Express Memo

PCI Compliance Audit

City of Glendale
Internal Audit

2025-01
Report Date: 08/14/2024

Background

The City of Glendale accepts payment cards as a form of payment for fees, therefore City departments must adhere to the Payment Card Industry Data Security Standards (PCI DSS) requirements in order to protect customers' cardholder data. Failure to do so may result in significant fines and/or revocation or suspension of payment card processing privileges, increased liability from potential fraudulent charges, and damage to the City's reputation. To ensure compliance with the PCI DSS, the City hired an external Qualified Security Assessor (QSA) to perform an annual assessment. Additionally, in order to assess ongoing compliance with PCI DSS and help City departments better prepare for the annual assessment, Internal Audit is tasked with performing periodic audits of the City's adherence to its PCI Policy (APM 7-8) and departmental Payment Card Acceptance and Processing Procedures (Procedures). The goal is to cover all in-scope sites, systems, and calendar tasks once per year prior to the QSA's annual assessment. This is the second of three audits scheduled for calendar year 2024.

Objective/Scope/Methodology

The objective of this audit is to determine the City's compliance with its PCI Policy and Procedures. The scope of this audit was based upon the PCI DSS in-scope requirements, as defined by the QSA. The detailed scope and methodology are shown in Appendix A.

Summary of Results

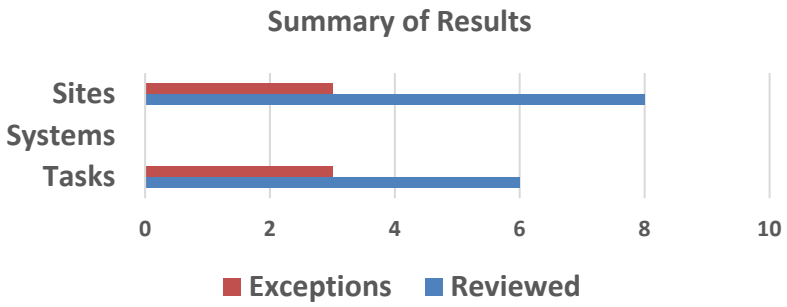
As of May 31, 2024, there were a total of 53 in-scope sites/systems/tasks, 21 of which were previously reviewed, 14 reviewed during the current audit, and 13 that are scheduled to be reviewed in the next audit. The table below summarizes the audit schedule for calendar year 2024.

Calendar Year 2024 Audit Schedule

Column1	1st Audit	Current Audit	3rd Audit	Total
Sites	5	8	6	19
Systems[1]	0	0	0	0
Tasks	16	6	7	29
Total	**21**	**14**	**13**	**48**

[1] Five system reviews have been removed from the calendar year 2024 audit schedule pending completion of a PCI DSS v4.0 gap analysis by a QSA, a walkthrough of the new PCI DSS v4.0 requirements, and clarification of the evidence necessary to demonstrate the City's compliance.

Based on a review of the 14 areas, there were three sites and three calendar tasks with exceptions related to completion of the requisite PCI training, performance of periodic tamper seal reviews, acceptance of payments over the telephone, update and review of the PCI DSS Guide/Plan Document, update and review of the Application for New Payment Card Merchants, and update and review of PCI DSS Tracking document activities. These issues were subsequently remediated by the applicable departments.



Detailed Results

The table below summarizes the controls, number of areas tested, and any exception(s) noted.

Test	Description	Areas Tested	Exception(s)
1.	Determine if departmental Procedures are being followed through performing site visits.	8	3
2.	Determine if system controls (password policy, user accounts, critical patches) are in place to ensure cardholder data is safeguarded. This includes both testing the hosted system and obtaining compliance documentation from third party vendors that utilize the City's merchant ID to process payments cards.	0	0
3.	Determine if the calendar tasks assigned to the PCI Team members are being completed in a timely manner per the City's PCI DSS Guide.	6	3
	Total	**14**	**6**

Exceptions and Actions Taken

The table below details the exception(s), action(s) taken, and remediation status.

	Exception(s)	Action(s) Taken
1.	One site did not document the required daily tamper seal review.	Department supervisor has reminded staff that they are required to complete and document their tamper review daily. **Status: Remediated**
2.	One site had the following three exceptions: a. Two employees who either processed or could process payment cards did not complete the requisite PCI Training. b. Telephone calls for payment card transactions were transferred from the digital to the analog telephone line rather than disconnecting the digital telephone call and either requesting the customer to call the analog telephone number directly or City staff calling the customer back from the analog telephone line. c. Current departmental Procedures were not available.	a. The identified employees have been instructed to not process credit card transactions until the required PCI Training has been completed. b. Employees have been instructed that they are required to disconnect the digital telephone call and either request the customer to call the analog telephone number directly or return the customer's call from the analog telephone line. c. The latest departmental Procedures have been provided to management. Additionally, on a going forward basis, department management will email each site location a copy of the updated procedures to be reviewed with staff. **Status: Remediated**
3.	One site transferred telephone calls for payment card transactions from the digital to the analog telephone line rather than disconnecting the digital telephone call and either requesting the customer to call the analog telephone number directly or City staff calling the customer back from the analog telephone line.	Employees have been instructed that they are required to disconnect the digital telephone call and either request the customer to call the analog telephone number directly or return the customer's call directly from the analog telephone line. **Status: Remediated**

	Exception(s)	Action(s) Taken
4.	Three calendar tasks related to the following were not performed timely: a. Update of the PCI DSS Guide/Plan Document by the City Treasurer's Office (CTO) and review by the Information Technology Department (ITD) in coordination with the PCI DSS consultant. b. Update of the Application for New Payment Card Merchants document by the CTO and review by the ITD in coordination with the PCI DSS consultant. c. Consistent logging of PCI DSS Tracking document activities by the CTO, including review of the Attestation of Compliance (AOC) and contract updates performed by the QSA or ITD in coordination with the PCI DSS consultant. Additionally, the departmental Procedures had not been updated for PCI DSS v4.0 or reviewed by the ITD in coordination with the PCI DSS consultant. Furthermore, the most recent departmental Procedures for two departments were not available on the City's intranet.	a. The PCI DSS Guide/Plan Document review is an iterative process performed by the CTO and ITD in coordination with the PCI DSS consultant. This review process began in February 2024, was completed by the CTO on July 23, 2024, and reviewed by the ITD in coordination with the PCI DSS consultant on August 7, 2024. b. The Application for New Payment Card Merchants document was completed by the CTO on July 22, 2024, and reviewed by the ITD in coordination with the PCI DSS consultant on July 31, 2024. c. The PCI DSS Tracking Document activities, including review of the AOCs and contracts performed by the QSA or ITD in coordination with the PCI DSS consultant have been updated by the CTO. The departmental Procedures review and updates for PCI DSS v4.0 are also an iterative process performed by the CTO and ITD in coordination with the PCI DSS consultant. This review began in March 2024, the review of the templates was completed on April 2, 2024, and departmental Procedures were completed between July 1 and August 7, 2024, and reviewed by the ITD in coordination with the PCI DSS consultant as of August 12, 2024. These Procedures are now available to departments on the City's intranet. **Status: Remediated**

Distribution List

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Appendix A: Detailed Scope and Methodology

The City of Glendale became a Level 2 merchant (1-6 million transactions) in 2018 based on its number of payment card transactions processed in 2017. For calendar year 2023, the City processed over 993,500 credit card transactions and received notification from Bank of America that the card organization's annual assessment of the City of Glendale's merchant level has been lowered From PCI DSS Level 2 to PCI DSS Level 3 (20,000–1 million transactions).

To ensure compliance with the PCI DSS, the City hired an external QSA to perform an annual assessment and prepare and submit a formal Report on Compliance (ROC) for the City's required validation. A ROC is required for Level 1 merchant and is optional for a Level 2 and 3 merchants.

Scope

The scope of this audit covers the PCI DSS requirements, as defined by the QSA and documented within the 2024 PCI Audit Plan shared with the PCI Team at beginning of the calendar year. The in-scope sites, systems, and tasks were based upon the listings maintained by the CTO.

Methodology

To gain an understanding of the PCI DSS requirements, Internal Audit shadowed the City's QSA during the 2022 annual PCI audit. Internal Audit also consulted with the QSA and/or other PCI Team members as needed throughout the audit. Based upon this understanding, the following procedures were developed:

- Review updated Procedures and interview staff to ensure knowledge and compliance of policies. This may involve the following:
  - Obtaining updated device listings from CTO and ensure devices being used are reflected in the device listings.
  - Verifying that employees who handle payment card information have taken the necessary PCI training.
- Perform system assessments to ensure third parties have safeguards in place to protect cardholder data. This may involve the following:
  - Collecting Attestation of Compliance documents.
  - Reviewing PCI compliance language in City contracts.
  - Performing system reviews.
- Review the City's PCI Policy (APM 7-8) and PCI DSS Guide to ensure knowledge and compliance of policies. This may involve the following:
  - Reviewing tasks noted in the Annual PCI Compliance Calendar and ensure they are being timely performed by assigned parties.
  - Interviewing PCI Team members to determine their knowledge and compliance with established roles.

Frequency

Internal Audit plans to test all in-scope sites, systems, and calendar tasks once per year through three separate quarterly audits. The next audit is scheduled to take place in September 2024.