



GAO Technical Bulletin

Arizona Department of Administration ♦ General Accounting Office

Subject:	<i>Accepting Credit Cards as Payment for Amounts Owed to the State of Arizona</i>	Issued:	7/12/06
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TO: Technical Bulletin Administrators
All Agencies

FROM: D. Clark Partridge
State Comptroller

AUTHORITY

A.R.S. § 35-101	Definitions
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A.R.S. § 35-315	Servicing banks; qualifications; bids
A.R.S. § 41-722	Powers and duties relating to finance
A.R.S. § 41-1273	Budget analyst; employees; duties

PRELIMINARY NOTES

The definitions included in this technical bulletin should be used for clarification purposes with respect to the processing of credit card transactions. These definitions may differ slightly from those used by a card issuer, processing financial institution, state servicing bank, authorized agent, or any other outside party.

DEFINITIONS

ACH: Automated Clearing House. A medium of electronic payment for goods and or services; also referred to as direct deposit.

AFIS: The Arizona Financial Information System. Arizona State Government's principal automated accounting system.

Agency Head: The chief executive officer of any agency.

Annual Credit Card Report: The report that must be submitted by an agency annually, by October 1, that details the number of credit card transactions, the revenue collected via credit cards, and the dollar amount of credit card transaction fees for the preceding fiscal year. The report is to be filed with the OSPB, the GITA, the JLBC and the GAO.

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Approved discount fee limit: The discount fee percentage, established annually by the OST, by which the revenue associated with a credit card transaction can be reduced. A discount fee within this limit is an approved discount fee. The approved discount fee percentage goes into effect on July 1 and ends on June 30 of each fiscal year.

Approved processing fee limit: The dollar amount, established annually by the OST, by which the revenue associated with a credit card transaction can be reduced. A processing fee within this limit is an approved processing fee. The approved processing fee goes into effect on July 1 and ends on June 30 of each fiscal year.

Authorized agent: A commercial enterprise contracted to process transactions on behalf of a State agency. An authorized agent's services might include accepting credit card payments on behalf of the merchant, submitting transactions, providing activity reports, and negotiating contracts with card issuers and franchisers.

Card issuer: Any business organization, agency or financial institution, or its duly authorized agent, that issues a credit card.

Cardholder: Any person named on the face of a credit card to whom or for whose benefit the credit card is issued by a card issuer, or a person in possession of a credit card with the consent of the person to whom the credit card was issued.

Chargeback: A previously processed credit card transaction that is subsequently reversed—charged back—to the merchant.

Convenience fee: An optional, additional fee that is imposed by an authorized agent, on behalf of a State agency on a Web-based or State Portal transaction, for the acceptance of a credit card that would not be charged if the same transaction were completed by an alternate method of payment.

COBJ: Comptroller object.

Counter transaction: A transaction generally conducted at a customer service counter or window at the physical location of the merchant; a point of sale transaction.

Credit card: A term used to refer to a device such as a credit card, charge card, courtesy card, debit card, electronic benefit card, stored value card, gift card, smart card, payment card, bank card, or the use of the number associated with such device, other than a check or money order, issued by an issuer for the use of the cardholder in obtaining money, goods, services or anything else of value, either on credit or by draft of monies from a deposit account.

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Credit card bank account: A special bank account, a ZBA, opened by the OST on behalf of an agency through which all credit card transactions will be processed.

Customer: One who purchases, pays for any goods or services, or settles any account.

Discount fee: The fee calculated and charged by a card issuer or processing financial institution pursuant to an agreement for the processing of any credit card transaction. This fee may be a percentage or a flat fee. The card issuer or processing financial institution may refer to these as transaction or processing fees in a merchant billing statement, but pursuant to the definitions set forth in A.R.S. § 35-101, they are discount fees.

Expense: Any cost incurred, whether discharged by cash expenditure or offset to revenue.

E-101: The Payment Card Acceptance Fiscal Impact Analysis – GAO Form E-101; an electronic form issued by the GAO.

Favorable credit card adjustment: An AFIS transaction processed by the OST indicating a deposit or favorable adjustment for credit card transactions. The transaction is entered using a TC 198, which increases cash and decreases general ledger account 1534 (Treasurer’s Credit Card Clearing).

Franchiser: The entity that promotes the use of a certain trade name of credit card and whose logotype appears on credit cards issued by card issuers licensing the rights to use such trade name, logotype, and other properties, products or services of the franchiser.

GAO: The General Accounting Office.

GAO-505: Form GAO-505, Deposit with State Treasurer, or any equivalent of that form, including the form GAO-605 or favorable credit card adjustment form.

GITA: The Government Information Technology Agency.

Gross remittance method: A method in which a card issuer, processing financial institution or authorized agent effects a remittance to a merchant. When the gross remittance method is used, the full amount of a transaction—not adjusted by any transaction fee—is deposited to the merchant’s account. At some later time, the card issuer, processing financing institution or authorized agent—either by invoice or direct debit to the merchant’s credit card bank account—charges and collects any transaction fees that might be due.

JLBC: The Joint Legislative Budget Committee.

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Internal Transaction file: The AFIS Batch Header screen (S530) that contains a list of batches for any given agency that are either entered, entered and released for batch processing, or that have been rejected in batch processing.

License: Any permit or authorization needed to pursue a trade or occupation, to establish, expand or operate a business, or to register or operate a vehicle.

Mail transaction: Any transaction completed by sending money and/or information through the United States Postal Service or a commercial delivery service.

Merchant: When dealing with credit card processing, a merchant is any entity—individual, corporate or governmental—that accepts credit cards to settle its accounts receivable. For the purposes of this technical bulletin, merchant refers to a State agency.

Merchant billing statement: A written statement, made available by the card issuer, processing financial institution or authorized agent, which provides detail on payment card transactions.

Net remittance method: A method in which a card issuer, processing financial institution or authorized agent effects a remittance to a merchant. When the net remittance method is used, only the net amount of a transaction—reduced by any transaction fee—is deposited to the merchant’s account.

Ninety/ten (90/10) revenue: Revenue, some portion of which—most often ninety percent—is retained by the collecting agency with the remainder being remitted to the general fund. This term applies to similar revenue splitting arrangements, although the actual percentages involved may differ.

NOI: Notice of Intent. A written notification in compliance with the Governor’s directive that requires agencies to coordinate any web development initiative through GITA.

On-line transaction: A transaction conducted via the Internet or World Wide Web.

Operating expenditure: Either an expenditure or an expense, depending upon the fund type to which it applies, used in the production of revenue or the provision of service.

OSPB: The Governor’s Office of Strategic Planning and Budgeting.

OST: Office of the State Treasurer.

PCA: Program cost account.

PIJ: Project and Investment Justification. A statutorily required process to evaluate and monitor information technology projects, the cost of which is expected to exceed \$25,000.

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Processing fee: A fee charged by an entity other than a card issuer or the processing financial institution to complete a credit card transaction.

Remittance: A sum collected in settlement of an amount due.

Sale: The delivery of something of value in exchange for consideration. A sale occurs when a merchant receives authorization to charge a cardholder's account.

Settlement date: That date upon which funds associated with a particular transaction are actually electronically transferred to an agency's credit card bank account. The settlement date, depending upon the franchiser and other factors, generally ranges from no less than one to as many as four business days after the transaction date.

State Banking Contract: A contract negotiated with a financial institution by the OST, under the authority of A.R.S. § 35-315, to provide banking related services for State government.

State Portal: A concentric World Wide Web site available for use by State agencies, administered by GITA. The State Portal provides a technical infrastructure enabling credit card processing, integration with AFIS, and many other components.

State servicing bank: The bank with which the OST maintains a contract to provide banking services that may include the processing of credit card transactions.

TC: Transaction code.

Transaction amount: The total amount due to the State for any goods, services, permits, licenses, fees, fines, levies, taxes, or anything else of value. This amount does not include a convenience fee that may be imposed by an authorized agent on behalf of a State agency.

Transaction date: The actual date upon which a credit card transaction occurred. This date differs from a transaction's settlement date.

Transaction fee: The sum of the discount fee and the processing fee, but not the convenience fee.

Unfavorable credit card adjustment: An AFIS transaction processed by the OST indicating a deposit shortage or adjustment for credit card transactions. The transaction is entered using a TC 783, which reduces cash and increases general ledger account 1534 (Treasurer's Credit Card Clearing).

Web-based medium: A medium by which credit card transactions are conducted over the Internet, administered by an authorized agent, but not including transactions conducted using the State Portal.

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ZBA: Zero balance account. An account, the balance of which is automatically adjusted (increased or decreased) to zero on a daily basis. The amount of this adjustment is the net of all of the day's activities—deposits, charges, chargebacks, etc. This adjustment is brought about by transferring monies to or from the State's servicing account.

INTRODUCTION

Laws, 2004, Chapter 160 (House Bill 2076) amended A.R.S. §§ 35-101 and 35-142 by expanding the options available to agency management when considering the acceptance of credit cards as payment for amounts owed to the State. It also introduced new definitions and refined some existing definitions. Laws, 2005, Chapter 299 (House Bill 2771) further amended A.R.S. § 35-142 by changing the requirement for State agencies to submit credit card reporting information to the OSPB, the GITA, and the JLBC annually rather than quarterly.

The GAO has issued four prior technical bulletins – Technical Bulletins 00-5, 00-7, 02-1 and 05-8 – dealing with the acceptance of credit cards. This technical bulletin supersedes Technical Bulletin 05-8, specifically to reflect the recent statutory changes from quarterly to annual reporting of credit card transactions.

The acceptance of credit card payments to the State of Arizona can be summarized as occurring through one of the following two media:

- 1) Through the State Portal.
- 2) Through a medium other than the State Portal. This includes transactions completed over-the-counter, by mail, by telephone, or through another Web-based medium that is not the State Portal.

POLICY

- 1) Any State agency or its authorized agent may accept credit card remittances as payment of any amounts due to that agency. Whether an agency accepts credit cards is left to the discretion of agency management.
- 2) Except for the Department of Revenue for tax payments, the amount collected net of any approved discount fees and approved processing fees associated with a credit card remittance shall be considered the legally required full deposit. No other deduction is permitted against the transaction amount.

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- 3) Annually, by the first day of June each year, the OST will establish both an approved discount fee limit and an approved processing fee limit. These limits will go into effect on July 1 of each fiscal year and remain in effect for the balance of the fiscal year to which they apply.
 - a) The approved discount fee limit for the fiscal year ending June 30, 2007, is 2.20% of the transaction amount.
 - b) The approved processing fee limit for the fiscal year ending June 30, 2007, is twenty-five cents (\$0.25) per transaction.
 - c) The limits to be used for fiscal years beginning after June 30, 2007, will be posted on the OST website under the link http://www.aztreasury.gov/banking_creditcard.shtml and are incorporated by reference into this policy.
- 4) The amount of discount fee by which a transaction amount may be reduced shall not exceed an amount computed by multiplying the transaction amount by the rate expressed as the approved discount fee limit. The amount deducted is the approved discount fee; any excess is to be treated as an operating expenditure.
- 5) The amount of processing fee by which a transaction amount may be reduced shall not exceed the approved processing fee limit. The amount deducted is the approved processing fee; any excess is to be treated as an operating expenditure.
- 6) An agency that contracts with an authorized agent to process credit card transactions via the State Portal or another Web-based medium may, subject to all of the following conditions, include a provision in the contract to allow the authorized agent to impose a convenience fee. This convenience fee shall be charged to the cardholder in addition to the transaction amount.
 - a) A convenience fee may not be charged with respect to the issuance of a license unless the agency accepts other methods of payment, such as cash or check.
 - b) A convenience fee may not be charged with respect to the issuance of a license unless the agency accepts payments through channels other than the State Portal or another Web-based medium; such channels include by mail and over-the-counter remittances.
 - c) If a convenience fee is to be charged, the fee must be disclosed to the cardholder as a charge for the alternative payment channel convenience, i.e., the State Portal or another Web-based medium. A convenience fee must be disclosed to the cardholder before the completion of the transaction, and the cardholder must be given the opportunity to cancel the transaction if the cardholder elects not to pay the convenience fee.

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- d) A convenience fee may not be charged for credit card transactions conducted over-the-counter, by telephone or by mail.
 - e) For any given agency, a convenience fee must be a flat or fixed amount, regardless of the transaction type or transaction amount. A convenience fee computed as a percentage of the transaction amount or computed by reference to a tiered scale is not allowed.
 - f) The same convenience fee must apply to all forms of payment accepted through the alternative payment channel, i.e., the State Portal or another Web-based medium.
 - g) Convenience fees should not be submitted to the card issuer or processing financial institution separately from the transaction to which they relate.
- 7) Costs associated with credit card processing that are not discount fees, processing fees, or capital assets must be treated as operating expenditures. These costs are subject to the same budgetary and appropriation restrictions that may apply to other such expenditures. Such costs include but are not limited to:
- a) Certain supplies, connectivity costs, equipment rental, web development fees, web maintenance fees, and the acquisition of non-capital assets.
 - b) Amounts by which a discount fee incurred exceeds the approved discount fee and by which a processing fee incurred exceeds the approved processing fee (except in cases where the State Portal or another Web-based medium is used to conduct the transaction and there is a convenience fee charged in addition to the transaction amount).
- 8) For transactions processed through the State Portal or another Web-based medium in which there is a convenience fee charged in addition to the transaction amount:
- a) Amounts by which a discount fee incurred exceeds the approved discount fee limit may be treated as a reduction of revenue to offset the convenience fee revenue collected.
 - b) Amounts by which a processing fee incurred exceeds the approved processing fee limit may be treated as a reduction of revenue to offset the convenience fee revenue collected.
 - c) Discount fees or processing fees exceeding both the approved limits and convenience fee revenue collected must be treated as operating expenditures.
- 9) On an annual basis, by October 1 of each year, each agency that accepts credit cards must submit an Annual Credit Card Report. A copy of this report is to be retained by the agency for audit and review purposes. The information required in this Annual Credit Card Report includes, for the preceding fiscal year, the number of credit card transactions processed, the gross total dollar amount of

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transactions processed, the total dollar amount of approved discount fees incurred, the total dollar amount of approved processing fees incurred, the total amount of operating expenses incurred that directly relate to the processing of credit cards, and the total amount of convenience fees collected for the fiscal year under consideration. For the purposes of this report, the gross total dollar amount of transactions is to be computed before deducting discount fees and processing fees, but after deducting any convenience fees. This report is to be filed with the OSPB, the GITA, the JLBC and the GAO. The required information to complete this report is included in the merchant billing statement. All transactions must be reported upon using the legal basis, that is to say the cash basis, of accounting. Transaction amounts are to be reported using the gross remittance method.

- 10) Any agreements, contracts or arrangements entered into by any agency with any card issuer, processing financial institution, or authorized agent relating to the acceptance or processing of credit cards must be submitted to and approved by the OST. Contracts for authorized agents are also subject to the State Procurement Code as well as any other statutes or regulations that may apply.
- 11) The OST will not recognize a credit card remittance until its settlement date; agencies are not to recognize revenue until the settlement date.
 - a) The transaction date is the date upon which a transaction actually occurs and upon which, generally, the transaction information is entered into the electronic interchange system.
 - b) The settlement date is the date upon which the monies representing payment for a given transaction are actually credited to the agency's credit card bank account.
 - c) The delay between the transaction date and the settlement date generally ranges from no less than one to as many as four business days.
- 12) As with all other expenditures, an agency head is obligated to assure not only that an expenditure is paid or incurred in accordance with statutory authority, but also that the benefits derived from such an expenditure significantly and demonstrably exceed its cost. These principles apply to all activities associated with the acceptance of credit cards.
- 13) Accepting credit cards may involve establishing an Internet presence or other projects involving technological change. To proceed with any web development initiative, regardless of the expected dollar amount, agencies must submit a NOI to GITA for its approval. To proceed with a technological project, the amount of which is expected to exceed \$25,000, agencies must present a PIJ to GITA for its approval.
- 14) Each agency accepting credit cards must reconcile its credit card bank account as frequently as dictated by transaction volume but under no circumstances less than once a month.

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15) Refunds or adjustments for credit card transactions should never be made by warrant. They must be credited back to the card that was used to make the original transaction.

PROCEDURES

1) Preliminary Requirements and Considerations.

- a) In order to become a merchant, an agency must file a written request with the OST requesting that the agency be provided with credit card acceptance capability. This request should be made using the Request for Agency Bank Account Form and must be signed by the account custodian and Agency Head. This form can be found on the OST website at <http://www.aztreasury.gov> by clicking on the Agency Account Authorization link.
 - i) This request must provide information about whether credit cards will be accepted on-line, over-the-counter, by mail, or in some combination thereof. If on-line transactions are planned, the request must indicate whether the agency intends to use the State Portal and, if not, which other Web-based medium for credit card processing will be used. This additional information should be included on the Request for Agency Bank Account Form in the section titled "Purpose for Separate Bank Account."
 - ii) In response to the agency's request, the OST will open a credit card bank account (ZBA) on the agency's behalf.
 - iii) All of an agency's credit card activity will be processed through its credit card bank account (with the exception of discount and processing fees billed to the agency via invoice). Transactions not related to credit card activity should not be processed through this account.
- b) Except for credit card transactions processed through the State Portal, the OST will post all credit card activity transfers from the agency's credit card bank account to fund 2600 (Credit Card Clearing Fund), index 77777 in AFIS. The agency may elect to use a different index, but they must contact the OST to request the change. Use of a fund other than fund 2600 is not permitted. The agency is responsible for making any adjustments to properly categorize receipts and charges.
- c) Credit card transactions processed through the State Portal are subject to the following procedures:
 - i) Credit card receipts will be automatically posted to the Internal Transaction file in AFIS using the fund and index that the agency designates when setting up their State Portal account. This will be accomplished via a deposit interface file that IBM transmits to AFIS when credit card transactions are settled. Therefore, it will not be necessary to manually enter

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a deposit into AFIS. However, the agency will still be required to submit a GAO-505 to the OST upon being notified, via facsimile transmission or other means, that a State Portal transaction has posted. The GAO-505 must be filled out by the agency so that it matches the entries in AFIS. The OST will release the batch from the Internal Transaction file in AFIS upon receipt and approval of the GAO-505.

- ii) Any subsequent charges (chargebacks, discount fees, processing fees or other fees) to the agency's credit card bank account will be transferred by the OST to fund 2600, index 7777. The agency may elect to use a different index, but they must contact the OST to request the change. Use of a fund other than fund 2600 is not permitted for the posting of charges related to State Portal transactions. The agency is responsible for making any adjustments to properly categorize the charges to the appropriate index and fund.
- d) In general, card issuers, processing financial institutions and authorized agents impose discount fees and/or processing fees in one of two ways:
- i) The gross remittance method. This is by far the most common method. When using the gross remittance method, the card issuer, processing financial institution or authorized agent credits the agency's credit card bank account with the entire amount of the transaction (or, if applicable, the transaction amount and the convenience fee) and periodically (generally on a monthly basis) charges the agency for any discount fees and/or processing fees related to the transactions conducted during the period under consideration. The card issuer, processing financial institution or authorized agent charges the agency for the discount and/or processing fees through one of the following two methods:
 - (a) Directly charges the agency's credit card bank account by electronic means.
 - (b) Invoices the agency for a lump sum of all discount and/or processing fees (generally on a monthly basis). The agency is then responsible for issuing a warrant or ACH payment to the card issuer, processing financial institution or authorized agent and must determine whether to record the transaction as an operating expenditure or a reduction of revenue.
 - ii) The net remittance method. This method is infrequently used. When it is used, the convenience fees, transaction fees or both are withheld before the remittance is credited to the agency's credit card bank account.
- e) Chargebacks are posted to the agency's credit card bank account as they occur and are recorded by the OST as an unfavorable credit card adjustment.
- 2) Except for credit card transactions being processed through the State Portal, for any business day during which there is activity in an agency's credit card bank account, the OST will prepare and enter

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two separate transactions to reflect the total amount transferred between the credit card bank account and the State servicing account. One transaction will represent all credit card revenues and the other will represent all credit card charges.

- a) If, at the end of a business day, the agency's credit card bank account has a positive balance, that balance will be transferred to the State servicing bank. The OST will prepare a favorable credit card adjustment form (this is equivalent to a GAO-505) debiting Cash with Treasurer and crediting the Treasurer's Credit Card Clearing Account for the amount of the transfer.
 - b) If, at the end of a business day, the agency's credit card bank account has a negative balance, an amount sufficient to return the account balance to zero will be transferred from the State servicing bank to the agency's credit card bank account. The OST will prepare an unfavorable credit card adjustment form, debiting the Treasurer's Credit Card Clearing Account and crediting Cash with Treasurer for the amount of the transfer.
 - c) Transfers will be made to or from fund 2600.
 - d) The OST will deliver a copy of the completed favorable or unfavorable credit card adjustment forms to the affected agency via facsimile transmission or other means.
 - e) The favorable and unfavorable credit card adjustment forms prepared by the OST will have no detailed information except for the date and amount of the transfer, the TC, the number of the fund affected and the agency involved. The affected agency must analyze the merchant billing statements, the credit card bank account statement and its own transaction records (such as register tapes or activity logs) to determine the composition of such transfers and to properly account for them.
- 3) The following general ledger accounts, comptroller objects and funds are used to report the transactions in AFIS related to credit card activity. The general ledger accounts are system-generated by AFIS based upon the TC used when processing the transactions. The comptroller object and fund number, if required by the type of transaction, must be keyed into AFIS, or in the case of State Portal transactions, are interfaced into AFIS.
- a) General ledger accounts:
 - i) **0070** - Cash on Deposit with Treasurer.
 - ii) **1211** - Claims Payable.
 - iii) **1534** - Treasurer's Credit Card Clearing.
 - iv) **3100** - Realized Revenue Control – Cash.

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- v) **3101** - Revenue Control – Accrued.
 - vi) **3500** - Expenditure Control – Cash.
 - vii) **3501** - Expenditure Control – Accrued.
- b) Comptroller objects.
- i) **4645** - Credit Card Discount Fees Paid.
 - ii) **4647** - Credit Card Processing Fees Paid.
 - iii) **4649** - Credit Card Convenience Fees Revenue.
 - iv) **7229** - Miscellaneous Rent.
 - v) **7554** - Credit Card Fees Over Approved Limit.
- c) **Fund 2600: Credit Card Clearing Fund.** The OST will attribute all credit card activities (with the exception of State Portal credit card receipts) to a single fund (Fund 2600). The agency should then redistribute activities from Fund 2600 to the fund or funds to which they pertain.
- 4) The following two tables summarize how credit card transactions are processed in AFIS. **Table 1** illustrates the processing of transactions that are not processed through the State Portal, and **Table 2** illustrates the processing of transactions that are processed through the State Portal.

Description	Responsible	TC	GL Accounts		COBJ	Comment
			DR1	CR1		
Credit card transactions are settled and a deposit is processed.	OST	198	0070	1534	N/A	Favorable credit card adjustment form is sent to the agency to notify them of the deposit.
Credit card revenues are reversed out of the Treasurer's Credit Card Clearing GL account for allocation to the appropriate fund, index/PC and COBJ.	Agency	341	1534	0070	N/A	Use with TC 323 as one side of a transfer document.

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Table 1 – Non State Portal Transactions (cont.)						
Description	Responsible	TC	GL Accounts		COBJ	Comment
			DR1	CR1		
Credit card revenues are allocated to the appropriate fund, index/PCA and COBJ.	Agency	323	0070	3100	Any revenue COBJ or 4649 for convenience fee revenue	Use with TC 341 as one side of a transfer document.
Credit card discount fees, processing fees, chargebacks or equipment rental charges are posted to the agency's ZBA account.	OST	783	1534	0070	N/A	Unfavorable deposit adjustment form is sent to the agency to notify them of the adjustment.
Credit card discount fees, processing fees, chargebacks or equipment rental charges are reversed out of Treasurer's Credit Card Clearing GL account for allocation to the appropriate fund, index/PCA and COBJ.	Agency	341R	0070	1534	N/A	Use with TC 323R or 324 as one side of a transfer document.
Credit card discount fees, allowable as offsets to revenue are allocated to the appropriate fund, index/PCA and COBJ.	Agency	323R	3100	0070	4645	Use with TC 341R as one side of a transfer document.
Credit card processing fees, allowable as offsets to revenue are allocated to the appropriate index/PCA and COBJ.	Agency	323R	3100	0070	4647	Use with TC 341R as one side of a transfer document.
Credit card discount fees and/or processing fees which must be treated as operating expenditures are allocated to the the appropriate fund, index/PCA, and COBJ.	Agency	324	3500	0070	7554	Use with TC 341R as one side of a transfer document.
Credit card chargebacks are reversed from the revenue COBJ that was used for the original credit card deposit.	Agency	323R	3100	0070	COBJ used on original deposit	Use with TC 341R as one side of a transfer document.
Credit card equipment rental fees, which must be treated as operating expenditures are allocated to the appropriate fund, index/PCA, and COBJ	Agency	324	3500	0070	7229	Use with TC 341R as one side of a transfer document.

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Description	Responsible	TC	GL Accounts		COBJ	Comment
			DR1	CR1		
Agency has been billed via invoice for credit card discount fees. Discount fees are allowable as offsets to revenue. Agency pays the card issuer, processing financial institution or authorized agent by warrant.	Agency	220	3101	1211	4645	
Agency has been billed via invoice for credit card processing fees. Processing fees are allowable as offsets to revenue. Agency pays the card issuer, processing financial institution or authorized agent by warrant.	Agency	220	3101	1211	4647	
Agency has been billed via invoice for credit card discount fees and/or processing fees. The fees must be paid as operating expenditures, but do not have to be encumbered. Agency pays the card issuer, processing financial institution or authorized agent by warrant.	Agency	222	3501	1211	7554	Appropriation Type 3 or amount less than \$1,000.
Agency has been billed via invoice for credit card discount fees and/or processing fees. The fees must be paid as operating expenditures and must be encumbered. Agency pays the card issuer, processing financial institution or authorized agent by warrant.	Agency	225	3501	1211	7554	Appropriation Type 1 or 2, and amount \$1,000 or greater.
Claim transaction using a TC 220 successfully processes in AFIS and warrant is issued.	AFIS system generated	382	1211	1011	N/A	
Claim transaction using a TC 222 or TC 225 successfully processes in AFIS and warrant is issued.	AFIS system generated	380	1211	1011	N/A	
Warrant produced as a result of TC 380 or TC 382 is cleared by the bank and the transaction successfully processes in AFIS.	AFIS system generated	390	1011	0070	N/A	

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Table 2 – State Portal Transactions		GL Accounts			COBJ	Comment
Description	Responsible	TC	DR1	CR1		
A State Portal credit card transaction is settled and the transaction automatically posts to the IT file in AFIS.	State Portal	168	0070	3100	Any revenue COBJ that agency designates	OST will notify agency that the deposit has posted to the IT file by sending a favorable credit card adjustment form. OST will release the deposit upon receipt and approval of GAO-505.
Credit card discount fees, processing fees, or chargebacks are posted to the agency's ZBA account.	OST	783	1534	0070	N/A	Unfavorable deposit adjustment form is sent to the agency to notify them of the adjustment.
Credit card discount fees, processing fees, or chargebacks are reversed out of the Treasurer's Credit Card Clearing GL account for allocation to the appropriate fund, index/PCA and COBJ.	Agency	341R	0070	1534	N/A	Use with TC 323R or 324 as one side of a transfer document.
Credit card discount fees, allowable as offsets to revenue are allocated to the appropriate fund, index/PCA and COBJ.	Agency	323R	3100	0070	4645	Use with TC 341R as on side of a transfer document.
Credit card processing fees, allowable as offsets to revenue are allocated to the appropriate index/PCA and COBJ.	Agency	323R	3100	0070	4647	Use with TC 341R as one side of a transfer document.
Credit card discount fees and/or processing fees which must be treated as operating expenditures are allocated to the the appropriate fund, index/PCA, and COBJ.	Agency	324	3500	0070	7554	Use with TC 341R as one side of a transfer document.
Credit card chargebacks are reversed from the revenue COBJ that was used for the original credit card deposit.	Agency	323R	3100	0070	COBJ used on original deposit	Use with TC 341R as one side of a transfer document.
Agency has been billed via invoice for credit card discount fees. Discount fees are allowable as offsets to revenue. Agency pays the authorized agent by warrant.	Agency	220	3101	1211	4645	
Agency has been billed via invoice for credit card processing fees. Processing fees are allowable as offsets to revenue. Agency pays the authorized agent by warrant.	Agency	220	3101	1211	4647	

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Table 2 – State Portal Transactions (cont)	Description	Responsible	TC	GL Accounts		COBJ	Comment
				DR1	CR1		
	Claim transaction using a TC 220 successfully processes in AFIS and warrant is issued.	AFIS system generated	382	1211	1011	N/A	
	Warrant produced as a result of TC 380 or TC 382 is cleared by the bank and the transaction successfully processes in AFIS.	AFIS system generated	390	1011	0070	N/A	

- 5) Several factors may affect the appearance of a transaction on the merchant billing statement or the credit card bank account statement. There are, as well, additional issues that determine how a given transaction needs to be analyzed and posted. Among these considerations are:
 - a) Whether the card issuer, processing financial institution or authorized agent uses the gross or net remittance method.
 - b) Whether the transfer from the credit card payment bank account to the State servicing bank account represents a positive or negative adjustment.
 - c) Whether the agency’s revenues and expenditures are to be allocated to a single fund or multiple funds.
 - d) Whether the transaction relates to a 90/10 board activity.
 - e) Whether the remittances from the card issuers, processing financial institution or the authorized agents with which the agency deals are posted to the payment card bank account as individual or composite transactions.

- 5) A supplemental document dealing with credit card activity has been prepared and posted on the GAO Website at <http://www.gao.state.az.us>. The goal of this supplemental document is to assist the agencies in recording credit card transactions correctly in AFIS. It is recognized in advance that this document may not address every situation an agency might face.

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ON-LINE AVAILABILITY

Copies of this and other Technical Bulletins, including supplemental documents when feasible and appropriate, are available for viewing and downloading from the Technical Bulletin Page of the General Accounting Office Website located at:

<http://www.gao.state.az.us/bulletins.html>

SUPPLEMENTAL MATERIALS

In order to assist agencies in dealing with the complexities of accounting for credit card activity, a supplemental document has been prepared and posted on the GAO Website to assist agencies with their accounting for credit card transactions.

Accounting for Credit Card Activity contains explanations of the transaction codes, comptroller objects and general ledger accounts used to account for credit card activity. This guide is probably the first of the reference materials anyone involved in accounting for payment card activity should read.

If your agency does not have access to the Web, please contact your GAO Liaison to request a paper copy of this supplemental document.

AREAS IMPACTED

All State agencies.

CONTACTS

If you have any questions concerning this Technical Bulletin, please contact your GAO Liaison. You may also e-mail questions or comments concerning State policy and procedure to us at:

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