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Mississippi Management and Reporting System
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TO: Mississippi.gov Portal Payment Processor User Agencies
Mississippi.gov Portal Payment Interested Agencies
Agencies Accepting Card Payments and E-Check (ACH Debits) By Any Means

FROM: Cille Litchfield, CSIO

DATE: October 16, 2007

SUBJECT: Payment Processor Update

In April 2006, the Department of Finance and Administration (DFA), Office of the Mississippi Management and Reporting System (MMRS), notified you that a new contract for Electronic Payment Processing Services had been awarded to Bank of America (BoA). This project began in late April. Effective October 1, 2007; however, this engagement was ended. As we pursued the implementation of the targeted pilot projects, both DFA and BoA realized the BoA product was not a good fit for the Mississippi.gov environment and mutually ended the engagement.

As an interim step, DFA extended our agreement with ChoicePoint Government Services (formerly EzGov) through September 2008 to ensure continuity of operations until we can revisit the requirements. Additionally, the State has entered an enterprise agreement for the acceptance of American Express and is beginning the process for determining how to implement this in the ChoicePoint environment.

DFA will host a meeting for all current users of ChoicePoint's PaymentManager, current users of other point of sale and web payment products, as well as agencies interested in application deployment to discuss these and related issues on Friday, November 30, 2007 from 10AM - Noon in Conference Center South (Room 117) of the Woolfolk State Office Building. We ask that you RSVP for this meeting by emailing Lea Anne Culp at culpl@dfa.state.ms.us.

As we worked with BoA through our processes and the compliance requirements with the card association rules, we identified areas which the State must address. We knew of some of these but the "list" expanded during the engagement.

1. PCI compliance issues forces segregation on how state agencies consider true internet-facing applications in a "card not present" environment versus how point-of-sale, thus "card present", environments are considered. The majority of the Mississippi.gov applications fit the true internet-facing model.
2. Because of PCI compliance issues and the associated liability issues in a "card present" environment, DFA determined that the State must reconsider how point-of-sale services should be implemented under an enterprise model.
 - a. DFA is convinced that point-of-sale (POS) is far more agency operations specific but additionally better understand that PCI compliance at POS impacts the State's status as a

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whole for acceptance of e-payments and are now considering how we should look (or if) at an enterprise model for offering POS integration.

- b. DFA maintains that settlement data integration into SAAS must be accomplished via the SAAS Payment Interface (SPI) regardless of any changes in the enterprise approach to POS and regardless of the payment processor used by an agency.
- c. Agencies that are presently using their internet-facing applications for accepting POS type transactions are at significant risk in continuing those operations.
- d. Agencies that presently store, process, or transmit cardholder data in any form (mail in, other POS applications, from your environment to ITS, etc) are at significant risk in continuing those operations.
- e. POS applications have different rules for convenience fee processing than do acceptance of payments for internet-facing applications.

In addition to the issues identified above, we know, at a minimum, the following must still be addressed:

1. If the agency (merchant) accepts MasterCard, Visa, American Express, and/or e-check and charges a convenience fee for the transaction, according to the Visa card association rules, the convenience fee charged must be the same for all card types accepted AND for e-check transactions. If your application presently accepts e-check, you know that cost to process those transactions is significantly less than a card transaction and we have passed those savings on to the consumer. This will no longer be allowed.
2. There are still some questions as to whether or not we will be allowed to continue to calculate a sliding scale (current "charges client") fee for transactions. However, if this is allowed to continue, the fee calculated must be the same for card payments or e-check payments.
3. The E-government Oversight Committee (EOC) fee cannot be considered a component of a convenience fee. The convenience fee can only reflect costs for processing payments. ITS will be changing what this fee is called. It will be required that this fee be listed as a separate line item on the receipt if that fee is passed on to the customer.
4. Payment Card Industry (PCI) Data Security Standards compliance issues can cause your agency's payment application(s) to be shut down. For more information regarding these standards, please consult <https://www.pcisecuritystandards.org/>. Additionally, service level agreements that will be attached to the next agreement executed (whether a further extension with ChoicePoint or an entirely new engagement) will direct the liability associated with violation of card association rules to the party in violation. DFA will develop a matrix of liability issues as they are now understood that will be shared with you.
5. The State must engage services for PCI network scans and consulting services. A joint effort is underway by ITS and DFA to develop this RFP.

Please contact me at (601) 359-1433 or by email at litchc@dfa.state.ms.us should you have additional questions.