



Office of the City Manager

INFORMATION CALENDAR

November 27, 2012

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Robert Hicks, 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 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 Auditor's report, along with Finance's and the City Manager's responses to the audit recommendations, were submitted to Council on May 31, 2011. The report consisted of four findings and thirteen audit recommendations. At the time the report was submitted to Council, Finance reported one recommendation as implemented (#2.6). This is the first report providing an update on the twelve outstanding audit recommendations. The next status report will be provided to Council on April 30, 2013.

The complete Payment-Card Acceptance Audit can be found on the City's website at: http://www.cityofberkeley.info/Auditor/Home/Audit_Reports.aspx.

CURRENT SITUATION AND ITS EFFECTS

The Treasury successfully implemented the five recommendations to findings 3 and 4, which are related to providing Cash Handling classes, documenting the attendance of the training classes and resuming surprise cash counts. Implementation of recommendations to findings 1 and 2 is in progress and a status report is scheduled for Council on April 30, 2013.

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: Partially Implemented. A draft guideline for City department customer service staff accepting payment cards will be posted to Finance Groupware by October 30, 2012. A draft of an administrative regulation will be completed by March 15, 2013. Separately, the Cash Handling Training Manual will include a section for safeguarding credit card confidential information.

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

311 Call Center

Auditor's Recommendation (2.1)

Replace the existing cubicle partitions in the 311 Call Center with transparent Plexiglas.

City Manager Response: Alternative Implemented November 11, 2011. The Call Center workspace was reconfigured and the partitions were lowered. The lower partitions allow the Division Manager, Supervisor, and Customer Service Agents to see each other's work space.

Auditor's Recommendation (2.2) Consider establishing camera surveillance in the 311 Call Center.

City Manager Response: Partially Implemented. IT considered the recommendation, and determined that it was not feasible within existing budget constraints. Its estimated cost is about \$20,000. This recommendation will be revisited as part of the FY 2014 budget.

Planning Permit Service Center

Auditor's Recommendation (2.3) Consider placing faxed and dropped-off permit applications and Credit Card Authorization Forms in a dual custody lock box or file cabinet until processed, with no employee holding the key or combination to both locks.

City Manager Response: Not Implemented. More time is needed to evaluate the recommendation and resource impact.

Auditor's Recommendation (2.4) Consider establishing camera surveillance at the Permit Service Center

City Manager Response: Not Implemented. More time is needed to evaluate the recommendation and financial impact.

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: Partially Implemented. The Cash Handling Training Manual revised October 31, 2012, states that staff are prohibited from writing down cardholder names and addresses and payment-card numbers. A draft of the administrative regulation will include this prohibition and will be completed by March 15, 2013.

Parks, Recreation and Waterfront - Berkeley Marina

Auditor's Recommendation (2.7) Take action to reduce the risk of capturing credit cardholder information by the Marina staff for inappropriate use. Possibilities include:

- Discontinue accepting payment cards for berth rental deposits.
- Charge the payment card at the time of rental, and execute a credit (refund) transaction when the key is returned.

City Manager Response: Implemented in 2011. The Marina shredded all the mail-in payment forms that contained credit card information. In addition, Marina now only processes walk-in credit-card payments and does not accept any documents with credit-card information on it. The Marina has incorporated these new processes in their written cash handling procedures.

Finding 3: Provide Citywide Cash Handling Training (Repeat Finding – May 16, 2006)

Auditor's Recommendation (3.1) Establish a target for the number of cash handling classes to be held each fiscal year. If the target is not achieved due to staffing issues, report this condition in writing to the City Manager.

City Manager Response: Implemented in Fiscal Year 2013. Finance's target is to conduct one cash-handling class a year. However, if staffing permits, Finance will attempt to conduct a cash-handling class each quarter. If the target of one class a year cannot be achieved due to staffing constraints, Finance will report the condition to the City Manager.

The Cash Handling 101 class is now available through the Citywide training calendar. In addition, a Cash Handling 101 PowerPoint presentation is now in Finance Groupware.

Auditor's Recommendation (3.2) Maintain a record of each cash handling class, including date, location, and name and department of each attendee. The citywide training software can be used for this purpose.

City Manager Response: Implemented in Fiscal Year 2013 using the citywide training software.

Finding 4: Resume Conducting Surprise Cash Counts

Auditor's Recommendation (4.1) Establish a target for the number of surprise cash counts to be conducted each fiscal year. If the target is not achieved due to staffing issues, report this condition in writing to the City Manager.

City Manager Response: Implemented in October, 2012. The surprise cash counts will be conducted six times (every other month) in each fiscal year.

Auditor's Recommendation (4.2) Maintain a record of all surprise cash counts, including date, location, and findings, such as poor controls, or cash shortages.

City Manager Response: Implemented in October, 2012.

Auditor's Recommendation (4.3) Provide a copy of the cash count report to the department director. Also provide a copy to the City Manager.

City Manager Response: Implemented in November, 2012. The plan is to provide the surprise cash count report to the department director on the last day of the following month. The first surprise cash count report for October, 2012 to the department director will be distributed by November 30, 2012.

BACKGROUND

Finance/Administration working with Treasury is responsible for providing guidance about credit card best practice to deter fraud and to protect cardholder information. For walk-in customers, counter staff swipes credit card or debit card and does not retain any credit card data. For 311 Call Center telephone payments, staff enters credit card data and does not retain any credit card information. For online payments, the City makes sure that third-party contractors are PCI compliant and no credit card data is stored in any of the City's servers.

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

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