



# PCI Compliance Audit

# 2021-11  
Report Date: 06/30/2021

## 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 7-9) 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 2021.

## 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, 2021, there were a total of 54 in-scope sites/systems/tasks, 13 were reviewed in the current audit, and 19 are scheduled to be reviewed in future audits. The table below summarizes the audit status for calendar year 2021.

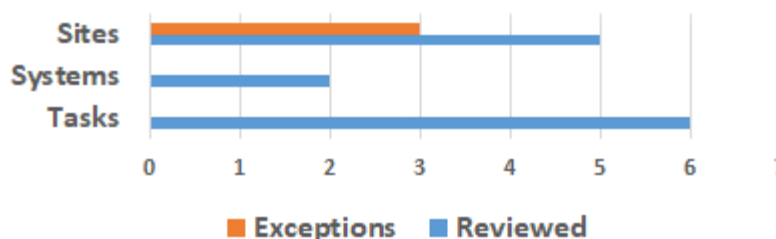
**Calendar Year 2021 Review Status**

	Prior Audit	Current Audit	Scheduled	Total
Sites	6	5	10	21
Systems	2	2	2	6
Tasks **	14	6	7	27
<b>Total</b>	<b>22</b>	<b>13</b>	<b>19</b>	<b>54</b>

\*\* During the current audit, four tasks related to quarterly vulnerability scans were added to the Calendar of Events. Two of these are reflected under the Prior Audit period but will be tested during the next audit cycle.

Based on a review of the 13 areas, three exceptions were noted during the site visits related to tamper seals and record keeping. All three exceptions were subsequently remediated.

**Summary of Results**



## Detailed Results

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

Test	Description	Areas Tested	Exception(s)
1.	Determine if departmental Procedures are being followed through performing site visits.	5	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.	2	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	0
	<b>Total</b>	<b>13</b>	<b>3</b>

## Exceptions and Actions Taken

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

	Exception(s)	Action(s) Taken
1.	Two sites had credit card terminals mounted to credit card stands. The stands could not be removed without tools and therefore routine tamper seal inspections were not performed on these two terminals. Upon inspection, Internal Audit noted one of the terminals did not have a tamper seal attached.  Additionally, the serial numbers for both terminals were not documented within the City's Device Inventory Log.	Credit card stands at both sites have been permanently removed to allow for routine tamper seal inspections. In addition, a tamper seal was attached to the applicable terminal and both serial numbers were added to the City's Device Inventory Log.  <b>Status: Remediated</b>
2.	One site had two tamper seals attached to their credit card terminal. One tamper seal was incorrectly placed and damaged from the inspection process. The other tamper seal was correctly placed and still intact. However, the serial number of the correctly placed tamper seal was not documented within the City's Device Inventory Log.	The damaged seal was removed and the serial number for the correctly placed tamper seal was updated within the City's Device Inventory Log.  <b>Status: Remediated</b>

## Distribution List

For Action	For Information
<ul style="list-style-type: none"> <li>Rafi Manoukian, City Treasurer</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee</li> </ul>
<ul style="list-style-type: none"> <li>Guia Murray, Assistant City Treasurer</li> </ul>	<ul style="list-style-type: none"> <li>City Council</li> </ul>
	<ul style="list-style-type: none"> <li>Aram Adjemian, City Clerk</li> </ul>
	<ul style="list-style-type: none"> <li>Elena Bolbolian, Director of Innovation, Performance, &amp; Audit</li> </ul>
	<ul style="list-style-type: none"> <li>Jason Bradford, Chief Information Officer</li> </ul>
	<ul style="list-style-type: none"> <li>Onnig Bulanikian, Director of Community Services &amp; Parks</li> </ul>
	<ul style="list-style-type: none"> <li>Matthew Doyle, Director of Human Resources</li> </ul>
	<ul style="list-style-type: none"> <li>Yazdan Emrani, Director of Public Works</li> </ul>
	<ul style="list-style-type: none"> <li>Michele Flynn, Director of Finance</li> </ul>
	<ul style="list-style-type: none"> <li>Michael J. Garcia, City Attorney</li> </ul>
	<ul style="list-style-type: none"> <li>Roubik Golanian, City Manager</li> </ul>
	<ul style="list-style-type: none"> <li>Philip Lanzafame, Director of Community Development</li> </ul>
	<ul style="list-style-type: none"> <li>Silvio Lanzas, Fire Chief</li> </ul>
	<ul style="list-style-type: none"> <li>Carl Povilaitis, Police Chief</li> </ul>
	<ul style="list-style-type: none"> <li>Gary Shaffer, Director of Library, Arts &amp; Culture</li> </ul>
	<ul style="list-style-type: none"> <li>John Takhtalian, Deputy City Manager</li> </ul>
	<ul style="list-style-type: none"> <li>Mark Young, General Manager of Glendale Water &amp; Power</li> </ul>

# Appendix A: Detailed Scope and Methodology

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The City of Glendale is a Level 2 merchant as the City processes 1-6 million transactions annually. For calendar year 2020, the City processed over 525,000 credit card transactions, which is less than the 1 million lower limit threshold. However, Visa, one of the major payment card processing entities, does not recommend changes to a merchant's level based on reduced transaction volume in calendar year 2020 due to COVID-19. There are exceptions for significant store closures or bankruptcy, but those do not apply to the City. Since this reduced activity was likely attributable to COVID-19, the City's merchant bank has stated the City's merchant level will remain the same at Level 2.

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 merchant.

## Scope

The scope of this audit covers the PCI DSS requirements, as defined by the QSA. The in-scope sites, systems, and tasks were based upon the listings maintained by the City Treasurer's Office (CTO).

## Methodology

To gain an understanding of the PCI DSS requirements, Internal Audit shadowed the City's QSA during the 2020 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 7-9) 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 2021.