

North Monterey County Unified School District

Gift Cards Procedure

The California Constitution prohibits public agencies, including school and community college districts, from making a gift of public funds, therefore, it is very important when choosing to purchase gift cards that every assurance had been made to comply with all NMCUSD policies and procedures. The California State Constitution, Article 16, Section 6 states that in the absence of a statute granting public local educational agencies the legal authority to make a special expenditure (i.e., for food, clothing, awards) that the Legislature cannot authorize any county, city, or other political subdivisions to make any gift of public money to an individual, corporation, or other government agency. Public officials can face potential legal liability, including taxpayer lawsuits, civil and criminal penalties, and the loss of public confidence, for the misuse or improper expenditure of public monies (Government Code 8314, Penal Code 424).

To approve the expenditure of public funds, a determination must be made that the expenditure will benefit the education of its students. Expenditures driven by personal motives or moral obligations, such as a desire to convey compassion, sympathy, joy or gratitude, generally do not serve a primary public purpose and, thus, are likely unlawful gifts of public funds.

Purchasing a gift card for a specific student or employee is not an allowable award; it is a gift of public funds. Three questions might be asked to help guide and clarify the decision as to when an award such as a gift card should be given:

- Does the expense benefit students as a group?
- Does the expense directly promote the general welfare, moral, or educational experience of all students?
- Will the expense tangibly benefit the education of the LEAs students?

If gift cards are determined to be appropriate they must be used within established guidelines as prizes/awards for event participants. These incentives are subject to Internal Revenue tax laws and there are specific rules that must be followed in order for the NMCUSD to remain in compliance. Gift cards are for the sole purpose of participant awards and cannot be used to pay suppliers for goods and/or services received and/or rendered or pay any type of wages for services rendered.

Occasionally there will be a grant award that includes language such as: "Contractor (NMCUSD) may compensate...recipients...in the form of check, cash, gift cards, or educational materials", or other specific language that approves the use of incentives for increasing engagement that includes the purchase of gift cards. If the awarding entity has approved the issuance of gift cards in their grant award language, before the Finance & Business Services Division can approve such expenditures, the Agreement stating as such must be provided to the Finance and Business Services Division.

If merchants or individuals make donations specifically for the purpose of providing gift cards/gift certificates to employees or students, the gift of public funds prohibition is no longer in place as the funds being used are not "public funds" as defined in the California Constitution.

Requesting Authorization to Purchase Gift Cards

Departments must first acquire authorization from the County Superintendent of Schools or designee to purchase gift cards and must provide the purpose of the purchase. Since the purchase of gift cards are restricted and only permitted under certain circumstances, Finance & Business Services Division will need to review that the purchase is appropriate for the purpose prior to processing the request.

Requirements for Maintaining and Distributing Gift Cards

Gift cards are the same as cash and must be handled accordingly; ensuring adequate controls are in place to safeguard, store, and prevent loss. Until disbursed, cards shall be maintained in a secure, locked device or some other location approved by Finance & Business Services Division for storage.

Purchasing Gift Cards

Gift cards may be purchased by:

- Check (if vendor will accept)
- Personal reimbursement

Reporting Awards or Gifts to IRS

If amount of gift card received is \$600 or more in a calendar year, this needs to be reported on Form 1099-MISC. A completed W-9 should be submitted to Internal Business Services. Another consideration to be aware of is that if a gift card provided by the employer to an employee is a "cash equivalent" the amount is not excludable from income and would need to be reported on the employee's W-2 wages. If the card cannot be turned into cash this consideration would not apply.

Accountability

For all gift card purchases, purchaser must obtain an original receipt as proof of how many cards were purchased and at what dollar amount. This is the supporting documentation to the payment.

The Gift Card Distribution Log (see Appendix A) needs to be completed. As gift cards are distributed, the recipient needs to acknowledge receipt of the gift card.

The original Gift Card Distribution Log is kept with the Department. A copy of the log is attached to the payment packet as proof of distribution. If not all gift cards are distributed, these will need to be safeguarded as mentioned above. Periodically, these will be audited by Internal Business Services.

Audit

Gift cards will be audited by Internal Business Services to determine if inventory on hand is accounted for.

Audit Worksheet:

Gift Cards Purchased (per sales receipt(s))	Quantity _____ x Amount of the Gift Card= \$ _____
Less: Gift Cards Distributed per Distribution Log	Quantity _____ x Amount of the Gift Card= \$ _____
Total Inventory on hand per Distribution Log	Quantity _____ x Amount of the Gift Card= \$ _____
Total Inventory on hand (Physical Count)	Quantity _____ x Amount of the Gift Card= \$ _____
Discrepancies will require an explanation	

