

CHAPTER: INTERNAL CONTROLS		NUMBER: 1.6	REFERENCE: Payment Card Industry (PCI) Security Standards Council; ORS 192.501 and 502 – Public Records Conditionally Exempt from Disclosure; Oregon State Treasurer Cash Management Manual Section II 02 18 01 – Deposit of Cash Receipts, Section IV – Depositing to an Agency Account; OAM 10.20.00.PO – Internal Controls – Cash; OAM 10.20.00.PR – Internal Controls – Cash; OAM 10.30.00.PO – Internal Controls – Revenues; OAM 10.30.00.PR – Internal Controls – Revenues; OAM 10.35.00.PO – Internal Controls – Credit Card Acceptance for Payment; US Bank Merchant Terms of Service (MTOS); OAM 10.35.00.PR – Internal Controls – Credit Card Acceptance for Payment; US Bank Merchant Terms of Service (MTOS)	
EFFECTIVE DATE: July 28, 2014	SUPERSEDES: July 5, 2012	REVIEW DATE: July 2016	PAGE NUMBER: Page 1 of 5	
SUBJECT: CREDIT CARD TRANSACTIONS		APPROVED SIGNATURE: /s/ Tracy Wroblewski Chief Financial Officer		

PURPOSE:

To provide guidelines for Department business offices to accept credit card payments for goods and services.

STANDARD:

Customers may wish to pay for Department products and services by credit card. As a result, Department business offices may choose to accept credit card payments, including credit card payments via the Internet. However, Department business offices cannot accept credit cards for payment unless Financial Services has obtained all prior approvals from the Oregon State Treasury. Once approved, Department business offices are authorized to accept only Visa, MasterCard and Discover credit cards.

Approval for Credit Card Processing

If the Department business manager plans on accepting credit card payments via the Internet, the criteria outlined by the Oregon State Treasury must be met by the Department business office prior to submitting the *Request for Credit Card Processing* form (731-0500) to Financial Services. Division administrators or delegates must submit a [Request for Credit Card Processing](#) form to Financial Services for approval. Once approved by Financial Services, the completed request is sent to the Oregon State Treasury using their applicable credit card processing request forms (Internet, hosted services, terminals). The Oregon State Treasury is responsible for assigning a document number to the request and forwarding the information to the state's contracted bank for assignment of a merchant number. The contracted bank's merchant services will coordinate with Financial Services and the Department business office for setting up the credit card processing applications or terminals.

Payment Card Industry (PCI) Standards

Department offices that store, process or transmit cardholder information associated with credit card transactions must also comply with applicable industry data security standards. Credit card brands require compliance with the Payment Card Industry Data Security Standard (PCI-DSS). The PCI-DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures. Failure to comply with industry standards may result in fines and/or revocation of credit card acceptance. Financial Services will assist business offices to ensure they are PCI-DSS compliant and have successfully mitigated the risks associated with this payment option.

Department offices, regardless of the credit card processing system used, must not store the following sensitive data after the transaction is authorized:

- The full contents of the information embedded in the card by magnetic strip, computer chip or other technology.
- The card validation code or value (the three-digit or four-digit number printed on either the front or back of the credit card).
- The personal identification number (PIN) or the encrypted PIN block.

Establishing Internal Controls

Divisions must develop operating procedures covering the acceptance, processing and reconciliation of credit card receipts. These procedures shall specifically address the card transaction situations outlined in Oregon Accounting Manual (OAM) 10.35.00.PR – Credit Card Acceptance for Payment and must be approved by the Financial Services' [Financial Systems Manager](#) to ensure appropriate internal controls are in place. In addition, the manager of the Department business office accepting credit cards is responsible for ensuring that all office employees involved in accepting and processing credit cards are familiar with and have access to the Oregon State Treasury Rules, contracted bank's Merchant Terms of Service (MTOS) and all applicable laws, rules, policies and procedures regarding credit cards and information assets.

Department business office managers must ensure that controls and safeguards are adequate to reduce the likelihood of errors or fraud. It is their responsibility to ensure that all credit card transactions are processed in accordance with approved division procedures. At the close of each business day, all receipts, including credit card receipts, must be reconciled against the daily transaction records. One of the most basic and effective controls is to segregate duties, which means that no employee should be in a position to both commit an irregularity and cover it up. To the maximum extent possible, the following functions should be performed separately by different individuals:

Task	Person 1	Person 2	Person 3
Process payments and record transactions	X		
Process and approve voids before settlement		X	
Reconcile daily receipts and settlement of credit card transactions		X	
Process credits and refunds		X	
Approve/authorize credits and refunds			X
Handle billing and settlement errors.	X		
Reconcile settled transactions to business transactions.	X		

All credit card transactions must be properly recorded, authorized, timely settled and reconciled. Timely settlement means credit card transactions are released when the related services are performed or products shipped. Timely reconciliation must be accomplished within three business days of the transaction. Timely recording means all credit card transactions are entered into [TEAMS](#) within three business days of deposit as verified in the TEAMS Check Deposit file or Treasury Statement.

Credit Card Verification

Each Department business office manager, in conjunction with the Revenue and Expenditure Accounting Unit, will establish the level of credit card authentication and address verification to be performed. Consideration must be given to the per-transaction cost of each level of verification and the risk to the Department.

Unsigned and expired credit cards will not be accepted for payment. If the terms on the reverse side of a credit card require presentation of photo identification, the office employee accepting the credit card for payment must ask for identification that contains both a photo and the signature of the individual presenting the card. The credit card must not be accepted for payment unless it reflects the signature of that same individual. If a credit card transaction is suspected to be fraudulent, the employee processing the transaction must refer to and follow the State's contract Bank's Merchant Terms of Service.

Processing Credits or Refunds

No cash or check refunds are given for a returned or undeliverable product or an otherwise canceled credit card transaction. Credits (refunds) must be issued back to the same card used for processing the original transaction. If the original card has been canceled, check refunds are permitted with a copy of the card rejection document.

Settlement of Internet Purchases

Department business offices accepting credit card payments for products (not a service or license) purchased via the Internet must place a hold on the order through the Internet payment processor if the product is not available for shipment. Once the product is available for shipment, the hold can be released and the product shipped.

Department business offices are not allowed to settle the payment until the order has been fulfilled and shipped. The purchase date can be no more than seven days from authorization date; otherwise the credit card transaction must be canceled.

Confidentiality of Records

Per ORS 192.501 and ORS 192.502, all paperwork, records, receipts, card imprints, electronic data, etc. containing cardholder information shall be treated as confidential information and shall be stored in a secure area with limited access. Personal information is defined as a consumer's first name or first initial and last name in combination with any one or more of the following data elements:

- Social Security number
- Driver license number or state identification card number
- Passport number or United States issued identification number
- Financial account number, credit or debit card number in combination with any required security code, access code or password that would permit access to a consumer's financial account

This information must be available for the purpose of auditing and reviewing financial records. All records containing cardholder account information not retained by the Department business office must be shredded or otherwise made unreadable prior to discarding. If credit card receipts are forwarded to Financial Services Imaging and Archiving Unit as backup documentation for the TEAMS transaction, the account information must be made unreadable prior to submission. Department business office employees must not use, disclose or disseminate cardholder account information except for purposes of processing the associated financial transaction.

PROCEDURES:

Request for Credit Card Processing

RESPONSIBILITY	STEP	ACTION
Division Administrator or delegate	1	Complete a Request for Credit Card Processing form (731-0500) and sign, recommending approval.
Financial System Manager	2	Approve or deny request for credit card processing. For approved requests, work with business staff requesting credit card processing authority and prepare appropriate information and submit to the Oregon State Treasury. Coordinate with the requesting office and Information Systems (IS) to ensure required compliance with PCI DSS. If the request is denied, provide written documentation supporting the denial and return to the Department business office.
Oregon State Treasury	3	Assign document number. Forward request to the State's Contracted Bank Merchant Services.
Contracted Bank Merchant Services	4	Process the request, assign a merchant number, program a terminal for credit card brands and ship the terminal to the Department business office.
Financial Systems Manager	5	Notify business unit of completed setup by Oregon State Treasurer and merchant bank. Continue to support business to ensure adequate testing has been performed for Internet processing and adequate internal processing controls are in place for all processes.

Credit Card Transactions

RESPONSIBILITY	STEP	ACTION
Department Business Office	1	Process customer order with Visa or MasterCard credit card per office procedures.
	2	Reconcile all revenue transactions (cash, check or credit card) with day's receipts.
	3	Input deposit information in TEAMS or send to Financial Services for entry.
Revenue Accountant	4	Input deposit information in TEAMS.
Department Business Office/Revenue Accountant	5	Verify Check Deposit file is balanced.