

# Allowability of Prepaid and Gift Cards

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## Purpose

This guidance identifies the limited circumstances for which NEH funds may be used to acquire gift and pre-paid cards and the minimum administrative requirements to incur such costs on an award.

## Background

A gift or pre-paid card (hereafter, gift card) is a type of card with a specific monetary value. Examples of gift cards include ATM, debit, gift, pre-paid, credit, and store cards. Some gift cards may be used at specific business, and others may be redeemed widely.

2 CFR Part 200 does not prohibit the use of gift cards. However, gift cards must be used in a very limited and judicious manner, and recipients must have adequate internal controls to manage their purchase and use. Gift cards cannot replace employee salaries or benefits, consultant or contractor payments, honorariums, or otherwise reportable income.

NEH limits the allowability of gift cards to defray participant support costs. In some circumstances, gift cards can be easier to distribute than issuing cash or vouchers. Because of the challenges with tracking and monitoring their use, there is a high risk of fraud, waste, and abuse associated with gift cards. When used appropriately, gift cards can help to remove socioeconomic or other barriers that may otherwise prevent participants from accessing and benefiting from federally assisted projects or programs.

## Policy

Gift cards may be an allowable award cost under very limited circumstances, with NEH prior approval. Gift cards may be purchased only to cover limited participant support costs (see [2 CFR 200.1](#)) for stipends or subsistence allowances, travel allowances on behalf of participants or trainees in connection with conferences or training projects.

Gift cards may not be used to cover other allowable costs, including those related to employees, consultants, contractors, and may not be used as a substitute for honorariums. Gift cards cannot be used as a form of inducement to participate in a NEH-supported project or program. Nor may they be used for unallowable costs, such as alcohol (see [2 CFR §200.423](#)), or for entertainment ([2 CFR §200.438](#)).

## *Budget*

The use of gift cards must be clearly identified in the proposed application budget. If not included, recipients must submit a prior approval request for the cost via eGMS Reach.

The budget justification must identify the number and amount of gift cards requested, briefly explain what participant support costs the gift card will cover (such as for stipends or subsistence allowances, and/or travel allowances), why it is necessary and reasonable, and how it does not eliminate the voluntary nature of participation in the grant supported project or program.



## *Internal Controls*

Recipients must have a written gift card policy to prevent fraud, waste, and abuse. The policy must:

- describe the circumstances under which the gift cards can be purchased;
- ensure purchasing and approval duties are segregated (the purchaser should not be the authorizer);
- document the purchase of gift cards in the general ledger;
- prohibit loading future funds on gift cards;
- ensure that gift cards are stored securely, as if they were cash;
- require a log of distribution of gift cards; and
- require notification to the participant of the purpose of the gift card.

Gift cards should not be purchased in bulk or in excess of immediate needs (within 30 days or less of distribution). NEH award funds cannot be used to cover the cost of undistributed or expired gift cards. Undistributed or expired gift cards may not be charged to the NEH award.