PSC Procedural Statement: Gift Cards (GC) [1]

Effective Date: February 1, 2015 revised March 11. 2020

Introduction

This Procurement Service Center (PSC) Procedural Statement sets forth requirements for the authorization of gift card use.

Procedural Statement

Gift cards are cash-like instruments used in lieu of cash or check. Since gift cards are cash equivalents, it is important that organizational units handle and account for them appropriately. The purpose of these procedures is to set forth the requirements for use, approval, purchase, accounting, tax reporting, and safeguarding of gift cards. (Note: these procedures do not apply if an organizational unit wishes to purchase only a single gift card – see Exceptions, below.)

The Procedural Statement is divided into the following sections:

- Allowable Use
- Prohibitions
- Approval and Purchase Process
- Accounting and Tax Reporting
- Safeguarding
- Lost Cards
- Reconciliation and Audit
- Changing/Closing Gift Card Programs
- Voids/Cancellations

Allowable Use

Gift cards may be used to accomplish the following purposes:

- Payment to study subjects.
  In this case, organizational units must also comply with the requirements of the Procurement Service Center (PSC) Procedural Statement Study Subject Payments. This includes the requirement that study subject payments via gift card cannot exceed $100 per payment. Study subject payments of more than $100 – and study subject payments in any dollar amount made to non-U.S. residents (non-resident aliens) – may not be made through gift cards but must be issued via Study Subject Payment (SSP) forms.
- Recognition of employees or other individuals.
In this case, organizational units must also comply with the requirements of the PSC Procedural Statement Recognition and Training. This includes abiding by any additional restrictions imposed according to the type and dollar amount of the recognition.

In all cases, gift cards should be considered for use only after a careful review of the Administrative Policy Statement (APS) Propriety of Expenses, including application of the Tests of Propriety contained in that APS. Furthermore, their use must be in compliance with the PSC Procedural Statement Sensitive Expenses.

Prohibitions

Gift cards may not be used for any reason other than their originally stated purpose. Gift cards for different purposes and for different projects must be kept separate.

Furthermore, gift cards may not be used to issue:

- Student academic awards.
  All student academic awards must be processed through the respective campus financial aid office so that such payments may be considered for financial aid eligibility and be tracked by the campus bursar’s office for tax reporting purposes. Academic awards involve scholarship- or classroom-related payments. Note that students may receive gift cards as compensation. Compensation involves participation in a study/survey or receipt of a door prize. Compensation payments do not affect student financial aid.
  The campus controller’s (finance) office will consult with the campus financial aid office as appropriate to determine allowability of gift cards for students based on purpose.
- Study subject payments greater than $100 per payment, or study subject payments in any dollar amount that are being made to non-U.S. residents (non-resident aliens). These types of payments must instead be issued via SSP forms, as noted above.

Approval and Purchase Process

The purchase of gift cards must be reviewed and approved in advance by the respective campus controller’s (finance) office. To request approval:

- Complete the Gift Card Authorization Request (GC) form.
- Attach additional documentation, if required according to the relevant procedures, e.g., Study Subject Payments or Recognition and Training.
- Submit to the appropriate campus controller’s (finance) office.

Upon approval, gift cards may be purchased using the University Procurement Card or a purchase order in the CU Marketplace.

Organizational units are cautioned to purchase only the number of cards needed for the near term (e.g., only the number of gift cards planned for distribution in the next two weeks or month). This is to keep inventory to what is necessary and to reduce the likelihood of unused cards after completion of the study/event. See Voids/Cancellations, below.
Accounting and Tax Reporting

The expense for gift card purchases should be recorded according to their intended use/purpose. Frequently used Account ChartField values are:

- 495102 – Study Subjects
- 550105 – Performance / Supporting Awards Non Cash Non Employee
- 550106 – Non Cash Recognition Employees
- 550108 – Non Cash Participation/Recognition Non Employee

Tax reporting is determined according to gift card use and dollar amount. Study subject payments are considered compensation for time and inconvenience and are therefore treated as taxable income to the recipient per the Internal Revenue Code, regardless of the payment method or amount. (See the PSC Procedural Statement Study Subject Payments for additional information.) Recognition awards, rewards, or prizes made via gift card are generally tax reportable. (See the PSC Procedural Statement Recognition and Training for additional information and exceptions.)

Safeguarding

Internal controls over gift cards are required at all times. Each organizational unit must have written procedures in place that provide for the proper safeguarding of gift cards. At a minimum, the following internal controls must be in place:

- Custody.
  For each purchase, a single individual must be the designated custodian of the gift cards. The custodian is responsible for ensuring that all purchasing, security, dispensing, tracking, and replenishing procedures are followed.
  To permanently change custodians, contact the campus controller’s (finance) office. To temporarily transfer custody, the organizational unit may prepare a receipt acknowledging the transfer of responsibility; this receipt must be signed and dated by both parties stating that the recipient agrees to be held accountable for the safeguarding of the gift cards and will dispense the payment in accordance with the originally intended purpose of the cards. Each party to the agreement should receive a copy of the agreement; a copy must be kept with the inventory. This process will ensure that responsibility rests with a single individual at any point in time.

- Security.
  Gift cards must be secured at all times, e.g., in a locked box inside a locked cabinet or drawer accessible only by the custodian.

- Receipts (issuance).
  Gift card issuances should be documented in a log (spreadsheet) or in a standard (pre-numbered) receipt book. This must uniquely identify each payment in order to document the appropriate use of the card for audit purposes.
Information to be included for each card shall include at a minimum: Recipient name or study subject ID (the study subject ID is any number assigned by the organizational unit to identify the individual in order to protect confidentiality); Date; Purpose of payment; Serial number of gift card; Payment amount; Signature or initials of recipient.

- Audit Log.
  The custodian must also keep a log (e.g., a spreadsheet) of gift card purchases and disbursements for audit purposes. This log must tie the above receipts (e.g., by receipt number and/or card number) to the purchases of gift cards recorded in the People Soft Finance System (e.g., by Journal ID). This log will be used by the campus controller’s (finance) office to audit the accuracy and adequacy of the gift card recordkeeping. This is particularly important in demonstrating that gift cards are reasonably allocable to a grant.

Lost Cards

The value of receipts and gift cards must total the authorized amount approved by the campus controller’s (finance) office. Custodians are responsible for lost or stolen gift cards and may be held personally liable for the value of any missing cards. Any shortage must be reported immediately to the campus controller’s (finance) office, who will liaison with the campus police department as appropriate.

Reconciliation and Audit

A reconciliation of gift cards should be conducted whenever gift cards are purchased or at least quarterly. This reconciliation should consist of verifying that the number of cards purchased minus the number of cards disbursed agrees with the number of cards on hand. In addition, the value of the cards purchased should agree with the amount recorded in the PeopleSoft Finance System. The inventory needs to be performed by an individual who is not responsible for the issuance or custody of the gift cards (preferably the department approver) and in the presence of the custodian.

The campus controller’s (finance) office will periodically audit records related to gift cards, including:

- Vendor receipts (from purchase)
- Issuance receipts (from distribution to recipients)
- Log
- Inventory of unused gift cards (minimization of card inventory at any one time, record of card inventory, security of card inventory, appropriate disposition of unused cards at end of study)
- Whether receipts and logs support the gift card purchase transactions

All gift card inventories must be available for unannounced audit.

Changing/ Closing Gift Card Programs
To change information about a gift card program (e.g., custodian, SpeedType, amount), the organizational unit should complete a Gift Card Authorization Request (GC) form identifying only the changes, attach a copy of the initial GC form, and submit to the campus controller’s (finance) office.

To close a gift card program, the organizational units should contact the campus controller’s (finance) office for instructions.

VOIDS/CANCELLATIONS

It is generally difficult to obtain refunds for unused gift cards. As a result, organizational units are cautioned to only purchase gift cards as they are ready to issue them.

- For unused cards that are returned: any refund monies received from the vendor must be deposited immediately to the appropriate SpeedType against the expense.
- For unused cards that cannot be returned: the organizational unit should contact the campus controller’s (finance) office for advice (e.g., it may be possible to change the gift cards’ use/purpose in this case).

For unused gift cards purchased with sponsored project funds: The organizational unit must move the expense off of the project to an unrestricted source.

Exceptions

If an organizational unit wishes to purchase a single-use gift card, e.g., one or two cards intended as a recognition gift, associated with an approved HR Recognition Program or otherwise in accordance with the PSC Procedural Statement Recognition and Training:

- For all campuses: The above procedures related to submission of the Gift Card Authorization Request (GC) form do not apply. All other procedures relating to custody, safeguarding, documentation, and so forth still apply, as do all related policies and procedures.
- In addition, for all campuses except CU-Boulder: The organizational unit should contact the respective campus controller’s (finance) office directly to discuss use, safeguarding, and other issues and to request approval via email to purchase the card.

If an organizational unit has any other request that varies from procedures, the organizational unit should contact the respective campus controller’s (finance) office.

Contact information is provided below.

Related Policies and Procedures

- PSC Procedural Statement Recognition and Training [3]
- PSC Procedural Statement Study Subject Payments [5]
Related Forms & Other Resources

- Gift Card Authorization Request (GC) [7]
- Recognition Reporting (RR) [8]
- Study Subject Payment (SSP) [9]
- Sample Gift Card Audit Log with Receipt Book [10]

Contact Information

Questions on gift card procedures should be directed to the appropriate campus controller’s (finance) office [12].

Source URL: https://www.cu.edu/psc/psc-procedural-statement-gift-cards-gc

Links
[2] https://www.cu.edu/node/335
[8] https://www.cu.edu/psc/forms/recognition-reporting-rr
[9] https://www.cu.edu/psc/forms/study-subject-payment-ssp
[12] https://www.cu.edu/controller/campus-controllers-finance-offices