

# Human Research Subject Payments Preventing Fraud

OSR Monthly Meeting  
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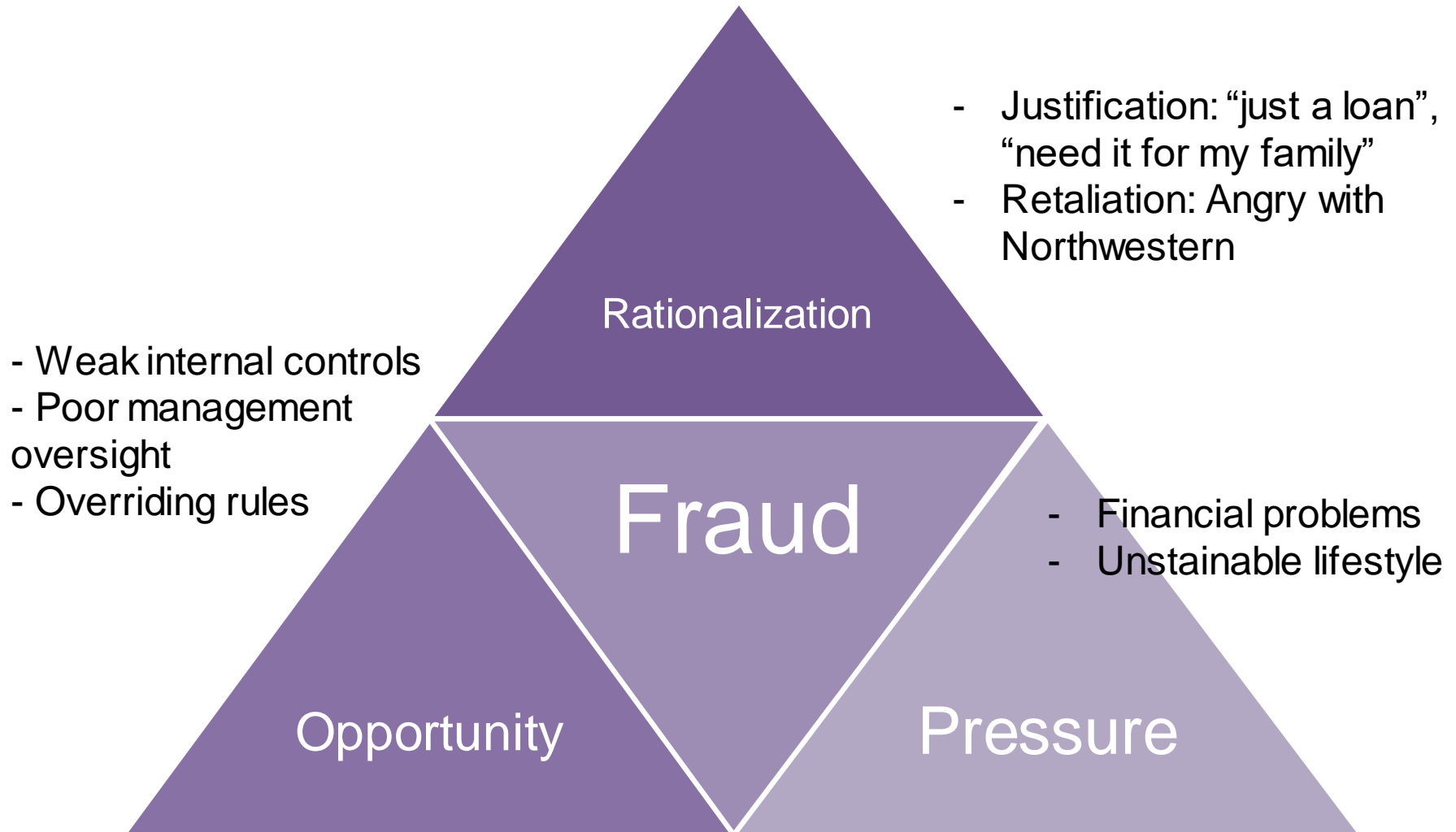
# Overview

- How fraud happens with human research subject payments
- Existing policies and guidelines
- Processes that help prevent fraud
- Unusual situations and reporting fraud

# Fraud & Human Subject Payments

- Human subject payments are made in cash or cash equivalents:
  - Petty Cash, Checks through AP and Payroll
  - Stored Value Card, (e-)Gift Cards, Hyperwallet
- Departments are asked to monitor and control the stewardship of all cash
- Theft of cash = fraud
- Shortcuts or circumventing processes lead to fraud
- Audits don't necessarily uncover fraud

# Fraud Triangle



# Who commits fraud?

- Anyone can become susceptible to fraud
  - “Trusted” employee
    - Not taking vacation
    - Not allowing others to cover for them
    - Defensive
- Common methods used to commit fraud
  - Weak controls exploited 74%
  - Reckless dishonesty despite controls 15%
  - Collusion to circumvent good controls 11%



# How does fraud occur?

- **Poor Controls**

- No separation of duties: custodian of gift cards is allowed to buy and distribute gift cards
- Poor documentation is kept (e.g. messy or missing records, using copies not originals) or falsified documents are created
- No signatures received from recipients
- High frequency of lost cards

- **Poor Management**

- No additional approvers
- Approvers sign off without understanding or paying close attention to what they are signing
- Lax attitude: “We can trust them, they have been around for years”

# What happens after fraud occurs?

- Discovery
  - Exposure by whistleblower, audit, or new employees
  - Internal forensic audit
- Consequences
  - For the individual: Prosecution and possible jail time
    - Northwestern will take legal action against individuals; If prosecuted, fraud is a felony
  - For Northwestern: Damaged relationships
    - Sponsor is notified and conducts their own audit of Northwestern
    - Northwestern's reliability is questions; possible bad press

Existing policies and guidelines



# Charging Sponsored Projects

- Sponsored project funds require a higher level of stewardship than other funds
  - When there is an audit finding we could be seen as university that needs more scrutiny
- Do not circumvent policies or “make it easier” for yourself or others
  - Follow written policies
  - Document everything for audit
  - Closely monitor what is submitted

# The HRS Payment Quandary

Human research subject payments have two components that can cause a lot of trouble for departments because they are seemingly at odds with one another:

- Privacy of patient (requires privacy protection)
- Abuse of cash (requires transparency)

# Documentation Basics

- Proper documentation for payment distribution:
  - Shows proof of distributing payment
  - Serves as back up for cost transfers and replenishments
- Two methods
  - Signed research subject form
  - Participant log, which should include:
    - Patient Identifier
    - Address
    - Date of research activity
    - Amount paid
    - Signature of participant or other proof of distribution (e.g. email confirmation for virtual gift cards)

# Proper Documentation

- Complete back-up
  - Obtain necessary signatures for payments at the time of patient visit - needed for audits, you may be asked for the documents.
  - Dual verification (protects Northwestern and distributor)
    - Signed by participant and distributor
    - Dual department signature required when participant is not available
  - Departmental approvers are responsible for verifying redacted documents. You must see the originals and make sure NU is protected
- Consequences for lack of proper documentation
  - Potential audit finding: if documentation is insufficient for audit, the charge will be moved off the grant and a finding may be cited.

# Example of Documentation

**Research Subject Fee Payment Confirmation**

v.2

Protocol: \_\_\_\_\_ Department: \_\_\_\_\_  
Chartstring (fund-department-project): \_\_\_\_\_ Date: \_\_\_\_\_  
\_\_\_\_\_

**Distribution List:**

Card Type	Card #	Subject Id #	Amount	Date distributed

Method of Distribution (e.g., mailing or online distribution): \_\_\_\_\_

**Certification:**  
We certify that the payments have been distributed to the research subjects identified above.

Title: \_\_\_\_\_ Title: \_\_\_\_\_  
Printed Name: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Signature: \_\_\_\_\_ Signature: \_\_\_\_\_  
Date: \_\_\_\_\_ Date: \_\_\_\_\_

\* Please note that 2 signatures are required from the department (unit) that distributed the cards.

# Cash Payment Policies



- Cash payments are limited to \$100 per calendar year (This includes currency and gift cards)
  - Any request for exception to the \$100 cash payment rule needs to be clearly justified and made to Karen Spina (Associate Director, ASRSP) *Note: Your office should discuss if a cash payment over \$100 is truly necessary before reaching out.*
- Payments exceeding the threshold should be processed as checks
- Employee payments that exceed the threshold should be processed via Payroll
- Faculty and staff **should not use their own funds** to pay HRS payments
  - They will be subject to tax liabilities
  - Reimbursement will not be easy, if allowed at all

Processes that help prevent fraud

# Separation of Duties

- Separation of duties is the process by which no one person has sole control over the lifespan of a transaction.
- No one person should be able to initiate, record, authorize, and reconcile a transaction. (e.g. The person sending payments should not also be reconciling documentation.)
- In the case of HRS payments you should have 2 to 4 staff.

Examples as follows:

## 2 Person Dept.

### Petty Cash Custodian

- Orders, and Disperses Cash or gift cards
- Prepares documentation

### Manager / Supervisor

- Reviews Petty Cash/Reconciles it
- Verifies documentation

## 3 Person Dept.

### Research Coordinator

- Orders gift cards

### Financial Coordinator

- Reconciles order to statement and verifies proper distribution

### Financial Coord. Supervisor

- Reconciles/Reviews Petty Cash fund



# Internal Controls Best Practices

- Each Dept. unit should brainstorm and decide how you will apply internal controls and manage the risk in your office.
- Make sure you address separation of duties
- Ask for help if you are not sure how to handle internal controls
- [Internal Controls Best Practices](#)

# Internal Controls for Incentives

- ❑ Ensure all research subject incentives are obtained through appropriate university methods
- ❑ Ensure the intended use of subject incentives have appropriate approvals and is consistent with approved protocol, and sufficient funding is available
- ❑ Ensure subject incentives are picked-up or delivered in secure manner consistent with University guidelines
- ❑ Ensure subject incentives are safeguarded appropriately and those responsible for handling/distributing are properly trained
- ❑ Ensure tracking / inventory process in place to ensure amounts, types and whereabouts of funds are known
- ❑ Ensure appropriate evidence is collected. Maintain and provided on timely bases for all subject incentive distributions.
- ❑ Ensure subject incentive costs are charged appropriately to Award
- ❑ Ensure procurement inventory and distribution of all subject incentives are properly reconciles all errors resolved

# Operating Controls

- Ensure IRB approval exists
- Know the cash handling policies at Northwestern
- Have documented procedures (in line with Northwestern policy) that clearly outline the details of local (unit) processes for obtaining and disbursing HRS payments
- Each Incentive request should be documented
- Ensure all requests for incentives are approved (happens at dept. level ASRSP not involved at approval request)
- Petty Cash or Gift Card Custodians should not be approvers of HRS payments
- Subject payments should be secured in a secure place, safe, locked cash box (in a secured drawer). Only authorized personnel should have access
- When mailing cash / cash equivalents, the process should involve two people (includes any electronic payments made)
- Have a tracking inventory or logging process to ensure all funds whereabouts of subject incentives are known
- Return unused cash/gift cards/checks that will not be used within 30 days.
- Keep good documentation/evidence of who your distributing funds to according to HRS payment policy
- Subject payments should be charged to the proper award within 30 days of distribution via cost transfer journal process

# Monitoring Controls

- Petty Cash
  - If your dept. has a Petty Cash fund account, a “Surprise” audit should be conducted to verify accuracy of the fund, making sure that the amount of cash that should be there is there (or equivalent receipts)
  - Make sure there is more than one person approving request for petty cash.
  - Reminder: If you opened a petty cash fund on a chart string that closes (including competing continuations), you need to close the petty cash fund and open a new one.
- Make sure to reconcile your statement monthly and keep an eye out for items you don't expect to see
- Separation of duties:
  - Person performing the reconciliation should not be responsible for the usage or distribution of the subject incentives

# Handling exceptions and reporting fraud

# Handling Leftover and “Lost” Items

- Gift Cards
  - Initially charged to a non-sponsored chart string and then costs are transferred (correction journal) to the grant ideally after distribution but...
  - If you find you were somehow able to charge a grant directly and you are left with unused/undistributed gift cards, return them and post credit to the grant
  - If gift cards cannot be returned, and a grant was charged post a credit to the grant and pay for them out of non-sponsored funds
- Parking Coupons
  - Make sure to set up a business process regarding buying and distributing parking coupons so that all purchased coupons are accounted for and charged properly
  - Example common problem:
    - Department buys 10 coupons, but only 2 are used for the grant. The others are “lost” (i.e. used by other projects or given away to staff.) However, one grant is charged for all 10.
    - In this scenario, the 8 unaccounted for coupons must be removed from the grant and charged to a non-sponsored chart string.
    - When departments seem unprepared when ASRSP asks for support documentation, it raises a red flag.

# Unusual situations

If you have an unusual situation that may require an exception...

- Email GCFA with a **thorough justification** to help ASRSP and A/S make a sound decision
- Approvals will be on a case by case basis
- Some situations may require a review by OSR/ASRSP/Treasury Operations
- Request may not get approved - do NOT proceed without approval

# Reporting and Documenting Fraud

- If you see or hear of any situation that requires attention, report it immediately
- Submit information through [Northwestern's EthicsPoint hotline](#)
- Shortages and funds lost because of theft:
  - Must be reported to University Police
  - Must be fully documented
  - Must be paid by departmental funds: *Do NOT charge a grant for items that were stolen, lost or not used or*



# Resources

## ASRSP Contacts

- [Kathy Mustea](#) (312) 503-0862 (Presenter)

### *Approvers*

- [Jany Raskina](#) (847) 491-4697
- [Rosanna Sian](#) (312) 503-0835
- [Svetlana Kanev](#) (847) 491-7838

## Useful Links

- [Human Subject Payment Policy](#)
- [IRB Payment/Reimbursement guidelines](#)
- [myHR Add Pay process](#)
- [Cash Handling Policy](#)
- [EthicsPoint](#)

Questions?