

Gift Card Guidelines

Purpose

The purpose of this document is to establish clear guidelines regarding the use of university funds for purchasing gift cards. These guidelines ensure compliance with applicable financial, tax, and auditing regulations while maintaining fiscal responsibility and transparency in university expenditures.

Scope

These guidelines apply to all faculty, staff, departments, programs, and affiliated entities of Western Michigan University that utilize university funds, regardless of funding source (including general funds, grants, donations, or auxiliary funds).

Guidelines Statement

The purchase or reimbursement of gift cards, prepaid debit cards, or any cash-equivalent instruments using university funds through any purchasing avenues, including a university approved procurement card, is strictly prohibited. This restriction applies to all circumstances, including but not limited to:

- Employee recognition and rewards
- Student incentives or awards
- Departmental or organizational events
- Donations or charitable contributions

Rationale

The elimination of gift card purchases aligns with best financial practices and ensures compliance with the following considerations:

- **Fraud Prevention & Internal Controls:** Gift cards are highly susceptible to fraud, misuse, and misappropriation. Eliminating their purchase enhances accountability.
- **Tax & Reporting Compliance:** The IRS considers gift cards equivalent to cash compensation, no matter the denomination, requiring appropriate tax withholding and reporting.
- **Audit & Compliance Risk:** Gift card purchases often lack proper documentation and audit trails, leading to compliance risks with grant agencies, donors, and regulatory bodies.

Alternative Options

Departments seeking to recognize individuals or provide incentives should utilize the following approved alternatives:

Employee, Student or Departmental Recognition & Awards

- Use the university's formal recognition program, which provides approved awards and incentives.
- Provide a non-cash tangible gift (e.g., university-branded items) valued within IRS guidelines.
- Utilize payroll-based recognition stipends, subject to taxation and approval through Human Resources.
- Award payments through student accounts or scholarships, ensuring appropriate financial aid reporting.
- Utilize catering services through the university's approved vendors.

Exceptions

Research Participant Compensation

- Due to the nature of research and the potential need to keep participants information confidential, gift cards may be used as a way to compensate in university approved research for amounts that are \$100 or less per participant.
- Researchers must adhere to the Research Participation Compensation Guidelines, which outlines the procedures and steps required for compensating individuals participating in university approved research.

Self-Funded or Donated Gift Cards

- Gift cards may be used only if they are purchased with personal funds or if they are directly donated to the organization. However, donated funds may not be used to purchase gift cards. Once funds are donated to the university, they are considered university funds and must be managed in accordance with the university financial guidelines.

Any other exceptions, outside of the ones noted above, are rare and require prior written approval from the Associate Vice President of Business and Finance Office. Approved exceptions other must be justified in writing and include proper documentation, tax considerations, and audit compliance measures.

Enforcement & Compliance

- All transactions will be reviewed for compliance. Any unauthorized gift card purchases may be denied reimbursement.
- Persistent non-compliance may result in corrective action in accordance with university policies.