

# **Financial Administration Manual (FAM)**

## **Chapter 1018-3**

### **Acceptance of Credit and Debit Cards**

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## **Identification**

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**Enquiries** Enquiries are to be forwarded to DFPP through the functional financial chain of command.

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**Document Content** This document contains the following topics:

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## Overview

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<b>Purpose</b>	<p>1. The purpose of this FAM Chapter is to provide direction regarding the acceptance of credit/debit cards as payment methods for amounts owing to the Department of National Defence and the Canadian Forces (DND/CF). The general process for managing accounts receivable and the receipt and deposit of public revenue is described in FAM Chapter 1018-2, Accounting and Control of Accounts Receivable and Public Revenue.</p> <p>2. By complying with the requirements of this FAM Chapter, DND/CF organizations will ensure that:</p> <ul style="list-style-type: none"><li>a) Efficient and cost effective financial management of the Card Acceptance Process is applied consistently across DND/CF; and</li><li>b) Government of Canada policies, guidelines and directives are adopted and adhered to within the DND/CF financial environment.</li></ul>
<b>Context</b>	<p>3. The use of credit/debit cards provides an efficient method of accepting payment for amounts owing to DND/CF. Responsibility Centre (RC) Managers are encouraged to implement credit/debit card acceptance services in co-operation with their Regional Departmental Accounting Office (RDAO) Comptroller whenever the benefits of doing so exceed the costs.</p> <p>4. The Government of Canada has entered into contracts to allow departments to set up Point of Sales (POS) terminals for the acceptance of card payments within Canada.</p> <p>5. Through the use of POS terminals, RC Managers can capture sales data, transmit transaction details to the authorizing financial institution, receive on-line approval for the transaction and electronically deposit funds into the Receiver General bank account.</p>
<b>Losses to the Crown Resulting from Any Illegal Acts</b>	<p>6. Individuals will be held responsible for any losses to the Crown resulting from any illegal acts, fraud, theft or negligence. Suspected offences shall be reported to the Commanding Officer (the Level One Advisor if in the National Capital Region), and to the RDAO Comptroller. Further action may take the form of administrative or disciplinary action and/or criminal charges. All individuals should be familiar with the government policy on Losses of Money and Offences and Other Illegal Acts Against the Crown.</p>
<b>Document Retention</b>	<p>7. All supporting financial documentation, such as contracts, receipt documents, invoices, emails, Financial Managerial Accounting System (FMAS) transactions, Financial Administration Act (FAA) certifications and all other</p>

relevant documents in both paper and electronic form must be retained for a minimum of six years as per the Library and Archives Canada, Section 1, Part 4 - Comptrollership Function of the Retention Guidelines for Common Administrative Records of the Government of Canada. When criminal, disciplinary or recovery actions is taken, all documentation must be retained and protected until the process is complete. For additional information on document retention, refer to the Defence Subject Classification and Disposition System (DSCDS).

8. Unless otherwise directed by the RDAO Comptroller, all original supporting documents are to be retained by the office performing FAA Section 34 certification. The RDAO Comptroller shall retain documents supporting FAA Section 33 certification. Retention of documents policy continues to apply regardless of the movement of staff, managers or organizational changes.

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## **Policy Statement**

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### **General**

9. The Department shall comply with the requirements set out by the Federal Government Card Acceptance Departmental User's Guide and other related Treasury Board and Receiver General authoritative documents.

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### **Credit and Debit Card Acceptance**

10. Credit and debit card acceptance is not mandatory. However, in cases where normal business practice does not allow for cash or cheque payments, card acceptance is encouraged when feasible and efficient as it can increase the collection rate by reducing departmental accounts receivable and debt write-offs.

11. The DND/CF will only accept VISA, MasterCard and American Express credit cards.

12. Each DND/CF organization that opts to accept the use of VISA cards shall also accept MasterCard (and the converse is also true), subject to any restrictions as specified in this FAM Chapter.

13. Acceptance of the AMEX credit card is optional for all DND/CF organizations, and is also subject to any restrictions as specified in this FAM Chapter.

14. If an organization decides to accept VISA, MasterCard and AMEX, it does not have to accept debit cards as well. However, it is recommended that debit cards be accepted to minimize the amounts of cash on hand, and to take advantage of the other benefits as listed in paragraph 10 above.

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- Costs**
15. There shall be no discrimination as to rates charged, services or other conditions with respect to any transaction in which a credit/debit card is used. The costs associated with accepting credit/debit cards are to be built into the general rate structure and allocated uniformly to all customers. A separate fee cannot be charged for payments made by credit/debit cards.
16. The cost of dedicated high-speed telecommunication lines is initially paid to the Payment Service Provider by the Central Departmental Accounting Office (CDAO). The rental costs of POS terminals are initially paid for by Public Works and Government Services Canada (PWGSC) who recovers the costs from the CDAO. The CDAO then charges the units for the cost of dedicated high-speed telecommunication lines and for the rental costs of POS terminals. The expense will be recorded under General Ledger (GL) 4606 "V1 Banking Services and Other Related Charges".
17. The Receiver General (RG) Section of PWGSC negotiates the merchant discount fees (MDF) and pays them on behalf of departments. This applies to credit card transactions under \$5,000 (taxes included) and to all debit card transactions.
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## Restrictions

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- General**
18. All DND/CF units shall comply with the restrictions listed below to ensure that financial risks associated with the acceptance of credit/debit cards can be appropriately assessed and mitigated.
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- DND Standard Threshold Limit**
19. The DND standard upper threshold limit for credit card transactions is \$5,000 (taxes included). Units seeking to process transactions for a higher amount should consult with the CDAO.
20. If credit card transactions exceed \$5,000 (taxes included), PWGSC will recover the MDF charges from departments through an Interdepartmental Settlement (IS). PWGSC will bill the CDAO, who will then charge the organizations involved. To estimate potential costs, units should use a MDF rate of 2%, applied to the total amount, including taxes. The expense will be recorded under the same GL as shown in paragraph 16.
21. If an RC Manager agrees to accept a credit card transaction payment greater than \$5,000, the transaction must not be split in order to avoid MDF charges to the RC Manager's budget.
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**Specific  
Restrictions**

22. The units shall not:

- a) Charge credit/debit customers prices for merchandise or services that exceed the ticketed or posted price for such merchandise or service;
- b) Impose any fees or other charges for the use of a credit/debit card as a means of payment;
- c) Require a minimum amount of merchandise be purchased or services be performed before accepting a credit/debit card;
- d) Attempt to reduce or disguise the amount of any transaction by the use of multiple sales drafts or transaction receipts (known as Split Ticketing);
- e) Receive credit or payment more than once, from any source, for any sales draft or transaction;
- f) Generate sales drafts or transaction receipts in respect of fictitious transactions;
- g) Require a debit card customer to divulge or disclose in any manner their PIN. The customer's PIN is confidential to the customer;
- h) Use information encoded on Track 2 of the magnetic stripe for any reason other than completing a debit card or credit card transaction;
- i) Without the Payment Service Provider's and customer's consent, sell or provide to, purchase from or exchange with any third party, any personal information regarding specific customers obtained through debit card or credit card transactions whether in the form of transaction receipts, copies thereof, mailing lists or any other media;
- j) Make any cash advance to a credit/debit card customer, an Authorized User, or any other person as part of a credit/debit card transaction, or include the amount of any cash advance in the sum being charged to a customer in a sales draft or transaction receipt;
- k) Process any credit card transactions in funds other than Canadian dollars;
- l) Refund, credit or void credit/debit card transactions without supervisor password security and authorization;
- m) Display any foreign price listing unless specified for estimate purposes only;
- n) Accept credit/debit cards as a method of payment in cases where Queen's Regulations and Orders for the Canadian Forces, Volume 3, Chapter 208 Fines, Forfeitures and Deductions require payment through pay deductions (e.g. Private Married Quarters, Single Quarters and Covered Residential Parking); and
- o) Accept a Designated Travel Card (DTC) such as the AMEX Travel credit card, to reserve or pay for goods or services provided by the Department. Similarly, any other Government of Canada corporate credit card issued to departments listed in schedules I, I.1 and II of the FAA cannot be accepted at POS terminals. This includes corporate cards issued to CF members, DND civilian employees or any other federal government department (OGD) employees.

**Note:** The correct way to pay for goods and services exchanged between departments or to allocate expenses between DND/CF organizations is:

- a) For payments for OGD personnel who are in official travel status for their Department, these must be made by IS (refer to FAM Chapter 1016-6, Interdepartmental Settlements); and
  - b) For CF members and DND civilian employees who are in official travel status for DND, expenditures are to be reallocated between DND Funds Centres/Cost Centres through a journal voucher entry (SA document) as required by Financial Administration Directive (FADir) 51, User Pay Arrangements.
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## Responsibilities

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### General

23. All operational stakeholders shall ensure that:

- a) The credit and personal information of the credit/debit card users are adequately safeguarded in order to comply with all Acts, Regulations, policies and procedures regulating the protection of information (including the Privacy Act); and
- b) All Acts, Regulations, policies and procedures regulating Security requirements are adhered to.

24. All operational stakeholders shall accomplish their duties in accordance with the responsibilities described in the table below. This will ensure that all DND/CF organizations implement and adhere to an appropriate segregation of duties and adequate standardized controls.

The...	Shall be responsible for:
Director Financial Policy and Procedures (DFPP)	<ol style="list-style-type: none"><li>a. Defining and developing the policies and procedures in regard to the Acceptance of Credit and Debit Cards; and</li><li>b. Providing policy interpretation and guidance to Management regarding the acceptance of credit and debit cards.</li></ol>
Responsibility Centre (RC) Manager	<ol style="list-style-type: none"><li>a. Performing a cost-benefit analysis and consulting with the RDAO Comptroller to assess if the implementation of credit and debit card acceptance services is feasible;</li><li>b. Completing the “Receiver General Card Acceptance Departmental Office Setup Request” form and submitting it to the RDAO together with the feasibility analysis;</li></ol>

<b>The...</b>	<b>Shall be responsible for:</b>
	<ul style="list-style-type: none"> <li>c. After approval is received from the CDAO, ensuring that equipment is received and installed and that staff have sufficient training (staff can train using the Operator's Guide and the Standard Operating Procedures);</li> <li>d. Ensuring that all operating instructions are followed in processing receipts of payments and that sound internal controls exist;</li> <li>e. Ensuring that all credit/debit card transactions are processed on a timely basis as Cash Sales (SL) documents in FMAS where no prior invoice exists;</li> <li>f. Ensuring that all information is provided to the Receiver General Deposit Facility (RGDF) Cashier to input Deposit (DZ) documents in FMAS on a timely basis;</li> <li>g. Reviewing budget reports and advising the Comptroller of any discrepancies related to card acceptance costs;</li> <li>h. Ensuring that transaction receipts are retained for six years for audit purposes;</li> <li>i. Ensuring that refunds are processed as required; and</li> <li>j. Collecting amounts owing to DND due to chargebacks.</li> </ul>
Point of Sale (POS) Terminal Operator	<ul style="list-style-type: none"> <li>a. Operating the POS terminal in accordance with the POS terminal operating instructions, federal government policies and procedures and Standard Operating Procedures;</li> <li>b. Contacting the CDAO for further instructions on refunds when required (see paragraph 46);</li> <li>c. Performing Batch Closure, Settlement and Deposit on a daily basis, as outlined in the Operator's Guide;</li> <li>d. Reconciling amounts on copies of all transaction receipts to the receipt totals on the End of Day Terminal Reports;</li> <li>e. Providing a complete audit trail for the unit by writing his/her signature on the End of Day Terminal Reports to certify that all amounts on the transaction receipts have been reconciled to the receipt totals on the End of Day Terminal Reports; and</li> <li>f. Attaching copies of all transaction receipts to the End of Day Terminal Reports. The unit shall retain these documents for a period of six years</li> </ul>

<b>The...</b>	<b>Shall be responsible for:</b> for audit purposes.									
Receiver General Deposit Facility (RGDF) Cashier	Recording deposits document (DZ) in FMAS using the Edit Check Deposit List functionality (RGDF Cashier – Role UU14 in FMAS). To ensure adequate segregation of duties, the RGDF cashier shall not process Cash Sales/Invoice documents for any transactions where he/she processes a corresponding deposit (DZ) document.									
RGDF Cashier Supervisor	<p>a. For each RG bank account with credit or debit card transactions, the following need to be reconciled daily:</p> <table border="1"> <thead> <tr> <th><b>Compare</b></th><th><b>With</b></th><th><b>Purpose</b></th></tr> </thead> <tbody> <tr> <td>1. Bank slips for all POS transactions</td><td>FMAS input of deposits by the RGDF cashier as DZ documents (these are Customer payments)</td><td>To ensure that the payments for all POS transactions have been recorded in FMAS.</td></tr> <tr> <td>2. FMAS input of deposits by the RGDF cashier (SD documents)</td><td>POS terminal electronic deposit transactions recorded in the PWGSC's Government Banking System as BC document type</td><td>To show that the deposits entered in FMAS agree with the amount deposited in the bank.</td></tr> </tbody> </table> <p><b>Note:</b> When deposits are entered in FMAS, the DZ (Customer Payment) document is posted to the customer's account in Accounts Receivable. The SD (Cash Receipt to G/L) document type is the equivalent of the DZ in the bank account GL.</p> <p>b. Promptly notifying CDAO of any discrepancies.</p>	<b>Compare</b>	<b>With</b>	<b>Purpose</b>	1. Bank slips for all POS transactions	FMAS input of deposits by the RGDF cashier as DZ documents (these are Customer payments)	To ensure that the payments for all POS transactions have been recorded in FMAS.	2. FMAS input of deposits by the RGDF cashier (SD documents)	POS terminal electronic deposit transactions recorded in the PWGSC's Government Banking System as BC document type	To show that the deposits entered in FMAS agree with the amount deposited in the bank.
<b>Compare</b>	<b>With</b>	<b>Purpose</b>								
1. Bank slips for all POS transactions	FMAS input of deposits by the RGDF cashier as DZ documents (these are Customer payments)	To ensure that the payments for all POS transactions have been recorded in FMAS.								
2. FMAS input of deposits by the RGDF cashier (SD documents)	POS terminal electronic deposit transactions recorded in the PWGSC's Government Banking System as BC document type	To show that the deposits entered in FMAS agree with the amount deposited in the bank.								
POS Terminal Operator Supervisor	Performing refunds of debit and credit card transactions.									
Regional Departmental Accounting Office (RDAO) Comptroller	<p>a. Providing guidance and assistance to Responsibility Centre (RC) Managers in applying this policy;</p> <p>b. Ensuring that all stakeholders are properly applying this policy within their sphere of responsibility;</p>									

<b>The...</b>	<b>Shall be responsible for:</b>
	<ul style="list-style-type: none"> <li>c. Providing guidance to the RC Manager with the cost-benefit analysis of implementing card acceptance services (see paragraph 26);</li> <li>d. Reviewing the completed “Receiver General Card Acceptance Departmental Office Setup Request” form and cost-benefit analysis received from the RC Manager;</li> <li>e. Forwarding the form and the analysis to the CDAO, if supporting the request;</li> <li>f. Acting as the local point of contact with CDAO for implementation requests;</li> <li>g. Ensuring segregation of duties and implementation of appropriate financial controls; and</li> <li>h. Providing assurance of financial controls and the integrity of local revenue management activities to senior management.</li> </ul>
CDAO	<ul style="list-style-type: none"> <li>a. Acting as the departmental point of contact and DND Card Acceptance Representative with PWGSC for credit/debit card acceptance service issues;</li> <li>b. Approving the “Receiver General Card Acceptance Departmental Office Setup Request” form;</li> <li>c. Monitoring the bank account GLs in FMAS, and following up with the units on discrepancies;</li> <li>d. Manually amending documents so they automatically clear in the overnight process; and</li> <li>e. Processing chargebacks in FMAS.</li> </ul>

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## Establishing Card Acceptance Services

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### General

25. DND/CF units shall ensure that all stakeholders involved in the Credit and Debit Card Acceptance business process will:
- a) Adequately document requests for approval of a new POS terminal;
  - b) Install and operate POS terminals in accordance with the requirements described in the following paragraphs; and
  - c) Receive sufficient training.
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<b>Cost-benefit analysis</b>	<p>26. In making the decision whether or not to implement, RC Managers will perform a cost-benefit analysis as to the:</p> <ul style="list-style-type: none"><li>a) Estimate of the volume of transactions;</li><li>b) Possibility of increased sales;</li><li>c) Possibility of reduced uncollectible accounts receivable;</li><li>d) Operational issues such as increased productivity and more efficient operations; and</li><li>e) Costs of implementing the services, including additional telephone lines and rental of the POS terminals..</li></ul> <p>27. The RC Manager must also consult with his/her RDAO Comptroller. The Comptroller can provide assistance with the cost-benefit analysis and give advice on the feasibility of using card services in the unit.</p> <hr/>
<b>Evaluate Equipment Needs</b>	<p>28. The POS terminal includes a printer and in the case of debit card acceptance, a personal identification number (PIN) pad. It is designed to operate independently of the unit's cash register or personal computer (PC) workstation and requires electrical outlets and communication lines.</p> <p>29. The stand-alone POS terminal is recommended since it meets the requirements of most units, needs less time to install and implement and is cheaper than other POS solutions. More advanced and costly applications include integrating card acceptance capabilities with existing PC or cash register workstations, or implementing mobile terminals.</p> <p>30. The RC Manager shall determine the number of POS terminals needed (normally one for each location) and assess the requirements for telecommunication lines. An existing voice telephone line can be shared with the POS terminal in situations where volumes are very low. However, when a purchase authorization is being processed, the line cannot be used for other purposes. For that reason, it may be advantageous to install a line dedicated to electronic authorization.</p> <hr/>
<b>Complete and submit Application</b>	<p>31. If the RDAO Comptroller is not in agreement with the implementation of a POS terminal, he or she will advise the RC manager's superior and the CDAO.</p> <p>32. If the RDAO recommends that a POS terminal be implemented, he or she asks the RC Manager to fill out a "Receiver General Card Acceptance Departmental Office Setup Request" form. The form identifies the location of the POS terminal and the equipment requirements. The RC Manager must also provide the financial coding for charging equipment rental and communications costs. The RDAO Comptroller will process the request and if supported, submit the completed form and the cost-benefit analysis to the CDAO.</p>

33. After reviewing the form, the CDAO will assign the VISA, MasterCard and/or AMEX chain head number. The CDAO will then sign and forward the form to PWGSC for authorization.

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**Installation of Equipment and Training**

34. Once PWGSC has completed the required documentation and approved the request, the CDAO will return a copy to the RDAO Comptroller and the RC Manager. The service provider will send out the terminal and required accessories to the site by courier. The Card Acceptance terminal will arrive set in training mode. A detailed Operator's Guide which provides instructions for both set-up and operation of the POS terminal is included. The operator also receives a toll-free number for the provider's Helpdesk.

35. The CDAO will provide the RC Manager with additional instructions, as required. The terminal will be connected to enable new users to practise using the terminal. When the RC Manager is satisfied that users are ready to use the terminal for actual sales, he or she will contact the provider Helpdesk to activate the terminal. The Helpdesk will be available to provide answers to users' questions.

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## **Card Acceptance Process**

**General**

36. DND/CF units shall ensure that all operating instructions are fully adhered to.

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**Accepting Credit/ Debit Cards**

37. RC Managers are responsible to ensure that the provided operating instructions are followed. Any questions should be referred to the Provider's Helpdesk.

38. When a customer makes a purchase with a credit or debit card, the POS terminal operator keys in specific transaction details and swipes the card. The swipe captures the card number and expiry date, and initiates an on-line, real-time transmission to request approval for the transaction. If the method of payment is a debit card, the customer enters his/her PIN. In the case of credit card transactions, the customer signs the transaction receipt.

39. In the event that the card acceptance system is down, the operator shall contact the financial institution for VISA, MasterCard or AMEX to obtain an authorization number. Debit cards cannot be accepted if the card acceptance system is down; the customer should be encouraged to pay by cash, cheque or credit card. Credit card payments may also be accepted by phone; however, units should be aware that there is a greater risk of chargebacks.

40. When authorization is received, transaction details and the authorization code are stored in an open batch. Two copies of the transaction receipt are produced, one to be given to the cardholder, and the other for the unit.

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**Batch Closure,  
Settlement and  
Deposit**

41. Batch Closure by the POS terminal operator finalizes groups of transactions, initiates settlement and electronic deposit of funds. The operator must perform this process daily, as outlined in the Operator's Guide.

42. The Batch Closure process produces Terminal Reports that provide totals for VISA, MasterCard, AMEX and debit card payments. These reports are used to record deposits in FMAS. The RC Manager is responsible for ensuring that all amounts received are recorded in FMAS on a timely basis.

43. The employee responsible for entering Revenue/Accounts Receivable transactions in FMAS will create one SL document per day for each type of card – one for all debit card sales, one for Visa, one for MasterCard and another one for AMEX.

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**Refunds**

44. Any claims or disputes as to receipt, quality, price or satisfaction with the goods or services shall be settled between the unit and the customer. The customer must provide the debit card and/or credit card transaction slip as proof of the original purchase. If the refund is for:

- a) An original debit card purchase, it shall be processed through the POS terminal as a debit card refund;
- b) An original credit card purchase, the refund must be processed as a credit card transaction.

45. Refunds can only be performed by the POS Terminal Operator Supervisor to the same debit card or credit card account identified on the original purchase transaction slip. A cash refund can be made if the original purchase was paid by cash. Under no circumstances are credit and debit card transactions to be refunded by cash or cheque.

46. The processing of a refund in FMAS will depend on the timing of the original purchase and the subsequent refund, that is:

- a) If the refund is made on the same day as the sale (and before the SL document has been finalized), the refund can be netted out from the daily deposit;
- b) If the SL document has been created in FMAS, and a refund is issued the same day, CDAO must be contacted so the FMAS document can be reduced; and
- c) If the refund is processed after the day of the sale, CDAO must be contacted for further instructions.

**Chargebacks**

47. When the verification procedures outlined in the Operator's Guide are adhered to, chargebacks should occur very rarely. Under certain circumstances, the financial institution may charge the Receiver General's account for rejected credit/debit card sales transactions. The unit must provide CDAO with all supporting documents issued by the credit card company. CDAO will then record adjusting entries in FMAS to charge the unit. The unit responsible will proceed to collect the funds owing to the Department.

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**Reconciliation/  
Verification**

48. The RDAO shall ensure that:

- a) The RGDF Cashier is provided with the required documents for recording deposits using the Edit Check Deposit List functionality in FMAS;
- b) POS batch closures are reconciled daily with the deposits in FMAS;
- c) A daily reconciliation of receipts recorded in FMAS through the PWGSC's Government Banking System and the deposits recorded in FMAS by the RGDF cashiers is performed;
- d) CDAO is promptly notified of any discrepancies; and
- e) For more information, refer to paragraphs 41 to 43 concerning batch closure, settlement and deposit.

49. CDAO will monitor the bank account GLs to ensure transactions clear promptly. They will follow up with the appropriate units regarding uncleared transactions. As required, CDAO will manually amend documents so they automatically clear in the overnight process.

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## References

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- Source References**
- Receiver General for Canada - Federal Government Card Acceptance Departmental User's Guide
  - Deposit of Public Money to the Credit of the Receiver General for Canada – Receiver General Directive 2008-2
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- Related References**
- FAM Chapter 1016-6, Interdepartmental Settlements
  - FAM Chapter 1018-2, Accounting and Control of Accounts Receivable and Public Revenue
  - Financial Administration Directive (FADir) 51, User Pay Arrangements
  - Queen's Regulations and Orders for the Canadian Forces, Volume 3, Chapter 208 Fines, Forfeitures and Deductions
  - RGDF Cashier (Enter cheque deposits) – FMAS Role UU14
  - Business Process Create a Deposit – AR\_RP\_2700 FMAS
  - Treasury Board Secretariat – Policy on Losses of Money and Offences and Other Illegal Acts Against the Crown
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