

# THE MEDICAL COLLEGE OF GEORGIA ADMINSTRATIVE PROCEDURES

**Office of Primary Responsibility:  
Controller's Division, in cooperation with the Division of  
Sponsored Programs Administration**

**Subject:  
Project Cash Funds for Cash and/or Gift Card Payments to Study Subjects**

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## **1.0 PURPOSE:**

Cash payments and gift cards will be allowed as a means of compensating study subjects when required payments are nominal in amount (\$100 or less per reimbursable event). This is an especially appropriate methodology where check payments may not be suitable (e.g. when compensating children, those without bank accounts, etc.).

Payments in excess of \$100 per occurrence or payments to employee/study subjects must be made by check according to the business process posted on SPA's website at the following link:  
[http://www.mcg.edu/SPA/documents/researchsubjectpayments\\_011.pdf](http://www.mcg.edu/SPA/documents/researchsubjectpayments_011.pdf) .

With the current Georgia State prohibition against purchases of gift cards with the p-card, the only mechanism currently available for the purchase of gift cards is through use of project-specific funds established solely for this purpose, subject to the terms and limitations described herein. These funds may also be used to disburse cash to study subjects when appropriate. The approval process follows appropriate channels of protocol as established by the individual schools, with cooborating approval by The Division of Sponsored Programs (SPA) and by the Controller's Division.

Although beyond the scope of this document, it is additionally possible for MCG to purchase preloaded **VISA** cards in increments of \$50 or more directly from our banking institution for a fee of approximately \$5 per card. Should a study (or related cost share account) have adequate budget to absorb these issuance fees, the Assistant Controller for Financial Operations may be contacted to arrange such purchase.

## **2.0 GENERAL CONCEPTS:**

- **ACCOUNTING TREATMENT FOR PROJECT CASH FUNDS:** Funds established for the purpose of paying study subjects are treated similarly to petty cash funds and are coded to a project cash account until the funds are actually disbursed to study subjects. A charge to the project for patient subject reimbursement expense is made based on the *Project Cash Disbursement Log* submitted to the Financial Operations Accountant (Controller's Division) as supporting documentation for a fund replenishment or closure request.
- **DOLLAR LIMITATION:** Project Cash Funds are limited to an authorized maximum of \$2,000 (the maximum that may be issued and undistributed at any given time). Should the characteristics of a particular project present unusual challenges, a Principal Investigator may contact the Assistant Controller for Financial Operations to request consideration of specific project needs.
- **TAXATION OF STUDY SUBJECT PAYMENTS:** Gift cards are considered to be cash equivalents according to the IRS. Furthermore, all payments to study subjects to induce them to participate in a study are considered compensation for services and taxable according to IRS regulations. This imposes certain requirements on the Institution to track payments to study subjects. Although all study subject payments are taxable income to the recipient, the Institution is not required to report annual calendar year payments totaling less than \$600 to an individual recipient. However, given that many study subjects may have the opportunity to participate in more than one paid study, the potential for reportable payments is always present, despite the fact that a particular study may pay less than \$600 to said subject.

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Given the likelihood of an individual receiving \$600 or more in a calendar year is minimal when study payments are small, we have adopted a "de minimus" rule waiving the requirement to obtain a social security number for payments of \$100 or less per study subject per calendar year. **Note that if multiple payments will be made to a given subject which total more than \$100, a W-9 form (<http://www.irs.gov/pub/irs-pdf/fw9.pdf>) documenting social security number and mailing address must be secured from the subject prior to payment.** W-9 forms are retained by the Fund Custodian but the information reported therein is documented on the *Project Cash Disbursement Log* provided to the Controller's Division for annual 1099 tax reporting.

- **EMPLOYEE STUDY SUBJECTS:** It is critical to understand that any payment made to a study subject who is also an employee of the Institution must be included on that employee's W-2 and must therefore be paid by check through the payroll system, regardless of amount. Employees may not be paid in cash or gift cards for their participation in a study. The business process which must be followed to compensate an employee subject (by check) is the same business process as must be followed for non-employee study subjects receiving more than \$100 per occurrence. This business process is posted on SPA's website at the following link:  
[http://www.mcg.edu/SPA/documents/researchsubjectpayments\\_011.pdf](http://www.mcg.edu/SPA/documents/researchsubjectpayments_011.pdf)

**3.0 BUSINESS PROCESS SUMMARY:**

- Project Cash funds are managed by two independent individuals. One will establish, manage and replenish the cash fund (Fund Custodian); and one will periodically audit, authorize replenishment, and reconcile the fund (Financial Operations Accountant, Controller's Division).
- The Principal Investigator will appoint a Fund Custodian (FC) to administer the project cash fund. This Fund Custodian must also be approved by the Departmental Administrator.
- The request to establish the fund is made using the *Project Cash Request Form*, which must be signed by the PI, the Department Manager, and the Division of Sponsored Programs Accountant prior to final approval by the Controller's Division. In the event that a program is internally funded and not managed by DSPA, the Controller will sign in lieu of DSPA.
- A check for the total authorized fund balance will be issued payable to the appointed Fund Custodian. The FC will be notified that the check is available for pick up in Accounts Payable and will be required to sign for the check. The FC will cash the check and then purchase gift cards (if applicable) and maintain a record of their serial numbers, distribution date, and name of card recipient (see discussion below related to the required log to be maintained.) This same log is used to track payments in the form of cash.
- The FC will distribute cash and/or gift cards (consistent with the specifications of the award) to subjects and record the transaction in the *Project Cash Disbursement Log*. Cash payments to subjects may not be mailed; however, gift cards may be mailed if necessary. (Note that the subject recipient must still be documented on the gift card log.)

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- The FC will document all gift card serial numbers, disbursement dates and subject recipients on a *Project Cash Disbursement Log*. **In order to facilitate annual 1099 tax reporting, this Log must be provided to the Financial Operations Accountant in the Controller's Division by January 10 for all disbursements made during the preceding calendar year. Alternatively, the complete Log may be electronically provided to the Financial Operations Accountant upon fund closeout at the end of the project.**
- Funds may be replenished if necessary by the FC by submitting a *Project Cash Request Form* to the Financial Operations Accountant, Controller's Division.
- The Controller's Division will audit and reconcile each project cash fund at least annually and upon fund closeout.
- A project cash fund should be closed after the final disbursement is made to subjects and in no case later than 10 days after project end (unless a project extension is approved by DSPA). The request to close the fund is made by bringing a *Project Cash Request Form (Project Cash Disbursement Log* attached) to the Cashier's Office along with any remaining cash. The Cashier's Office will accept the cash, initialing the form to indicate receipt of such funds. The Cashier's Office will then forward the document to the Financial Operations Accountant to initiate the final subject reimbursement charges to the Project.

**4.0 RELATED FORMS:**

- **PROJECT CASH REQUEST FORM:** Initial request to establish project cash fund. It serves to document initial disbursement of funds to Fund Custodian, to account for and replenish funds, if necessary, and to document liquidation of fund at project end.
- **PROJECT CASH DISBURSMENT LOG:** Log maintained of all study subject payments made by cash or gift card. Used for IRS 1099 reporting compliance purposes and transmitted annually to the Controller's Division no later than January 10<sup>th</sup> of each year.
- **CASH/GIFT CARD AUDIT FORM:** Form used to document audit of funds by Controller's Division or by the Office of Institutional Audit and Compliance.

**5.0 POLICY STIPULATIONS:**

- **Cash and/or Gift Cards may NOT be given to any persons, either permanent or leased, employed by the Medical College of Georgia, Georgia Correctional HealthCare or Georgia War Veterans Nursing Home, due to W-2 issues.**
- The authorized cash fund balance requested must be approved for appropriateness by both DSPA and the Controller's Division and may not exceed \$2,000 without specific authorization by the Assistant Controller for Financial Operations (or Controller).

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- Each payment to an individual study subject made by cash/gift card may not exceed \$100 per reimbursable event (defined in each study's protocol). If required payments exceed this amount, payment must be requested by check. (Refer to study subject reimbursement check policy posted on DSPA's website.)
- If multiple payments will be made to a given subject totaling more than \$100 in a calendar year, a W-9 form (<http://www.irs.gov/pub/irs-pdf/fw9.pdf>) documenting social security number and mailing address must be secured from the subject prior to payment.
- The amount of cash in the cash/gift card fund should be as minimal as practical. Should the study involve multiple "phases" of disbursement, PI's should consider only partially funding the total project study subject payment needs. The fund can then be replenished on an occasional basis as described above.
- Needs for fund replenishment should be planned for in advance; Study Coordinators should anticipate check issuance approximately five business days from the date a replenishment request is received in the Controller's Division; a minimum of ten business days for original requests to establish a fund (to provide adequate time to route for required approvals).
- The number of gift cards purchased for the study should be minimal so as not to have any remaining once the study is complete. Gift Cards will not be accepted for deposit by the Cashier's Office upon project close and therefore must be liquidated (converted back to cash) by the department/Fund Custodian at the end of the study. In the event gift cards remain at the end of the study and the PI has another study that can utilize the cards, the Fund Custodian should contact the Financial Operations Accountant to request a transfer of the cards to the new study's project fund account.
- The cash and/or gift cards must be maintained in a locked cash box, bank deposit bag or a similar secure device which will be kept in a secure location at all times.
- When the requirements for the fund have been exhausted, the fund will be terminated and the remaining cash returned to the Cashier's Office. Project funds may not be held open after the project end date without an extension authorized by SPA.
- The funds will be subject to audit at any time (in the presence of the FC) by the Controller's Division and/or the Office of Institutional Audit and Compliance.

## **6.0 RESPONSIBILITY**

### **SPONSORED ACCOUNTING**

- Verifies that the funds are available in the Project/Grant account.
- Verifies appropriateness of fund balance requested based on estimated study enrollment, frequency and amount of payments.
- Approves request for funds by signing the *Project Cash Request Form*.

### **CONTROLLER'S DIVISION**

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- Approves establishment of funds (based on DSPA approval and recommendation), prepares check to Fund Custodian, and secures Fund Custodian's signature on the *Project Cash Request Form* indicating receipt of the funds.
- Audits and reconciles the fund.
- Authorizes replenishment.
- Ensures cash funds are promptly closed out at the end of each project.
- Administers 1099 reporting based on year end logs provided by Study Coordinators.

**7.0 DETAILED PROCEDURES:**

The Fund Custodian (FC) will be authorized to purchase gift cards with the cash funds if gift cards are the established means to compensate study participants per the study protocol. Cash may also be given in amounts not exceeding \$100 for subject reimbursement, provided that any reimbursements for meals, transportation, etc., follow State guidelines.

The FC is charged with accounting for all cash funds and gift cards (by serial number) at all times during the operation of the fund. All gift card serial numbers and distributions of cash or gift cards must be documented immediately on the *Project Cash Disbursement Log*.

The Fund Custodian authorized to maintain and replenish the account will be someone appointed by the PI and approved by the Department Manager that has authority to review the research file of the PI. This Fund Custodian is accountable for all funds at all times. The *Project Cash Disbursement Log* may be exchanged for replenishment of the cash fund by attaching to a *Project Cash Request Form*.

The initial check cut to the FC to establish the cash fund is coded to a project-specific cash account similarly to petty cash. The Fund Custodian is responsible for the physical security of these funds (and any gift cards purchased with such funds).

As funds are distributed to study subjects (either in the form of cash or gift card), these payments are logged onto a *Project Cash Disbursement Log*. This Log is submitted to the Financial Operations Accountant (Controller's Division) each time the FC needs to replenish the project cash account or upon liquidation (closure) of the cash fund. The *Project Cash Disbursement Log* is attached to a *Project Cash Request Form* and serves as the basis for replenishment of the fund. **The copy attached to the *Project Cash Request Form* will not contain the real name or signature of the research subject, but will contain the research subject's identification number/alias and the Fund Custodian's signature only.**

At this point, the project is charged for the payments actually made to study subjects based on the Log. Note that, until the actual recipients of the cash or gift cards are reported, the cash sits in a project cash account. It is only when the Controller's Division is provided with the specific record of payments that the project is charged for study subject reimbursement expense.

**NOTE: The *Project Cash Disbursement Log* must be provided ELECTRONICALLY to Financial Accounting at project end or no later than January 10<sup>th</sup> each year to facilitate preparation of annual 1099 forms.**

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**FUND CLOSURE:** A project cash fund should be closed after the final disbursement is made to subjects and in no case later than 10 days after project end (unless a project extension is approved by DSPA). The request to close the fund is made by bringing a **Project Cash Request Form (Project Cash Disbursement Log)** attached) to the Cashier's Office along with any remaining cash. The Cashier's Office will accept the cash, initialing the form to indicate receipt of such funds. The Cashier's Office will then forward the document to the Financial Operations Accountant to initiate the final subject reimbursement charges to the Project.

The Financial Operations Accountant will be assigned responsibility for reconciling each cash/gift card fund. At a minimum, reconciliation will occur once each fiscal year on or before May 31<sup>st</sup> and within 10 business days of the end of the study. The reconciliation does not have to be announced, but will take place in the presence of the FC. Upon proper reconciliation, both parties will sign a **Cash / Gift Card Audit Form**. A copy will be provided to the FC and the original will be maintained in the Controller's Division.

**INFORMED CONSENTS:**

It is recommended that Informed Consent documents contain a disclosure to the following effect:

*"I understand that I will be paid \$\_\_\_\_\_ for my participation in this project and understand that the Internal Revenue Service considers this to be taxable income to me. I understand that I may be required to furnish my social security number and mailing address, and will receive a 1099 tax statement, should I receive more than \$600 in a calendar year from the Medical College of Georgia for this and other studies in which I am a study subject.*

The PI / Study Coordinator will maintain the Informed Consent documents in a file accessible for audit, along with a cross-referenced list of all research subjects' names and the alias or identifying number used in the project.

**8.0 Alternative Method:**

As an alternative method of purchasing gift cards with cash funds, the PI or his/her designee will be permitted to purchase gift cards with personal funds and apply for reimbursement on a **Check Request Form**. A **Project Cash Disbursement Log** must be attached to the Check Request; reimbursement cannot be made until the distribution of the gift cards to specific study subjects is therein documented.

**Note that the Log must also be provided electronically to Financial Accounting at project end or no later than January 10<sup>th</sup> each year to facilitate preparation of annual 1099 forms, as indicated in the form instructions.**