SCDMV Credit Card Processing

IMPLEMENTATION OPTIONS

Problem Statement

How should SCDMV provide Credit Card services to its customers in light of the new industry requirements established under Europay, MasterCard, Visa (EMV) Compliance (Commonly referred to as Chip and Pin compliance)?

Facts Bearing on the Problem

- SCDMV must become Payment Card Industry Data Security Standard (PCI DSS) or EuroPay, MasterCard, Visa (EMV) compliant or have a vendor provide these services

- If you are EMV Compliant you are PCI Compliant

- SCDMV current equipment must be upgraded to meet PCI DSS and/or EMV compliance

- Chip and Pin user fees may be higher than current Credit Card Fees (This is an assumption; new contract has been let, full implementation costs are unknown at this time)

- SCDMV requires 667 Credit Card Readers for Field Office and Headquarters use to meet compliance requirements – Total Cost $600,300 (Replacement Life Cycle = 3 years)

- SCDMV Credit Card payments to vendors have increased 30% in last two years; FY13 $666K, FY15 $868K (FY16 projected at $992K +)

- SCDMV does NOT currently Charge a Credit Card Use Fee

- There are 32 State Agencies and 22 Counties/Municipalities currently partnered with SCI for credit card services and charging some form of user fee

- If we use SCI, Credit Card User Charges are passed on to the customer. SCI's normal user charge is 1.7% of transaction cost + $1.00 per transaction. Our Normal Transactions; Driver's License/Registration/Title would average $1.29 in user fees under this model, and average $1.48 for all current types of credit card transactions (SCDMV would not retain any of these fees)

Facts Bearing on the Problem

- Implementation Timelines by Option are:

Option	Web Payments	Point of Sale (POS) Payments
1. SCDMV becomes EMV Compliant	4 Months	1 Year
2. SCDMV becomes PCI Compliant only	4 Months	1 Year
3. Partner with SCI for Credit/Debit Card Processing	2 Months	6 Months

Costs Common to all Courses of Action	Start Up	Annual Recurring
Application Updates and Maintenance (Non-direct)	$30,000	$10,000

- SCI could provide a credit card web service for our Contact Center's use; reducing DMV Office Visits

- Using SCI, SCDMV would not be subjected to PCI compliance audits and potential fines for non compliance

- Using SCI, eliminates hardware purchase, hardware maintenance, and software maintenance support

- SCI can provide e-checking processing; DMV does not have this capability

- SCI system is expandable to support emerging technologies – SmartPay/ApplePay…

Agencies Utilizing SCI

State Agencies

Constitutional Agencies:
   Secretary of State
   Judicial Department, SC

Cabinet Agencies:
   Employment and Workforce, Department of
   Administration, Department of – Surplus Properties Div
   Health and Environmental Control, Department of
   Health and Human Services, Department of
   Insurance, Department of
   Law Enforcement Division, SC
   Social Services, Department of
   Parks, Recreation and Tourism, Dept of
   Corrections, Department of

Other:

Archives and History, Department of
Arts Commission
Citadel, The
Coastal Carolina University
Education, Department of
Educational Television (SC ETV)
Election Commission
Forestry Commission
Francis Marion University
Governor's School for Science and Mathematics
Governor's School for Arts and Humanities
Joint Underwriters Association
Medical University of South Carolina (MUSC)
Mental Health, Department of
Natural Resources, Department of
Northeastern Technical College
Patients' Compensation Fund
Public Employee Benefit Authority
State Ethics Commission
Vocational Rehabilitation Division
Workers' Compensation Commission

Counties and Municipalities

Lexington County
Greenville County
Northeastern Technical College
Oconee County
Town of Bluffton
Orangeburg County
Spartanburg County
Richland County
Forest Acres
Jasper County
Manning
McClellanville
Aynor
Clinton
West Columbia
Summerton
Town of North
Mauldin
Branchville
City of Orangeburg
Folly Beach
Berkeley County

Implementation Options

Option

1. SCDMV becomes EuroPay, MasterCard, Visa (EMV) Compliant
   - Beginning October 2015 US card issuers shifted the cost of fraudulent transactions to the business/organization that were not EMV compliant. Becoming EMV` Compliant will shift the cost back to the Financial Industry. This requires:
     1. Purchase credit card readers that can read the chip imbedded in the new credit cards
     2. A DMV contract with First Data Merchant Services (FDMS) for a PayPoint gateway
     3. DMV purchase and install an additional Ethernet switch and cabling for all point of sale devices in all locations
     4. Programming changes on our current application to interface with the new credit card gateway

2. SCDMV implements Payment Card Industry (PCI) Compliance Only
   - Payment Card Industry security standards focus on improving payment account security throughout the transaction process. PCI Compliance is a D.I.S. Proviso requirement. To become PCI compliant we would have to meet the following requirements.
     1. Build and Maintain a Secure Network and Systems – protect card data
     2. Protect Cardholder Data – encrypt transmission of cardholder data
     3. Maintain a Vulnerability Management Program – malware and anti-virus software protection with regularly updates
     4. Implement Strong Access Control Measures – restrict access to cardholder data and identify and authenticate access
     5. Regularly Monitor and Test Networks – test security systems and processes. Audit access to cardholder data
     6. Maintain an Information Security Policy – maintain an Information Security Policy for all personnel
   - Any organization that is found to be out of compliance with PCI may be subject to fines by the entity used to process credit card transactions, for DMV this is First Data Merchant Services (FDMS).

3. Partner with SCI for Credit/Debit Card Processing
   - SCI provides Point of Sale credit card processing for SCDMV and is allowed to charge and retain a user fee (1.7% of transaction plus $1.00)
     1. Programming changes for the interface with SCI's Point of Sale (POS) device
     2. SCI Assumes all compliance requirements for EMV/PCI
     3. SCI assumes all equipment costs

Implementation Options: Cost Breakdown

Options		Costs->	Start Up	Annual Reoccurring
1.	**SCDMV becomes EMV Compliant**		**$2,262,900***	**$2,239,793***
	Hardware		$1,236,800*	$40,000*
	Software (MX925)		$26,100*	
	Fees (Hardware Maintenance, Processing, Licenses, Merchant)			$207,793*
	Network Bandwidth upgrade		$1,000,000*	$1,000,000*
	Annual CC fees paid to SunTrust and Discover			$992,000+*
2.	**SCDMV implements PCI Compliance only**		**$2,362,900***	**$2,175,515***
	Hardware		$1,236,800*	$40,200*
	Software (MX925)		$26,100*	
	Fees (Hardware Maintenance, Processing, Licenses, Merchant)		$100,000*	$143,315*
	Network Bandwidth upgrade		$1,000,000*	$1,000,000*
	Annual CC fees paid to SunTrust and Discover			$992,000+*
3.	**Partner with SCI for Credit/Debit Card Processing**		**$0***	**$0***
	Transaction Costs to average consumer / Projected annual revenues for SCI (SCI assumes all Hardware/Software/Bandwidth & other fees)		**$2,172,671.09 (Est based on average FY15 consumer transactions. Our credit card transactions have increased by approx. 15% annually)**	

Common Costs to all Options

	Application Updates and Maintenance (Non-direct)		$30,000*	$10,000*

* SC DMV Bears these costs

Decision Matrix

COA / Criteria	SCDMV becomes EMV Compliant	SCDMV implements PCI Compliance Only	Partner with SCI for Credit/Debit Card Processing
Total Cost	- / 2	- / 1	+ / 3
Ease of Implementation	- / 2	- / 1	+ / 3
Time to implement	- / 1.5	- / 1.5	+ / 3
Fee change from Agency to Customer	+ / 2.5	+ / 2.5	- / 1
Totals	-2 / 8	-2 / 6	+3 / 10

Matrix uses both a simple advantage (+), disadvantage(−) scale and a numeric scale from 1 to 3 with a higher number given to the more advantageous Courses of Action. Ties are split between COAs.

Recommendation

Option 3: Allow SCDMV to partner with SCI

This will pass Credit Card User Fees along to the User. Over the course of 1 year, this will save SCDMV $992,000+ in Credit Card fees, up to $1,362,900 in equipment upgrade costs, $1,000,000 in network bandwidth upgrade costs, will more easily meet PCI Compliance requirements IAW DIS Proviso's, reduce implementation timelines, and allow expanded capability to provide payment opportunities outside a DMV field office.

This equates to more than $3.2 M (incl $992K Current CC Fees) in first year cost avoidance and more than $2 M in recurring cost avoidance

Backup