

Online Payment Processing Services

PayPal, Google Checkout or other like services

What are online payment processing services?

These are e-commerce businesses, such as PayPal and Google Checkout, which process payments for online vendors.

These processors obtain and store financial information, so the user can buy online products without needing to manually entering their credit card or bank account information every time. When a payment is generated the processor will transfer the funds from the payee to the recipient.

Can agencies use online payment services to make payments to others?

Agencies should not use an online payment processing service to make payments.

Safeguarding state funds is essential. Using online payment processing services adds another level of complexity and risk to the payment process since the credit card information is held by a third party. When a payment can be sent directly to a vendor, using an online payment processor would be seen as an unnecessary risk to the state.

Agencies may use an online payment processing service only if it is set up to charge the state purchasing card. There may be a limit on the number of transactions per year that can be made.

Can agencies accept payments using an online payment processing service?

NO, agencies are not allowed to use these services to accept payments.

- All state funds, regardless of whether it is a treasury account, local account, or petty cash account, must be deposited in an account that complies with the Public Deposit Protection Commission (PDPC) law (RCW 39.58.080). These payment services cannot be used because the payments are deposited in out-of-state accounts, and not in in-state PDPC qualified banks.
 - The use of these services violates the Office of the State Treasurer's (OST) mandatory use contract for merchant services.
 - There can be high fees associated with accepting payments through payment services.
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What options do agencies have for accepting payments electronically?

The preferred method is automated clearing house (ACH) debits. These are also referred to as electronic checks, electronic fund transfers (EFTs) and automatic debits. This is the least expensive method for accepting funds electronically and works well for both one-time internet payments and recurring payments. Agencies may also accept payments using credit and debit cards.

OST's current banking contracts must be used when an agency wants to accept electronic payments including ACH, credit and debit card payments.

Acceptance of electronic payments might require an Economic Feasibility Study (EFS) to be approved by OFM (RCW 43.41.180). For more information about the EFS process, refer to [Chapter 40](#) in the *State Administrative and Accounting Manual (SAAM)*.

What if I have additional questions?

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