **Who is the direct manager and can you interview with them before taking on the project?**
- **What can the agency tell you about this engagement?**

Know the engagement

- **Try to avoid walking into a new project blindly**
- **Do your homework! Research the end client, research the project, research the agency**

Subcontractor agreements

- **Review the subcontractor agreement BEFORE you consider taking on work**
- **Dangerous provisions include**
 - Non compete
 - Non solicitation
 - Payment terms of end client to agency, waiting period, provisions,
 - Payment terms between agency and you

Payment Process

- **End client and agency terms**
 - Could be covered by a CMAS contract or other vehicle
 - Does the end client require timesheets or other documentation before processing an invoice”
 - Should define a specific pay point and date
 - Payment is NOT contingent on anyone else’s work on the same project
 - End client pays the agency, not you!

Payment Process

- **Payment terms to you**
 - Define a specific pay point and date
 - Penalty for late period - mandatory
 - Payment is NOT contingent on anyone else's work on the same project
- **Payment vehicle**
 - Check, Auto Deposit
 - Who can authorize a payment
 - Backup for issuing a payment

Establish a relationship first

- **Research who you are working with**
 - Company web site or LinkedIn
 - Ask for reference client sites
 - Ask to speak with other subcontractors who have worked with this firm
 - Look for LinkedIn connections
 - Review the Sub-contractor agreement
 - Be cautious of “we must move on this today” deadline submissions

Notes

For an electronic copy of this presentation and others, visit my web site, navigate to the “Resources” tab, and go to the bottom of that page.

- **“Project S Corp”** - Organization of your business – w2 vs 1099 Consultant vs S-Corp
- **“Interview Your Recruiter”** – a list of key questions to ask during a bi-directional screening process

Wrap Up and Questions



Thank you and Good Luck!

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