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## **Money Matters In An Electronic Environment**

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## Introduction

Internal controls should be the cornerstone of all your financial transactions, including any e-commerce in which your PTA participates. As most of these transactions only require one person to create, the risk of fraud increases due to lack of checks and balances. Ensure that you have proper internal controls in place to mitigate that risk.

*Please ensure your unit is following your state PTA’s policies and procedures surrounding all electronic banking options discussed in this document.*

### Best Practices

There are several factors necessary for creating effective internal controls:

- Management/board of directors commitment
- Sound policies and/or procedures regarding the segregation of duties
- Compliance with and review of the policies/procedures in place

Effective internal controls include the following:

- Policies/procedures should be in writing
- Workflow should enforce proper segregation of duties:
  - A person(s)\* who does not have the authority to approve payments receive invoices

- The person(s)\* who can approve payment should not be able to cut checks or enter invoices into the accounting system
- Review on a monthly basis all bank statements and bank reconciliations by someone who does not have access to authorize or enter invoices
- Maintain a filing system for proper and complete storage of all necessary documentation
- Be organized and consistent
- Review internal control policies/procedures annually
- Ensure proper training for personnel or volunteers

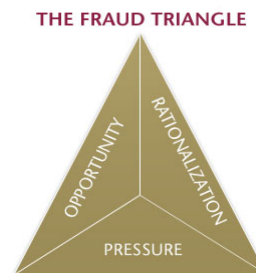
### Risks

Regardless of how automated the process, without effective internal controls in place, there will be opportunity for fraud to occur. Some examples of ineffective internal controls include:

- Failing to separate functional responsibilities of authorization, custodianship, and record-keeping
- Allowing unrestricted access to assets or sensitive data
- Failing to reconcile assets with the appropriate records

- Allowing unauthorized transactions
- Failing to implement controls because of the lack of qualified person(s)\*

For fraud to occur, only three things are needed: *opportunity*, *pressure*, and *rationalization*. This is called The Fraud Triangle.



If you believe that fraud has occurred, which generally involves stolen or misappropriated assets like cash, property, or equipment; you should contact your state PTA.

**\* Person(s) include parents, volunteers, members or employees**

### **Online Bill Payment**

Many PTAs face challenges in the accounts payable process because volunteers live in different areas or have varying schedules. Reaching the appropriate people to approve payments and write checks poses a major challenge.

With the use of online bill payment, these challenges can be eliminated while still maintaining effective internal controls.



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### Benefits

- Helps improve visibility and transparency of the accounts payable process through automation and electronic record-keeping
- Helps eliminate lost or misfiled documents
- Reduces process and data entry errors through document capture and financial process automation
- Eliminates check printing, signing, and mailing
- Allows access to financial documents anytime, anywhere
- Helps eliminate check fraud
- Forces second approval of vendor payments
- Can increase productivity and lower costs through paperless document imaging, automated bill routing, and integrated online bill payment

### Risks

Even if proper segregation of duties of authorization, custodianship, and record-keeping are in place, fraud *could* still occur the same way it could if using checks. These risks are merely mitigated if proper internal controls are in place.

### Possible Service Providers

- Anybill - <https://www.anybill.com>

- Bill.com™ – <https://www.bill.com>
- Intuit Quicken Bill Pay - <https://quicken.intuit.com/>

These suggested services have all the benefits listed above.

### **Online Banking**

Convenience is touted as one of the major advantages of banking online, but it isn't the only one. There are many reasons to bank online. Here are just a few benefits to carrying out your banking activities online rather than within an actual bank.

### Benefits

- Convenience – Online banking is a 24 hour service so volunteers can carry out banking activities anywhere and anytime they want
- Allows Mobility – Online banking can be done anywhere, as long as you have an internet connection
- Real Time Information – Allows access to real-time account information
- Online Statements – Allows information on account activity before the physical paper statement is mailed

### Recommended Account Controls

- Train volunteers/employees on policies and procedures
- Consult with your bank to see what security options are available
- Prohibit the use of shared user names and passwords



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- Assign two individuals as administrators
- Set user online access levels by roles and responsibility
  - For example: the person who enters transactions and cuts checks should not have access to approve online payments
- Review user online access levels regularly
- Delete online user IDs as soon as a person resigns his or her position
- Set up alerts to notify persons of payments initiated or deposits made
- Allow read-only access to individuals who should be monitoring the bank account

#### Recommended Security Settings

- Install and maintain an updated an antivirus application
- Keep your passwords and user IDs safe and secure
- Select a strong password and do not disclose your password or Internet banking ID to anyone
- Never respond to or open internet links or attachments in unsolicited emails, especially ones that appear to come from your bank

#### **Using Credit Cards for Bill Payments**

When allowing employees or volunteers to use a PTA-issued credit card, you always run the risk of fraud and misuse. By having strong internal controls, you can help to mitigate these risks while also maintaining accurate record-keeping.

#### Best Practices

- Have credit card policies and/or procedures in place. These policies and/or procedures will state by whom and for what the credit card can be used as well as cardholder responsibilities
- Have new cardholders sign a statement saying they have received the credit card and have read and agree to the terms and conditions of the credit card policy
- Get a credit card that will allow limits by user. Limits should be set by management/board of directors.
- Set up an approval process to make sure all credit card receipts are received and all charges have been approved
- Make sure that all expense reports are signed and dated by the card holder as well as the designated approver
- Make sure the cards of all former employees and volunteers are destroyed and deactivated immediately upon termination
- Assign a person who does not have a company card to review receipts and reconcile them to the credit card statement

### Sample Credit Card Policy

Credit cards are to be used for “*Insert PTA Unit Name Here*” business purposes only, and are never, under any circumstances, to be used for personal expenses.

A receipt from all uses of a credit card must be included with an expense report. The expense report must detail the purpose of the charge (for example, auto rental or airport parking). If a meal or any other item is purchased for an individual other than the card holder, this individual must be listed on the expense report. Charges for alcohol will not be approved under any circumstances.

Any charges for which an expense report has not been submitted within thirty (30) days will be considered the personal responsibility of the card holder.

All charges must adhere to the budget adopted by the association. Any charges not covered by the budget must be approved prior to payment/reimbursement.

Expense report for staff/volunteers will be reviewed and approved by “*Title of authorized approver*”. Expense reports for the president or other board members will be reviewed and approved by “*Title of authorized approver*”.

### **Use of ATM/Debit, Gift, or Deposit Only Cards**

National PTA **highly** recommends that the use of debit or gift cards **not** be used as a form of payment. However, deposit only ATM cards are acceptable if your bank offers this service.

### Risks of Using Debit/Gift Cards

- If lost or stolen, your bank account could essentially be drained before you even realize the card is gone
- When multiple volunteers or employees have access to a debit card, it can be difficult to track the purchases
- Accounting is more difficult to maintain, since individual receipts are the only record of the purchase
- Gift cards are not traceable once purchased

### Deposit Only ATM Cards

Deposit cards can be requested for volunteers/employees, which allow them to make deposits only. Each card has a unique card number and individual person identification number (PIN).

Deposit cards can be used at any deposit-taking ATM that is affiliated with your bank.

Contact your bank to locate an ATM near you.



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## **Accepting Credit Cards**

The ability to accept credit and debit cards as payments for local units is increasing in demand and becoming more widely available through use of mobile devices such as smartphones or tablets.

When a local PTA decides to accept credit cards as a form of payment, a review of internal controls will need to be conducted to ensure policies/procedures are acceptable and in line with best practices.

### *Best Practices*

- Do not transmit cardholder's credit card data by e-mail, mail or fax
- Do not store credit card data for customers on paper or electronically in an unsecured area
  - Example of secure area includes locked file cabinet or safe
- Do not store PIN or CVV2/CVC2/CID numbers
- Do not share user ID's for systems access
- Never acquire or disclose any cardholder's data without the cardholder's consent
- Store all physical documents containing credit card data in a locked drawer, locked file cabinet, or locked office which the PTA solely controls

- Ensure that the person taking the credit card information and/or processing the transaction is properly trained in best practices
- Each person who has access to credit card information is responsible for protecting it
- Keep enough documentation, i.e., signatures of cardholders, for each transaction to ensure that disputed charges do not become a problem
- When a refund is necessary, the refund must be credited only to the same account from which the purchase/donation was made

### *PTA's Responsibilities*

PTAs accepting credit cards as payments are responsible for complying with all rules and procedures required to stay in compliance with Payment Card Industry Data Security Standards (PCI DSS).

These standards are very important for PTAs to follow, because if followed correctly they will protect the PTAs from issues of liability and fraud.

The PCI DSS is a set of requirements designed to ensure that **ALL** companies that **process, store** or **transmit** credit card information maintain a secure environment. PCI Data Security Standards can be located at:

[http://www.pcisecuritystandards.org/securitystandards/pci\\_dss.shtml](http://www.pcisecuritystandards.org/securitystandards/pci_dss.shtml)

For frequently asked questions regarding PCI compliance, go to:



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<http://www.pccomplianceguide.org/pccifags.php#1>

## PayPal™ Non Profit Services

### Getting Started

- Sign up for a PayPal Business account and select Nonprofit as the business type, and Charity as the category
- The following information will need to be submitted through the Resolution Center once you log in.
  - 1) Evidence of tax-exempt status
  - 2) Bank statement or voided check in your organization's name. (This is needed so that the funds can be deposited into the organization's bank account when donations are received)
  - 3) PayPal email account – We suggest setting up a new email address and having the mail automatically forwarded to several individuals
  - 4) Contact Information. This should be someone who does not have access to the online reports or the ability to charge credit cards
  - 5) Description of your organization and type of payments it wants to accept
- Set up users and their user account access privileges.

- This can be done by going to Profile under My Account tab and choosing Manage User
- Go to <https://www.sandbox.paypal.com/us/cgi-bin/webscr?cmd=xpt/Customer/Popup/PrivilegesInfo> to see what access privileges are available

## Cloud Computing/Storage

Cloud storage is a service that allows customers to save data by transferring it over the internet or another network to an offsite storage system maintained by a third party.

The use of cloud storage provides many benefits, but should be used with caution. The following is a list of some things you should consider when implementing cloud storage. Not all services are the same so make sure to find one that meets your needs.

### Considerations When Choosing a Provider

- Does the cost, if there is one, fit into the budget?
- Does the provider meet your needs in availability, security and size?
- Does the provider offer backup or data recovery services?
- What liability does the provider have in case of data loss?
- Is it easy to maintain security settings and access controls by user, such as read, write, save and delete functions?





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### Benefits

- Low to no fees
- Unlimited data storage available
- Service providers offer backup and recovery systems
- Access to data files anywhere you have internet access
- Mobile capability available
- Does not require installation on a local computer
- User access can be limited to files and roles such as the ability to read, write, add and delete files

### Risks

- Provider may be shut down and all data lost if the service provider violates state or federal law
- You have less control of the data because you no longer physically “own” the data. Once on the cloud it is on the service providers servers, and if they were to go out of business or shut down all data could be lost
- Must have internet access to access files

Although service providers offer backup of data, it is suggested that you create a backup schedule to schedule backups to physical devices such as USB drives or local hard drives as you feel necessary. This will limit down time in the event that the service provider is experiencing technical difficulties, is shut down, or goes out of business.

### Best Practices

When files are shared between multiple people or departments, things often get messy so it is best to set up a filing structure that will keep your data organized and easy to find. Below are some best practices when setting up online file storage.

- Determine the folder hierarchy
- Determine folder direction to avoid redundancy
- Set up user access rights. This limits can add, create or delete files
- Create file naming guidelines to make sure that file names are consistent so that information can be located quickly

### Sample File Structure

- 📁 2012 Accounting
  - 📁 Bank Accounts
    - 📁 Statements/Reconciliation
      - 📁 January
      - 📁 February
    - 📁 Accounts Payable
      - 📁 Invoices
        - 📁 ABC Company
        - 📁 XYZ Company

### Possible Service Providers

- Dropbox™ – <http://www.dropbox.com>
- Box – <https://www.box.com>