

Streamline Management & Prevent Fraud: Newer Banking Tools and Technology

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Learning Center for Nonprofits

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Workshop Topics

New Tools for:

- **Cash receipts & disbursements**
- **Payroll & Benefits**
- **Electronic records**
- **Internal audit/compliance**

Electronic Tools & Services

Risks

- Never ending story
- Fraud
- Compliance
- Data security
- \$\$\$\$

Rewards

- Save time
- More effective controls
- Improved security
- Streamlined audit

Cash Disbursement Options

- **ACH**
- **Debit & credit cards**
- **Purchase cards**
- **Positive Pay**
- **Wire**
- **Outsourced A/P**

ACH

- **Automated Clearing House**
- **Electronic payment – no checks**
- **Initiation & review controls**
- **Filters- permit only authorized vendor ACH payments**
- **Blocks – prohibit all ACH**

Credit Cards

- **Nonprofit is liable to issuer**
- **Name of authorized user appears on card**
- **Explicit agreement that named users are responsible for any improper charges**
- **Zero tolerance for misuse**

Credit Cards Red Flags

- **Card available to multiple users**
- **Inappropriate matching of limits to users' needs**
- **Delayed submission of invoices**
- **Acceptance of charge slips rather than detailed invoices**
- **Executives exempted from review**

Debit Cards

- **Direct withdrawal from organization's bank account**
- **Fewer legal protections for fraud than credit cards**
- **Your controls:**
 - Prohibit withdrawal of cash
 - Hold care holder responsible for all charges
 - Set daily and/or transaction maximums

Purchase Cards

- **Prepaid loading of cash onto cards**
- **Issue for specific purposes**
- **Ties up cash flow**
- **Control risk by limiting amounts**
- **Require detailed reporting from vendor**

What about Points?

- **Use of organizational credit and purchase cards ensures that points belong to organization**
- **Need clear policy for authorization for use of points**
- **Regular analysis of costs and benefits of points systems**

Positive Pay

- **Electronic verification of checks before bank makes payment**
- **Requires transmission of disbursement records to bank**

Wire Payments

- **Useful for same day transfers**
- **Nonprofit must set up dual controls for authorization**
- **Fees may exceed ACH or check preparation**

Outsourced A/P

- **Outsourced provider handles:**
 - Establishing vendor files
 - Processing payments –ACH or checks
 - Maintaining record of disbursement
- **You must provide controls for:**
 - Vendor approval
 - Invoice review & approval
 - Review of disbursement reports

Cash Receipt Options

- **Remote capture devices**
- **Credit & debit card payments**
- **EFT**
- **Web processors – PayPal, etc.**
- **Wire transfers**
- **Lockbox**

Remote Deposit Capture

- **Device scans checks & transmits image to bank**
- **May permit electronic transfer of info from checks into A/R or fund development system**
- **Eliminates photocopying & physical bank deposits**

EFT

- **Electronic Funds Transfers**
- **Key tool for individual fund raising**
- **Useful for recurring client charges-
child care, etc.**
- **Controls required for data security**
- **Less fully automated than recurring
credit card charges**

Credit & Debit Card Payments

- **Credit card processing machine – transmits to bank & yields report of transactions**
- **Virtual terminal – Authorize.net, etc. - online processing**
- **Online software – Greater Giving, PayPal etc. - greater flexibility in reporting and data management**

Credit/Debit Cards - continued

- **Controls must protect security of customer/donor data**
- **Out-dated processing equipment may facilitate fraud**
- **Significantly improves collection of fees**

Web Payment Processors

- **Secured payment portals such as PayPal**
- **Permits donations & payments online**
- **Fees vary**
- **Must control authorization for transfer of funds from processor**

Lockbox

- **Used for high volume payment receipt – donation campaigns, memberships, etc.**
- **Donor/customer sends payment directly to Lockbox P.O. Box**
- **Secured processing by bank results in immediate deposit & transmission of detailed electronic record**

Payroll & Benefits

- **Electronic timesheets & review**
- **Automated allocation to cost centers**
- **HR info systems**
 - Vacation & PTO accruals
 - Evaluations
 - Certifications

Electronic Timesheets

- **Web-based systems permit employee entry of time record & supervisor review & authorization**
- **Many adapted to phones & tablets**
- **Outsourced options increasing**

Automated PR Cost Allocation

- **Electronic timesheets facilitate collection of time and effort data**
- **Sophisticated programs use time & effort info to allocate salary & benefits**
- **Set-up and training key to success**

HR Info Systems

- **Complete sortable database of employee info -speeds reporting & analysis**
- **Includes ticklers for evaluations, certifications, etc.**
- **Vacation & PTO info – available via internet portal**

Internal Audit Tools

- **Sortable CDs of all bank transactions**
- **Sortable A/P Vendor files**
- **Vendor/Payroll/Other database cross-reference tools**

Data Security Challenges

- **Smartphones**
- **Laptops & tablets**
- **Donor/ customer data**
- **Client data**
- **Employee data**

Data Security Risks

- **Client, donor, employee data shared inappropriately**
- **Data systems compromised for fraud**
- **Malicious hacking**
- **Inadvertent data alteration or loss**

Basic Security Tools

- **Passwords:**
 - Must be complex
 - Must be changed frequently
 - Cannot be shared or stored where others may use
- **Kill switches:** disable access to servers for lost or stolen laptops, phones, tablets, etc.

Adapting Controls to Electronic Realities

- **Double signature requirements**
- **Authorization for transactions**
- **Meaningful transaction review**
- **Read-only access to bank info**
- **ACH filters & blocks**

Compliance Tools

- **Automated HR tickler systems**
- **Cross tab of client & employee data**
- **Automated Procurement systems with triggers for review**
- **Client database – triggers & ticklers**

Cost Benefit ???

- **Will new tool/process improve:**
 - Timeliness
 - Accuracy
 - Control
 - Audit trail
 - Analysis

More Cost Benefit ???

- **Full cost of current systems**
 - Direct labor
 - Supervision, corrections, review
 - Inadequate or delayed info
 - Hardware & software, storage

Still More ???

- **Full cost of new tools:**
 - Analysis and procurement
 - Set-up
 - Staff training- fiscal & program
 - Authorization & review functions

OMB Super Circular

Encouraging Words

for nonprofits with federal funds

- **Electronic storage** of records is now **permitted** and **encouraged** so long as electronic record cannot be altered. § 200.335.
- Effective for awards beginning after **December 26, 2014**

Your Next Steps???

- **Review current systems & processes**
- **Discussions with current bank(s)**
- **Identification of options**
- **RFP for banking services**
- **Cost benefit analysis**