



City of Palo Alto

Policy and Services Committee Staff Report

(ID # 6256)

Report Type: Agenda Items

Meeting Date: 10/27/2015

Summary Title: Status of Audit Recommendations: SAP Security and Employee Ethics Policies

Title: Staff Recommendation that the Policy and Services Committee Recommend that the City Council (1) Accept the Description of the Status of the SAP Security and Employee Ethics Policy Audits; and (2) Establish Schedule for Future Audit Recommendation Status Updates

From: City Manager

Lead Department: City Manager

Recommendation:

Staff recommends the Policy and Services Committee recommend that the City Council accept the attached Description of the Status of Audit Recommendations for SAP Security and Employee Ethics Policies Audits.

Executive Summary:

City Staff have been working with the City Auditor's Office to address open audit recommendations. Over the next few months staff will be presenting status updates to the Policy and Services Committee to communicate progress made in addressing recommendations made from past audits. The attached Status Reports provide an update on recommendations made regarding SAP Security and Employee Ethics Policies. As documented in the attached reports, all audit recommendations for the SAP Security and Employee Ethics Policies have been completed. During upcoming Policy and Services meetings staff will schedule updates on additional open audit recommendations from previous audits.

Background:

The City Auditor previously issued audits regarding SAP Security and Employee Ethics Policies. Staff has been working to implement the Auditor's recommendations. The attached reports provide an update on the status of the Audit Recommendations for the SAP Security and Employee Ethics Policies and, as documented, all audit recommendations have been completed.

During upcoming Policy and Services meetings staff will schedule updates on additional open audit recommendations from previous audits including: Fleet Utilization and Replacement,

Cash Handling and Travel, Trenching and Electric Structures, Inventory Management, Solid Waste Management Program, Utility Meters and Animal Services. Following presentation to the Policy and Services Committee and the City Council, updates will be scheduled every six months for any remaining open audit recommendations. As new audits are completed updates will be scheduled six months following the Auditor's presentation to the City Council to keep the City Council updated on progress made.

Attachments:

- Attachment A: Status on Audit Recommendations for SAP Security (DOCX)
- Attachment B: Status on Audit Recommendations for Employee Ethics Policies (DOCX)

**STATUS OF AUDIT RECOMMENDATIONS
SAP SECURITY – ISSUED 10/18/11**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
Finding 4: The City needs to formally adopt and implement a recognized information systems control standard to ensure SAP security.				
<p>16. ASD should implement a formal risk assessment process that meets minimum standards stated in PCI DSS and NIST SP 800-53 to ensure key information system threats and vulnerabilities are routinely (at least annually) and effectively identified, ranked, and addressed.</p>	<p>Information Technology</p>	<p>Pending on external security audit. Staff recommends external security expert evaluation. Status: Open. Risk level assessment: Medium (09/2011) to be further validated by independent external security expert.</p>	<p>Completed</p>	<p>October 2015 Management Update: In 2012, the IT department conducted the PCI-DSS security assessment and implemented security countermeasures to address areas for improvement.</p> <p>In June 2015, the IT department completed a formal “Information Security Risk Assessment” project working with an external IT security assessment firm, and identified the risks to the City’s IT environment including SAP. Many risk items have now been addressed in the course of deploying the City’s IT strategy and the remainder risk items have been prioritized and roadmapped for risk treatment. With our significant investments in IT security over the past four years, we’ve moved to a more real-time threat assessment environment. We have tools now to monitor and alert on an on-going basis. However, in addition, we will have periodic assessments both conducted by internal staff and on a less regular basis by an outside, independent assessor.</p> <p>Expected Completion Date: Recommendation is complete.</p> <p>June 2014 Management Update: The City’s IT Department has hired an external firm (CoalFire) to conduct a formal risk assessment to ensure key information system threats and vulnerabilities are assessed, effectively identified, and ranked in conjunction with the risk categorization. The IT Department has confirmed that the Information Security Risk Assessment (ISRA) will be completed by December 31, 2014. Expected Completion Date: 12/31/14</p> <p>Prior Years’ Management Updates (summarized): The City’s Chief Information Officer (CIO) has hired an Information Security Manager (ISM) to manage risk at the City. In 2012, the ISM conducted a PCI-DSS security assessment to identify areas of improvement. The ISM has initiated an “Information Security Risk Assessment” project to conduct a comprehensive IT risk assessment [per ISO 27001/2 Information Security Management Systems (ISMS) standards] by June 2014 to identify all of the possible risks to the City’s IT department, the delivery of IT services and the accuracy and integrity of the City’s financial and personnel data. The risk</p>

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SAP SECURITY – ISSUED 10/18/11**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
				assessment will also include network penetration testing to ascertain the vulnerabilities of the City's computer network from hacking attempts.

**STATUS OF AUDIT RECOMMENDATIONS
EMPLOYEE ETHICS POLICIES – ISSUED 1/23/08**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
Finding 2: Existing rules and regulations are scattered and a centralized resource is needed.				
<p>3. The City should develop a section on the City's intranet site that links city employees to the City or State policy, procedure, law, or regulation that addresses each of the major requirements for avoiding conflicts of interest and for acceptable and ethical behavior.</p>	City Manager	<p>6/30/08</p> <p>A link to relevant City and State policies, procedures, laws and regulations for conflict of interest and ethical behavior will be developed and implemented on the City's internal website by June 30, 2008.</p>	Completed.	<p>October 2015 Management Update: An Ethics site has been created on the City Manager's intranet site which includes a video and the ethics policy. Completion Date: 10/31/14</p> <p>June 2014 Management Update: The City's intranet site will include the new Code of Ethics and contain additional links as mentioned in the recommendation. Expected Completion Date: 10/31/14</p> <p>2013 Management Update: Link to the City's ethics and State conflict of interest code information will be added to the City's intranet site for employees by September 1, 2013.</p> <p>City Auditor's Note: In 2009, the City Manager's Office added the link, "Visit the Ethics Center," to the City's intranet site, which provided a matrix of City and State laws, codes, regulations, policies and procedures on conflicts of interest and ethical behavior; however, the link did not exist on the City's new intranet site as of June 2013, and we subsequently reopened this recommendation.</p>
Finding 3: The City should adopt an employee code of ethics and formalize its employee ethics program.				
<p>4. The City should develop a code of ethics that employees can use as a guidepost for avoiding conflicts of interest, for ethical behavior, for deciding what actions are needed when conflicts of interest occur, and for making decisions. Employees should be required to read and sign an acknowledgment of the policy.</p>	City Manager	<p>6/30/08</p> <p>Staff will research what other cities have developed in terms of a comprehensive ethics policy and develop a policy for the City of Palo Alto by June 30, 2008.</p>	Completed	<p>October 2015 Management Update: The Code of Ethics was completed and available on the City's intranet website. Employees will receive copies and be asked to sign an acknowledgment as part of the training taking place between October 2015 and April 2016. The Code of Ethics is also shared with all new employees as part of New Employee Orientation Completion Date: 10/31/14</p> <p>June 2014 Management Update: The Code of Ethics will be completed and distributed to City Staff. It will also be included in New Employee Orientation. Expected Completion Date: 10/31/14</p> <p>Prior Years' Management Updates (summarized): The City terminated the services of The Ethics Company because the consultant did not develop the City's code of conduct as outlined in its contract with the City. Due to cost, staff from the City's leadership team opted to complete the new ethics policy rather than engage a new consultant. First draft of the new</p>

**STATUS OF AUDIT RECOMMENDATIONS
EMPLOYEE ETHICS POLICIES – ISSUED 1/23/08**

Recommendation	Responsible Department	Original Target Date and Response	Current Status	Implementation Update and Expected Completion Date
				policy will be completed in August 2013 for the City Manager's review and approval; rollout to all City staff will be immediately thereafter. The employee Intranet site will be updated once the ethics policy is complete.
5. The City should formalize its policy on ethics training and ensure that employees attend periodic training updates.	City Manager	<p>Next training season</p> <p>An ethics training program for all employees will be developed and for the next training season.</p>	Completed	<p>October 2015 Management Update: People Strategy & Operations has contracted with the Institute for Local Government (ILG) to design and lead Ethics Training. The City Attorney's Office leads training on AB 1234 compliance. The new ethics policy has been added to the schedule of trainings with a rollout to all City employees beginning October 2015 through May 2016, and thereafter quarterly for new City employees. Completion Date: 10/13/15</p> <p>June 2014 Management Update: People Strategy & Operations along with the City Attorney's Office leads various training. The new ethics policy will be added to the schedule of trainings. Expected Completion Date: 10/31/14</p> <p>Prior Years' Management Updates (summarized): The City terminated the services of The Ethics Company because the consultant did not develop the City's code of conduct as outlined in its contract with the City. Due to cost, staff from the City's leadership team opted to complete the new ethics policy rather than engage a new consultant. First draft of the new policy will be completed in August 2013 for the City Manager's review and approval; rollout to all City staff will be immediately thereafter. The employee Intranet site will be updated once the ethics policy is complete.</p>