



Transit Card Policy Guide for NEA Recipients and Subrecipients

How are transit cards defined?

A transit card is the equivalent of a specific amount of cash in the form of a prepaid debit card issued by a public transportation system that is used to purchase trips on public transportation such as subways and buses.

ATTENTION

Transit cards are treated differently than gift cards. The purchase and/or use of general gift cards, including gift certificates and other forms of cash equivalents to support project costs are unallowable.

Important Information to Know

Grant Financial Management Requirement

If local transportation costs are allowed in your approved NEA project budget, the use of transit cards for grant award costs must be carefully controlled. You must provide strong oversight of transit card use through your organization's written policies and internal controls.

When is the use of transit cards allowable?

Transit cards *may* be allowable if included in your project budget as participant support costs. 2 CFR 200 defines participant support costs as direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants (but not employees) in connection with conferences, projects, or events that are part of the NEA award.

The use of transit cards as part of participant support costs should only occur when there is no other way to provide reimbursement for transit costs for participants.

Why is the use of transit cards limited and tightly controlled?

There is a risk of fraud, waste, and abuse when purchasing transit cards with grant funds because of challenges in tracking and monitoring their use. Lack of strong administrative oversight can result in these costs being questioned in an audit.

What are the limitations on use of transit cards?

- Award recipients should have a policy in place that describes the circumstances under which transit cards can be purchased.
- Transit card purchasing and approval duties should be segregated (the purchaser should not be the authorizer).
- Transit cards should be issued in limited quantities based on the number of cards that are necessary at that time.

- Individual transit cards **cannot be used** for purposes other than participation in the NEA-supported project.
- Transit cards **may not be used** for personal use.
- Approval, purchase, and use of transit cards must be documented, tracked, monitored, and substantiated with receipts.

How This Applies to Your Grant

If you do not already have a transit card policy in place, you must implement written transit card policies and internal controls.

What are benefits of having a transit card policy?

A transit card policy allows an entity to define appropriate use of transit cards and adequately document the purchase of transit cards with grant funds and required cost share. The policy sets internal controls to protect against fraud, waste, and abuse. An effective policy will include information about allowable use, approvals, limits, purchasing processes, documentation, tracking forms, internal controls, storage and custody, tax reporting, and the treatment of lost/stolen/missing cards. Strong administrative oversight and adequate internal controls over transit cards can lead to fewer costs questioned during audits.

What should be included in a transit card policy?

A written transit card policy should correspond to your organization's written policies, including travel policies, and should align with 2 CFR 200 and the General Terms and Conditions for your NEA award.

Transit Card Purchase Policy Recommendations and Best Practices

1. Outline the circumstances under which transit cards may be purchased including the purchase approval process (typically, this is your organization's written procurement process).
2. Ensure train/bus trips purchased with transit cards are allocable to the NEA-supported project.
3. Transit cards should not be purchased in bulk – only the fewest number of cards necessary for the project should be kept at any given time.
4. Determine adequate segregation of duties (i.e., the purchaser should not be the authorizer).
5. Document the purpose of the cards, authorizations, receipts substantiating the purchase amount and who made the purchase (when and where).
6. Place limits on the maximum amount of transit cards that can be in possession at any given time.

Transit Card Storage and Custody Policy Recommendations and Best Practices

- Designate a transit card custodian and back-up custodian. The custodian is responsible for transit card purchasing, security, dispensing transit cards to your organization's designated staff to distribute to project participants, tracking serial numbers and denominations, and replenishing supply of transit cards.

- You must be able to account for the transit card from time of purchase to use by the project participant.
- Store transit cards in a secure location such as a locked cabinet with controlled access to the key and limit access to only the transit card custodian and back up custodian.
- Require authorization for each request to use a transit card. The authorizer is different from the staff member or participant requesting the card.
- Maintain a record for each authorization.

Transit Card Accounting Policy Recommendations

- Record transit card purchases in the entity's general ledger.
- Determine the process for reconciling transit card documents.
- Provide guidance for how to handle lost or stolen transit cards.
- Transit cards purchased with grant funds not used by project participants by the end of the period of performance **must be** accounted for as award-funded property (2CFR 200.314).

Transit Card Use Policy Recommendations

- Require that the project participant signs a document describing the dollar value of each transit card received, and acknowledging they understand and will abide by the allowable and unallowable cost guidance received.
- Ensure documentation with any personally identifying information (PII) is treated in accordance with your organization's written policies and that any PII deemed necessary is properly protected.

Internal Controls Recommendations

- Ensure adequate segregation of duties between employees requesting the cards for a project participant, review/approval of use and purchase, and the designated transit card custodian and back up custodian.
- Require participant acknowledgement of allowable and unallowable uses of the transit card.
- Maintain all supporting documentation of participant support costs, including purpose for which the transit card was issued, authorization to disburse the transit card and the participant's acknowledgement of receipt.
- Store transit cards securely and limit access.
- Keep written tracking logs (or receipts) showing purchases (amount, purchaser, where and when purchased), inventory and transit card issuance.

RESOURCES

- NEA Grants Financial Guidance: <https://www.arts.gov/about/inspector-general/guidance>
- NEA Manage Your Award page: <https://www.arts.gov/grants/manage-your-award>