

# Consumer Protection Awareness SYTA Summit January 24, 2020

Carylann Assante, SYTA CEO

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Safety

# CSTO/CSTP Updates

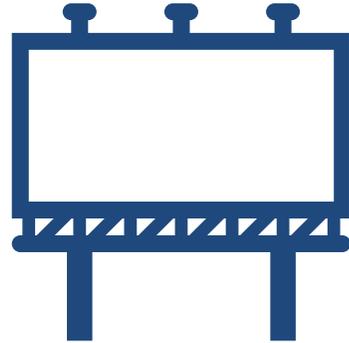
- This class meets standard requirement for both CSTO & CSTP
- CSTO fee changed to \$1500 until 12/31/2021
- CSTO documentation upload time increased to 90 days
- CSTO motorcoach assessment now includes self-assessment option
- CSTO standards 1 & 2
- CSTP classes are being updated on website
- Post-course assessment
- Certification resources on [my.SYTA.org](https://my.SYTA.org)

# Consumer Protection Awareness SYTA Summit January 24, 2020

Presented by: William J. Caldwell, CPA



# ABOUT THIS SEMINAR



This seminar is designed to create awareness of Best Practices in Consumer Protection for the student travel industry.



Your participation in this seminar meets the Certified Student Travel Operator & Professional mandatory standard: Consumer Protection Education.

# CSTO MANDATORY STANDARD # 3

## CONSUMER PROTECTION

Options for meeting this standard include:

- Attend a Consumer Protection Awareness seminar covering at least the following topics;
  - Benefits of placing all customer payments in an escrow account until paid as tour expenses or earned as income by the company.
  - Trip insurance options covering the client's investment.
  - Understanding why Consumer Protection programs are vital to the student travel industry.
  - Bond options to protect the client's investment.
- If the Travel Organization is a member of USTOA, TICO, or another association with a SYTA-approved consumer protection plan, that membership documentation may be submitted with the SYTA application.
- If the company has obtained an unqualified audit from an independent CPA/Chartered Accountant within the previous 12 months, that audit, along with previous unqualified audits as needed, must indicate that the Travel Organization was profitable for at least two of the previous four years and that the Travel Organization has a positive net worth as of the most recent audited year-end.

# WHAT WILL YOU LEARN TODAY?

Consumer Protection has a dual purpose- it protects you and your clients. As part of the CSTO process, today you will learn more about:

- ✓ Escrow Accounts
- ✓ Fraud Mitigation
- ✓ Trip Insurance
- ✓ Bonds
- ✓ Seller of Travel Laws

# CONSUMER PROTECTION DEFINED



Simply defined, consumer protection is laws or rules to protect consumers when they have bought goods or services, covering things such as price, quality or safety.



*For the purpose of this session, we are discussing the financial aspect of protecting client deposits and investments.*

# CONSUMER PROTECTION FOCUS ON FIVE ON KEYS AREAS



*ESCROW ACCOUNT  
FOR CUSTOMER  
DEPOSITS*



*BANK FRAUD  
MITIGATION*



*CONSUMER  
INSURANCE  
AWARENESS*



*BONDS*



*SELLER OF TRAVEL  
LAWS*

# PROTECTING CUSTOMER DEPOSITS

Over the past few years the industry has seen several student tour operators exit the industry in ways that hurt the consumer – namely the student group. Failure to protect consumer deposits meant no money was available to pay the bills, leaving groups high and dry. One way to protect consumer deposits is to create an escrow fund.

# WHAT EXACTLY IS ESCROW?

A bond, deed, or contract **kept in the custody of a third party** and taking effect only when a specified condition has been fulfilled.

# CREATING AN ESCROW ACCOUNT FOR CUSTOMER DEPOSITS

Creating an escrow fund for customer deposits does not mean opening a second bank account, to which the principal in the business has unrestricted access.

An escrow account for customer deposits requires working with an escrow agent.

# WHAT IS AN ESCROW AGENT?

An escrow agent\* is a third party with whom you create an agreement that money held in a specified bank account can be released only after meeting certain criteria. **A separate bank account is not an escrow agent.**

\* Source- FVC Bank.

# PROS AND CONS OF AN ESCROW ACCOUNT

PROS	CONS
PROTECTS CONSUMER DEPOSITS	ACCESS TO FUND DENIED UNLESS CONTRACTED TERMS ARE MET - COULD AFFECT CASH FLOW
CAN SET UP AS AN INTEREST BEARING ACCOUNT	ESCROW AGENT MAY WORK WITH A SPECIFIC BANK THAT IS NOT LOCAL TO YOUR ORGANIZATION
MARKETING TOOL WITH CONSUMER- CAN TRULY MARKET THAT DEPOSITS ARE HELD IN ESCROW	PAPERWORK NEEDED TO RELEASE FUNDS

# BANK FRAUD MITIGATION

The use of technology has revolutionized the banking industry and created “entrepreneurial” opportunities in bank fraud.

Protecting your banking data and the data of any customer who interacts with your company is your responsibility. Following a few best practices can help you identify fraudulent activity and take quick steps to remedy the situation.

# BEST PRACTICES IN FRAUD MITIGATION

- Utilize online banking and balance alerts
- Reconcile your account(s) on a regular basis at least once a month
- Do not accept ACH or Wire instructions via email. Have internal controls in place to validate your customer, employee or vendor payment instructions.
- Use Dual control to process ACH or wires, two sets of eyes are better than one.
- Store checks in a secured drawer or cabinet. Never leave out in the open.
- Set up positive pay on your account(s).
- Notify your bank immediately of any suspicious transactions.
- Instruct your staff on the proper storage of customer data.

\* Source: FVCbank

# TRIP INSURANCE

Offering your clients trip insurance to protect against the unexpected is valuable. There are several SYTA members who offer trip insurance. Trip insurance is especially valuable on trips abroad, particularly in situations that require medical attention, medical evacuation or in the unlikely tragedy of repatriation and return of remains.

It's important to remember that tour operators have a "Duty of Care" to safeguard travelers from harm and keeping them informed when things go wrong. Travel insurance can help mitigate expenses and provide consultative services should an unexpected situation arise. Trip insurance goes beyond just covering expenses.

Policies exist to protect the company's financial interests as well as the individual tour participant. Especially helpful is trip cancellation insurance.

When reviewing trip insurance partners, be sure to review the policies and understand the coverages available should a tour operator or a supplier on the tour file for bankruptcy. Also, be sure to discuss how expenses are reimbursed when the tour operator covers the cost of expenses related to flight cancellations or other situations where the expense is not borne by the supplier.

*\*Thank you to Bud Geissler, Travel Insured International, for advice on content to include in this presentation.*

# BONDS

Bonds are an insurance product. Should the unlikely situation occur that your customer deposits are in jeopardy, a bond allows your consumers to file a claim against the insurance policy.

Securing a bond is not an easy task. The bond is often attached to monies held in escrow.

# BONDS CONTINUED...

What information is needed to begin the conversation\*

- Copy of recent financials
- Average amount of funds held in deposit
- Escrow deposit account may be required

Bonds will not pass underwriting if risks are present.

\*source: Richard Grand, VP Cbiz Insurance Services Inc.

# SELLER OF TRAVEL LAWS

There are three kinds of state laws that directly affect sellers of travel.



# STATE LAW #1

Seller of Travel Laws, which require travel agencies to register, regulate sales by travel agencies, and usually require financial protections for consumers.

There are 5 states with such laws: California, Florida, Hawaii, Iowa and Washington. If you happen to be selling travel in any of these states, we highly recommend that you look into their requirements or consult with an attorney who can assist in compliance.

# STATE LAW #2

The second type of state law doesn't require any registration, but it does regulate sales, mainly by requiring certain disclosures and refund obligations.

Those states include Illinois, Massachusetts, and New York.

# STATE LAW #3

The third type of state law simply requires travel agencies to register and pay a fee for a specific occupational or professional license. Those states are Delaware and Louisiana. New agencies in Delaware are required to register for an occupational license. However, you only need this if you actually open a travel agency in Delaware (not if you are just planning to sell to Delaware residents).

\*source: ccra, Travel Commerce Network 2019

# QUESTIONS



# CONTACT INFORMATION

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