

Providing Awards, Prizes, Incentives, or Gifts

University Standard: STN-U5348.01D

Effective: July 7, 2022

Authority

POL-U5348.01	Purchasing Goods and Services Policy
RCW 41.60	State Employees' Suggestion Awards and Incentive Pay
IRS Publication 525	Taxable and Nontaxable Income
WA State Constitution	Credit not to be Loaned
NCAA Rules	Student Athlete Compliance
WAC 230	Gambling Commission

See Also

FRM-U5348.01E	Request to Purchase Award, Prize, Incentive, or Gift - Form
STN-U5348.01A	Ethical Purchasing - Standards
POL-U6000.01	Giving Gifts to Western Washington University - Policy
FRM-U6000.01A	Western Foundation Gift-in-Kind Donation - Form
POL-U5438.09	Paying Honoraria and Stipends to Non-Employees - Policy

Compliance Owner

Compliance Owner:	Chief Procurement Officer
Responsible Office:	Purchasing

Purpose of Standards

To ensure University funds used **to purchase** gifts, prizes and awards are spent appropriately for purposes related to the University's mission and to comply with:

- The University's Purchasing Goods and Services Policy ([POL-U5348.01](#)),
- The state constitution regarding gifting of public funds, and
- IRS and financial aid income reporting requirements.

For rules on employees receiving gifts from external entities, see [RCW 42.52.140 - 150](#) or consult with the University's Ethics Advisor.

Definitions

Award – A cash equivalent or tangible personal property item given to an employee or student, in recognition of an achievement of excellence or contribution. The recipient has made no

formal entry or submission and the recipient did not undertake the recognized activity primarily for the financial benefit of the award.

Award, for the purpose of these standards, does not include awards of financial assistance paid to aid a student in paying for expenses related to their study, training, or research and include scholarships and fellowships.

Prize - A cash equivalent or tangible personal property item presented as a result of participation in an event, contest, drawing, or judged competition.

Gift - A cash equivalent or tangible personal property item given to an individual to express gratitude or appreciation for support of the University's mission. The recipient performed no service nor provided other consideration in exchange for the gift.

Cash equivalents - Stored-value products such as gift certificates and gift cards. The IRS specifically defines these instruments as cash equivalents and states that their value is considered taxable income to the recipient, regardless of dollar value.

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1. Gifting of Public Funds Prohibited

The Washington State Constitution (Article VIII Section 7) prohibits gifting of public funds. However, gifts, prizes, and awards using Chart 1 funds may be allowable under certain circumstances as outlined in these standards.

2. Federal Reporting Requirements

Providing an individual with a gift, prize, or award using University funds must be reported by a department or program in accordance with procedures under certain circumstances to comply with federal IRS income and financial aid reporting rules. The recipient may be subject to federal taxes. Failing to report a gift, award, or prize or falsifying the total value of a gift is strictly prohibited and subject to corrective action. The reporting requirement applies to both Chart 1 and Chart 2 funds.

Impact on Students who Receive Financial Aid:

To ensure compliance with federal law, gifts, prizes and awards made to students must be reported to Western's Financial Aid Office. When not reported in a timely manner, students risk being billed for financial aid overpayments at a later time (even years later when failure to report is discovered).

3. Pre-Approval Requirements

Prior to purchasing or soliciting a donation for a gift, prize or award, approval must be received to ensure equity and the appropriate use and distribution of monetary or tangible items of value. Approval is to be obtained in accordance with the *Request to Provide a Gift, Prize, or Award e-Form* ([FRM-U5348.01D](#)). Gifts, prizes and awards may be approved on a one-time basis if the associated event will be on-going.

Exception:

Gifts provided under Section 4 below are administered by Human Resources in coordination with the Associated Student Bookstore and do not require prior approval.

4. Employee Length of Service Awards (Human Resources Only)

Only the Human Resources Department may provide employee length of service awards using Chart 1 funds through the University's annual Employee Recognition Program (ERP). Departments are prohibited from providing employees length of service awards at the expense of the University in addition to those provided through the ERP to ensure compliance with IRS rules.

Employee length of service awards are given in increments of 5 years. An employee's "First Work Date" is used to determine the length of service.

The award for length of service will be items of tangible personal property purchased from WWU Associated Student Bookstore. Cash or cash equivalent awards are not allowed for the purpose of length of service awards.

Each 5-year increment award will go up in market value as follows:

5 years	10 years	15 years	20 years	25 years	30 years	35+ years
None.	\$10	\$15	\$25	\$30	\$35	\$50

Non-tenure track faculty's length of service is calculated by adding the length of the current employment with WWU to the length of any previous jobs held before the current employment relationship began.

The dollar value of the length of service award for each recipient is excluded from IRS reporting requirements as long as it meets the IRS Employee Achievement Award criteria.

Employee length of service awards are considered Qualified Plan Awards for employee tax reporting purposes. Employees are expected to comply with individual income tax reporting requirements when applicable.

5. Employee Recognition Awards – Other than Length of Service

The University President is not eligible for awards allowable under this section ([RCW 41.60](#)).

Using Chart 1 (State) Funds:

As allowed by [RCW 41.60.150](#), the University may recognize employees, either individually or as a group, for accomplishments including outstanding achievements, safety performance, or outstanding public service. Such recognition awards:

- Recognizing personal events such as, but not limited to, employee anniversaries, birthdays, births, or retirements is prohibited. Departments can establish a donation collection from employees using their personal funds to provide gifts for these types of events.
- Are limited to \$200 in value per award.
- May include, but not be limited to, gift cards, tickets to a University sponsored event, or tangible items such as pen and desk sets, plaques, pins, framed certificates, clocks, and calculators.
- Tangible items are reported as taxable earnings when the value of tangible items meet or exceed reporting limits, in accordance with IRS rules.

- Cash or cash equivalent awards are taxed for employees regardless of dollar amount and are not to be grossed up beyond the \$200 limit.
- Are not to be included for the purpose of computing a retirement allowance under any public retirement system ([RCW 41.60.140](#)).

Using Chart 2 (Foundation) Funds for Employee Recognition Awards:

A department may be approved to use available Chart 2 funds to purchase an employee gift, award, or prize as long as the reason and amount meets the criteria of the funds to be used and meets applicable requirements stated in these standards. All gifts, awards, and prizes purchased using Chart 2 funds requires final approval by WWU Foundation.

6. Gifts/Prizes/Awards for Students

Giving students awards, gifts, prizes in lieu of paying wages to students for work performed is strictly prohibited.

See also “Impact on Students who receive Financial Aid” in Section 1 above.

A. Student Achievement/Contribution Recognition Awards and Prizes

Awards and prizes with more than nominal monetary value may be given to students for recognition of academic excellence or contribution if:

- Using Chart 2 funds, and
- The University department or program has a pre-approved Recognition Program (see Section #3 – Pre-approval Requirements).

See also Section #7 – Situations Involving Adequate Consideration.

B. Participation Incentives for Students

See Section #9 below.

C. Student Athlete Restrictions

Student athletes who participate in intercollegiate sports are prohibited by NCAA/NAIA regulations from accepting certain gifts, awards and prizes from their school. This restriction includes instances of recruitment where the student athlete has not yet accepted an offer of enrollment to the University.

In order to identify potential violations of athletic division regulations, proposed recognition programs are to include a review by the Assistant Director of Athletics Compliance/Academics if a potential recipient would include a student athlete.

D. Alternatives for prizes or awards of monetary value:

- 1) Documented recognition that can be used by a student to benefit their career and advance educational opportunities such as a certificate of achievement, publishing the achievement in *Western Today*, or a letter of recommendation.
- 2) Providing a non-monetary item of nominal value (no more than \$50) such as a plaque or trophy, WWU swag (a pin, key chain, commemorative picture frame), or single-use tickets to a WWU event.

E. Using Services and Activities Fees and Club Funds

Approval to use S&A Fees or club funds to purchase gifts, prizes, and awards needs to be made in accordance with Associated Student procedures.

7. Payments to Assist Students with Academic Expenditures

When departments become aware of the financial hardship that students may endure due to academic related costs, it is important that the University does not provide assistance in the form of gifts, but in an appropriate and equitable manner. See Section 1 – Gifting of Public Funds Prohibited.

Examples of prohibited financial assistance:

- a) Purchasing gift/debit cards to pay for travel expenditures,
- b) Not charging a needy student for a fee that is charged to other students, and
- c) Using University funds to cover course related fees for an entire class such as paying for student background checks.

There are many resources to assist students with expenses, so departments are to refer them to the [Office of Student Life](#) (Ph: 360.650.3706) where a team will assess each students' needs and refer back out to various resources as needed.

Important: Western recognizes the substantial generosity of its employees, however, efforts to hide or disguise financial assistance given to students by a department may be considered a violation of the False Claims Act and/or financial aid reporting requirements which can lead to significant penalties against the University and/or the employee.

8. Situations Involving Adequate Consideration/Exchange of Benefit

University funds may be used to purchase a gift, prize or award if a situation involves adequate consideration or exchange of benefit. This means an individual provides the University a benefit or something of value to carry out a fundamental purpose of the University commensurate with the amount of the payment.

Example: The University wishes to create a poster to mass produce and post across campus to promote equity and diversity and wishes to use the skills and talents of students to create that poster. A contest is set up to solicit entries and provide the winning entry a prize in relation to the value commensurate to the product received.

Any such situation still requires pre-approval. See Section 3 – Pre-approval Requirements.

Adequate consideration may also include situations that meet the criteria of an honoraria. See the *Paying Honoraria and Stipends to Non-Employees Policy* ([POL-U5438.09](#)).

9. Participation Incentives

A. Research Participant Incentives

Certain activities that involve the participation of individuals, such as surveys, may be considered “research” under federal regulations and therefore are subject to review by Western’s Institutional Research Board (IRB) regardless if they are grant funded or not.

An activity designed to lead to data that can be used for publication or off campus presentations, or to support hypotheses leading to further research, will generally be “research” requiring IRB review. Student classroom research assignments, in general, are not “research” if they are designed only for the classroom learning experience and not presented anywhere except the class.

Examples that are not considered research under federal regulations are quality improvement, quality assessment, or demographic surveys.

For further assistance about procedures and in determining if an activity involving a participant incentive is research, contact Western’s RSP Office or go to [Research Compliance](#).

B. Non – Research Participation Incentives

Non-Research participation incentives include the use of prizes to solicit participation in a survey, student program activity, contest, drawing, or judged competition. University funds may be used to purchase incentives to be provided to students, employees, and/or other participants when:

- The activity is conducted for University business purposes,
- The purpose benefits the University mission,
- The benefit depends on sufficient voluntary participation, and
- The prize is given to a participant whose name is drawn from the pool of participants.
- Participation is optional, not required

University funds may not be used to fund student surveys for student academic purposes.

Preferred incentives are tangible items that promote WWU or WWU sponsored event tickets. Cash is strictly prohibited for non-research participant incentives. Gift cards are limited to \$200 per event but the amount can be divided among multiple winners but is not to exceed the total limit.

See also Section 11 – Raffles and other Gambling Activities and Prizes.

10. Gifts for Stakeholder Relations

Chart 1 Funds:

An item may be purchased with Chart 1 funds and given to an individual or external entity if all of the following criteria is met:

- The gift or award is essential to build and sustain a relationship with the University (such as a cultural expectation to exchange gifts),
- The University is dependent on that relationship for the success of a University program,
- The intention of the gift is not made part of any design to gain or maintain influence or persuade someone to act in one's or the University's favor.

See Section 7 – Situations Involving Adequate Consideration.

Example: The University is developing and/or maintaining a partnership with a University in a country where not receiving a welcoming gift would be perceived as an insult. The gift is essential for maintaining a strong relationship with the partnering University which is necessary for the success of the WWU program.

Such purchases are limited to \$200 in value and may not be given in the form of cash or cash equivalents. WWU promotional items are preferred.

Chart 2 Funds:

Gifts may be purchased with Chart 2 funds if:

- The purpose meets the criteria of the specific fund to be used, and
- The intention of the gift is not made part of any design to gain or maintain influence or persuade someone to act in one's or the University's favor.

All Chart 2 purchases are to be approved by the WWU Foundation.

11. Raffles and other Gambling Activities and Prizes

Departments or programs wishing to provide door prizes and prizes for gambling types of activities including **raffles, bingo, card games, and amusement games** must follow rules established by the Washington State Gambling Commission. These rules must be followed even

if the prizes are donated and not purchased with University Funds and all raffles must be pre-registered with the University. See [Complying with State Raffle Rules](#). If a gambling activity is in compliance and authorized by the University, the purchasing of any associated prizes must use Chart 2 or donated items (see also Section 12 below).

12. Gift Cards

If gift cards are approved for the gift, prize or award, the preferred method is to purchase electronic gift cards that can be sent to the recipient via email. Providing plastic gift cards must be specifically requested in the approval process. If approved to provide gift cards, the department head must ensure they are purchased in accordance with the *Purchasing Electronic Gift Cards Task* ([TSK-U5348.01A](#)).

13. Donated Items to Provide as Gift, Award, Prize or Incentive

If a department directly solicits items of any form or value to be donated to the University for the purpose of being used as a prize, award, participation incentive, or gift, the department must submit the *Western Foundation Gift-in-Kind Donation Form* ([FRM-U6000.01A](#)).

If the donation is a gift card(s), the department is to comply with Section 12 as applicable.