PayPal Formal Procedures
PayPal Use Procedure

Overview/Policy Statement

The purpose of the PayPal Use Procedure is to establish the requirements necessary for all UCSC entities that would like to accept payments via PayPal Website Payments Standard. This procedure complies with the UCOP Financial Policy (http://www.ucop.edu/finance-office/mission-goals/ucop-financial-policy.html)

Due to restrictions outlined by PayPal, UCSC is limited to a single PayPal account for every bank account number. Currently, UCSC's only PayPal account is linked to UCSC's deposit bank account number. In order to facilitate multiple campus entities from gaining access to the PayPal service, this PayPal Use Procedure has been developed to ensure optimum account security.

Currently, the PayPal account name is paypal@soe.ucsc.edu; this account name also operates as a UCSC e-mail list that is distributed out to multiple UCSC employees (see Technical Implementation section below for further details)

Creating A PayPal Divisional Account

Each division may establish only one PayPal Divisional Account that can be utilized by different departments within the division.

Each PayPal Divisional Account will assign roles to fulfill the following responsibilities:

- **Financial Sponsor:** The person who will be responsible for transferring money from the PayPal account to the UCSC Bank Account.

- **PayPal Account Stewards (2):** The PayPal Account Stewards each hold half of the PayPal password so that neither can log in without the other being present (see Account Security).

- **UCSC General Accountant:** The staff person in General Accounting who will be responsible for transferring funds from the UCSC bank account to the appropriate FOAPAL(s).

- **Principal Officer:** The Principal Officer of the division, who has the authority to approve the creation of a PayPal account for the division.

The Financial Sponsor may be one of the PayPal Account Stewards and may also participate in the PayPal item creation procedure.

PayPal Item Creation

UCSC entities that wish to accept payments via PayPal need to establish items in the PayPal account that are linked to their appropriate FOAPAL. This is done via the PayPal Item Creation Form. The Item Creation Form must be signed by the following people:

- **Fund Manager**
  The person who has delegated authority for the type of transactions related to the specific FOAPAL into which the funds will be deposited

- **Item Sponsor**
  The person who manages the event or activity for which PayPal payments will be received.

- **Technical Sponsor**
  The person who will be responsible for establishing the item in the PayPal account and creating the link between the Item Sponsor's web site and PayPal's service.

  The FOAPAL provided by the Item Sponsor will be recorded in PayPal's "item_number" field. This is to help correlate individual PayPal transactions to UCSC FOAPALs. When the transaction history is downloaded from PayPal (see Appendix B), each transaction line will contain a FOAPAL into which the proceeds from that transaction should be deposited.

- **Financial Sponsor**
  The financial sponsor must sign the Item Creation Form to acknowledge that a new source of funds has been created for the division.

- **Tier 2 Budget Approver**
  A Tier 2 budget approver is responsible for reviewing the data for legitimacy and appropriateness of expense/revenue against appropriate Org/Fund. They are also signing to acknowledge that a new source of funds has been created for the division.

Separation of Duties

It is acceptable for an Item Sponsor and the Technical Sponsor to be the same person. To maintain adequate separation of duties the Technical Sponsor may not be a Password Steward or a General Accountant.

Technical Implementation And Internal Controls

In order to achieve adequate internal controls using PayPal's software:

Account Security
There are TWO PayPal Account Stewards each holding one half of the PayPal password to ensure no single person is able to process PayPal transfers or transactions. Each password half should be in compliance with UCSC password guidelines. The password halves should never be shared and both PayPal Account Stewards have to be present to log-in to the PayPal account. Both PayPal Account Stewards must remain present during the entire account session and ensure that the account is properly logged out of before leaving the room.

In the event that either PayPal Account Steward leaves UCSC, new PayPal Account Stewards would be assigned to replace them. The existing PayPal Account Stewards would log into the PayPal account using their existing password halves; the new PayPal Account Stewards would then change the account password, each entering their own half of the new password.

In the event that either PayPal Account Steward loses their half of the password or is unable to be present to log into the account, a PayPal password reset procedure would be initiated and two new password halves would be created by the PayPal Account Stewards.

In order to secure the password reset procedure, rather than use actual information for the PayPal password reset questions, two random phrases are used, each generated by combining three random words. These

phrases have been printed, entered into the appropriate PayPal web form, and then sealed in an envelope and stored in an appropriately secured location.

Notification
Multiple UCSC employees are included on the PayPal e-mail list to receive notices whenever a change or withdrawal is made to the PayPal account. At a minimum the following are included on the e-mail distribution list: General Accountant, the Financial Sponsor, and the two PayPal Account Stewards. Additional employees may be added as the need arises.

PayPal is configured to send out e-mail notifications to the campus PayPal address each time any of the following actions occur:

- Money is added to the account (payments are received)

- Money is withdrawn from the account

- E-Mail addresses are added or removed

- Account information changes (account name, address, bank information, etc)

- Someone disputes a charge

- A password reset procedure is initiated

Internal Reconciliation
In order to facilitate internal financial reconciliation, every PayPal transaction includes an "item number". In order to match PayPal transactions to FOAPALs, the established convention is to use the FOAPAL for a particular event/conference/donation as the "item number" for the PayPal transaction.

Logging
In order to prevent fraudulent activity, PayPal maintains a log of every account transaction; any money that is transferred incorrectly or fraudulently is traceable.

Financial Implementation
In accordance with BUS-49, when the account accumulates $500 or on a weekly basis (whichever happens first), the PayPal Account Stewards are required to transfer the funds to the UCSC bank account.

Step 1: Transfer PayPal account balance to UCSC bank account

The PayPal Account Stewards log into the PayPal account. This is done by clicking "My Account", "Withdraw", "Transfer to Bank Account". The amount of money to transfer is entered and the withdrawal completed. A hard copy of the transfer confirmation page, showing transaction number, is printed and filed.

Step 2: Download an Excel spreadsheet from PayPal

(See APPENDIX B.) This is done by clicking "My Account", "History", and "Download History". The appropriate date range is entered (from the date of the last download to the present date) , and "Comma Delaminated - Completed Payments" is selected for the file type. This spreadsheet is then saved to the local computer where it can be worked on in the next step. Once the spreadsheet has been successfully downloaded to the local computer; it is the responsibility of the PayPal Account Stewards to make sure that the PayPal account has been successfully logged out before leaving the room.

Step 3: Prepare spreadsheet for General Accounting

The third step will be for the Financial Sponsor to tally the total amounts on a per-FOAPAL basis, subtracting any PayPal fees. Any sales tax due to the State of California will be noted on the spreadsheet. The spreadsheet will be sent to the General Accountant designated by the Director of Accounting. (See APPENDIX C for an example spreadsheet to send to General Accounting.)

Step 4: General Accounting Journal Entries

General Accountant will prepare fund transfers to credit the appropriate FOAPALs based on spreadsheet information provided by the Division and bank account deposit reconciliation. Any sales tax owed to the State will be journaled accordingly and any discrepancies promptly investigated and brought to the attention of the Financial Accounting and Reporting (FAR) Manager and/or Internal Audit as needed for resolution.

Step 5: Divisional Communication

In order to facilitate reconciliation for the Item-sponsoring unit, the Financial Sponsor will communicate regularly with the Item Sponsor and Tier-2 Budget Approver to provide the PayPal transaction details (names, addresses, amounts, etc.).

Other Notes
Sales Tax
If the unit is selling physical goods, the department is responsible for noting the amounts of sales tax to be accrued on the spreadsheet sent to General Accounting.

Accepting Gifts/Donations via PayPal: If the unit accepts gifts via PayPal the department should inform donors that the University is unable to issue a donation tax receipt. The donation is still tax-deductible; in order for a donor to make a donation and obtain a tax receipt; the donation must be processed through University Relations.

Appendix A: PayPal Item Creation Form
The PayPal Item Creation form must be completed prior to any PayPal items being created.

Appendix B: Sample PayPal Download
The downloaded spreadsheet consists of a heading row followed by one row of data for each transaction oriented horizontally. The heading row and one row of transaction data is included below.

Date	7/8/2008
Time	14:39:55
Time Zone	PDT
Name	Tim Gustafson
Type	Web Accept Payment Received
Status	Completed
Gross	50
Fee	-1.75
Net	48.25
From E-mail Address	tjg@ucsc.edu
To E-mail Address	paypal@soe.ucsc.edu
Transaction ID	4GL980349L8917706
Counterparty Status	Unregistered

Address Status	Confirmed
Item Title	Research Review Day 10/17/2008
Item ID	
Shipping and Handling Amount	0
Insurance Amount	
Sales Tax	0
Option 1 Name	
Option 1 Value	
Option 2 Name	
Option 2 Value	
Auction Site	
Buyer ID	
Item URL	
Closing Date	
Escrow Id	
Invoice Id	
Reference Txn ID	
Invoice Number	
Custom Number	
Receipt ID	0276-1471-9764-2792
Address Line 1	1156 High St
Address Line 2/District	
Town/City	Santa Cruz
State	CA
Zip/Postal Code	95064
Country	United States
Contact Phone Number	

Appendix C: Sample PayPal Spreadsheet For General Accounting

Please see the attached sample general accounting spreadsheet sample.