Payment Gateway Solutions Assessment
SC Office of the State Treasurer – Banking Division
Updated August 2023

Governmental entities desiring to accept online payments (e-commerce channel) will need to acquire the services of a payment gateway vendor. A payment gateway supports an e-commerce application that allows an entity's clients to initiate payments online via the web. The method of payment is typically via a merchant card (credit card or debit card) but can also be via a bank draft (ACH originated debit / eCheck).

Additionally, an entity desiring to accept merchant cards in a "face-to-face" (retail channel) situation and desiring to levy a "service fee" against the cardholder will need the services of a payment gateway vendor. Face-to-face with no service fee levied does not require the utilization of a gateway vendor.

There is no one solution that meets every entity's needs. An assessment of the entity's business requirements is needed first. For entities whose custodian is <u>not</u> the State Treasurer, some of the solutions described in this document are not available.

There is no single statewide contract for payment gateway services that entities banking with the State Treasurer are required to utilize. However, there are two contracts that offer ancillary payment gateway services, under which gateway services could be subscribed to on an <u>optional</u> basis and without an additional procurement process:
- State Treasurer's Payment Solutions Agreement for merchant card processing with First Data Merchant Services, LLC (FDMS)
- SC Department of Administration's statewide contract with Tyler Technologies (formerly known as NIC-SC) for Digital Government Services

However, the execution of a Services Participation Agreement with FDMS will be required. In addition, if Tyler Technologies is utilized, the execution of a Statement of Work (SOW) will be required.

The selection of a payment gateway vendor should be based primarily upon the overall features offered by the gateway service. There are five categories of features to be considered:
- Payment Features – Examples include: consumer interface hosting, A/R updating, payment checkout, shopping cart interface, etc.
- Compatibility with Accounting System – In the case of universities and colleges, some gateways specialize in tuition payments and readily interface with the institution's accounting system
- PCI Data Security (PCI-DSS) Compliance Implications
  - Which Self-Assessment Questionnaire (SAQ) will apply?
  - Will vulnerability scanning of its network be required by the entity?
- Payment channels to be utilized with vendor
  - E-commerce only (online)
  - Retail only (face-to-face)
  - Combination of e-commerce and retail
- Payment for Services provided by gateway vendor – Three options are available
  - No "service fee" is levied against the payor
    - Card Payment - Entity is invoiced by the gateway vendor for actual interchange fees (pass-through); and a "per transaction fee" for using the gateway
    - ACH Payment - Entity is invoiced by the gateway vendor a "per transaction fee" for using the gateway
  - A "service fee" is levied by the <u>entity</u> against the payor

- - Card Payment – Fee is collected by the entity, which is used to offset merchant card fees the entity pays to either the card processor or gateway vendor when invoiced
  - ACH Payment - Fee is collected by the entity, which is used to offset the "per transaction" fees the entity pays the gateway vendor when invoiced
  - A "service fee" is levied by the <u>gateway vendor</u> against the payor
    - Card Payment – Fee is collected as a separate transaction (under its own MID) and retained by the vendor, who pays all merchant card fees (The fee is marked up to provide the vendor a profit) (Special handling is required for POS transactions)
    - ACH Payment – Fee is collected and retained by the vendor, who pays for the bank fees (The fee is marked up to provide the vendor a profit)

It is a requirement of Visa that no "service fee" can be levied by either the entity (merchant) or the gateway vendor (service provider) unless the merchant (or sub-merchant) is registered in Visa's Government and Higher Education Program (GHEP). While fees levied against a cardholder is sometimes referred to as a "convenience fee," a fee levied by a governmental entity is classified as a "service fee."

Who the gateway vendor uses as a merchant card processor is a primary consideration. For entities whose funds are custodied by the State Treasurer, the utilization of the State Treasurer's merchant card processor by the gateway vendor is required, unless otherwise authorized. For entities whose funds are not custodied by the State Treasurer, the requirement that the State Treasurer's merchant card processor be used by the gateway vendor is not a requirement. In the latter case, the vendor absorbs all costs for the merchant card processing fees and levies a set service fee against either the cardholder or the entity.

A payment gateway vendor other than FDMS or Tyler Technologies would be considered a third-party gateway provider. Such vendor would normally require some type of procurement process.

Options for payment gateway services available to entities that are eligible to utilize the State Treasurer's Payment Solutions Agreement with FDMS therefore fall into three categories:
- FDMS solutions available under the State Treasurer's Payment Solutions Agreement
  - PayPoint – Pricing in accordance with FDMS contract
  - Payeezy – Pricing in accordance with FDMS contract
  - CardConnect – Pricing in accordance with FDMS contract
- Digital Government Solutions – SC Department of Administration's statewide contract with Tyler Technologies
  - Solution for entities whose custodian is the State Treasurer
  - Different solution for entities whose custodian is not the State Treasurer
  - Pricing in accordance with entity's Statement of Work (SOW)
- Third-Party gateway solution acquired under an entity-initiated procurement process (if authorized).
  - The third-party gateway solution must be able to interface with FDMS for the processing of the merchant card transactions and any eCheck (ACH Debit) processing must be approved by the State Treasurer.

Comparison of Various Payment Gateways (For entities whose funds are custodied by the State Treasurer)

Feature	Payment Gateways			
	Tyler	**CardConnect**	**PayPoint**	**Payezzy**
Can Service Fee be levied by 3ʳᵈ Party?	Yes*	Yes**	Yes**	No
Can Service Fee be levied by merchant?	No	Yes***	Yes***	Yes***
Has Virtual Terminal feature?	Yes	Yes	Yes	Yes
Accommodate Shopping Cart thru 3ʳᵈ party?	Yes	Yes	No	Yes
Accommodates ACH drafts (eCheck)?	Yes	Yes	Yes	Yes
Accommodates POS Terminals?	Yes	Yes	NO	NO
Point-to-Point Encryption (P2PE) for POS?	Yes	Yes	N/A	N/A
End-to-End Encryption (E2EE) for POS? ****	Yes	Yes	N/A	N/A

* For Tyler Technologies a service fee is levied against either the cardholder or the entity. Fee is $1.00 + 1.70%, and Tyler Technologies pays the FDMS-levied merchant fees, with no "per transaction" fee levied to entity.

** For FDMS gateways, a service fee can be levied against the cardholder and retained by FDMS if entity subscribes to the "Managed Service Fee" (2.75%) module available via the State Treasurer's Payment Solutions Agreement. If no service fee is levied, entity pays pass-thru fees to FDMS plus a "per transaction" for the gateway.

*** For FDMS gateways, a service fee can be levied against the cardholder and retained by the entity, to be used to offset the merchant fees the entity pays to FDMS (if entity has authority to do so).

**** For POS terminals/devices, the encryption capability of the device utilized should be considered. Generally, P2PE is more secure than E2EE and can reduce PCI-DSS scope.

Following are elements of an analysis that will assist an entity when comparing the features of each payment gateway option.

	Determination to be made	Consideration	Response
Payment Types			
1	What is the nature of the payments being accepted?	One-time or repetitive? License renewal, penalty payment, fees, tuitions, etc.	
2	What are the transaction volumes and frequencies of payments?	Annually, monthly, as needed, etc.	
3	What type of payments will be allowed?	Credit cards, debit cards, and/or bank draft	
4	If card payments allowed, how will merchant fees be paid?	Entity can absorb fee, or service fee can be levied to customer by either the entity or the vendor	
5	If a service fee is levied to customer, who does the fee go to?	If entity gets the fee, the entity uses the fee to offset the merchant card fees; If vendor gets and retains the fee, the vendor pays the merchant card fees.	
6	If cards allowed, who will be considered the "merchant of record" (MOR)?	The entity is considered the MOR as it is the seller of the product or service. If a	

		PayFac vendor is used, the vendor is the MOR with the entity being a sub-merchant.	
7	What brands and types of cards will be accepted?	Visa and MasterCard are common; Discover and Amex, debit requires extra setup	

Hosting of Consumer Website and Payment Engine

8	Will the payment engine be hosted on the entity's website or on the vendor's website?	Payment check-out for cards is normally always hosted on the vendor's website, to reduce PCI scope; Payment check–out for ACH could be either.	
9	Will the consumer interface be hosted on the entity's website or hosted on the vendor's website?	Hosting on vendor's website is complete outsourcing, with website appearing to belong to the entity, and requires A/R records to be maintained and updated daily by the agency; Hosting on the entity's website normally involves an API	
10	If consumer interface is hosted on entity's website, for payment, will interface be by secure iFrame or an URL redirect to vendor's website?	URL redirect has less PCI compliance implications for the entity	

Payment Processors – Third-parties

11	What vendor will be the processor for card authorization and processing?	For entities whose custodian is the State Treasurer, the utilization of FDMS as the merchant card processor is required unless otherwise authorized. PayPoint, Payeezy, CardConnect, and Tyler Technologies can be used in conjunction with the State Treasurer's Payment Solutions Agreement with FDMS. Entities whose custodian is not the State Treasurer are not held to this requirement. Tyler Technologies has an alternative model that meets those entities' needs	
12	What vendor will be the processor for ACH origination?	PayPoint and Payeezy utilize TeleCheck, but Payeezy requires the agency to execute a separate contract with TeleCheck. In case of gateways offered by other third-party vendors, the utilization varies; It is possible for ACH files to be transmitted directly to entity's bank if the consumer interface is hosted by entity and entity can create the ACH file. Any entity requesting to accept payment via eCheck (ACH Debit) must receive approval from the State Treasurer.	
13	If a third-party vendor is utilized, is its gateway certified to be processed through FDMS for merchant cards?	The following third-party gateways are currently known to be utilized by State entities with FDMS: TouchNet Payment,	

		Pure Payments Services, Trustcommerce, Authorizenet, Plug n' Pay, Cybersource, Transact Campus	
14	If a new gateway is needed to replace an outdated gateway?	There are gateways currently supported by FDMS that are no longer available to new subscribers: YourPay and First Data Global Solutions have been replaced with Payeezy	
15	Will a store front / shopping cart application be needed?	Some gateways include a shopping cart, while others require integration with a separate vendor-supplied application	
Authentication - Profiles			
16	Will the entity require a client to be authenticated before making a payment?	It is highly recommended that all users be authenticated in order to reduce fraudulent transaction	
17	Does entity currently have a profile allowing log-on to the agency's website with client authentication?	Some entities already provide a client profile allowing client to perform actions other than making a payment; If so, authentication can be at the client level	
18	If entity does not provide "client-authenticated" log-on, does agency have ability to authenticate by using "transaction-authentication" (e.g., invoice number, license number, etc.)?	An attempted payment must match certain challenge data elements to an open A/R database, maintained either by entity or by the gateway vendor. Should have at least two challenge elements.	
19	Will an enrollment feature be needed with a client's profile?	Feature allows client to maintain a profile on the gateway (not with the entity) with a username and password	
20	Will entity utilize card's security code verification feature?	Reduces fraudulent transactions; May incur additional cost	
21	Will entity utilize card's address verification feature (street number, telephone, zip code)?	Reduces fraudulent transactions; May incur additional cost and result in higher reject rate	
A/R Database			
22	Does entity maintain a database of open A/R transactions?	An open A/R transaction is associated with an invoice or notice having been issued	
23	How will the entity's A/R database be updated if payment is made online?	Updating could be by batch next day, or possibly during day online	
24	How will the entity's A/R database be updated, if made online, or made offline?	Entity will receive some payments directly by check that must be deleted from the gateway's open A/R file	
25	Are there any requirements or accounting system compatibility issues regarding updating the entity's A/R records with payments reported by the gateway?	Some payment gateways are more compatible with certain accounting systems (e.g. Ellucian and PeopleSoft used by universities); Configuration may be needed on SCEIS to identify daily deposit	
26	Will invoice summary presentment be offered?	Allows client with a profile to view multiple invoices that are open for payment	

27	Will client be able to view history of payments?	Viewing history ability requires an enrollment feature	
28	Will payment scheduling be offered?	Allows client with a profile to set up a schedule of payments to be automatic when due date arrives	
	Transaction Processing		
29	To what bank account will funds settle?	For entities whose funds are custodied by the State Treasurer, funds must be deposited to a bank account assigned by STO; For all other entities, funds are credited to a bank account belonging to the entity. If the entity's gateway vendor is a PayFac vendor, the funds could be deposited initially to the vendor's bank account before being remitted to the entity's bank account (if the vendor is registered as a "money transmitter").	
30	When will funds be received?	Receipt within two business days after the transaction is authorized is the industry standard. (Exception: Amex may take longer)	
31	How will payments received over a weekend be handled?	Web applications are normally open 24/7	
32	Will a client be allowed to, or prohibited from, making a partial payment?	Partial payments are generally not recommended, but can be configured	
33	What will be the cut-off time for payment?	Cut-off time must consider card processor's and ACH bank's cut-off times	
34	How will returns be handled?	Card returns are different than returns of bank drafts; Returns may settle through the gateway vendor or directly with the entity's bank	
35	Will entity need to use a virtual terminal for card-present transactions and mail order / telephone order (MOTO)?	Entity may desire to enter payment on behalf of client via its own PC, either by keying or swiping via a mag-stripe device connected to the PC; There are PCI implications for entities using virtual terminals	
36	Will entity have point-of-sale terminals that are connected to the gateway?	In addition to a web-capture solution or a virtual terminal solution for card-not-present transactions, the entity could also have a POS solution for card-present transactions; POS transactions would be processed separate from the e-commerce transactions and have different PCI implications. POS transactions that do not levy a service fee against the cardholder do not require the need of a payment gateway	

		vendor (POS terminals can be processed directly with the card processor.).	
Technology			
37	If POS terminals are connected to the gateway, is EMV (chip card) technology supported by the gateway?	EMV capable and enabled should be required for POS terminals	
38	Does both the PCI Data Security Standard (PCI-DSS) and the Payment Application Standard (PA-DSS) apply?	As a service provider, the PCI-DSS applies to the vendor's processes; The vendor's payment engine (software or middleware) is subject to being PA-DSS compliant	
39	What type of encryption or tokenization is desired if POS/POI is utilized? (P2PE reduces PCI Data Security Scope more than any of the others.)	Two types of encryption available: end-to-end (E2EE) and point-to-point (P2PE); Some capture devices are known as "point of interaction" (POI) devices and are PCI certified.	
Costs			
40	What are the implementation costs and the ongoing maintenance costs?	Costs vary from solution to solution	
41	What are the per item costs?	Multiple transaction costs possible	
42	What are the add-on costs?	Each optional feature incurs separate costs	
43	How will fees for the gateway be paid?	If no fee is levied against payor/cardholder, vendor must invoice entity for gateway fees, and not be allowed to debit a State Treasurer's bank account. If a service fee is levied against the payor/cardholder by the vendor, the vendor collects and keeps the service fee. Except for a POS transaction, the entity collects the fee and then remits it to the vendor. It is possible for the entity (instead of the vendor) to levy a service fee to be used to offset merchant card fees incurred. In any event, if a service fee is levied against cardholder, registration with Visa will be required before being allowed to levy the fee.	

Links to statewide payment gateway solutions:

Payeezy – Schedule H of State Treasurer's Payment Solutions Agreement
https://treasurer.sc.gov/media/82141/schedule-h.pdf

PayPoint – Schedule G of State Treasurer's Payment Solutions Agreement
https://treasurer.sc.gov/media/82140/schedule-g.pdf

CardConnect – Schedule L of State Treasurer's Payment Solutions Agreement
https://treasurer.sc.gov/media/82145/schedule-l.pdf

Managed Service Fee – Schedule M of State Treasurer's Payment Solutions Agreement
https://treasurer.sc.gov/media/82146/schedule-m.pdf

Tyler Technologies (formerly NIC-SC)
https://procurement.sc.gov/contracts/search?v=17613-9918-0-0