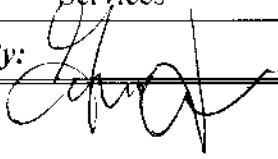




POLICY AND PROCEDURE

Subject: Credit Card Acceptance Policy	Index: Finance Number: 201-6-3
Effective Date: December 10, 2009	Prepared By: Finance & Administrative Services
Supersedes: New	Approved By: 

1.0 PURPOSE:

This policy establishes standards for the acceptance and processing of credit card payments in City departments and maintaining the security of confidential credit card data. The federal Fair and Accurate Credit Transaction (FACT) Act of 2003 requires creditors (defined in the Act to include municipally-owned public utility companies or other public entities that extend credit) to implement reasonable policies and procedures for detecting, preventing and mitigating identity theft. This policy will supplement the City's Identity Theft Prevention Program – Red Flags policy required by the FACT Act.

Compliance with this policy will:

- Provide reasonable assurance that all credit card transactions are properly authorized, timely settled, and accurately and completely recorded;
- Monitor for errors, both unintentional and intentional, including fraud; and
- Protect the security, confidentiality and integrity of cardholder information.

This policy is further intended to ensure compliance with Payment Card Industry (PCI) Standards, as required by Visa, MasterCard, American Express and Discover. Failure to comply with PCI industry standards may result in fines and/or revocation of credit card acceptance.

2.0 ORGANIZATIONS AFFECTED:

All departments and divisions.

3.0 REFERENCES:

2003 Fair and Accurate Credit Transaction (FACT) Act of 2003.
Identity Theft Prevention Program – Red Flags Policy #201-6-2
Payment Card Industry (PCI) Standards

4.0 **POLICY:**

The following departments are authorized to accept credit card transactions:

- Finance
- Utility Billing
- Recreation
- Community Development
 - Building
 - Planning
 - Engineering
 - Business License
 - Code Enforcement
- Golf

Departments accepting credit card payments must comply with credit card regulations. The maximum credit card charge is \$5,000. Invoices or charges exceeding \$5,000 may not be split into multiple credit card charges to avoid the maximum charge amount of \$5,000. Credit cards may be accepted for all payment transactions except Developer Deposit activity. The City will not accept credit card charges for Developer Deposits. No refunds will be processed to credit cards. Refunds will be by warrant only.

5.0 **DEFINITIONS:**

- 5.1 2003 Fair and Accurate Credit Transaction (FACT) Act of 2003: Federal legislation designed to assist consumers in fighting the growing crime of identity theft. Provisions of the Act are aimed at prevention of identity theft and assistance for victims.
- 5.2 Identity theft: The unauthorized use of personal consumer information, including name, address, bank account information, driver's license number, social security number, employment information, and other information used to identify an individual.
- 5.3 Red Flag Rule: The Federal Trade Commission has issued a set of regulations, known as the "Red Flags Rule," requiring that certain entities develop and implement written identity theft prevention and detection programs to protect consumers from identity theft.
- 5.4 Identity Theft Prevention Program: Required by the Federal Trade Commission, a formal written program of policies and actions to implement and maintain identity theft prevention by the City of San Clemente.
- 5.5 Red Flag: A Red Flag is a pattern, practice, or specific account activity that indicates the possibility of identity theft.

- 5.6 Point-of-Sale: Any cashiering station operated by the City or the City Golf Course Concessionaire.
- 5.7 Payment Card Industry (PCI) Standard: A set of industry standards originally created by Visa and MasterCard for credit card security requirements. A single validation process was developed and is now accepted worldwide.
- 5.8 Merchant Fees: Charges for processing credit card transactions, typically quoted as a percentage of the transaction amount. Merchant fees vary by type of credit card, issuing bank, and incentive programs such as airline miles, tied to the credit card.

6.0 PROCEDURE:

6.1 Transaction Control Requirements

The City accepts Visa, MasterCard, American Express and Discover credit cards as a form of amounts due to the City. Debit cards with Visa or MasterCard logos are also accepted and processed as credit cards. The City currently accepts transactions through point-of-sale terminals and the City's WEB POS internet site.

6.1.1 Point-of-Sale Transactions

- 6.1.1.1 Credit card machines and manual imprinters are to be secured and inaccessible to the public.
- 6.1.1.2 The customer's credit card should be visible to the customer at all times.
- 6.1.1.3 Prior to swiping the credit card:
 - a. Ensure that the credit card expiration date has not passed. Expired credit cards must not be accepted for payment.
 - b. Compare the name on the credit card to the cardholder's photo identification. If the names do not match, the credit card must not be accepted.
- 6.1.1.4 Ensure that the amount charged to the card matches the transaction. No refunds or credits may be issued in conjunction with the payment.
- 6.1.1.5 A signature must be obtained on the credit card payment slip and compared to the signed credit card or the credit card owner's photo identification. In the event of unmatched signatures, the credit card transaction must be voided and the credit card returned to the customer.
- 6.1.1.6 If the card's magnetic strip cannot be read, the card number should be keyed into the credit card terminal. To reduce the risk of access to

confidential credit card data, manual imprints of the card should not be made.

6.1.1.7 If the authorization network (via the credit card machine) sends a "decline" or "no match" response, the credit card must not be accepted.

6.1.1.8 In all circumstances of declined or unaccepted transactions, return the credit card to the customer and offer to accept another card or method of payment. Customers disputing the decline or non-acceptance of the credit card should be referred to the issuing bank.

6.1.2 WEB Point-Of-Sale (POS) internet transactions

6.1.2.1 All City WEB POS portals are intended for customer use only.

6.1.2.2 City personnel shall not obtain customer credit card information and process a WEB POS transaction on behalf of any customer.

6.1.2 Third Party Processors

The Finance division will select and approve all merchant service providers. Any internet-based payment processing software shall require Information Technology division approval in addition to the Finance division approval.

The City currently contracts with a third-party payment processor to accept credit card payments for utility bills, parking citations, and ambulance billings. The Finance division shall insure that a complete and accurate recording of transactions, fees and deposit of monies takes place in a timely manner. Third-party processors must comply with Payment Card Industry (PCI) Standards.

6.2 Settlement and Deposit of Credit Card Payments

6.2.1 Credit card receipts for each cashiering location are batch settled electronically through the Active Networks cashiering software at the end of each business day.

6.2.2 Daily credit card activity is reconciled and summarized on the Daily Cash Balance Report by credit card type and delivered to Accounting.

6.2.3 The summarized credit card activity is posted on a daily basis to the Cash Receipts Envelope and delivered to Accounting.

6.2.4 Deposits are generally credited to the bank within 3 business days, depending upon credit card type.

6.2.5 Each cashiering location is responsible to verify that all transactions clear through the cashiering software by reviewing the payment processing activity log.

6.2.6 Chargeback and disputed transactions must be researched and resolved by the originating cashiering location. Accounting will notify the originating location that a chargeback or disputed transaction has occurred. The originating cashiering location will work with Accounting to resolve the transaction in a timely fashion.

6.3 Merchant Fees and Other Credit Card Charges

Credit card transactions will be posted to the City's designated bank account on a "gross transaction" basis, i.e., the total credit card charge will be deposited into the City's bank account. Merchant fees for all credit card transactions shall be billed on a monthly basis and may be authorized for ACH payment by the Finance division.

The Finance division shall maintain separate merchant accounts for each cashiering location to segregate credit card activity and for merchant fee tracking purposes.

Other credit card charges, such as charge-backs, disputed items, or returned items are related to a specific transaction and will be referred to the applicable department for follow-up and reconciliation.

6.4 Safeguarding of Confidential Data

6.4.1 Credit card records, including but not limited to, receipts, imprints, credit card numbers, expiration date, card type, bank information, etc. are exempt from public disclosure and shall not be disclosed by the City unless required via Court subpoena or in writing by the City Attorney.

6.4.2 Any credit card documentation not remitted before the close of the business day must be secured to prevent against the theft of confidential customer data.

6.4.3 Processing of credit card payments by a third party on the City's behalf requires compliance with the 2003 Fair and Accurate Credit Transaction Act and Payment Card Industry (PCI) Standards.

6.4.4 Full credit card numbers must not be recorded, maintained or viewable in any City computer system.

6.4.5 To the extent required by law, the City will notify credit card customers of any breach of security which has placed their confidential credit card information at risk.

6.5 Payment Card Industry (PCI) Compliance

The City will annually review and update the PCI Self-Assessment Questionnaire (SAQ) D and Attestation of Compliance applicable to Validation Type 5 merchants. Merchants in Validation Type 5 process credit card transactions in a variety of manners, including stand-alone, dial-out terminals, and internet payment systems.

Third-party processors accepting credit card payments on behalf of the City must also complete the PCI SAQ applicable to their merchant validation type.