

CITY OF SAN DIEGO
ADMINISTRATIVE REGULATION

SUBJECT CREDIT CARD ACCEPTANCE AND PROCESSING	Number 95.50	Issue 4	Page 1 of 14
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1. PURPOSE

- 1.1 To establish policies and procedures for credit and debit card acceptances as payment for City fees, fines, rents and taxes.
- 1.2 To delineate responsibilities of affected City Departments.
- 1.3 To reduce risk of loss from fraud and weak internal controls.
- 1.4 To expand payment option for users of City services while controlling the cost to the taxpayer.

2. SCOPE

- 2.1 Applies to all City Departments that receive and process credit and debit card payments, as well as any organizations that process such payments through the City, including, but not limited to fees, fines, rents and taxes.
- 2.2 Applies to all payments by credit or debit card, including payments made in person, by phone, mail, fax or via the Internet. "Phone payments" include both person to person contact and IVR (Interactive Voice Response).

3. DEFINITION OF TERMS

Credit Card: A card issued by a bank or business authorizing the holder to buy goods or services on credit.

Chargebacks: A bank's deducting of sums it had provisionally credited to customer's account.

Debit Card: A card used to pay for purchases by electronic transfer directly from the purchaser's bank account.

Automated Clearing House (ACH): A nationwide electronic funds transfer network which enables participating financial institutions to distribute electronic credit and debit entries to bank accounts and to settle such entries.

Direct Debit Transaction: A method of ACH collection used where the debtor grants authorization to a specific company to electronically debit his/her account via an ACH debit transaction.

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Interactive Voice Response (IVR): A software application that accepts a combination of voice telephone input and touch-tone keypad selection and provides appropriate responses in the form of voice or other media.

IVR Payment Service: IVR payment service consists of a standard IVR application which connects to a third party financial processor that authorizes and settles financial transactions.

Discount fees: Fee paid to the City's bank or other contracted party for processing the City's credit and debit card sales (transactions).

Interchange fee: A fee charged by the Card Associations (Visa/MasterCard) to the City to get the funds into the City's bank account and to provide the billing information to the cardholders' bank.

Convenience fee: A fee charged, generally by a third party, to recover the costs associated with offering the convenience of using a credit card.

Point of Sale (POS): An electronic payment system which captures and transmits the customer's credit or debit card number and sale information to the merchant's financial institution for approval and payment.

Card Verification Value (CVV): A three digit non-embossed verification number on the back of Visa/MasterCard, which is printed within the signature panel after the account number.

Transient Occupancy Tax (T.O.T): A tax charged to short-term guests by hotels, motels and vacation properties and paid monthly to the City Treasurer.

Rents: Leases and rents of City-owned property which are generally paid to and administered by the City's Real Estate Assets Department.

Electronic Bill Presentment and Payment (EBPP): Electronic delivery and payment of bills over the Internet.

Personal Identification Number (PIN): A confidential numeric code selected by the debit card holder which acts as an electronic signature on debit card transactions.

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Third Party Provider: A company, other than a financial institution, that processes electronic payments (credit card, debit card, ACH and checks) over a secure private network connection.

4. GENERAL POLICIES

4.1 Least Cost Options – Consistent with the goal of providing a high level of customer service in the most cost effective way possible, all departments should consider adopting policies and procedures which will encourage and facilitate customer payment by the least costly means. For electronically transmitted payments, the least costly are ACH payments such as direct debit and EBPP; the next least costly is debit card. The most expensive option, due to fraud risk, is by credit card; this is especially true for payments accepted without a signature, such as payments made by telephone through a customer service representative.

4.2 Initiating New Payment Options – Departments or Divisions wishing to offer any type of electronic payment option to their customers, whether by ACH, debit or credit card, must first contact the City Treasurer PRIOR to initiating this service. The City Treasurer will assist in selection of the most appropriate payment options, establishing the necessary bank accounts, ordering equipment, selection of any third party provider, and facilitating the training of staff.

No department will enter into any agreement for payment processing without first contacting and obtaining the approval of the City Treasurer and City Auditor and Comptroller.

4.3 Cost to be incurred by Departments – Departments will each have their own merchant service account number, and all fees associated with electronic payment options will be charged back monthly to the department by the City Treasurer through direct billing. A monthly report will be provided by the City Treasurer upon request. Costs include but are not limited to:

- a) any implementation costs, including any necessary hardware or software, and
- b) all continuing costs, such as maintenance, bank service fees, (such as discount and interchange fees) and licenses.

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- 4.4 Convenience Fees – If it is determined that the cost of providing a new payment option cannot be borne by the department or City through increased user fees or off-setting cost savings internally, a “convenience fee” will be added to the City fee for the service, fee or fine. This convenience fee will be administered by a third party provider in consultation with the City Treasurer, the City Auditor and Comptroller and IT&C.
- 4.5 Third Party Providers – Departments wishing to use a third party provider for any credit or debit card related services must contact the City Treasurer prior to entering into any agreement. Any third-party provider contracts must be approved in advance by the City Treasurer.
- 4.6 Acceptance of credit card payments must comply with the terms and conditions of any agreements between the City and its credit card payment service providers.

5. PRIVACY POLICY

- 5.1 To ensure the protection and privacy of any individual’s personal information doing business with the City of San Diego, all departments are required to establish the necessary internal controls to fully comply and/or implement section 1798.29 of the California Civil Code.

6. POLICY EXCEPTIONS

POLICY EXCEPTIONS FOR ENTERPRISE FUND PAYMENTS – Non-General Fund departments may establish a credit and debit card acceptance policy based upon their individual business needs related to cost and customer service. However, any department choosing to accept credit or debit cards will be governed by the processing requirements of this Administrative Regulation.

POLICY EXCEPTIONS FOR T.O.T. AND RENTS – Credit cards will not be accepted as payment for T.O.T and Rents.

POLICY EXCEPTIONS FOR TREASURES COLLECTION ACCOUNTS – Prohibitions on use of credit cards for certain types of payments will not apply to the Treasurer’s Collection Division due to the nature of their service and pursuant to guidelines approved by the City Treasurer.

OTHER POLICY EXCEPTIONS – Request for other exceptions to this policy will require approval in writing from the City Treasurer.

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7. POLICIES – Payment Initiation Method

Over-the-Counter Payments – Credit cards and debit cards will be accepted for all payments made in person, with the exception of those General Fund revenue categories such as T.O.T and Rents, which are generally large. Policies for over-the-counter acceptance of non-general fund payments will be established by each Enterprise Fund (see above).

Phone, Mail, e-Mail and Fax Payments – In general, credit card payments will not be accepted over the phone (except by fully automated IVR), by mail, e-mail or by fax due to high cost and high risk. Exceptions to this policy may be made by the City Treasurer, subject to strict controls and written guidelines (see below).

Internet credit and debit card payments may be made via the Internet subject to review and approval of the proposed service by IT&C, the City Treasurer and the City Auditor and Comptroller.

IVR: Credit and debit card payments may be made via IVR subject to review and approval of the proposed service by IT&C, the City Treasurer and the City Auditor and Comptroller.

8. PROCEDURES for In Person (Over-the-Counter) CREDIT CARD Payments

Responsibility

Action

Initiating Department

- 8.1 Accept credit card from customer.
- 8.2 Require customer to present photo identification. Compare and verify the name on photo identification matches the name on credit card. Confirm the customer is the same person pictured in the photo identification. For company credit cards without a person's name, department should assure itself that payment is authorized.
- 8.3 Swipe customer credit card through terminal reader. Follow terminal display prompts for proper processing (i.e. credit card number, expiration date, sale amount, etc.). If the transaction is approved, the terminal will display the authorization number.

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Reference the bank merchant services User Guide detailing terminal operations, including how to handle transactions which are not approved. This User Guide is provided with the initial terminal set-up through the City Treasurer.

- 8.4 Require customer to sign sales draft.
- 8.5 Retain top (white) copy of sales draft and provide customer with copy (yellow).
- 8.6 Print detailed reports daily from the credit card terminal, including the close-out report. Reference the bank merchant services User Guide detailing terminal instructions in order to conduct daily balancing, settlement and reporting of credit card transaction.
- 8.7 Prepare Daily Cash Receipt (DCR) in accordance with the Cash Handling Practices Manual prepared by the Auditor and Comptroller with proper accounting for the credit card payments. Prepare a corresponding "dummy" deposit ticket and attach the terminal close-out report. Forward the DCR, "dummy" deposit ticket and attached terminal close-out report to Treasurer Accounting Division.
- Treasurer Accounting 8.8 Verify date, amount and location of credit card payments on the City Depository daily bank statement.
- Treasurer Cashier 8.9 Enter DCR into cashiering system for recording and assignment of DCR number and return to Treasurer Accounting.
- Treasurer Accounting 8.10 Forward audited and numbered DCR to SDDPC for data entry into AMRIS.

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9. PROCEDURES for In Person (Over-the-Counter) DEBIT Payments

<u>Responsibility</u>	<u>Action</u>
Initiating Department	<p>9.1 Accept debit card from customer.</p> <p>9.2 Swipe customer debit card through terminal reader. Follow terminal display prompts for proper processing (i.e. sale amount, acceptance amount, PIN pad, etc). Customer will be required to enter debit card PIN. If the transaction is approved, the terminal will display the authorization information. Reference the bank merchant services User Guide detailing terminal operations, including how to handle transactions which are not approved. This User Guide is provided with the initial terminal set-up through the City Treasurer.</p> <p>9.3 Retain top (white) copy of sales draft and provide customer with copy (yellow).</p> <p>9.4 Print detailed reports daily for the debit card terminal, including the close-out report. Reference the bank merchant services User Guide detailing terminal instructions in order to conduct daily balancing, settlement and reporting of debit card transactions.</p> <p>9.5 Prepare DCR in accordance with the Cash Handling Practices Manual prepared by the Auditor and Comptroller with proper accounting for the debit card payments. Prepare a corresponding "dummy" deposit ticket and attach the terminal close-out report. Forward the DCR, "dummy" deposit ticket and attached terminal close-out report to Treasurer Accounting Division.</p>
Treasurer Accounting	<p>9.6 Verify date, amount and location of debit card payments on the City Depository bank statement.</p>

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Treasurer Cashier 9.7 Enter DCR into cashiering system for recording and assignment of DCR number and return to Treasurer Accounting.

Treasurer Accounting 9.8 Forward audited and numbered DCR to SDDPC for data entry into AMRIS.

10. PROCEDURES FOR PROCESSING MAIL, FAX & EMAIL CREDIT CARD PAYMENTS

Responsibility

Action

Initiating Department 10.1 Develop a written procedure to comply with City credit card and banking agreements, reduce exposure to credit card fraud, and minimize credit card payment chargebacks. Procedure should include the use of a credit card authorization form. Submit to City Treasurer and City Auditor and Comptroller for approval. *(See sample written procedure and credit card authorization form in Appendices 1 and 2.)*

City Treasurer 10.2 Review the written procedure and approve as appropriate.

City Auditor/Comptroller 10.3 Review the written procedure and approve as appropriate.

11. PROCEDURES FOR PROCESSING CREDIT CARDS BY TELEPHONE

Responsibility

Action

Initiating Department 11.1 Develop a written procedure for processing of credit card payments by telephone. Procedure should include the use of a credit card authorization form. Submit to City Treasurer and City Auditor and Comptroller for approval. *(See sample written procedure and credit card authorization form in Appendices 1 and 2.)*

City Treasurer 11.2 Review the written procedure and approve as appropriate.

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City Auditor/Comptroller 11.3 Review the written procedure and approve as appropriate.

12. PROCEDURES FOR PROCESSING INTERNET PAYMENTS

Responsibility

Action

Initiating Department

Contact the Treasurer's Department for a list of internally approved Payment Processors or request the Treasurer's approval for any outside third party provider.

13. PROCEDURES FOR PROCESSING INTERACTIVE VOICE RESPONSE (IVR) PAYMENTS

Responsibility

Action

Initiating Department

Contact the Treasurer's Department for a list of internally approved Payment Processors or request the Treasurer's approval for any outside third party provider.

14. PROCEDURES FOR PROCESSING CHARGEBACKS

Responsibility

Action

Initiating Department

Upon receipt of notification from bank of possible chargeback:

Immediately provide to bank merchant services legible copies of all requested documentation as specified in the bank notification in order to avoid a chargeback.

Note: Failure to respond to the bank notification within the time specified will result in forfeiture of the original credit card payment.

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14.2 Call the bank merchant services number on the bank notification to answer any questions pertaining to potential chargeback.

14.3 Advise Treasurer Accounting of receipt and response to bank notification of possible chargeback.

Initiating Department

If chargeback occurs:

14.4 Verify with Treasurer Accounting the reversal of original credit card amount to the City's bank account.

14.5 Prepare a negative DCR with proper accounting from original credit card payment in order to reverse the transaction and forward to Treasurer Accounting Division. Reference the Cash Handling Practices Manual prepared by the Auditor and Comptroller detailing instructions on documentation of revenues. Note: A fee is assessed to department for all chargeback requests. Departments should establish a policy for refusing the cards of customers who repeatedly generate chargeback requests.

Treasurer Accounting

14.6 Verify date and chargeback amount on the City Depository bank statement. Process negative DCR and distribute copy to appropriate department.

Treasurer Cashier

14.7 Enter DCR into cashiering system and return to Treasurer Accounting.

Treasurer Accounting

14.8 Forward audited DCR to Data Processing for data entry into AMRIS.

Initiating Department

14.9 Continue with normal collection procedure and follow A.R. 63.30.

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APPENDIX

1. Sample – Procedure for Accepting and Recording Credit and Debit Card Payments
2. Credit Card Charge Authorization Form

Legal References

Uniform Commercial Code 4A

Subject Index

Chargebacks
Credit Cards
Convenience Fees
Debit Cards
Payments Processing

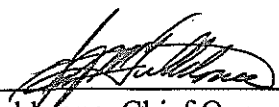
Manuals and Department Instructions

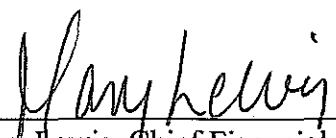
Cash Handling Practices, Office of the Auditor and Comptroller
Bank Merchant Services User Guide (Available from the Office of the City Treasurer)

Administering Department

Office of the City Treasurer

(Supersedes 65.01 Issue 1, effective March 20, 2007)


Jay Goldstone, Chief Operating Officer


Mary Lewis, Chief Financial Officer

**CITY OF SAN DIEGO
M E M O R A N D U M**

Date: February 18, 2009

To: XYZ Department Staff

From: XYZ Department Director

Subject: Sample - Procedure for Accepting and Recording Credit and Debit Card Payments

Purpose

To provide customers with the broadest variety of payment options, the XYZ Division will accept credit and debit card payments made at the XYZ lobby payment window on XYZ Department charges and fees. The purpose of this procedure is to ensure the following:

1. Compliance with credit/debit card and banking agreements
2. City and consumer exposure to credit/debit card fraud is minimized
3. A low frequency of credit/debit card payment charge backs

Scope

This procedure shall be used for **over-the-counter credit and debit card payments** initiated by the cardholder at the XYZ Department lobby payment window for XYZ Department charges and fees.

Procedure

Process Credit Card Transaction

1. Accept credit card from customer.
2. Require customer to present photo identification. Compare and verify that name on photo identification matches the name on credit card. Confirm that customer is the same person pictured in the photo identification.
3. Swipe customer credit card through terminal reader. Follow terminal display prompts for proper processing (i.e. credit card number, expiration date, sale amount, etc.). If the transaction is approved, the terminal will display the authorization number.

Note: If the transaction is not approved, reference the bank merchant services User Guide for further instructions.

4. Require customer to sign sales draft.
5. Retain top (white) copy of sales draft and provide customer with copy (yellow).

Process Debit Card Transaction

1. Accept debit card from customer.
2. Swipe customer debit card through terminal reader. Follow terminal display prompts for proper processing (i.e. sale amount, acceptance amount, PIN pad, etc.).
3. Have customer enter debit card PIN. If the transaction is approved, the terminal will display the authorization information.

Note: If the transaction is not approved, reference the bank merchant services User Guide for further instructions.

4. Retain top (white) copy of sales draft and provide customer with copy (yellow).

Daily Settlement and Recording of Receipts

1. Print detailed reports daily from the credit card terminal, including the close-out report. Reference the bank merchant services User Guide detailing terminal instructions in order to conduct daily balancing, settlement and reporting of credit card transactions.
2. Prepare Daily Cash Receipt (DCR) or Auxiliary Invoices in accordance with the Cash Handling Practices Manual prepared by the Auditor and Comptroller with proper accounting for the credit card payments.
3. Prepare a corresponding "dummy" deposit ticket and attach the terminal close-out report. Forward the DCR and or Auxiliary Invoices, "dummy" deposit ticket, and attached terminal close-out report to Treasurer Accounting Division.

Processing Charge-backs

1. Upon receipt of notification from bank of possible chargeback:
 - a. Immediately provide to bank merchant services legible copies of all requested documentation as specified in the bank notification in order to avoid a chargeback.

Note: Failure to respond to the bank notification within the time specified will result in forfeiture of the original credit card payment.

Credit Card Charge Authorization Form

Accounts to be Paid:

Responsible Party(s) : _____

Debtor Identification Number : _____

Amount Due : _____

Credit Card to be Charged:

Type : MasterCard Visa (Circle one)

Credit Card Account Number : _____

CVV Number : _____

Credit Card Expiration Date : _____

Name on Card : _____

Cardholder Billing Address
(statement mailing address) : _____

Amount to Charge : _____

In consideration of their agreement to accept payment via my credit card account and by signing below, I hereby authorize the City of San Diego to charge my credit card for the debt(s) and amount described above. I further agree that I will not request my credit card company or bank to reverse the charge to my credit card account for any reason other than that it was not processed in a manner consistent with the terms of this authorization and that I will pay the amount charged according to card issuer agreement. If I do request the credit card company or bank to reverse the charge to my credit card for other than the reason excepted above, and the amount charged or any part thereof is reversed or charged back, I agree that, I, in addition to the responsible parties described above, will be liable for that amount.

Signature of Cardholder

Date