

# Attachment B

to

RFP 4585

## Technical Requirements

Mississippi Secretary of State

Business Operations and Filing Systems

# Attachment B

## RFP No. 4585 – Business Operations and Filing Systems

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### **FINAL RULE**

### **MISSISSIPPI DEPARTMENT OF FINANCE AND ADMINISTRATION**

### **ADMINISTRATIVE RULE**

### **PAYMENTS BY CREDIT CARD, CHARGE CARD, DEBIT CARDS OR OTHER FORMS OF ELECTRONIC PAYMENT OF AMOUNTS OWED TO STATE AGENCIES**

The Department of Finance and Administration (DFA) has established the following Administrative rule to be followed when agencies, in accordance with §27-104-33, Mississippi Code of 1972, Annotated, elect to accept payments by credit cards, charge cards, debit cards, electronic checks and other forms of electronic payment for various services and fees collectible for agency purposes.

The State Department of Finance and Administration shall establish policies that allow the payment of various fees and other accounts receivable to state agencies by credit cards, charge cards, debit cards and other forms of electronic payment in the discretion of the department. Any fees or charges associated with the use of such electronic payments shall be assessed to the user of the electronic payment as an additional charge for processing the electronic payment.

Agencies with the approval of the Department of Finance and Administration may bear the full cost of processing such electronic payment if the agency can demonstrate to the department's satisfaction that they are able to assume these costs and provide the related service for the same or lesser cost.

### **I. Definitions**

Electronic Payments: Consumer and business initiated payments, whether made through the Internet or in person, for various services and fees using any of the following payment instruments: credit cards, bank cards, charge cards, debit cards, electronic checks, or direct debits via electronic funds transfer.

ACH: Automated Clearing House. Affiliated with the U. S. Treasury and the Federal Reserve System and used as the conduit for electronic payments and collections. The ACH is the settlement vehicle for electronic payments. The ACH is also used to transport direct debit and credit transactions to consumer bank accounts.

Application Service Provider (ASP): An application service provider (ASP) provides computer-based services to customers over a network. The most limited definition is that of providing access to a particular application program (such as license renewals, registrations, etc.) using a standard protocol such as [HTTP](#). ASP applications for purposes of this rule are those which accept electronic payments either through a browser-based application, or other revenue input sources.

DFA: Mississippi Department of Finance and Administration.

E-Government Transaction Fee: E-Government Transaction Fee is the mark-up above any regulatory fee plus the cost of sales as agreed to in an agency specific

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Statement of Work (SOW). A description of the E-Government Transaction fee shall be included in the SOW. E-Government Transaction fees are disbursed by the State to the vendor on a daily basis. Additional/Supplemental fees above the E-Government Transaction fees must be described and itemized in the agency specific SOW.

EOC FEE: Electronic Government Oversight Committee (EOC) Fee. This fee is used to offset the costs associated with providing electronic services and operating the electronic portal ([www.ms.gov](http://www.ms.gov)) at ITS. §25-53-151 (2) of the Mississippi Code defines the EOC. The original twenty-eight portal applications still collect this fee. On occasion, ITS has granted a written exemption of this fee for a specific Agency to absorb and directly remit the EOC fees associated with transactions for a specific application to DFA payable to the DFA – MS – Gov Portal Fees Fund. Henceforth, with new applications, the State collects 2% of the net operating profit each month through E-Government Transaction Fees. Those monies are deposited to the DFA – MS – Gov Portal Fees Fund on a monthly basis. The portal vendor is sent their portion of the fees on a daily basis.

Consumer: Consumer, for purposes of these rules, may be any individual person or business representative who initiates a transaction involving electronic payment.

Processing Fee: Processing fee is the payment-processing fee as approved by the Department of Finance and Administration (DFA). All transactions must include a processing fee unless DFA has granted express written approval for the Agency to absorb the payment processing costs associated with the transactions for a specific application and for the agency to remit those fees to DFA payable to the DFA – MS – Gov Portal Fees Fund .

ITS: Mississippi Department of Information Technology Services.

Point of Sale: Point of Sale (POS). Payments made “over the counter” for fees for services. For the purposes of electronic payments in Mississippi, agencies desiring to accept “over the counter” electronic payments must have a POS application. POS applications may be: A web-based system where all payment information is keyed into the application by the client or a “card swipe” application similar to those found in commercial enterprises. POS applications must be certified to meet PCI Compliance Standards.

PPI: Portal Payment Interface. The PPI defines and creates the accounting entries used to record all electronic payment transactions in the State’s accounting system.

Record Keeping: An agency must establish and maintain financial records and keep them available for the purposes of audit. The record keeping procedures must include the capture of the details of the electronic payments, associated fees, and supporting reconciliation documentation.

Payment Card Industry – Data Security Standards (PCI-DSS): PCI-DSS is the result of collaboration between the major credit card brands to develop a single approach to safeguarding sensitive data. PCI-DSS defines a series of requirements for handling,

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transmitting, and storing sensitive data. The PCI-DSS standards can be found at <https://www.pcisecuritystandards.org/>.

Revenue Input Source: Electronic transactions from Web-based, Point of Sale (POS), Interactive Voice Response (IVR), Over the Counter Sales, etc.

TPE – Transaction Processing Engine: TPE is a secure electronic payment solution built specifically for state and local government that provides complete transaction management services from payment to disbursement.

Payment Processor: The company that settles approved payment transactions with the acquiring banks that issued the customer's credit/debit card or maintains the customer's bank account. The State's payment processor is Mississippi Interactive LLC (MSI) and they are the merchant of record with the credit card companies for maintaining the State's PCI compliance.

## II. Approvals for Internet-based Applications and Services for State Agencies

E-government applications and services require review and approval by ITS and by DFA (in contrast to traditional software applications.) Because of the multiple costing models used by vendors for e-government applications, as well as the necessity for ensuring appropriate security for all public-facing applications, the normal ITS procurement delegations to agencies do not apply for these types of acquisitions. In addition, DFA must approve and schedule any implementations that involve payments. See 001-025 Approvals for Internet-based Applications and Services in the ITS Procurement Handbook.

<http://dsitspe01.its.ms.gov/its/procman.nsf/TOC4?OpenView> III.

### Payment Applications - Fees Paid By Consumer

Agency applications accepting payments shall use the third party electronic payment processor designated by DFA to accept electronic payments for various services and fees collectible for agency purposes unless express written approval is given by DFA for the use of an alternate payment processor.

1. Designated payment processor is to be used regardless of where the application is hosted (agency, ITS, third-party).
2. Rules for obtaining approval of an alternate payment processor are found in Section V.

The services provided by the processor and the fees for such services shall be set forth in the contract approved by the State. All such agreements are considered e-government agreements and are under the purview of ITS (see 001-020 Acquisitions within ITS Purview, item 3, in the ITS Procurement Handbook). The applications on MS.Gov operate under Project Number 37577. Agencies and the vendor will complete a detailed Statement of Work (SOW) describing provided services and the costs of the services, equipment rental, etc.

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In most cases funds will be deposited in the account designated by the State Treasurer and transferred to the designated agency funds in the state's accounting system once the bank deposit is balanced. On a case by case basis, deposits may be made to an account outside the state treasury but detailed accounting instruction will be developed and implemented to ensure proper accountability.

The Payment Processor will provide the software components to be used by agency applications in calculation of the processing fee associated with a particular fee or services payment.

The Processing Fee is charged to the consumer and collected into DFA – MS – Gov Portal Fees Fund controlled by DFA and will not flow through the agency accounting journals. Those fees are reimbursed to the payment processor on a daily basis and are recorded as an expense transaction.

The Processing Fee owed the electronic payment processor will be reimbursed to them on a daily basis. It will be recorded as an expenditure transaction against the Mississippi.Gov Portal Fees Fund.

Any returned items received by DFA from the designated third party processor will be forwarded to the appropriate agency for handling after being netted out of the settlement for the day.

Revenues for all fees and services shall be recorded at gross in the state's accounting system of record as revenue, as specified by the agency on the accounting system's electronic payment distribution tables.

Actual processing costs to include fees for authorization, settlement, Electronic Government Oversight fees and E-Government Transaction fees, will be recorded as expenditures as specified by the Agency on the accounting system's electronic payment distribution tables.

#### **IV. Payment Applications - Fees Paid By Agency**

Agencies desiring to pay all fees associated with electronic processing of payments must demonstrate to DFA their ability to do so and receive express written approval from DFA. The Electronic Government Oversight Committee must also approve this procedure and include it in the agencies cost model. Agencies must demonstrate they are able to assume the cost and provide the same service for the same or lesser cost of the pre-portal service. Requirements for requesting approval are outlined in section VI of these rules.

Agency applications accepting payments shall use the third party electronic payment processor designated by DFA to accept electronic payments for various services and fees collectible for agency purposes unless express written approval is given by DFA for the use of an alternate payment processor.

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1. Designated payment processor is to be used regardless of whether the particular application is a POS application, an application hosted through the Mississippi.gov infrastructure, or an application hosted through other ASPs.
2. Rules for obtaining approval of an alternate payment processor are found in section V.

The services provided by the processor and the fees for such services shall be set forth in the contract approved by the State. All such agreements are considered e-government agreements and are under the purview of ITS (see 001-020 Acquisitions within ITS Purview, item 3, in the ITS Procurement Handbook). <http://dsitspe01.its.ms.gov/its/procman.nsf/TOC4?OpenView>

In most cases funds will be deposited in the account designated by the State Treasurer and transferred to the designated agency funds in the state's accounting system once the bank deposit is balanced. On a case by case basis, deposits may be made to an account outside the state treasury but detailed accounting instruction will be developed and implemented to ensure proper accountability.

Revenues for all fees and services shall be recorded at gross in the state's financial system of record as revenue as specified by the agency on the financial system's electronic payment distribution tables.

Actual processing fees to include fees for authorization, settlement, and other fees, will be recorded as expenditures as specified by the agency on the Portal Payment Interface (PPI) distribution tables.

Any returned items received from the designated third party credit card/or other electronic processor to DFA will be forwarded to the appropriate agency for handling after being netted out of the settlement for the day.

#### **V. Approval of an Alternate Payment Processor**

An agency wishing to use an alternate payment processor must submit a written request to the Department of Finance and Administration, Office of Fiscal Management, Attn: Portal Transactions, 501 North West Street, Suite 701 B, Jackson, MS 39201. Request for an alternate payment processor will be coordinated through the EOC to ensure procurement procedures are followed and that cost model data can be included for future state projects.

The written request must state:

1. The reason(s) the State-approved payment processor is not suitable for the agency application.
2. The impact if the request is not granted.

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The application must be approved by DFA prior to entering into the procurement process for the alternate payment processing services.

The agency must state what payment processors are available that meet their needs. The agency will provide the appropriate Attestation of Compliance document from the vendor stating they comply with Payment Card Industry – Data Security Standards (PCI-DSS) and that the vendor will maintain those standards throughout the engagement with the agency.

The agency must describe the agency application including:

3. The agency program supported.
4. The items (services and fees) offered for sale.
5. The individual item costs.
6. The estimated usage of the processor (i.e., the number of transactions that will occur per fiscal year).
7. An estimate of the processing costs “per transaction” for the items to be sold through the alternate payment processor.
8. The costs associated with the use of an alternate payment processor including, but not limited to, purchased and leased equipment; training; contractual services; and charges for refunds, return items, and PCI-DSS compliance.

The agency must acknowledge that if DFA approves the agency’s request to pursue alternate payment processing services:

9. Funds will be deposited in the account designated by the State Treasurer and transferred to the designated agency funds in the state’s financial system of record, once the bank deposit is reconciled and balanced by the agency. DFA will not perform this reconciliation and will not approve the transfer of funds to the state’s financial system of record until proof of reconciliation is provided.
10. Unless the agency has obtained a written waiver from the Department of Information Technology Services (ITS), they can be assessed EGovernment Transactions Fees (See section VII).
11. Any request for an exception to the above reconciliation requirement must be clearly documented in the request for the alternate payment processor.

The service must be legally procured following the rules for technology procurement. All such services are considered e-government services, and are within the purview of ITS even if those services are offered at no cost to the agency. (See 001-020 Acquisitions within ITS Purview, item 3, in the ITS Procurement Handbook):

<http://dsitspe01.its.ms.gov/its/procman.nsf/TOC4?OpenView>

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12. DFA will be an active participant in the procurement, implementation, and acceptance of the alternate payment processor before the application supported is certified for production operations.

13. DFA, at its discretion, may require that DFA be a party to the contract.

The alternate payment processor and/or 3rd party vendor must work with DFA to interface daily settled transactions and any associated fees into the state's accounting system via the PPI.

Agencies are required to collect any State required fees, such as EOC fees or EGovernment Transaction Fees.

Approval under this section shall not relieve an agency of its responsibility concerning other sections of this rule.

#### **VI. Request Approval for All Fees to Be Paid By Agency**

An agency wishing to obtain approval to bear the full cost of processing electronic payments should address the written request to the Department of Finance and Administration, Office of Fiscal Management, Attn: Portal Transactions, 501 North West Street, Suite 701 – B, Jackson, MS 39201. This request will be coordinated with the EOC to ensure the funding model approved by the EOC remains intact.

The request must state whether the application is web-based or of another type (example: Point-of-sale (POS), over the counter (OTC), subscription, Interactive Voice Recognition (IVR)).

The agency must describe the agency application including:

1. The agency program supported.
2. The items (services) offered for sale or collections.
3. The individual item costs.
4. An estimate of the processing cost "per transaction" for the items (services) to be sold.

The agency request must clearly:

5. Document whether the request is for an application where the consumer can purchase only a single item or service at a time (example: drivers' license renewals) or a shopping cart model where multiple items may be purchased (example: hunting and fishing licenses).



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6. Demonstrate a dollar neutral cost or cost saving to the agency when absorbing the processing fees rather than having the consumer pay the fees projected over a fiscal year. All assumptions must be documented.
7. Demonstrate that the funds to defray the total cost of electronic processing will be available projected over a fiscal year. All assumptions must be documented.

The agency must acknowledge that it will be required to set aside cash/authority at a specified minimum limit in a specified fund to cover expenses (debits) associated with the agency's transactions for the following:

8. Authorization and settlements fees
9. Refunds
10. Chargebacks
11. Voids
12. Returned items charges

Approval under this section implies that the agency accepts and understands that the application will not be certified for production until such time as complete end-to-end testing is approved by DFA.

13. Testing will include financial settlement testing of all payment types.
14. Testing will include refunds and chargebacks.
15. Testing will include full reconciliation using the procedures developed by the Agency for that purpose.

#### **VII. Request a Waiver for E-Government Transaction Fees**

An agency wishing to obtain approval for a waiver of E-Government Transaction Fees should address the written request to the Department of Information Technology Services, Attention: E-Government Oversight Committee, 3771 Eastwood Drive, Jackson, MS 39211.

If an agency is granted a waiver the agency should send a copy of the approval to The Department of Finance and Administration, Bureau of Financial Documents, P.O. Box 1060, Jackson, MS 39215-1060.

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### **VIII. Third Party Processing and Fulfillment Costs**

§7-7-9, Mississippi Code (Laws of 1972) states the following:

*“The Mississippi General Accounting Office shall maintain a complete system of general accounting to comprehend the financial transactions of every state department, division, officer, board, commission, institution or other agency owned or controlled by the state, except those agencies specifically exempted in Section 7-7-1, whether at the seat of government or not and whether the funds upon which they operate are channeled through the State Treasury or not, either through regular procedures having to do with the issuance of the State Fiscal Officer receipt warrants and disbursement warrants or through controls maintained through reports filed periodically as required by the State Fiscal Officer in accordance with the reporting provisions contained in said Section 7-7-1.*

*All Transactions in public funds, as defined in Section 7-7-1, shall either be handled directly through the State Fiscal Officer and the State Treasury, or shall be reported to the State Fiscal Officer at the times and in the form prescribed by the State Fiscal Officer and the Legislative Budget Office, so that a complete and comprehensive system of accounts of the fiscal activities of all state governmental agencies shall be made available at all times in the General Accounting office.*

This policy is established by the Department of Finance and Administration, Office of fiscal Management (OFM) for direct or indirect payment to vendors to support internal business functions in the fulfillment of orders and completion of transactions initiated in person or through the Internet. These transactions may include, but are not limited to, the collection of taxes, issuance of licenses, production of reports, and other collections or payments for services that are conducted by agencies in their normal course of business.

Any cost incurred directly (by an agency) or indirectly (passed directly to the consumer) for a party to complete agency business transactions must be reflected as a cost of doing business for this agency. To do otherwise would not fully disclose costs of the State to conduct business or reflect revenue generated by a vendor who is providing services under contract for the State of Mississippi.

Likewise, any charge to the consumer for processing these transactions should be recognized by the agency as revenue.

Agencies will report revenues and expenses on a Journal Voucher (JV) according to the Mississippi Agency Accounting Policy and Procedure (MAAPP) Manual, Section 16. The JV will be created within 5 workdays of the end of the fiscal quarter.

### **IX. Payment Card Industry – Data Security Standards (PCI-DSS)**

State agencies accepting credit and/or debit cards through an approved alternate payment processor will comply with Payment Card Industry – Data Security Standards

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(PCI- DSS) to safeguard cardholder and sensitive cardholder data, regardless of revenue input source (e.g. Internet application, point-of-sale, Interactive Voice Recognition System, etc. Agencies must provide to DFA yearly, proof of the alternate payment processor's compliance with PCI-DSS.

Agencies using the ms.gov payment portal will follow guidelines from the State's Merchant of Record, outlined in Section X. Agencies using an alternate payment processor that do not provide proof of compliance in PCI-DSS cannot accept credit cards/debit cards payment. If an agency is found accepting credit/debit cards as a form of payment that has not been granted a written waiver, DFA under the authority of §27-104-33, may issue the agency a cease and desist letter to close the system down. To request an appeal see Section XII.

#### **X. Development/Hosting Options and Ultimate Responsibility for PCI-DSS and Fines and Penalties**

- A. Through a contracted partnership with NIC and Mississippi Interactive (MSI), DFA now provides payment processing services through RFP 3564, Project Number 37577, Statement Of Work 001, Payment Processor Solution. MSI/NIC is the official "Merchant of Record" for payments processed online through the Common Checkout Page (CCP) and Transaction Processing Engine (TPE), reducing the PCI-DSS compliance responsibility for the State of Mississippi by locating the software and hardware for payment processing at NIC's PCI Compliant data center. Agency's will be responsible for training their employees on proper handling of credit card data should they receive it in any other manner outside of the NIC provided solution. This includes completing SAQ A attesting that they have outsourced all electronic processing and properly trained employees.

\*Please Note: CCP and TPE are components of NIC's PCI Compliant Payment Services that separate the state's online application from communicating directly with the payment processor.

- B. Responsibility for PCI-DSS continues for agencies that connect their applications to payment processors outside of TPE or CCP within in the state. Also, in the event that an application requires the manual handling or entry of credit card information by agency personnel, the agency is

responsible for PCI compliance at the SAQ A level for all individuals within the agency processing those payments. For more information on PCI-DSS SAQ A, please visit: <https://www.pcisecuritystandards.org/> .

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### **XI. Security Breaches and Notifications**

In the event of a security breach, credit card or debit card data could be compromised. Agencies will immediately terminate the application/services to preserve evidence and notify:

1. DFA's Chief Systems Information Officer at 601-359-6570.
2. Mississippi Department of Information Technology Services, Security Division at 601-432-8180 and the E-Government at 601-432-1846.
3. Mississippi State Attorney General's Office, Consumer Protection Division at (601) 359-3680 or 1 (800) 281-4418 and the Cyber Crimes Division at (601) 359-3817.

The agency shall notify their customers of the breach once law enforcement informs the agency that customer notification will not impede an investigation.

4. Agencies may notify customers using written notices or electronic notices. As a last resort, telephone notices can be given. Documentation that notices were provided, to whom they were provided, and when such notices were provided must be maintained by the agency.
5. The notice shall be clear and conspicuous and include:
  - a. A description of the incident in general terms.
  - b. The type of personal information subjected to unauthorized access or acquisition.
  - c. The general acts the agency has taken to protect the information from further unauthorized access.
  - d. A telephone number that the customer can call for further information.
  - e. Advice that directs the customer to remain vigilant by reviewing account statements and monitoring free credit reports or close an account.

### **XII. Appeal Process**

An agency wishing to appeal a cease and desist letter must submit a written request to the Department of Finance and Administration, Director, Office of Fiscal Management, 501 North West Street, Suite 701 -B, Jackson, Ms 39201.

The agency must provide the following information in the written request:

1. The agency program supported.
2. The items (services) offered for sale or collections.

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3. The individual item costs.
4. An estimate of the processing cost “per transaction” for the items (services) to be sold.
5. The number of items sold per year and the total cost of those items.
6. A detailed description of how the system works.
7. A detailed list of software operating on the system.
8. A detailed list of equipment, including the name, model number, and purpose of the equipment.
9. A detailed description of accounting entries made to account for revenue and processing and other fees.

The agency must state whether the agency or the consumer pays the EGovernment Transaction fee. The agency request must clearly:

10. Document whether the consumer can purchase only a single item or service at a time (example: drivers' license renewals) or a shopping cart model where multiple items may be purchased (example: hunting and fishing licenses).
11. Demonstrate a dollar neutral cost or cost saving to the agency when absorbing the processing fees rather than having the consumer pay the fees projected over a fiscal year if the agency is to pay the processing fees. All assumptions must be documented. Cost data will be coordinated with the Electronic Oversight Committee.
12. Demonstrate that the funds to defray the total cost of electronic processing will be available projected over a fiscal year if the agency is to pay the processing fees. All assumptions must be documented.

If the agency is paying processing fees, the agency must acknowledge that they will be required to set aside cash/authority at a specified minimum limit in a specified fund to cover expenses (debits) associated with the agency's transactions for the following:

13. Authorization and settlements fees
14. Refunds
15. Chargebacks
16. Voids
17. Returned items charges

The agency will also submit their PCI Self-Assessment Questionnaire,

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Remediation Plan, and cost estimates to correct deficiencies identified in the Remediation Plan. Once the agency information is reviewed, the agency will be given a written response to the appeal request.