

Chapter 70 – Other Administrative Regulations

70.40 **Gift Cards**

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70.40

Statewide Policy Regarding Gift Cards

70.40.10 Purpose and scope of the policies

70.40.10.a The purpose of this policy is to set forth guidelines and procedures for the purchase and distribution of “gift cards” purchased using State funds. “Gift cards” include, but are not limited to gift cards, cash equivalents, gift certificates, gift vouchers, store-value cards, prepaid debit/credit cards and electronic gift codes.

The use of gift cards should only be considered when no other option is viable, should be infrequent, and conservative in value. Gift card purchases are restricted to only those specifically authorized by statute, specifically authorized by federal program guidelines, or purposes defined by specific departmental programs, which have been approved by the State Controller. **Gift card purchases outside the scope of these authorized programs are prohibited.**

Gift cards may NOT be purchased for the following:

1. To pay/compensate employees, interns, independent contractors, volunteers, or other individuals for services/work performed;
2. Holiday or other gifts to employees or suppliers;
3. To pay vendors, suppliers or consultants for goods and/or services received.
4. **Gift cards to employees are strictly prohibited.**

Gift cards are considered equivalent to cash and petty cash funds. Consequently, strict protocols and controls must be developed and implemented to a) maintain accountability for all gift cards purchased and distributed, and b) avoid mishandling, misuse, abuse, and theft of gift cards.

The State of Maine must comply with Internal Revenue Service (IRS) regulations as it pertains to gift cards at all times. Under Internal Revenue Code Section 132, a gift card is considered a cash or cash equivalent that is subject to taxes regardless of the face value. The value of gift cards given to non-employees is taxable and reportable income on IRS form 1099-MISC if the value of gift cards received aggregates to an amount of \$600 or more per calendar year.

When the use of gifts cards is approved, the policies and procedures outlined below must be adhered to at all times.

70.40.20 Eligibility to Receive Gift Cards

70.40.20.a

Program Eligibility Requirements for Recipients

- Recipients must have been found eligible for the program that distributes gift cards.
- Recipients must continue to meet program eligibility criteria.
- Recipients who become ineligible or inactive for the program or its benefits must have their eligibility status immediately changed to inactive or ineligible in the department's participant tracking system.
- Recipients cannot be State employees.

70.40.20.b

Criteria Recipients Must Meet to Be Eligible Must Be Set in Advance

- Program managers must establish in advance the criteria recipients must meet for them to qualify to receive gift cards.
- Recipients must present, and program managers must verify, sufficient and appropriate proof that they met the program criteria that entitle them to receive gift cards.

70.40.30 Gift Card Purchases by State Agencies

70.40.30.a

Authorization to Purchase. The agency head or authorized designee must approve each purchase of gift cards for the program.

70.40.30.b

Funding Source

- Gift cards must be purchased with designated funds from the department.
- In cases where gift cards are purchased with specified funds the use of which is restricted, the use of the gift cards must be subject to the same restrictions as the use of the specified funds.
- Gift cards should not be purchased using federal grant funds unless the terms and conditions of the grant permits such purchase.

70.40.30.c

Actual Purchase

- Gift card purchases must follow all State procurement rules, policies and processes.
- Gift cards must be purchased from approved vendors.
- The value of each gift card purchased for a program must not exceed the maximum amount per card established by the department and approved by the State Controller for that program.
- The number of gift cards purchased for a program must not exceed the maximum quantity per period established by the department and approved by the State Controller for that program.
- Gift cards may not be purchased using departmental procurement cards (P-Cards).
- Employees may not purchase gift cards as a reimbursable expense.

70.40.30.d

Inventory Receipt

- Documentation of inventory receipt and distribution must include the name and signature of the receiving staff and corresponding date.
- Staff must verify the gift card types and quantities by type and in total from the gift card shipments against the packing slips of the shipments.
- Staff must review, sign, and date packing slips of the gift card shipments.
- Staff must promptly record the received gift card shipments and returns, if any, in the inventory records

70.40.40

Separation of Duties

70.40.40.a

Stages of Handling and Transfer of Gift Cards. Departments must have a different person responsible at each stage in the handling and transfer of gift cards:

- Request the order of gift cards
- Approve the order of gift cards
- Purchase the gift cards

- Receive the gift cards
- Distribute the gift cards
- Monitor usage of the gift cards
- Periodically inventory the gift cards

70.40.40.b

Staff Handling Gift Cards Cannot Use Them. Under no circumstances may a State employee involved in any stage of handling or transferring gift cards issue or use a gift card for themselves or family members.

70.40.50

Gift Card Inventory

70.40.50.a

Inventory Records. Agencies that store gift cards must use the following internal controls:

- Maintain complete and accurate inventory records by gift card, gift card type, and in total, including the gift card vendor and serial number, the beginning balance, gift cards received and distributed and corresponding dates, and the ending balance.
- Restrict access to gift card inventory records to authorized employees. Ensure access rights are immediately terminated once the employees no longer need access.
- Conduct periodic physical inventory counts (weekly, monthly, or quarterly), as determined by the department for the subject program, and match results to inventory records.
- Report to management any discrepancies in the quantities and amounts between the physical inventory counts and inventory records.
- Investigate discrepancies between the physical inventory counts and inventory records, document the reasons for discrepancy and report the discrepancy to the State Controller.
- Review and approve any adjustments to inventory records. This must be done by management.

70.40.50.b

Inventory Storage and Security. Store all gift card inventories in a locked cabinet or safe and restrict access to its key or combination. Hold no more gift cards than will be needed for the program during a reasonable timeframe, which the department must establish in writing.

70.40.60 Gift Card Distribution

70.40.60.a

The Agency shall:

- Review and approve all eligibility documentation for each recipient upon each round of gift card distribution. This should be done by the program manager.
- Maintain complete and accurate distribution records by gift card, gift card type, and in total, including the gift card vendor and serial number, client name(s), and date on which the gift card was distributed. The program manager and fiscal office must review and approve such records before each round of gift card distribution.
- Maintain a log for eligible recipients to sign upon receiving their gift cards in person.
- Return to the fiscal office any gift card not distributed to a recipient and properly record the card in the inventory records.

70.40.70 Gift Card Usage by Recipients

70.40.70.a

Gift cards must be provided only to recipients and only for eligible participants in the program.

Gift cards must be used only for the purposes stated and determined by the department for the program.

The value of gift cards distributed to each recipient must not exceed the per-person limit determined by the department for the program.

Gift cards cannot be used to purchase prohibited items, including program materials, as specified by the program.

Any instance of loss, theft, fraudulent use, or abuse of gift cards must be immediately reported to the department's fiscal office and the State Controller. Instances of reported loss, theft, fraudulent use, or abuse of gift cards will be investigated.

The financial service center or agency fiscal office must monitor and audit the usage of distributed gift cards no less frequently than annually. The department must determine and state in writing the required frequency of the audit, and the frequency may vary by program.

70.40.80 Gift Card Record Retention

70.40.80.a For audit purposes, retain all documentation for no less than five years.