



Don't Be Scammed by Credit Card Fraud

When receiving payments or donations over the phone, use these precautions.

Q: Our organization often receives donations and payments over the phone from people who use credit cards. We've never had a problem until last month when we received a payment for our services from a new customer. Our credit-card terminal gave us an authorization number, but we later learned that the customer had used a stolen card. The payment was consequently reversed and our account was debited \$2,300. What can we do to make sure this doesn't happen again?

A: First and foremost, don't confuse an authorization with guaranteed payment. An authorization only means there is available credit on the card. You should always take a few common sense precautions, especially when you're accepting a credit-card payment over the phone:

- Verify the person's address. You can do this easily by following your terminal or software prompts at the time of the payment. The resulting response code will indicate whether the address given by the

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cardholder matches the address the issuing bank has on file.

- Verify the CVV2 code. Again, answer your terminal or software prompts. The CVV2 code is a three-digit security code on the back of most credit cards. As with address verification, you'll receive a response from the card-issuing bank telling you whether the code matches what's on file.
- Scrutinize foreign purchases. Be very careful whenever accepting a foreign credit card. In most cases, neither the address nor the CVV2 code can be verified.
- Report any suspicious credit-card transaction to your processor. Most processors can connect you to the issuing bank, which can confirm the name on the card and whether it has been reported lost or stolen. ■

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Must You Report Stolen Funds?

Does the board have an obligation to report it to the police if the funds are returned?

Q: If funds are stolen from a 501(c)(3) charity, does the board have an obligation to report it to the police if the funds are returned?

A: Generally, citizens have no duty to report the commission of a crime to law enforcement authorities. Whether you want to press charges will probably depend on many factors, including the amount involved, the history of the culprit, insurance requirements, and the circumstances that caused the theft. Boards reach different conclusions in different situations. ■

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For more guidance on dealing with stolen funds, see these *Nonprofit World* articles at www.snpo.org/members:

- **Common-Sense Approaches to Fraud Awareness, Prevention, and Detection** (Vol. 15, No. 4)
- **Want to Avoid Fraud? Look to Your Board** (Vol. 28, No. 5)
- **Protecting Your Organization against Financial Misuse** (Vol. 17, No. 4)
- **Fraud: How to Prevent It in Your Organization** (Vol. 26, No. 3)

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