



Office of the City Manager

INFORMATION CALENDAR  
April 30, 2013

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 was 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 already had implemented one recommendation (# 2.6.). On November 27, 2012, the Finance Department provided a status report, with six more recommendations implemented (#'s 2.7, 3.1, 3.2, 4.1, 4.2 and 4.3), three recommendations were partially implemented (#'s 1.1, 2.2 and 2.5), one recommendation with an alternative implemented (# 2.1) and two recommendations were not implemented (# 2.3 and 2.4). This report provides a current update on the outstanding items. The next status report will be provided to Council on September 10, 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](http://www.cityofberkeley.info/Auditor/Home/Audit_Reports.aspx), and the previous update can be found at: [http://www.cityofberkeley.info/clerk/city\\_council/city\\_council\\_agenda\\_index.aspx](http://www.cityofberkeley.info/clerk/city_council/city_council_agenda_index.aspx).

CURRENT SITUATION AND ITS EFFECTS

On November 27, 2012, staff reported that recommendation 2.3, related to improving security over cardholder information at the Planning Permit Service Center (PSC), was not implemented. Subsequently, alternative procedures for recommendation 2.3 were implemented in March, 2013. Recommendation #2.4, establishing camera surveillance at the PSC was considered, but will not be implemented, due to budget constraints and PSC will likely move when the lease expires. The implementation of recommendations

to findings 1 and 2 (#1.1, 2.2 and 2.5) is still in progress and a status report is scheduled for Council on September 10, 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. Draft Administrative Regulation is expected to be submitted for review by May 31, 2013. In the interim, on October 30, 2012, Finance published a draft guideline for City department customer service staff accepting payment cards.

**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 (2.2)** Consider establishing camera surveillance in the 311 Call Center.

**City Manager Response:** Partially Implemented. Information Technology will consider establishing camera surveillance in the Call Center as part of the FY 2014 and FY 2015 budget process.

**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:** Alternative Implemented. On March 6, 2013, Permit Service Center established additional safeguards and procedures outlined below for staff to follow to ensure security of credit card information.

- Faxed or dropped-off applications and payments are placed in a locked box that is visible from the PSC Coordinator's office. It is also in an area that can only be accessed by City staff.
- Applications are processed daily, generally within one or two hours after receipt. If not processed, they are locked in the safe at night.
- Staff have been trained and follow the draft "Guidelines and Requirements for Accepting Credit Card Payments", provided by the Finance Department.

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

**City Manager Response:** Will 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.

### 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 was revised October 31, 2012, and states that staff are prohibited from writing down cardholder names and addresses and payment-card numbers. The Administrative Regulation to be completed in September 2013 will include this prohibition.

### 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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