



# GIFT CARD PROCEDURES

## Table of Contents

<b>Section #</b>	<b>Section</b>	<b>Pages</b>
1.0	General	3
2.0	Purchasing Gift Cards	3
3.0	Campus Bookstore Cards	3
4.0	Purchase Requisitions and Purchase Orders	4
5.0	Safeguarding of Cards	4
5.2	Working Supply	4
5.3	Reserve Supply	4
6.0	Limits	4
7.0	Distribution to Students	5
8.0	Reconciliations	6
9.0	Segregation of Duties	6
10.0	Record Retention	7
11.0	Centralized Campus Role	7
12.0	Forms	9

## 1.0 General

- 1.1 The purpose of these procedures is to ensure that gift cards are used in accordance with purchasing services procedures and applicable board policies.
- 1.2 It is intended that the majority of all types of direct student aid is to be disbursed directly to students through BankMobile Technologies, Inc. (BankMobile). BankMobile disbursements are processed according to existing procedures established by the Financial Aid Office. In limited circumstances, campuses may issue gift cards as **direct emergency aid to students** to address unexpected financial hardship that may affect a student's ability to continue enrollment, such as food insecurity, housing instability, transportation disruption, or other urgent basic needs. Direct emergency aid is intended to provide short-term assistance during a temporary crisis and is not issued as a prize, incentive, or compensation for services. When the assistance qualifies as emergency financial assistance for unexpected expenses and is not part of a student's financial aid award it has been determined that the assistance will not be included as estimated financial assistance or counted toward the student's cost of attendance, consistent with applicable guidance. Gift cards may also be issued to students for use at the college bookstores. Additionally, it is intended that the appropriate departments will maintain a reasonable supply of gift cards on-hand for immediate distribution when an award is approved.
- 1.3 Given the nature of awarding gift cards as student benefits, there are potential taxable income implications for students. As such, the campuses are required to capture necessary information for tax reporting purposes.
- 1.4 These Gift Card Procedures are not applicable to the college foundations. Each foundation is responsible for its own tax reporting and executing the necessary procedures to ensure compliance.

## 2.0 Purchasing Gift Cards

- 2.1 Ordering gift cards must comply with the requirements of Purchasing Services (deadlines and purchasing thresholds). Confirming purchase orders will not be accepted. Refer to employee intranet Purchasing Services page for resources, including policies and training videos.
- 2.2 Specific general ledger coding has been established for all student gift cards:
  - 2.2.A 732000 TOPS Student Aid
  - 2.2.B 7675 Object Code – All Student Gift Cards (including campus bookstore cards)
- 2.3 Departments can avoid processing delays up front by submitting budget changes to move funds, and creating department accounts for this object code.

## 3.0 Campus Bookstore Cards

- 3.1 As stated above, campus bookstore cards are forms of disbursements for allowable student aid including immediate need, books, and supplies. Campus bookstore cards can

be redeemed for any purchases of items carried at the bookstore. Approved award amounts are pre-loaded onto the cards for students to sign for and pick-up at the campus bookstore.

#### **4.0 Purchase Requisition and Purchase Order**

4.1 A Gift Card Assessment Form has been created to independently document the requesting department's segregation of duties and overall internal control environment related to managing the gift cards. The requesting department should submit the form to Internal Audit for signoff approval, and then attach it to the purchase requisition. Purchasing Services cannot process the purchase requisition and issue a purchase order without an approved assessment form.

4.2 Separate purchase requisitions must be submitted for each program.

#### **5.0 Safeguarding of Cards**

5.1 Gift cards represent highly liquid funds, similar to cash. As gift cards are received, physical access and methods of security must comply with board policy (BP 6302 Accounting for Monies Collected) which requires overnight storage in a safe on campus.

##### **5.2 Working Supply**

It is reasonable for the department or program to maintain a low quantity on-hand for immediate access and distribution to students for immediate need. This quantity should be maintained under lock and key during the business day for easy access by the appropriate program personnel and stored in a safe overnight. As the working supply decreases based on distributions of these student awards, it can be replenished from the reserve supply inventory.

##### **5.3 Reserve Supply**

Based on the lead time and anticipated immediate need use, it is also reasonable for the programs to maintain a bulk or reserve supply of additional gift cards. As gift cards are purchased and received, they should be documented as a replenishment of the reserve supply inventory. These gift cards should be maintained in a safe at all times. Gift cards are transferred from the reserve supply inventory to replenish the working supply.

#### **6.0 Limits**

6.1 As a best practice, limits on dollar amounts for both the working supply and reserve supply inventories should be established, documented, and approved by the program administrator. These limits should be established at reasonable levels based on anticipated use, subject to Internal Audit review and approval. Levels of gift cards should be maintained below these limits at all times.

## 7.0 Distribution to Students

### 7.1 Title IV Compliance

The department or program administrator is responsible for ensuring that gift cards awarded to students are categorized appropriately (e.g., direct emergency aid, prize or incentive) and comply with applicable federal and state financial aid regulations. When gift cards are issued as direct emergency aid, the awarding department must maintain documentation supporting the emergency circumstance and approval of the award.

### 7.2 Award

Gift cards may be issued for various purposes including student incentives, program participation, or direct emergency aid to address unexpected financial hardship. The awarding department is responsible for identifying the purpose of the award and ensuring proper documentation is maintained.

Obtaining accurate documentation of gift card awards is critical for tax reporting purposes.

#### **When Are Gift Cards Taxable?**

- If the gift card is a prize, incentive, or reward for participation (e.g., attending a workshop, filling out a survey), it is taxable.
- If the student is performing work (even indirectly), the gift card is considered compensation and taxable.
- If the gift card can be used for general purposes (e.g., Amazon, Visa, Target), it is considered cash-equivalent and taxable.

If a student receives gift cards, the college needs to report it on Form 1099-MISC if total payments exceed \$600 in a calendar year.

Some gift cards given to students are not taxable. Here are the main scenarios where gift cards are not considered taxable income:

#### **1. Qualified Scholarships (IRS Section 117) – Not Taxable**

- If a gift card is part of a qualified scholarship and used for tuition, fees, books, or required supplies, it is not taxable. Example: A student receives a bookstore gift card to purchase required textbooks for a class. Since this is an educational expense, it is not taxable. If a student receives a housing voucher due to a natural disaster or emergency financial aid grant, it is not taxable.

#### **2. Financial Aid or Grants for Educational Expenses – Not Taxable**

- If the college provides a gift card as part of need-based financial aid, and it is strictly used for qualified education expenses, it is excluded from taxable income. Example: A student receives a meal plan gift card as part of their financial aid package. If it is restricted to food expenses on campus, it is not taxable.

### 3. De Minimis Fringe Benefits – Might Not Be Taxable

- The IRS allows small, occasional non-cash benefits (like coffee mugs or T-shirts) to be excluded from taxable income. However, gift cards do not qualify under normal rules.

IRS regulations state “ *Cash or cash equivalent items provided by the employer are never excludable from income. An exception applies for occasional meal money or transportation fare to allow an employee to work beyond normal hours. Gift certificates that are redeemable for general merchandise or have a cash equivalent value are not de minimis benefits and are taxable.*”

*A certificate that allows an employee to receive a specific item of personal property that is minimal in value, provided infrequently, and is administratively impractical to account for, may be excludable as a de minimis benefit, depending on facts and circumstances.”*

IRS Link: [De minimis fringe benefits | Internal Revenue Service](#)

According to IRS regulations, “ *If you receive a scholarship, a fellowship grant, or other grant, all or part of the amounts you receive may be tax-free. Scholarships, fellowship grants, and other grants are tax-free if you meet the following conditions:*

- *You're a candidate for a degree at an educational institution that maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance at the place where it carries on its educational activities; and*
- *The amounts you receive are used to pay for tuition and fees required for enrollment or attendance at the educational institution, or for fees, books, supplies, and equipment required for courses at the educational institution.*

IRS Link: [Topic no. 421, Scholarships, fellowship grants, and other grants | Internal Revenue Service](#)

Due to tax reporting purposes, the awarding departments are responsible for the following:

7.2.A Assist Centralized Campus person in communicating with the students and following up with students to obtain any necessary tax forms, as directed by the Centralized Campus person. The awarding departments are in the best position to contact the students and have a more direct relationship with the students.

7.2.B Student Employees

- i. At the time of the award, coordinate with the Financial Aid & Student Placement Office to determine upfront if a student is also currently employed or has been employed by RSCCD during the same calendar year. Report this information timely to the Centralized Campus person for any award(s), regardless of amount.
- ii. Track their gift card award amounts and report to the Centralized Campus person on a monthly basis throughout the year to December 31. The reporting cycle restarts on January 1.

### 7.2.C Non-Employees

- i. For students who are not employees, their taxable award amounts for gift cards should be tracked on a calendar year basis. When the amount reaches \$500 within a calendar year, this information should be reported at the end of the month to the Centralized Campus person.
- ii. This reporting should continue on a monthly basis throughout the year to December 31. The reporting cycle restarts on January 1.

7.3 Refer to Section 11 for detailed for additional responsibilities of the Centralized Campus Role.

### 7.4 Distribution

As distributions are made, each gift card that is given to a student requires a student signature on the standardized log to evidence receipt at pick-up of their gift cards.

For distributions issued as direct emergency aid, the awarding department must maintain documentation identifying the student, the nature of the emergency need, the amount awarded, and the approving administrator.

## 8.0 Reconciliations

- 8.1 A template has been developed to document the reconciliation of gift cards on a routine basis. The reconciliation should be completed and reviewed by two separate employees in order to maintain proper segregation of duties.
- 8.2 On a routine basis, the project directors should be informed of the undisbursed gift cards in the physical inventory so that pertinent planning and decisions can be made in compliance with the grant allowability rules and the performance period.

## 9.0 Segregation of Duties

### 9.1 Vendor Cards

A minimum of three (3) individuals is needed for any area that is utilizing gift cards as follows:

- 9.1.A Awarding should be an administrator
- 9.1.B Custodian – controls physical access and disbursement to students at each location
- 9.1.C Reconciliation should be independent and completed on a routine basis in sync with disbursement schedule, by the end of each week whenever there is disbursement activity
- 9.1.D Reviewer and signoff of reconciliations by the same administrator as in 9.1.A

### 9.2 Campus Bookstore Cards

A minimum of four (4) individuals is needed for the campus bookstore cards as follows:

- 9.2.A Award amounts should be signed off by a manager
- 9.2.B Uploading amounts to the cards at the bookstore should be completed by two (2) individuals for initial input and verification
- 9.2.C Custodian – controls physical access and disbursement to students at each bookstore requiring a student signature at pick-up (custodian may perform either the input or verification)
- 9.2.D Reconciliation should be independent and completed on a routine basis in sync with disbursement schedule, by the end of each week whenever there is disbursement activity
- 9.2.E Reviewer and signoff of reconciliations by the same manager

## **10.0 Record Retention**

Each department and program are responsible for complying with the retention requirements of RSCCD.

*According to Administrative Regulation, AR 3310, "Records of the Rancho Santiago Community College District shall be retained, as appropriate, in accordance with Section 59020 through 59029 of Title 5 of the California Code of Regulations and other applicable provisions of state and federal law."*

All documents, such as logs, reconciliation reports, and other monitoring worksheets maintained to comply with this procedures manual are considered Class 3 – Disposable Records. Per AR 3310, *"Disposable Records, unless otherwise specified, should be destroyed during the third school year after the school year in which it originated (e.g. 2013-14 plus three years – 2014-17). Federal programs including various student aid programs may require longer retention periods and such program requirements shall take precedence over the requirements contained herein."*

## **11.0 Centralized Campus Role**

- 11.1 Departments issuing gift cards must identify the purpose of the award (e.g., incentive, prize, or direct emergency aid) when submitting information for centralized tracking and tax reporting purposes.
- 11.2 Distributions of taxable gift cards to students are considered taxable income and are subject to tax reporting (See Section 7.2) . As gift cards are awarded and distributed, various campus departments are best suited to obtain data at the point of contact with the students. Due to this workflow timing and expertise needed to manually maintain consistent data, each campus will establish a centralized function and name an individual to be responsible for collecting the gift card information from the departments. It is a best practice to gather, review, and document the data in a regular schedule throughout the calendar year.
- 11.3 This role will also be responsible for communicating the data in a standardized tax reporting spreadsheet to the district (Attention: Accounts Payable) in a timely manner for tax reporting purposes. Coordination and workflow timing require the following:
  - 11.3.A Communicating with all departments and programs utilizing gift cards for

student benefits.

- 11.3.B Ensuring signed W-9 Forms are obtained from students meeting the required tax reporting thresholds who receive gift cards from departments and programs, so that a 1099 or W-2 can be issued in a timely manner.
  - 11.3.C Directing the process with the awarding departments to obtain the W-9 forms from the students who meet the IRS reporting threshold requirements:
    - i. Employees - \$1 and above
    - ii. All others - \$600 and above
    - iii. For students with no tax identification number, the options for the college are as follows:
      - a. Help students obtain an ITIN and avoid an IRS penalty notice, or
      - b. Solicit SSN/ITINs twice a year by email, retain documentation and address the IRS penalty notice if/when it comes.
- The process of soliciting the W-9 forms needs to be fully documented, with a minimum of two attempts made annually. Proper documentation as proof of solicitation must be maintained in order to meet the IRS requirements for a waiver of penalty fees whenever a valid W-9 cannot be obtained. Penalty fees arise in the event of missing or incorrect SSN/ITIN.
- 11.3.D Registering with the IRS for TIN matching, and performing TIN matching for all W-9 Forms obtained and following up with the awarding department or student if the SSN/ITIN is incorrect. TIN matching should be completed prior to submitting data to Fiscal Services.
  - 11.3.E Maintaining the standardized tax reporting spreadsheet that consolidates the data needed for tax reporting. This would be maintained throughout the year by the college-designated person. He/she would compile the data routinely, based on the logs signed off by the students which may be maintained in different departments. The consolidated data in the tax reporting spreadsheet in Excel format should be submitted to Accounts Payable by January 5th following the calendar year.
  - 11.3.F Confirming with the Financial Aid Office for all gift cards awarded to students.
  - 11.3.G Confirming with the Financial Aid & Student Placement Offices to determine whether the student was employed by the District during the calendar year.
  - 11.3.H Serving as the point person for answering data-related questions.

## 12.0 Forms

- 12.1 Samples of the Gift Card Forms are shown below. Fillable PDF forms are available on the Employee Intranet, Purchasing Services page at the following links:

[Gift Card Assessment Form](#)

[Gift Card Reconciliation Form](#)

[Gift Card Student Distribution Log](#)

[Gift Card Student Tax Reporting Form](#) (revised February 2025)

Gift Card Assessment Form

PR #: \_\_\_\_\_

**Section 1 - Request**

Date:	Number of cards requested:
Requestor:	Denomination / Amount per card:
Approver:	Total Amount:
Program:	Expected Disbursement Frequency:
Program Gift Card Limit:	Department Gift Card Limit:
Full GL Account: (TOPS) 732000 (Object Code) 7675 (Submit request to Accounting to establish account)	

**Section 2 - Internal control (segregation of duties): Minimum of 3 roles**

Awarded by:
Custodian:
Reconciliations completed by:

**Section 3 – Physical Safeguarding**

Describe physical arrangements including where cards are stored, how are they locked, who has access to area, who has the keys or combinations, etc.
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**Section 4 – Completed by Internal Audit Only**

Analysis:
Approval Signature: _____ Date: _____

**GIFT CARD RECONCILIATION**

Cutoff Date: \_\_\_\_\_

Program: \_\_\_\_\_

**Physical Card Count**

<u>Vendor/Store</u>	<u>Location</u>	<u>Denomination</u>	<u># of Cards</u>	<u>Amount</u>

**Add:**

Cumulative - Cards Given to Students: \_\_\_\_\_

Total Accounted For: \_\_\_\_\_

**Less (For Comparison):**

GL Account Balance: \_\_\_\_\_

Comparison Difference: \_\_\_\_\_

Explanation for Difference:

Completed by: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewed by: \_\_\_\_\_

Date: \_\_\_\_\_

**GIFT CARD - STUDENT DISTRIBUTION LOG**

**(Individual)**

All fields are required.

No.	College	Issuing Department / Program	Student ID	Student Last Name	Student First Name	Date Gift Card was Picked-up by Student	Gift Card Type (Target, Subway, etc.)	Gift Card Amount	Dept Employee Initials	Student Signature
1										
2										
3										
4										
5										
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