

CREDIT AND DEBIT CARD PROGRAM

Contents

	Page
I. Introduction	2
II. University Policy	2
III. Definitions	2
IV. Card Services Controls	3
A. Agreement with CES	3
B. Authorized Officials	3
C. Campus Card Program Coordinator	3
D. Eligibility to Accept Cards	4
E. Establishment of Cards and Services	4
V. Processing	4
A. Deposit Options	4
B. Other Services	6
C. Equipment	8
D. Service Fees and Billing	8
E. Merchant Operating Procedures	8
VI. Procedures	8
A. Depository and Drawdown	8
B. Chargebacks	10
C. Reconciling the Bank Account	10
VII. Responsibilities	10
A. Authorized Official	10
B. Campus Card Program Coordinator	10
C. Accounting Office	10
D. Cashiering Stations/Merchant	11
VIII. References	11
Exhibit 1: Sample Notification Letter	12
Appendix A: List of Authorized Officials	13

CASH: CREDIT AND DEBIT CARD PROGRAM

I. INTRODUCTION

This chapter presents University policy and outlines procedures pertaining to the authorization granted to certain approved University activities to accept credit and debit cards as payment for services performed, or for merchandise sold by such activities. The procedures for implementing this policy and the provisions of the agreement executed by the Office of the Treasurer between The Regents and Card Establishment Services, Inc. (CES), the University's card processor, are detailed below.

II. UNIVERSITY POLICY

The Regents established the policy that the appropriate use of commercial credit cards should be administered at the systemwide level and authorized the President to approve University activities for card usage. Subsequently, with Regents' approval, President Saxon delegated the authority to Acting Vice President Cheit. In July, 1993, President Peltason expanded this authority to include the Chancellors and Laboratory Directors. This authority may be redelegated to a specific designee, but may not be further redelegated.

The Regents' Bylaws grant the Treasurer of The Regents the authority to execute agreements on behalf of the University, in connection with banking type services provided by entities other than banks.

III. DEFINITIONS

The following terms used in this chapter are defined below:

- 1) **Card** refers to unexpired VISA, Mastercard, Diner's Club, American Express, Discover, JCB, etc. credit cards. It also includes debit cards from bank associations with networks, such as Maestro and Interlink.
- 2) **Merchant** is defined as a campus department or an activity of the University that has received the appropriate authorization to accept Cards in payment for services performed or for merchandise sold by the University.
- 3) The **cardholder** is the person whose name is imprinted on the Card, or whose name appears thereon as an

authorized user.

- 4) A **chargeback** is a transaction that has been returned, due to a deposit error or cardholder dispute, resulting in a debit to the campus bank account. The term also refers to items returned due to lack of adherence to the conditions of the agreement with CES, or to Card Association and Debit Network regulations.

IV. CARD SERVICES CONTROLS

A. AGREEMENT WITH CES

The CES Agreement executed with CES by the Office of the Treasurer, which regulates the use of Card services, is applicable to all nine campuses, the three Laboratories, and the Office of the President. Significant provisions of the agreement are outlined in Section V. of this chapter. University affiliated organizations that maintain separate bank accounts also must comply with the conditions of this agreement.

B. AUTHORIZED OFFICIALS

CES accepts requests to establish Card usage and add new services from Authorized Officials for each location. *An Authorized Official is an individual delegated the authority to approve requests to establish Card usage.* This includes the authority to approve other services offered by CES, as detailed in section IV.E.2. below. Appendix A contains a list of Authorized Officials.

As specified in Section II., any redelegation of this authority must be made in writing, and copies sent to the Office of the Senior Vice President--Business and Finance and the Special Assistant--Coordination and Review. In addition, a copy must be sent to the Office of the Treasurer, Operations, in accordance with the provisions outlined in the Regents' Bylaws, Section 21.4.

C. CAMPUS CARD PROGRAM COORDINATOR

CES requires that a single contact person be designated to manage the Card program on each campus. Therefore, each campus must designate a Card program coordinator in the accounting or cashiering office to provide information and assistance to departments considering the establishment of Card services, and to act as a liaison between campus departments and CES. The Card

program coordinator will assist departments with requests to establish new cards and related services.

IV. CARD SERVICES CONTROLS (Cont.)

D. ELIGIBILITY TO ACCEPT CARDS

Only those activities that can justify the need to accept Cards are eligible to establish Card services. Normally, such a need is justified if the acceptance of cards will increase net revenues. Therefore, eligible activities primarily consist of self-sustaining activities with a significant sales volume; thus, the fact that a cashiering activity collects income is not an adequate justification for Card use.

E. ESTABLISHMENT OF CARDS AND SERVICES

1. Request For Approval to Accept Cards

Each request for approval to accept Cards will be considered on its own merits. Such requests must be made in writing to the appropriate Authorized Official (see list in Appendix A).

2. Card Arrangements

Upon approval, the Authorized Official will notify CES of the authorization (with copies of the letter provided to the campus Card program coordinator and the Office of the Treasurer, Operations). (See sample notification letter in Exhibit 1.)

CES will contact the campus Card program coordinator to make arrangements for equipment, a merchant number, etc. and will formally notify the Authorized Official regarding the arrangements that have been made for the establishment of cards and services. Imprinters must bear the campus name and the merchant identification, in addition to the unique merchant number, as follows:

Merchant Number
UCSD-Ticket Office
La Jolla, CA. 92093

V. PROCESSING

A. DEPOSIT OPTIONS

In accordance with the CES agreement, there are four methods available to the Merchant for processing Cards:

1) Electronic Data Capture--Terminal Card Reader

This method of processing Card transactions is the most inexpensive credit card processing method available. As in option 2 below, Merchants reconcile all transactions processed through CardNet to the actual sales draft for each batch processed and submitted to CES. Paper copies must be maintained for a minimum of seven (7) years. This method should be considered by a merchant who uses a computer with communication capabilities. The primary difference between this option and option 2 is that the Card is normally presented to the merchant processing the transaction.

2) Electronic Data Capture--PC Batch

Under this method, CardNet terminals are used to obtain authorization to accept Cards and to make deposits, thus eliminating the need for manual deposits. The CardNet terminals utilize PC Retail, a software product viewed through a Windows environment. Under this option, a given transaction can be captured immediately for credit by CES.

All transactions processed through PC Retail are reconciled by the Merchant to the actual sales draft, for each batch processed and submitted to CES. Paper copies are maintained at the campus location and must be available for a minimum of seven (7) years, in accordance with Federal and State laws. Although there are other uses for this option, phone and mail orders, as well as in-house processing, are the most appropriate. Typically, Cards are not presented to the Merchant when this method is used.

3) Paper Processing/Data Capture (In-house Processing Center)

This method, which is a two-step process, is preferable to option 4 below. It requires Merchants to forward their sales drafts to a central location for data capture (see option 2 above).

If a campus has several Merchants processing sales drafts manually, an In-house Processing Center may be set up to eliminate the need to mail sales drafts to CES.

V. PROCESSING (Cont.)

A. DEPOSIT OPTIONS (Cont.)

A cashiering station is the appropriate location for setting up an in-house center. *However, if the location for such a center is in a campus accounting office, the staff responsible for processing sales drafts must not be responsible for reconciling the bank statement.* Merchants interested in participating in this processing method should contact their Card program coordinator to inquire whether such an option exists at their campus.

4) Paper Depositing--Voice Authorization

This is a manual method of depositing and acquiring approval for Cards, and should conform to the provisions of Accounting Manual Chapter C-173-14, Cash: Campus Cash Collection Deposits, and Business and Finance Bulletin BUS 49, Cashiering Responsibilities and Guidelines. This is the only method that requires a Merchant to mail all sales drafts to CES daily for processing. According to the CES Agreement, CES will not be liable for any sales drafts lost en route to them, or for any chargebacks arising from transactions that are manually processed. Thus, since this procedure poses the risk of financial loss to the University, it is not recommended.

If this option is chosen, the request for approval (see section IV.E.1.) must include the Merchant's intention to use this option. The total costs involved, the number of Card transactions anticipated, and the Merchant's needs should all be considered in determining whether this option is suitable.

The CES Agreement requires that all transactions submitted manually must contain a merchant identification number, an authorization code, and an imprint of the Card which should include the card number, the Card expiration date, and the cardholder's signature.

B. OTHER SERVICES

The CES Agreement includes the following additional services for assistance in the implementation of a Card Program.

1) CES Image

CES Image is an electronic archival record management service that creates a paperless processing environment. A cardholder signs on a glass display using an electronic personal identification number and receives a paper receipt. Campus accounting offices and merchants can obtain copies of the transaction from CES upon request.

2) CES Link

CES Link, a software product that provides information that can be viewed through a Windows environment, is essential to accounting offices. It provides access to information regarding authorizations, deposits, chargebacks, payments, and settlements. It provides Merchants and accounting offices with access to the daily and monthly activity of Cards processed through CES. CES Link provides the information needed to reconcile campus bank accounts. Historical information is available for a six month period. For an additional fee, CES Link also provides a chargeback pre-notification service. Subscribers have access to a list of outstanding, expired, and resolved chargebacks, and are allowed fifteen calendar days to respond to a chargeback before the bank account is debited. (CES Link requires DOS 3.1 or a later version of DOS, and Windows 3 or a later version.)

3) Debit Card

Debit cards allow merchants to accept ATM cards for payment of goods and services. CES supports major debit networks including, but not limited to, Most, NYCE, MAC, Honor, Pulse, Cash Station, Interlink, Explore, BankMate, and Maestro. On-line debit services provide for authorization/capture, reversal, return, clear, cash back, and batch recovery.

4) SCAN Check Verification System

SCAN is a check verification system that can be used to reduce the number of bad checks. SCAN does not guarantee or authorize a transaction; rather, it functions like a national clearinghouse to collect and distribute information concerning bad checking accounts. CES maintains twenty-four

V. PROCESSING (Cont.)

B. OTHER SERVICES (Cont.)

hour availability to SCAN, except for a one-hour system maintenance period every Sunday morning between midnight and 3 a.m.

C. EQUIPMENT

Most of the equipment needed to process Cards can be provided by CES. If the equipment is rented, CES will maintain, repair, and modify the equipment, as needed. Any equipment that is rented or sold by CES may be programmed only by authorized CES personnel. (See CES Operating Procedures Guide).

D. SERVICE FEES AND BILLING

Settlement for Mastercard and Visa fees, rental of equipment, and fees for network access are billed monthly. The frequency of billing for other fees can be determined by each campus.

E. MERCHANT OPERATING PROCEDURES

Operating procedures under the CES Agreement are described in the CES Operating Procedures Guide. The focus of the Guide is to help train cashiering employees to accept Cards with a minimum risk of chargebacks. CES will provide accounting offices and Merchants with copies of the Guide.

VI. PROCEDURES

A. DEPOSITORY AND DRAWDOWN

Each campus must have a separate bank account for Card transactions, at a bank specified by the Treasurer. The campus accounting office receives a monthly statement from the bank which includes a daily total deposit amount, comprised of various merchant deposits and chargebacks. Transfers to the Treasurer's Concentration account from the campus account also appear on the statement.

1. Deposit

The merchant prepares a University Bank Deposit Receipt form for each deposit (see example in Accounting Manual chapter C-173-14). If the deposit form required by CES or other processor is prenumbered, campuses may use that form instead of

the University Bank Deposit Receipt form. However, if such a departure from procedure is elected, strict deposit receipt control must be maintained.

The supporting detail for deposits and chargebacks is provided by CES through CES Link (see section VII.B.2., below). If a merchant or campus accounting office does not choose CES Link services for verification of receipt of deposits, paper reports of Card activity will be provided by CES.

Card deposits prepared and deposited by Merchants are recorded in the campus General Ledger as follows:

DR: X-1100XX	Campus Cash Account
CR: X-XXXXXX	Merchant Account

The CES Operating Procedures Guide provides specific requirements regarding deposit forms to be used for deposits made through the mail and data capture, with instructions for ordering these forms.

2. Drawdown

CES, through its bank, will transfer funds to the appropriate campus bank accounts. The campus depository bank transfers these funds into the Treasurer's Concentration account; the funds will be recorded in the Treasurer's Report on the day after the transfer is made. Subsequently, the campus is notified by the Office of the President (OP). The following entries to record the transfer are required:

OP Accounting Office Entry

DR: J-110000	Treas General Cash Acct
CR: J-1195X0	Financial Control Account

Campus Entry

DR: X-119500	Financial Control Account
CR: X-1100XX	Campus Cash Account

VI. PROCEDURES (Cont.)

B. CHARGEBACKS

Campus accounting offices will be notified of chargebacks through CES Link or paper reports. All debit and credit adjustments related to these chargebacks must specify the reason for the return. The campus accounting office is responsible for notifying the appropriate Merchant of the returned item so corrective action can be taken and the appropriate accounting entries made.

C. RECONCILING THE BANK ACCOUNT

The campus bank account should be reconciled on a monthly basis by a designated person in the campus accounting office. The campus General Ledger Cash Account is the official University record, and its balance should be used as the control to reconcile the bank balance. Discrepancies between the CES bank account statement and the campus bank account statement should be directed to CES.

VII. RESPONSIBILITIES

A. AUTHORIZED OFFICIAL

The Authorized Official is responsible for approving an activity's request to establish cards and services.

B. CAMPUS CARD PROGRAM COORDINATOR

The Card program coordinator is responsible for maintaining records regarding equipment and services provided by CES, and for providing assistance and advice to campus users.

C. ACCOUNTING OFFICE

The accounting office is responsible for the following:

- 1) maintaining control of all Card deposits, for the purpose of identifying specific Merchant locations. If a receipt is missing, the accounting officer must take immediate action to account for it;
- 2) maintaining procedures to ensure that proper handling of deposits and chargebacks is performed on a continuing basis; and

- 3) reconciling the bank account to the General Ledger cash account monthly.

D. CASHIERING STATIONS/MERCHANTS

Cashiers and Merchants are responsible for preparing the necessary deposit receipts and for ensuring that all Card transactions are submitted to CES with complete information, as set forth in the CES Operating Procedures Guide. In addition, they are responsible for sending spoiled or voided deposit receipts to their respective accounting officers.

VIII. REFERENCES

The Regents, Minutes authorizing approved University activities to honor Commercial Credit Cards, May 1969.

The Regents, Minutes discontinuing the requirement for specific Presidential approval by allowing the President to redelegate the authority, January 1982.

President David S. Saxon, Memorandum to Vice President--Financial and Business Management on Delegation of Authority--Use of Commercial Credit Cards, February 25, 1982.

President J.W. Peltason, Memorandum to Senior Vice President--Business and Finance, Chancellors, and Laboratory Directors on Delegation of Authority--Use of Commercial Credit Cards, July 30, 1993.

The Regents' Bylaws, Section 21.4, on the Treasurer of the Regents authority to execute agreements in connection with banking related services.

Accounting Manual Chapter:

C-173-14 Cash: Campus Cash Collection Deposits

Business and Finance Bulletin:

BUS-49: Cashiering Responsibilities and Guidelines

Historical note: Original Accounting Manual chapter, Cash: Visa and Mastercard Commercial Credit Cards, first published 9/1/81; revised 6/1/82 and 4/1/87. Revision under the present title first published 3/31/95; analyst--Gayle Tapscott.

EXHIBIT 1: SAMPLE NOTIFICATION LETTER

(Customer Service Representative)
Card Establishment Services, Inc.
265 Broad Hollow Road
Melville, New York, 11737

Dear (Representative),

Subject: University of California--(Campus) Card Acceptance

Please provide the necessary assistance to the (Irvine)campus to (establish a new merchant number) for the (College of Medicine, Department of Pediatrics). You may contact (John Doe) at (phone number) to make the necessary arrangements.

When arrangements have been made regarding the details of the service that will be provided, I would appreciate a written confirmation from you to that effect.

Sincerely,

(Authorized Official)

cc: (campus Card program coordinator)
Office of the Treasurer, Operations

APPENDIX A: AUTHORIZED OFFICIALS

Office of the President	Anne C. Broome, Associate Vice President--Business and Finance
Berkeley	James C. Hensler, Director
Davis	Janet Hamilton, Vice Chancellor
Irvine	Wendell C. Brase, Vice Chancellor
Los Angeles	Edward Smith, Assistant Vice Chancellor
Riverside	Carol Mahlum, Cashier Coordinator
San Diego	Richard Atkinson, Chancellor
San Francisco	Terry Johnson, Assistant Vice Chancellor
Santa Cruz	Karl Pister, Chancellor
Santa Barbara	Henry Yang, Chancellor