



# MEMORANDUM

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**TO:** Lisa Nocerini, City Manager

**FROM:** Matt Smith, Treasurer

**DATE:** November 27, 2023

**SUBJECT:** De minimis benefits policy

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Internal controls and policies are an important part of any government's operations. They are used to establish safeguards to minimize the opportunities to commit fraud, improve accuracy of financial reporting, and ensure compliance with laws, grants, and regulations.

When spending taxpayer dollars, it is extra important to ensure those dollars are spent in ways allowed by the Michigan constitution, State laws, and regulations. The de minimis benefits policy being presented tonight helps ensure that the City is in compliance with the requirements of the State.

I recommend that the City Council approves the attached de minimis benefits policy.

## **City of the Village of Douglas De Minimis Benefits Policy**

### **Purpose:**

To set forth the official policy of the City of the Village of Douglas (“the City”) regarding the processes related to providing occasional minor non-cash benefits to employees.

### **1. Policy statement**

1.1 The City recognizes the importance of offering de minimis benefits to employees, to create a positive, rewarding work environment, and to retain employees. All employees shall be eligible to receive de minimis benefits from the City. The de minimis policy for a city government dictates that rewards of less than \$200.00 be allocated for accomplishments or recognition. This approach optimizes resource allocation, allowing the city to acknowledge and incentivize contributions without incurring excessive administrative overhead. By setting a clear monetary threshold, the policy promotes efficient budget management while still supporting a culture of appreciation.

### **2. Value and frequency**

2.1. De minimis benefits provided to employees shall not have a value exceeding \$200 annually and be provided infrequently. Items over the IRS threshold of \$100 are considered taxable.

### **3. Types of de minimis benefits**

Examples include but are not limited to:

#### **3.1. Retirement gifts:**

Allowable de minimis retirement gifts under \$100.00 may include items like personalized mementos, or modest tokens of appreciation to recognize the retiree's contributions.

#### **3.2. Employee recognition gifts**

Allowable de minimis employee recognition gifts may include items such as gift cards, personalized desk accessories, or branded city items to express appreciation for the employee.

#### **3.3. Occasional meals and snacks**

Allowable de minimis occasional meals or snacks may include items such as pizza lunches, coffee and pastries, or sandwiches, with the cost kept below a nominal threshold to ensure simplicity.

3.4. Occasional team building activities

Allowable de minimis team-building activities may include activities such as a team lunch, a picnic, or a casual outing, with costs kept minimal to promote camaraderie.

**4. Approval**

4.1. Department heads may recommend individuals to the City Manager.

4.2. City Manager will be responsible for approving any de minimis benefits.

4.3. All de minimis benefits will be supported with receipts and included in the standard accounts payable process with approval by City Council.