



Office of the City Manager

INFORMATION CALENDAR

May 26, 2015

To: Honorable Mayor and Members of the City Council
 From:  Christine Daniel, City Manager
 Submitted by: Henry Oyekanmi, Acting Director of Finance
 Subject: Audit of Citywide Payment-Card Acceptance: Is Cardholder Information Safe?

INTRODUCTION

The City Auditor's Office conducted an audit of citywide payment-card acceptance on May 31, 2011, processing and security over payment-card data and cardholder information. The audit also addressed cash handling training and surprise cash counts for the purpose of strengthening fraud prevention and detection controls over payment-card and cash-handling activities.

The Finance Department provided status reports on, November 27, 2012, April 30, 2013, and June 3, 2014. This report provides a status update on the remaining recommendations: (#1.1 and 2.5). With the publication of A.R. 3.25 on April 23, 2015, all recommendations in the report, except one, are now fully implemented. One recommendation could not be implemented.

The complete Payment-Card Acceptance Audit can be found on the City's website at: http://www.ci.berkeley.ca.us/uploadedFiles/2011-05-31_Item_27_Audit_of_Citywide_Payment-Card_Acceptance_Is_Cardholder_Information_Safe.pdf and the previous updates can be found at:

- http://www.cityofberkeley.info/Clerk/City_Council/2012/11Nov/Documents/2012-11-27_Item_33_Audit_of_Citywide_Payment.aspx
- http://www.cityofberkeley.info/Clerk/City_Council/2013/04Apr/Documents/2013-04-30_Item_60_Audit_of_Citywide_Payment.aspx
- [City Council: 06-03-2014 - Regular Meeting Agenda - City of Berkeley, CA](#)

CURRENT SITUATION AND ITS EFFECTS

The report consisted of four findings and thirteen audit recommendations. This report provides a final update on the implementation status of the two outstanding recommendations (#1.1 and 2.5) as of the last status report on June 3, 2014. All but one of the recommendations have been implemented or their findings cleared by implementation of alternative actions. Recommendation #2.4 could not be implemented.

The recommendation was considered; however, it is not within budget constraints to add cameras at the Permit Service Center, especially because the PSC is not in a City-owned building and will likely move when the lease expires in five years.

Finding 1: Provide Guidance to Departments that Process Payment-Card Receipts.

Auditor's Recommendation (1.1): Issue an administrative regulation to define the responsibilities, obligations, and requirements for City departments that accept payment cards in payment of financial obligations to the City.

City Manager Response: Implemented. Administrative Regulation 3.25 was published on April 23, 2015.

Finding 2: Improve Security Over Cardholder Information at the 311 Call Center, Permit Service Center, Office of Vital Statistics, and Berkeley Marina

Finance

Auditor's Recommendation (2.5) Revise the Cash Handling Training Manual to specifically prohibit writing down a payment-card holder's name, address, or payment-card number. Include this prohibition in the administrative regulation to be developed under Recommendation Number 1.1 above.

City Manager Response: Implemented. The Cash Handling Training Manual has been updated 3/31/2014 to specifically prohibit writing down a payment-card holder's name, address, or payment-card number. This prohibition is also included in the Administrative Regulation 3.25.

ENVIRONMENTAL SUSTAINABILITY

Although acceptance of payment by credit and debit cards contributes to the City's climate action goals by reducing auto trips, there are no directly identifiable environmental effects or opportunities associated with the subject of this report, which relates strictly to keeping cardholder information and card data safe.

BACKGROUND

The Administration division of the Finance Department (Finance/Administration) working with the Treasury Division (Finance/Treasury) is responsible for providing guidance and to implement the guidance about payment card (credit card and debit card payment) best practices to deter fraud and to protect cardholder information. For walk-in customers, the Finance Department Customer Service Counter staff swipe the credit cards or debit cards and do not retain any payment card data. For the Information Technology 311 Call Center telephone payments, staff enter credit card data and do not retain any credit card information. For online payments, the City makes sure that third-party contractors are PCI compliant and that no credit card data are stored in any of the

City's servers. In addition, the City as a merchant is also completing the annual merchant PCI compliance at the required merchant level as notified by the City's merchant bank, Wells Fargo Bank.

Finance/Treasury is the recipient of all cash, checks, credit and debit card payments made to City departments and has responsibility for ensuring these payments are accurately and efficiently deposited to City bank accounts. Finance/Treasury is also responsible for ensuring these payments are properly recorded in the Cash Receipts module of FUND\$, the City's financial system.

FISCAL IMPACTS

Implementation of Payment-Card Acceptance policies and procedures is one of the PCI compliance requirements. Its implementation will help the City achieve PCI compliance. It may also help to reduce the risk of being fined by individual cardbrand: Visa and/or MasterCard for non-compliance. Fines for non-compliance may range in the \$5,000 per month at a minimum to \$100,000 or more, depending on the level of risks the City cardholder data environment faces and as determined by the cardbrand: Visa and/or MasterCard.

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