Human Research Subject Payments
Preventing Fraud

OSR Monthly Meeting
December 3, 2019 (EV)
December 5, 2019 (CH)

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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

- **Rationalization**
  - Justification: “just a loan”, “need it for my family”
  - Retaliation: Angry with Northwestern

- **Opportunity**
  - Weak internal controls
  - Poor management oversight
  - Overriding rules

- **Pressure**
  - Financial problems
  - Unstainable lifestyle
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

Protocol: ___________________________  Department: ___________________________
Chartstring (fund-department-project): ___________________________  Date: __________

Distribution List:

<table>
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<tr>
<th>Card Type</th>
<th>Card #</th>
<th>Subject #</th>
<th>Amount</th>
<th>Date distributed</th>
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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)
- 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?