

MEMORANDUM

TO: Superintendents and Business Managers
FROM: Bill Bates, CFO
SUBJECT: Alternatives to Prepaid Store Cards (Gift/Gas Cards)
DATE: May 25, 2021

Due to the release of new federal programs and some recent questions from subrecipients regarding the use of federal grant funds to purchase gift cards and gas cards, the Agency of Education has decided to reissue this memo to assist its grant subrecipients in maintaining compliant grant spending.

The use of federal grant funds for purchasing prepaid store cards—i.e. retail/grocery stores, Amazon, iTunes, convenience stores, gas cards, etc. is not allowed under federal regulations. Because prepaid cards are considered “cash equivalents,” their use cannot be controlled and their purchase does not meet the necessary and reasonable standard required by federal regulations. (2 CFR 200.403)

There are circumstances when, in the past, prepaid store cards have been incorrectly used to provide benefits for students, parents and teachers. In most cases, the use of the prepaid store card was meeting a real need that is programmatically approvable. Below is a list of examples of eligible program expenses:

- Providing educationally-related supplies for homeless students so that they can participate fully in an educationally experience. This may include such items as sports shoes, backpacks, winter coats, and school supplies.
- Providing educationally-related supplies for migrant students.
- Reimbursing parents for gas or mileage when attending a parent engagement activity if they are unable to attend without the assistance.
- Purchasing minimal supplies for teachers or volunteers teaching a class an after-school or summer program.

This is not an exhaustive list. It is meant to provide examples of instances where the goals of the particular program are being met by an allowable expense but using a prepaid store card is not an allowable method to achieve the goal.

There are a number of ways to achieve the programmatic needs and satisfy federal fiscal regulations simultaneously.

1. **Employee Purchase:** The simplest option would be for an employee to go to a store and purchase the eligible item(s). The employee can either pay using the organization’s credit card or use his/her own funds and apply for reimbursement by submitting detailed receipts and following the organization’s reimbursement policy.

- Voucher System:** A voucher is a document which is worth a maximum dollar value and which may be used only for specific items at a specific vendor (almost always a store). Vouchers are very similar to purchase orders. In advance, the organization establishes agreements with a vendor under which the vendor agrees to accept a “voucher” at the point of sale and then invoices the organization for the actual purchase. The voucher is created in multiple parts with one copy being sent to the vendor, one copy given to the individual making the purchase and at least one copy retained by the organization. The voucher should be uniquely numbered and must clearly detail the allowed item(s) and the maximum cost the purchaser is allowed to spend on the item(s). The vendor will invoice for the actual amount of the purchase up to the maximum established cost listed on the voucher.

For example: A migrant child requires a pair of athletic shoes to participate on a sports team. The organization would create a voucher and send one copy to the chosen store and give one copy to the child’s parent. The voucher would clearly detail the name of the store and provide a description of the allowed purchase “One pair of athletic shoes appropriate for basketball - cost not to exceed \$75.” The parent would take the child to the store and pick out an appropriate item of their choice in the correct size. At the register the parent presents the voucher to the cashier. The voucher is matched up with the vendor’s copy for verification. The vendor will send an invoice and a copy of the sales receipt to the organization for the actual amount of the purchase not to exceed the \$75 maximum. The invoice and receipt will provide supporting backup to document the expense as allowable under federal regulations.

Many vendors are already familiar with a voucher system as multiple State agencies currently use voucher systems.

- Online Purchases:** The organization may use a credit card to purchase the item through an online vendor and have the item shipped. Some online vendors (such as Walmart.com) also offer a same day pick up option for items currently available in local stores. Same day pick up allows an organization to make the purchase online and specify the name of an individual(s) authorized to pick the item up at their local store. In some cases, the individual authorized for pick up would need to have some form of identification such as a driver’s license. A print out of your online receipt that details the expenditures and your credit card statement will provide the necessary backup documentation.
- Mileage Reimbursement:** While gas cards may be convenient, they are not allowed. Individuals entitled to mileage reimbursements must follow your organization’s reimbursement policy (which may be a per-mile rate or actual costs of travel), including completing the necessary forms/documentation. Documentation must include at minimum the name of the individual, the date of travel, the purpose of the travel, the start and end locations, and the number of miles traveled. As a second option, vouchers or accounts can be set up with taxi services.

Regardless of the method used to make these small item purchases, adequate back-up documentation, including procurement as applicable, must be on file to prove the expense is reasonable and necessary, allowable, and pre-approved within the grant.