

ADMINISTRATIVE PROCEDURES



Procedure Number: 22-72

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C. DeLubow
County Administrator

SUBJECT: **COST RECOVERY FOR CREDIT AND DEBIT CARD PROCESSING**

DEPARTMENT RESPONSIBLE: **All Departments**

1. **STATEMENT**

If a department wishes to accept credit and/or debit cards for the payment of fees for services, fines, or other amounts due to the department, the department shall recover from the person or entity making payment all costs incurred for accepting such a payment unless the analysis set forth below indicates the financial or operational benefit is greater than the cost of accepting such payments. Under current merchant card agreements, Pima County is allowed to charge fees to cover electronic processing costs if such processing is for the convenience of the payor, but cannot charge such a fee for electronic payments over the counter. It shall be the responsibility of the Department of Finance and Risk Management (Finance) to perform the cost analysis and in conjunction with the requesting department make a recommendation to the County Administrator.

This procedure does not require a department to accept credit and/or debit card transactions.

2. **BACKGROUND**

Under A.R.S. §11-251(30), the County is authorized to receive and accept payment of monies by credit card and/or debit card provided that the County either (i) recovers, from the person making the payment, any processing fees or costs incurred by the County as a result of the payment; or (ii) makes a determination that the financial or operational benefit of accepting the cards is greater than the resulting processing fees.

The Board of Supervisors recognizes that costs and fees associated with accepting cards could be substantial if a significant portion of the County's revenues and fees for services were paid using credit and/or debit cards, but also recognizes that accepting credit and/or debit card payments for some types of County charges may be fiscally prudent, either because the cost is less than that incurred in the processing of cash or checks, or because the expense is more than offset by increased fee recovery or other demonstrable financial or operational benefits. The Board of Supervisors also recognizes that the merchant agreement requirements imposed by credit card companies (Visa, MasterCard, Discover, American Express, Diners Club) will impact

whether a surcharge or convenience fee can be collected in connection with a particular transaction.

Per A.R.S. §11-251.08(B), “any fee or charge established...must be attributable to and defray or cover the expense...for which the fee or charge is assessed. A fee or charge shall not exceed the actual cost of the...service.”

3. DEFINITION

“Electronic Payment” means that a debit card or credit card transaction has been used to pay Pima County for a fee, fine or service.

4. COST FEASIBILITY ANALYSIS

4.1. If a Pima County department recognizes a business need to accept credit and/or debit cards, then a cost feasibility analysis must be performed by Finance.

4.1.1. Finance will conduct a thorough analysis to determine the cost impact of accepting credit and/or debit cards. The purpose of the analysis process is to:

- Determine whether it is operationally or financially beneficial to accept credit and/or debit cards.
- Determine whether a fee should be assessed to any automated credit card and/or debit card transaction (e.g., online or by phone) to offset increased processing costs. If the determination is to assess a fee, Finance will consult with the Pima County Attorney’s Office regarding any legal restrictions.
- Recommend to the department an increased fee structure for all transactions, including over the counter transactions, to account for increased operational costs if a surcharge or convenience fee cannot be assessed.

4.2. All software acquisition requests including e-commerce and Integrated Voice Response (IVR) systems must follow the prescribed Administrative Procedure 27-8, Software Acquisition and Development Procedure, promulgated by the Information Technology Department.

4.2.1. The Information Technology Department will notify Finance when an online or phone payment forum is requested.

4.2.2. A cost analysis will be completed by Finance, including hardware and software acquisition costs. The cost analysis will become a part of the package presented to the ITD Governance committee.

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- 4.2.3. If a department chooses to only accept credit and/or debit card transactions over the counter then Administrative Procedure 16-3, Procedure for Use of Credit Card as Payment, should be followed.
- 4.3. Analyzed data will be shared with requesting department. Results will be forwarded to County Administrator with a Finance/Requesting department recommendation.
- 4.4. The County Administrator will determine, based on a joint report from Finance and the requesting department, if it is in the best interest of the County to accept credit and/or debit cards by the requesting department and to determine what change in fee structures should take place.
- 4.5. The Software Acquisition Development Request (SADR) form supplied by the Information Technology Department will be so indicated and the County Administrator's recommendation will be included as part of the package.

5. PROCESS

- 5.1. A person or entity desiring to make an electronic payment to the County shall be required to pay a convenience fee sufficient to cover the costs incurred by the County for processing the transaction, unless the County determines, on a department by department basis, that the financial and operational benefits of accepting credit cards and/or debit cards exceeds the additional processing fees in which case no convenience fee will be charged.
- 5.1.1. Any convenience fee shall be in amounts determined by Finance on a periodic basis, but not less than annually.
- 5.1.2. County expenses covered by any convenience fee include costs incurred from:
- 5.1.2.1. Fees charged by any financial institution used by the County.
- 5.1.2.2. Fees charged by a credit card company.
- 5.1.2.3. Fees charged by any third party vendor.
- 5.1.2.4. Other expenses reasonably incurred as a result of accepting credit cards and/or debit cards.
- 5.2. The vendors selected to provide credit card transaction services shall be required to use the Payment Card industry standard interface. If a vendor proposes to use proprietary interface software and not use the Payment Card industry standard interface to process transactions, a cost benefit analysis, to include the costs of application software and the interface changes, must be completed to justify an exemption.

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- 5.3. Any software application developed by or used by Pima County to process credit and/or debit card transactions must be reviewed by the Information Technology Department (ITD) for, and be in compliance with, Payment Card Industry (PCI) Data Security Standards.

6. DEPARTMENTAL RESPONSIBILITY

Each department is responsible for establishing appropriate controls for processing credit and debit card transactions and these procedures shall be documented in writing. Finance and Risk Management is responsible for performing initial and annual feasibility analyses and providing recommendations to the County Administrator.