

## ELECTRONIC VALUE TRANSFER CONTRACT (EVT)

### CREDIT CARD RECONCILIATIONS

The reconciliation function is an authorized users integral back-office activity to verify that funds for all authorized Visa, MasterCard, American Express and Discover transactions submitted to KMS are received in the agency's designated bank account at the end of the settlement process. The reconciliation function will also serve as a basis for:

- associating settled funds with individual transactions and recording such activity to each customer's account,
- verifying the accuracy of KMS' and American Express' monthly invoices for services.

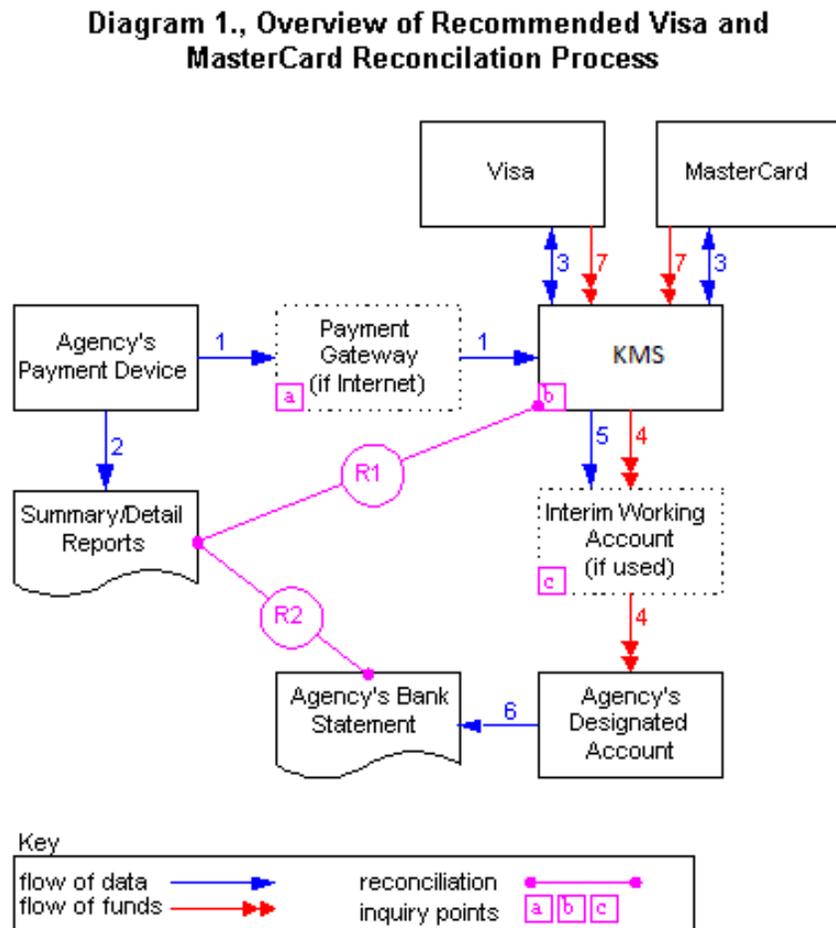
Agencies should be familiar with the Credit Card Settlement Guidelines prior to proceeding with these Reconciliation Guidelines.

#### Reconciling Settled Transactions with Settled Funds

Reconciliation should be performed by agencies to verify that they have received funds for all authorized transactions submitted for settlement. Since KMS will initiate transferring of Visa, MasterCard and Discover funds into an agency's designated account, American Express will initiate transferring of funds for American Express transactions, separate reconciliations will need to be performed for Visa/MasterCard/Discover, and American Express activity. While there are several points in the settlement process which could be used to

### RECOMMENDED VISA/ MASTERCARD/ DISCOVER RECONCILIATION PROCESS

The following diagram depicts the flow of both the data and funds involved in the Visa/MasterCard and Discover reconciliation process. The diagram also identifies the points in this process which should be used to reconcile transactions sent for settlement to funds received and the inquiry points which can be used to trace discrepancies should the amount of funds received disagree with what was anticipated.



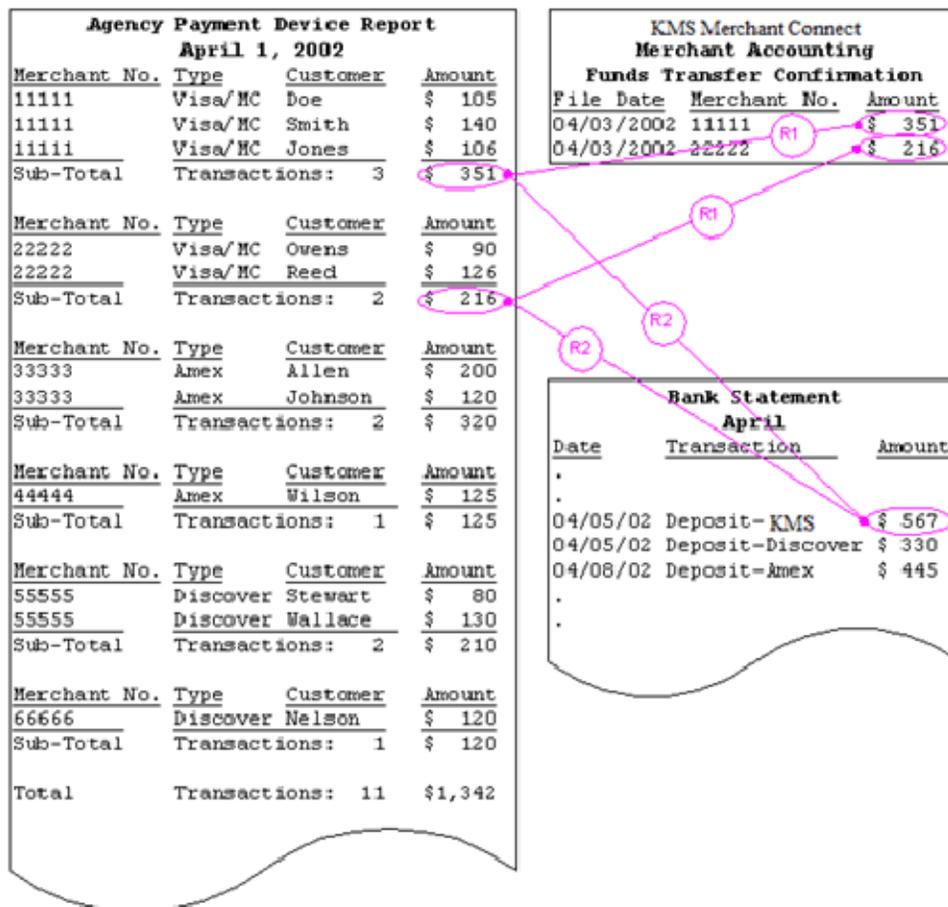
1. Detailed data (i.e., transaction level data) is passed from the agency's payment device (e.g., Point-of-Sale terminal, Internet application, etc.) to KMS' processing system. This data will pass through an Internet payment gateway if the agency's payment device is an Internet application. As indicated by the inquiry point labeled "a", the agency has inquiry capability into transaction level data at the Internet payment gateway if one is used.
2. On a daily basis, the agency's payment device should be capable of creating both summary reports (i.e., reports containing transaction totals such as the number of transactions and the dollar value of those transactions) and detail reports (i.e., reports containing transaction level data). These reports can be in either a paper or electronic format. The summary reports will be the basis for performing the reconciliation function since they provide the dollar totals which are ultimately expected to be deposited into the agency's designated account. Note: The dollar totals will be the gross amount of activity and will **not** be net of discount fees associated with the credit card transactions.
3. On a daily basis, KMS' system out clears transactions (submitting batches for settlement) to Visa/MasterCard and Discover for settlement. Visa's and MasterCard's system will transmit a confirmation of the transactions and will transmit data back to KMS. As indicated by the inquiry point labeled "b", agencies have inquiry access into KMS' system through KMS Merchant Connect which is their Web-based transaction information management tool.
4. KMS provides for the deposit of Visa/MasterCard and Discover funds into the interim working account, if one is used, or directly into the agency's designated account. KMS instructs their financial institution to transfer this money from KMS' account in anticipation of reimbursement from Visa/MasterCard and Discover. If an interim working account is used, funds will be transferred from this account to the agency's designated account. The Visa/MasterCard/Discover funds availability table in the Credit Card Settlement page can be used by agencies to determine the expected timing of receipt of these funds.
5. KMS' system forwards transaction level data if a Key Bank interim working account is used. As indicated by the inquiry point labeled "c", agencies using an interim working account have inquiry capability into this information using KMS software product.
6. The agency's bank will provide a bank statement noting deposits to the agency's designated account. This statement could be either a paper document or an electronic inquiry system.
7. Visa/MasterCard and Discover transfer funds to KMS, reimbursing them for having funded agencies' accounts.

R1 *Reconciliation Step 1.* Agencies should compare the total dollars from the summary report produced by their payment device with the total dollars KMS has initiated for transfer to the agency's account for that batch. Agencies have visibility into the amounts KMS has initiated for payment through KMS Merchant Connect. Agencies can use the Visa/MasterCard/Discover funds availability table to determine when the information will be available on KMS Merchant Connect for each daily batch submitted.

R2 *Reconciliation Step 2.* Agencies should compare the total dollars from the summary report produced by their payment device with the total dollars deposited into their designated depository account for each day's activity. Agencies have visibility into the amounts deposited into their designated account through their bank statements. Agencies can use the Visa/MasterCard/Discover funds availability table to determine when funds will be deposited into their designated account. Note: the exact date on which the funds will be deposited may vary slightly from the funds availability table based on the processing timeframes of the payment networks involved and the practices of the agency's depository banks. KMS is only responsible for initiating payments within the time frame set forth in the funds availability table.

The following diagram provides a simplified example of the process of reconciling the dollar totals from an agency's payment device report with both funds initiated for transfer by KMS (Reconciliation Step 1) and with the agency's bank statement (Reconciliation Step 2). Note: this example uses KMS Merchant Connect Funds Transfer Confirmation online report. Agencies should familiarize themselves with the other online reports available from KMS Merchant Connect, some of which may better suite their particular reconciliation process.

Diagram 2., Example of Visa and MasterCard Reconciliation Process



R1 *Reconciliation Step 1.* In this example, the agency's payment device's summary report (which includes detailed transaction level data for the purpose of this example) indicates that on April 1st three Visa and MasterCard transactions totaling \$351 were submitted for settlement for one of their merchant numbers, and two Visa and MasterCard transactions, totaling \$216 were submitted for settlement for their other Visa and MasterCard merchant number. Note that while the report contains American Express transactions, those amounts will need to be reconciled separately (See Recommended American Express Reconciliation Process). Based on both the funds availability table in the Credit Card Settlement Guidelines and on their own experience, the agency would anticipate that KMS would initiate transfer of these funds on April 3rd, which they could view through KMS Merchant Connect.

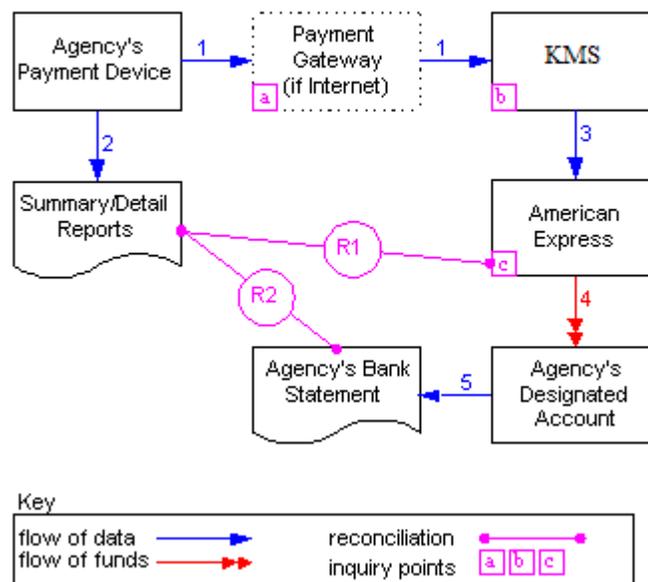
R2 *Reconciliation Step 2.* Based on the Visa and MasterCard funds availability table and their own experience, the agency in this example would anticipate that the \$351 and the \$216 would be consolidated and that \$567 would be deposited into their designated account on April 5th (note: this assumes the agency is not using either an interim account or an Key Bank designated account, if either were used, the funds would be anticipated on April 3rd and they have chosen to have their payment

consolidated into one deposit). If there were a discrepancy between the funds deposited into the designated account and the amount that was anticipated, the agency should attempt to identify the discrepancy using the inquiry points identified in Diagram 1, Overview of Recommended Visa/MasterCard/Discover Reconciliation Process above or by contacting KMS.

### Recommended American Express Reconciliation Process

The following diagram depicts the flow of both the data and funds involved in the American Express reconciliation process for agencies passing American Express transactions through KMS. The diagram also identifies the points in this process which should be used to reconcile transactions sent for settlement to funds received and the inquiry points which can be used to trace discrepancies should the amount of funds received disagree with what was anticipated.

**Diagram 3., Overview of Recommended American Express Reconciliation Process**



1. Detailed data (i.e., transaction level data) is passed from the agency's payment device (e.g., Point-of-Sale terminal, Internet application, etc.) to KMS' processing system. This data will pass through an Internet payment gateway if the agency's payment device is an Internet application. As indicated by the inquiry point labeled "a", the agency has inquiry capability into transaction level data at the Internet payment gateway if one is used.
2. On a daily basis, the agency's payment device should be capable of creating both summary reports (i.e., reports containing transaction totals such as the number of transactions and the dollar value of those transactions) and detail reports (i.e., reports containing transaction level data). These reports can be in either a paper or electronic format. The summary reports will be the basis for performing the reconciliation function since they provide the dollar totals which are ultimately expected to be deposited into the agency's designated account. Note: The dollar totals will be the gross amount of activity and will **not** be net of discount fees associated with the credit card transactions.

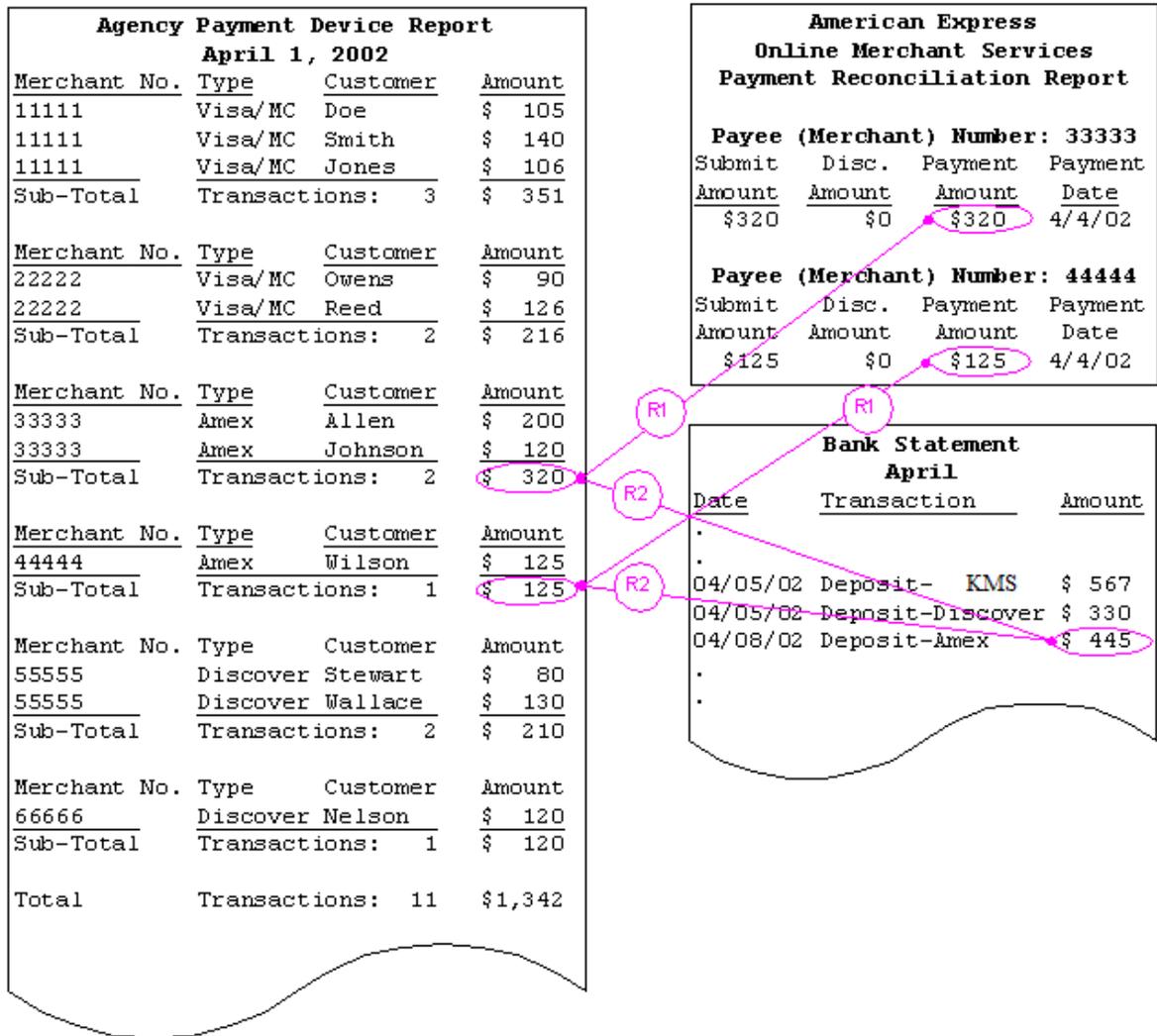
3. On a daily basis, the agency's payment device should be capable of creating both summary reports (i.e., reports containing transaction totals such as the number of transactions and the dollar value of those transactions) and detail reports (i.e., reports containing transaction level data). These reports can be in either a paper or electronic format. The summary reports will be the basis for performing the reconciliation function since they provide the dollar totals which are ultimately expected to be deposited into the agency's designated account. Note: The dollar totals will be the gross amount of activity and will **not** be net of discount fees associated with the credit card transactions.
4. American Express provides for the deposit of American Express funds into the agency's designated depository account. The American Express funds availability table in the Credit Card Settlement Guidelines page can be used by agencies to determine the expected timing of receipt of these funds. As indicated by the inquiry point labeled "c", agencies have inquiry access into American Express' system through their Online Merchant Services tool.
5. The agency's bank will provide a bank statement noting deposits to the agency's designated account. This statement could be either a paper document or an electronic inquiry system.

*R1 Reconciliation Step 1. Agencies should compare the total dollars from the summary report produced by their payment device with the total dollars American Express has initiated for transfer to the agency's account for that batch. Agencies have visibility into the amounts American Express has initiated for payment through their Online Merchant Services, American Express' Web-based management tool. Agencies can use the American Express funds availability table to determine when the information will be available on Online Merchant Services for each daily batch submitted.*

*R2 Reconciliation Step 2. Agencies should compare the total dollars from the summary report produced by their payment device with the total dollars deposited into their designated depository account for each day's activity. Agencies have visibility into the amounts deposited into their designated account through their bank statements. Agencies can use the American Express funds availability table to determine when funds will be deposited into this account. Note: the exact date on which the funds will be deposited may vary slightly from the funds availability table based on the processing timeframes of the payment networks involved and the practices of the agency's depository banks. American Express is only responsible for initiating payments within the timeframe set forth in the funds availability table.*

The following diagram provides a simplified example of the process of reconciling the dollar totals from an agency's payment device report with both funds initiated for transfer by American Express (Reconciliation Step 1) and with the agency's bank statement (Reconciliation Step 2). Note: this example uses Online Merchant Services' Payment Reconciliation online report. Agencies should familiarize themselves with the other online reports available from Online Merchant Services, some of which may better suite their particular reconciliation process.

Diagram 4., Example of American Express Reconciliation Process



**R1 Reconciliation Step 1.** In this example, the agency's payment device's summary report (which includes detailed transaction level data for the purpose of this example) indicates that on April 1st two American Express transactions totaling \$320 were submitted for settlement for one of their merchant numbers, and one American Express transaction totaling \$125 was submitted for settlement for their other American Express merchant number. Note that while the report contains Visa and MasterCard transactions and Discover transactions, those amounts will need to be reconciled separately (See Recommended Visa, MasterCard and Discover Reconciliation Process). Based on both the funds availability table in the Credit Card Settlement Guidelines and on their own experience, the agency would anticipate that American Express would initiate transfer of these funds on April 4th, which they could view using American Express' Online Merchant Services.

**R2 Reconciliation Step 2.** Based on the American Express funds availability table and their own experience, the agency in this example would anticipate that the \$320 and the \$125 would be consolidated and \$445 would be deposited into their designated account on April 8th. If there were a discrepancy between the funds deposited into the designated account and the amount that was anticipated, the agency should attempt to identify the discrepancy using the inquiry points identified in Diagram 3, Overview of Recommended American Express Reconciliation Process above or by contacting American Express.

## **Reconciling Invoices**

KMS and American Express issue monthly invoices to each agency to bill them for the services, utilized and products acquired during the previous month (if net billing option not chosen). If the net billing option was selected an invoice will be sent with KMS fees netted out and the invoice will show payment card activity and related costs for the month.

Agencies should develop procedures to reconcile invoices to validate the accuracy of KMS' and American Express' monthly statements.

In reconciling invoices, agencies should verify the following as applicable:

- the number and dollar value of credit card transactions for which they are being billed,
- the rate at which they are being billed for credit card transactions, and
- the validity of other charges (e.g. chargeback fees, rental of point-of-sale terminals, etc.).

### **Verify the Number and Dollar Value of Credit Card Transactions**

Fees for credit card transactions are indicated by card brand and type. In reconciling their invoices, agencies should verify that the number of credit card transactions and the dollar value of the transactions included in an invoice are accurate.

In verifying the number and dollar value of credit card transactions, agencies should be aware of deposits-in-transit. These are transactions that have been processed by the agency during a particular period but have not settled through the vendor in that period. These transactions would take place typically at the end of the month. This transaction activity may not be included on the vendor's current period invoice but will be included on the next period's invoice.

### **Verifying Credit Card Rates**

Rates for Visa and MasterCard processing fees are initially established in Form EVTA-2, KMS Work Order for each agency's merchant numbers. Agencies should verify that the rates included in their invoice are their current rate for Visa and MasterCard transactions.

All agencies are charged the same rate for American Express transactions. Agencies should verify that they are being charged the statewide discount rate established in Appendix C of the American Express Contract.

## Verifying Other Charges

Agencies should verify both the validity of the charges for other services and products and the rates being charged. The following table provides a list of some of the other charges which might appear on their invoices from KMS and American Express:

Vendor	Category	Rate Source	Typical Charges
KMS	Card Processing	KMS Contract Appendix D	AMEX Processing American Express transactions.
			DISC Processing Discover transactions.
	Equipment	KMS Contract Appendix D	EQUIPMENT PURCHASE Purchase of point-of-sale terminals or other equipment (where EQUIPMENT equals the make and model of the equipment purchased.)
			EQUIPMENT RENTAL Rental of point-of-sale terminals or other equipment (where EQUIPMENT equals the make and model of the equipment rented.)
WARRANTY FEE Extended warranty fee.			
Software	KMS Contract Appendix D	Merchant Connect Premium Additional user fees.	

### KMS's Invoices

KMS will mail invoices (entitled "Credit Card Merchant Statement") to the address specified by the agency in Form EVTA-2, KMS Work Order. A copy of KMS' invoice is also available from KMS Merchant Connect at the beginning of each month. For agencies with multiple payment programs, a separate invoice will be issued for each merchant number. In addition to fees for card processing services and other applicable KMS charges, the agency's invoice will also include any applicable fees, including the Internet payment gateways and Key Bank, if applicable.

### American Express' Invoices

American Express will mail invoices (entitled "Credit Card Merchant Statement") to the address specified by the agency in Form EVTA-2, KMS/AMEX Work Order. A copy of American Express' invoice is also available from the American Express merchant web site at the beginning of each month. For agencies with multiple payment programs, a separate invoice will be issued for each merchant number. In addition to fees for card processing services and other applicable American Express charges.