3.9.6 | Gift Cards for Nonprofit Organizations

Any partner agencies that handle gift cards purchased with City funding are subject to the same

guidelines and restrictions in Section 3.9.1 | Eligibility to Receive Gift Cards through Section 3.9.9 | Gift Card Record Retention (as applicable).

Departments are responsible for ensuring the agency’s compliance and should consider the following measures:

• Assessment of potential risk factors (e.g. conflicts of interest, adequate resources for

monitoring, etc.)

• Monitoring procedures, including periodic inventory counts and balance reports

All organizations that handle gift cards purchased with City funding are also subject to an external audit. Many departmental MOUs with nonprofits require an annual external audit when certain thresholds are met, commonly set at $500,000 in City funding. If an audit is already required, the audit should also include gift card transactions and purchases.

If an external audit requirement is not already specified in the MOU, gift card purchases will necessitate a revised MOU with an external audit requirement, regardless of threshold. If an external audit is not feasible, the audit will be performed by the City Services Auditor Division of the Controller’s Office.

3.9.7 | Gift Cards and 1099 Reporting Requirements

Gift cards to clients are considered cash-equivalents and may be 1099 reportable as a gift, prize, and/or award. In some cases, gift cards to clients may be classified as a welfare or public assistance benefit. Departments should refer to Publication 525 (2021), Taxable and Nontaxable Income for additional guidance on whether their specific program would necessitate a 1099 filing.

Departmental gift card policies must explicitly state that it is the department’s responsibility to track all gift card transactions and inform the Controller’s Office should the aggregate disbursed amount necessitate a 1099 filing. For more information, please refer to the IRS Form 1099 website.

3.9.8 | Gift Card Usage by Recipients

1. Gift cards must be provided only to clients and only as incentives for participating in the

program.

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

the program.

3. The value of gift cards distributed to each client must not exceed the per-person limit

determined by the department for the program.

4. Gift cards cannot be used to purchase prohibited items, including program materials, as

specified by the program.

5. Any instance of loss, theft, fraudulent use, or abuse of gift cards must be immediately

reported to the department’s fiscal office. The fiscal office should investigate instances of

reported loss, theft, fraudulent use, or abuse of gift cards, as it deems necessary.

6. The 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.

3.9.9 | Gift Card Record Retention

• For audit purposes, retain all documentation for no less than two years.

• Records and physical cards are subject to audit by CON.

3.9.10 | Gift Card Review and Compliance

All gift card purchases are subject to review and selection for the Controller’s Office annual Post Audit. Programs that do not comply with the guidelines set forth in this section may be modified, suspended, or terminated at the discretion of the Controller’s Office.

*(Excerpt from the City & County of San Francisco – Office of the Controller*

*Accounting Policies & Procedures)*