



Finance Department

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To: Finance Committee and Common Council Members

From: Dave Schmiedicke, Finance Director
Sarah Edgerton, Chief Information Officer

Re: Sole source contract for PCI DSS consulting

This memo hopes to provide additional information regarding the PCI DSS Consulting sole source contract with Baker Tilly.

On-line transactions have become more commonplace in conducting city business. In 2019, over 2.4 million transactions were processed, and have increased over the past 5 years. Online payments, a subset of total transactions, increased more than 50% from 2015 to 2019. The payment card industry (e.g., Visa, MasterCard, etc.) has a number of standards to safeguard cardholder data that the transaction systems of merchants, such as the city, must meet. These standards are complex and require comprehensive access control, monitoring, testing and information security procedures. The city does not have in-house expertise in developing the systems to comply with these standards. Failure to meet these standards results in a \$5,000 monthly penalty to the merchant (i.e., the city) and represents a potential financial risk to cardholders (e.g., City of Madison residents and businesses).

The Payment Card Industry Data Security Standards (PCI DSS) requires a merchant to create and maintain systems to safeguard cardholder data that includes maintaining a secure network, protecting cardholder data, maintain a vulnerability management program, implement strong access control measures, regularly monitor and test the network and maintain an information security policy. A merchant is required to document these elements and provide an attestation of compliance and assessment questionnaire to the card brands as evidence of a system and related maintenance.

The City of Madison is a level 2 merchant meaning we process between 1 and 6 million transactions annually. The City processed approximately 2.4 million transactions in 2019. The City has numerous merchant accounts with four merchant processors. These accounts and terminals use a variety of hardware and software to transact card payments across 18 departments. In addition, there are 13 third party service providers collecting and processing payment card information on behalf of the City. This complexity provides a challenge in preparing for and completion of PCI compliance requirements.

The City does not have staff well versed in PCI DSS, and does not have necessary policies and procedures in place for full compliance. The goal of this project is to document all City card processing channels, educate staff on the standards, implement the necessary policies and procedures and complete the necessary attestations and questionnaires to become compliant. Non-compliance carries a monthly penalty in the amount of \$5,000.

Baker Tilly is the City's external audit firm, financial advisors and consultant. This experience and familiarity with City operations provides an opportunity to engage and complete the project timely. This aims to minimize penalties from the card brands. Baker Tilly has the experts in the PCI DSS space and can readily assist the City to become compliant. The consulting work is a one-time cost, not to exceed \$90,000.