University of Colorado Treasurer's Office
Credit Card Acceptance

The ability to accept payment cards (debit and credit cards) in payment for goods, services, and activities is a privilege, not a right. To make the process as smooth as possible, the University Treasurer's Office offers this brief overview of the process and responsibilities of accepting payment cards.

Other Alternatives May be More Appropriate

There are alternatives to obtaining a merchant account that might better meet a department's needs. There are multiple online registration service vendors who can provide a number of event registration and payment services, including serving as the credit card merchant of record for your payments. Typically, these vendors send a check or electronic deposits (ACH) for payments made by your customers, net of their service charges and fees (including credit card costs); you will need to work with your campus Bursar office to obtain the necessary banking account information. The online registration vendor currently recommended is Regonline.com. The Treasurer's Office will be happy to work with you to see if any of this or another vendor can better meet your needs, particularly for small events or a small number of payments.

Another alternative exists for departments on the DDC and UCCS campuses. On these campuses only, the campus Bursar office can work with you to process card payments. Please check directly with the Bursar on these campuses to learn about their requirements and conditions under which you might be able to accept card payments.

Finally, for departments that have web application programming expertise available, there is a Treasury-managed online payment processing system available called Commerce Manager. This system can be used for ongoing online card acceptance needs but is not appropriate for one-time events unless they are quite large. Again, the Treasurer's Office can work with you and your web application programmer(s) to see if this option might fit your needs.

Obtaining a Merchant Account

- *Approval Processes*. Each campus has its own process for approving organizational units to accept cards for payments, but in general the process involves two sets of approvals:
    1. The campus Controller / Finance Office (or their designee) must approve the unit's business need and processes for accepting card payments. Note that this usually entails a review of the department's business procedures for processing any type of payment, a review of the currency of the department's accounts and reconcilements, and other applicable factors.

2. The campus Security Principal must also approve the technical security of the computer systems, networks, websites, web applications, etc. used in processing online payments.

Both of these approvals must be obtained before Treasury can make application to the bank for the unit to receive a merchant account.

- ***Setup and Testing***. Once the necessary approvals are obtained, the unit must put appropriate processing practices in place and test them. This may be as simple as running a test transaction through the swipe card terminal, or as complex as a full penetration test of their web server.

- ***Accounting***. Treasury will work with the unit to ensure that the payment funds flows are properly accounted for. Note that all current specific accounting procedures regarding special events / fund raisers / contributions must be followed.

Accepting Other Card Brands

- ***Visa / MasterCard / Discover / American Express***. A base card merchant account comes with the ability to accept Visa, MasterCard, and Discover. American Express can be added, per request on the application form.

- ***PayPal.*** At this time, the University cannot accept payments processed through the PayPal system. This is not because of any technical deficiency but because of a business issue – PayPal payments do not come into the University's bank accounts with sufficient remittance information to identify to which department the payments belong, so they stay on the books as unidentified and unclaimed. There is also a control issue in that there are not sufficient internal controls (dual controls) built into the PayPal account to meet the University's internal control requirements.

- ***Everything Else***. At this time, the University cannot accept payments through other card and/or payment brands or processors. This is an area of ongoing research but this is not expected to change in the immediate future.

Cost of Accepting Card Payments

Card payments are the most costly type of payments a unit can accept. There are multiple costs involved in card acceptance; here is a list of the major ones:

- ***Merchant discount***. The payment card associations assess a percentage of the payment charged to the card to cover the costs of maintaining the card payment network (and profit). This is called the merchant discount and varies depending on the type of card proffered, the method of processing, whether or not the card earns loyalty points (frequent flyer miles, etc.) and other factors. On average, the unit should expect to pay approximately 2.5% – 3% of the revenue received in merchant fees.

- ***Processing fees***. Each card transaction is charged a processing fee, typically around $0.25. There is also a long list of other or "special" fees charged, depending on the circumstances (chargeback, duplicate statements, etc.).

- ***Online processing fees***. If the unit accepts card payments online, there are additional costs that depend on the method of processing and the third party vendor selected. The Treasurer's office will work with our acquiring bank to set up accounts with the appropriate "gateway" (online) processors. The typical cost of this account is $200 setup fee plus $20 per month for the internet feel. Alternatively, the Commerce Manager charge is $0.20 per transaction (in addition to all other merchant costs).

- ***Swipe card terminals***. If card-present or telephone/mail payments are processed, the unit will be required to obtain a swipe card terminal. There are multiple options, but in general it is more cost effective to purchase the equipment than to rent it. There is also the ability to rent a card swipe terminal on a short-term basis (minimum of one month) for special events or busy season processing.

- ***Security costs***. Payment card information is classified as sensitive data and must be protected to a specific minimum standard known as the Payment Card Industry Data Security Standard (PCIDSS). At the very least this means implementing appropriate and secure payment processing procedures and, depending on the methods used, could involve costly code reviews, special equipment, and professional web site programming services. There is also the cost of staff time required to participate in the annual PCIDSS security self-assessment process.

Merchant Obligations

- ***Proper processing and accounting***. Each unit is responsible for working with its campus controller and the Treasurer's office to ensure that proper, secure, and consistent business practices are in place and followed for processing card payments. This includes ensuring that all accounting entries are made properly and timely as well as reconciling funds flows and PeopleSoft accounts. **Note that under Treasury policy paid University staff, not volunteers, must process and handle all payments. This can include students, but only if they are regular paid student employees.**

- ***Fraud avoidance and detection***. The merchant is responsible for fraudulent transactions and so must implement fraud avoidance and detection as part of its everyday business practices. Treasury can assist you in evaluating your processing procedures to minimize the chance of fraudulent transactions. There are additional tools available in the online environment for fraud avoidance and/or detection that might be of use in a particular processing environment. Also, one of the most effective fraud detection practices is to balance the merchant's daily business with the department's PeopleSoft account on a daily basis.

- ***Handling disputes***. Each merchant is responsible for handling customer inquiries and disputes, both directly with the customer and through the card network. Refund policies must be disclosed to the unit's customers, whether on the department or event's web page or physically posted where customers can see them, if payments are taken in person. Chargeback transactions must be promptly processed and documented.

- ***Protecting cardholder data***. As noted above, cardholder data is defined as sensitive data and must be protected to at least the standard required under the PCIDSS. Should a merchant suffer a breach of security or expose cardholder data, the merchant will be entirely responsible for the costs of investigation, notification, remediation, and fraud. These costs generally start at around $50,000 for a minor incident and could easily go as high as hundreds of thousands of dollars (or more) for a major loss of cardholder data.

- ***Security of web site***. If the unit is taking online card payments, the unit must work with its campus security team to ensure that the department's web pages / site are secured to the proper standard for processing payments. Under the PCIDSS, all Internet-facing merchant web sites that are within the Cardholder Data Environment (CDE) must be scanned for vulnerabilities on a quarterly basis. If any vulnerabilities are found, they must be remediated immediately and the site rescanned.

- ***Annual data security compliance certification***. Each merchant is required to annually assess their compliance with the PCIDSS standard.

Depending on the circumstances, the merchant might also have to pay for outside security auditors and/or vulnerability scans if cards are processed in an electronic or Internet environment. Any deficiencies found must be remediated immediately or the privilege of card acceptance will be revoked.

Resources

For questions about becoming a merchant and accepting card payments, please contact:

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The Treasurer's web site has additional information on accepting payment cards: https://www.cu.edu/treasury/