



OFFICE OF INSPECTOR GENERAL

PALM BEACH COUNTY

TIPS AND TRENDS #2020-0004

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Government Management of Retail Gift Cards

The Palm Beach County Office of Inspector General (OIG) recently conducted investigations involving the use of taxpayer funds to purchase, or to reimburse employees for the purchase of retail gift cards. While the use of gift cards has its advantages, government entities should ensure they avoid pitfalls. This Tips and Trends will outline considerations to assist government entities with purchase, use, inventory and management of gift cards.

Consumers spend more than \$130 billion on retail gift cards each year. Government entities, government employees, and vendors use gift cards for many reasons, including:

- Incentives for individuals to participate in educational government funded programs.
- Rewards for employee recognition.
- To purchase food for sponsored events.
- To purchase items necessary to perform job duties.



Advantages of gift card use include:

- Can be easily traced – they have serial/tracking numbers that allow for effective inventory controls.
- Can be more secure than cash – they can be cancelled or replaced.
- Ease of keeping record of purchase and distribution.

Important tips to keep in mind for the use and handling of gift cards:

- Limit the number of people who have access to gift cards - keep them in a secure, preferably locked area. Treat them with the same care as you would cash.
- Keep a detailed log of the gift card numbers and their values.

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- When a gift card is distributed, record the reason for use/distribution and have the person physically taking the gift card acknowledge receipt in writing.
- Buy gift cards from sources you know and trust to prevent purchases of cards that may be counterfeit or stolen.
- Regular audits should be performed for all gift cards purchased and for use/distribution.
- Gift cards distributed to employees, consultants, and/or volunteers may be considered taxable income.¹
- Distribution of gift cards to government employees may be considered impermissible gifts, reportable gifts, or unauthorized compensation under applicable ethics laws.²
- Distribution of gift cards should not violate laws, agency policies or procedures, or contracts relating to employee compensation and/or bonuses.

When government entities use gift cards, reimbursement procedures and policies should be reviewed and updated, and receipts should always be required for proof of purchase. In addition, government entities and their employees should closely adhere to existing laws,³ policies, and procedures for authorization and use of gift cards.

¹ <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>;
<https://www.irs.gov/pub/irs-pdf/p5137.pdf> .

² http://discover.pbcgov.org/legislativeaffairs/Misc_Documents/Code_of_Ethics_Ordinance.pdf; Chapter 112, Florida Statutes, Part III.

³ For example, section 215.425, Florida Statutes.