

<b>SUBJECT:</b> Accounting for Payments to Research Study Subjects, Including Gift Cards	<b>Effective Date:</b>	<b>Policy Number:</b>		
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<b>Responsible Authorities:</b>				
VP Division of Research				
Director Research Accounting				

**I. Background**

The following procedures establish the guidelines for issuing and controlling payments to research study subjects for their participation in sponsored research projects. It details and differentiates the payment alternatives available to Principal Investigators and the associated requirements of each method. The University is responsible for compliance with Internal Revenue Service (IRS) requirements for information reporting. Current IRS regulations require that cumulative annual payments greater than \$600 to an individual be reported and special reporting rules apply to employees or nonresident aliens (NRAs). In complying with this reporting requirement, the University has established a threshold for the collection of taxpayer identification information for non-University employees and non-NRAs. If a single study subject payment exceeds \$50 or cumulative study subject payments to an individual during the calendar year are expected to exceed \$200, taxpayer information should be obtained and forwarded to the designated representative in the Controller’s office. If the study subject is a University employee, regardless of the amount of the payment, taxpayer information must be collected and payment information must be reported to the University payroll department.

**II. Purpose**

The purpose of this policy is to establish uniform guidelines for the use and distribution of gift cards.

**III. General Statement**

The Research Accounting Department and the Accounts Payable office are available to answer questions and provide assistance regarding the requirements of this policy.

#### **IV. Definitions**

Research Study Subjects – Individuals who agree to participate in a research study funded either internally or externally (sponsored) and who will receive payment for their participation as allowed by the programmatic guidelines and approved by the funding agency. These individuals agree to participate in a research project by signing an informed consent document which includes the method and amount of compensation. Their participation does not, in and of itself, constitute an employee-employer relationship, consultant relationship, or service provider relationship.

Nonresident Alien (NRA) – An alien is any individual who is not a U.S. citizen or U.S. National. A nonresident alien is an alien who has not been granted permanent residency or is not classified as a resident alien for tax purposes.

#### **V. Clarification or Change**

The University supports various alternative methods of providing research study subject payments. The following variables should be considered in choosing a payment method:

- Confidentiality
- Nature and subject matter of the study
- Dollar amount and time period of payments
- Variability in the number of payments and number of study subjects
- Location of the study
- University relationship with study subject (employee, non-employee or student)

Regardless of the payment method used, in order to compensate research study subjects, the Principal Investigator must obtain prior approval from the Institutional Review Board (IRB).

#### **VI. Policy**

##### **Payment Alternatives and Descriptions**

##### **1. University Payment through Accounts Payable**

The University prefers the use of FAU EFT/ACH (Electronic Fund Transfer/Automatic Clearing House) when compensating research study subjects. Although this method may require incremental administrative effort, it substantially minimizes the risk of loss or misappropriation of funds.

##### **2. Gift cards purchased after receiving an advance via Accounts Payable**

The distribution of gift cards to research study subjects in exchange for participation in a research study may be appropriate based on the perceived preference of the recipient population. Gift cards are considered “cash or cash equivalents” and are subject to the University’s expenditure guidelines and could be considered income to the individual for tax purposes. When using gift cards, FAU is required to report tax information as previously described (see

Background) because the Internal Revenue Service (IRS) considers gift cards monetary in nature.

## **Types of Payments and Procedures**

### **1. University Payment through Accounts Payable (direct payment to research study subjects)**

- a) Payee information should be sent to Accounts Payable with approval from the Principal Investigator (PI) or her/his designee. The payment request forms are available on the Controller's Office website:  
[http://www.fau.edu/controller/accounts\\_payable/payment\\_request\\_info.php](http://www.fau.edu/controller/accounts_payable/payment_request_info.php)  
[http://www.fau.edu/controller/accounts\\_payable/pdfs/ACH\\_5.pdf](http://www.fau.edu/controller/accounts_payable/pdfs/ACH_5.pdf)
- b) For setup purposes, taxpayer identification numbers and permanent addresses must be provided with the first payment request to each research study subject. IRS Form W-9 is required for each new vendor setup. The payment will be processed using a central source of funds that is designated for study subject payments. This will preclude association of the payee to a particular research study to maintain anonymity. On a monthly basis, an Expenditure Transfer Form will be submitted to the Controller's Office from Research Accounting to transfer the study subject expenses from this new index/account code to the sponsored award. These entries are processed as lump sum entries to further protect the privacy of study subjects.

### **2. Advance Purchase of Gift Cards via Accounts Payable**

- a) Gift Cards to reimburse research study subjects may be purchased using four methods:
  - a. Via EFT/ACH to vendor's account. The requestor will obtain the vendor's EFT/ACH information and provide it to the Accounts Payable office, along with supporting documentation, to allow electronic transfer of funds directly from FAU to vendor. This is the preferred method. The EFT/ACH form can be found on the Controller's Office website: [http://www.fau.edu/controller/accounts\\_payable/pdfs/ACH\\_5.pdf](http://www.fau.edu/controller/accounts_payable/pdfs/ACH_5.pdf).
  - b. Via Check Request to a vendor. The requestor will submit a Check Request to Accounts Payable, along with supporting documentation, in the vendor's name at least ten (10) business days before the funds are needed. The Check Request must be made out to the vendor from whom the gift cards are being purchased, not to the individual completing the transaction. Accounts Payable will process the advance and mail it to the requestor. Upon request, checks may be picked up at the University Controller's Office.
  - c. Via reimbursement. If the vendor is not local (located within 50 miles of an FAU campus), the requestor may be allowed, with prior approval from the Controller's Office, to purchase the gift cards directly and will be reimbursed for the expenditure.

- d. Via Internet survey. Internet surveys using providers such as Amazon.com can purchase block amounts of subjects' gift not to exceed the individual subject gift of \$50 nor the total block of purchase to exceed \$250.
  
- b) Upon receipt of the gift card(s), requestor will immediately distribute gift cards to research study subjects. The researcher or department representative will complete a journal entry to expense the research study subject payments and clear the research advance. The research advance is non-grant funds provided to purchase gift cards for subject studies. Once the gift cards are distributed, the advance is cleared and the grant charged for the actual expense. The department issuing the gift cards must keep a list of research study subjects for audit purposes. The gift card participant form should be completed and attached to the journal entry and presented to the cashier's office whenever the study has ended or the purchase of additional gift cards is necessary.
  
- c) Research study subjects should sign for receipt of the gift. Principal Investigator's representatives should keep a copy of the signed receipt for audit purposes.
  
- d) Any unused gift cards must be turned over to the Cashier's Office immediately for safekeeping. The Cashier's Office will sign for receipt of the gift cards and the project designation will be indicated on the receipt. Submission to and request for distribution of gift cards from the Cashier's Office must adhere to Cashier's Office policies and procedures. The Cashier's Office will distribute on an as-needed basis. This provides an additional level of internal controls over the gift cards.
  
- e) During the research project, the researcher will maintain a study subject log to include the amount distributed and Gift Card number (if applicable) which will support the recognition of study subject expenditures from the research advance. To further protect the privacy of the study subjects, the log should use a unique anonymous identifier for the study subjects which may be used to cross reference back to the study subject's taxpayer identification information, as necessary. For any onetime payments of \$50 or cumulative of \$200 during a calendar year, the researcher shall forward the recipient's information to the Controller's office.
  
- f) If the study subjects are University employees or NRAs, payments must be reported to University payroll at the time the gift card is provided to the recipient for tax reporting purposes.

3. The University shall identify one employee in Accounts Payable and one employee in Payroll to process Study Subject Payments. These individuals will receive necessary confidentiality and privacy training as prescribed by the Health Insurance Portability and Accountability Act (HIPAA) Privacy Rule. He/she will be responsible for reviewing research subject's logs across FAU to ensure IRS reporting is compiled with whenever an individual receives over the \$600 IRS threshold.

**Special Notation**

1. The University has established a maximum threshold of gift cards, either purchased at one time or in inventory, of \$5,000.
2. Use of Pcard or personal funds (without prior approval) for gift card purchases is not permitted.
3. The advance purchase of gift cards is not permitted on grant accounts. The expense can only be applied to the grant at the time the gift card is issued to a subject. Advance purchase of gift cards is considered a prepayment which is not allowed on grants.
4. Exceptions to this policy may be acceptable and a research project may be exempted from the requirement of obtaining taxpayer identification in circumstances where obtaining that identification is not possible or puts the subject at real, or perceived, risk. Such exceptions must be justified in writing by the Principal Investigator to the Controller’s Office, who will consult with the appropriate College and gain written approval from the Division of Research for the exception.

**VII. Annual Review of Procedures Manual**

The Accounting for Payments to Research Study Subjects, Including Gift Cards Policy for Research Accounting will be reviewed annually.

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POLICY APPROVAL

*Initiating Authority*

Signature: Barry T. Rosson

Date: October 29, 2012

Name: Barry T. Rosson, Vice President for Research

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