

Bernard Smith, Chairman
Stephen Auger, Executive Director

Brian Katz, Audit Committee Chairman
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Project #2014-17

October 21, 2014

Final Report
**Audit of Compliance with Personally Identifiable
Information Security Requirements by Southside
Affordable Housing and Investment Showcase, Inc.**

SUMMARY

The Office of Inspector General (OIG) conducts compliance audits of advisor agencies¹ for the Florida Housing Finance Corporation's (Florida Housing) Hardest-Hit-Fund (HHF) programs to provide management and other stakeholders with unbiased, timely, and relevant information for use in promoting accountability, stewardship and efficient operations.

The OIG audit of Southside Affordable Housing and Investment Showcase's (SAHIS) compliance with provisions related to personally identifiable information (PII)² disclosed that improvements were needed in methods used to transmit, store and access PII.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this audit was to evaluate SAHIS' compliance with PII requirements included in their contracts with the Corporation's HHF Programs for UMAP³/MLRP⁴ and Principal Reduction⁵. The audit covered selected SAHIS activities occurring during the period June 2012 through May 2014⁶.

To achieve the audit objective, the OIG performed the following:

- Reviewed contract provisions and HHF guidelines related to the security of PII;
- Reviewed U.S. Treasury's guidance for security of PII;
- Reviewed SAHIS' policies and procedures related to the security of PII;
- Interviewed SAHIS staff;

¹ Advisor agencies are contracted entities that provide advice and assistance to the Corporation in areas such as applicant intake, determination of the applicants' eligibility for assistance under HHF programs, continuing case management of applicants assisted with HHF programs, and reporting.

² PII is defined in the contract as information that can be used to uniquely identify, contact, or locate a single person or can be used with other sources to uniquely identify a single individual.

³ The Unemployment Mortgage Assistance Program (UMAP) provides up to 12 months of payments to the mortgage lender to assist eligible unemployed or underemployed borrowers with their first mortgage.

⁴ The Mortgage Loan Reinstatement Payment (MLRP) Program provides a one-time payment to the mortgage lender to bring a delinquent mortgage current for a homeowner who has returned to work or recovered from underemployment.

⁵ The Florida HHF Principal Reduction Program is designed to assist eligible homeowners by providing up to \$50,000 to reduce the principal balance of the first mortgage, only, thereby reducing the loan-to-value (LTV) of the first mortgage to no less than 100 percent.

⁶ This audit originally started in April 2013 with an audit period of April 2011 through June 2013; however, due to staff turnover in the OIG, the audit was postponed. The audit resumed in June 2014 and the audit period was revised to June 2012 through May 2014.

- Conducted a walk-through at the SAHIS office to observe security procedures; and
- Reviewed a sample of applicant files to determine how they were stored (paper copies, electronic copies, network drive, and/or in Counselor Direct⁷) and if they were properly secured.

During the audit, the OIG gave consideration to the possibility of errors, fraud, abuse, illegal acts, conflicts of interest and other noncompliance.

BACKGROUND

First announced on February 19, 2010, by the U.S. Department of the Treasury, the Federal Housing Finance Agency's Innovation Fund for the Hardest-Hit Housing Markets provides federal funding to states hardest hit by the aftermath of the collapse of the housing market.

Florida Housing administers this program for the State of Florida in an effort to continue to achieve its mission of providing safe, decent and affordable housing for Floridians by maintaining partnerships with entities who share the common goal of producing affordable housing. One such partner is SAHIS, an HHF advisor agency. The agency's website indicates it is a non-profit organization with a goal to help increase the economic viability of the Tallahassee community through collaboration with local housing resources, lenders, and other non-profit agencies and community stakeholders.

Florida Housing entered into a two-year contract with SAHIS to perform advisor agency services for the UMAP/MLRP programs. Additionally, SAHIS contracted to provide advisor agency services for the Principal Reduction program.

The contracts outline specific requirements related to the handling of PII. Those requirements include:

- Storing paper files in secured file cabinets;
- Safeguarding scanned or electronically stored documents;
- Filing documentation related to eligibility determinations in Counselor Direct;
- Obtaining prior consent from the applicants to share their information;
- Adhering to State and Federal laws related to PII; and
- Retaining and disposing of files in accordance with program requirements.

As of September 4, 2014, SAHIS was handling 86 active files related to the HHF programs.

FINDINGS AND RECOMMENDATIONS

SAHIS developed and implemented *Policies and Procedures for Implementation of the Florida's Hardest Hit Program*. The Confidentiality and Privacy Policy included in that document states that "SAHIS recognizes that its work as an Advisor Agency on behalf of the FHFC [Florida Housing Finance Corporation] involves dealing with confidential information about clients to carry out eligibility determination processes on behalf of the Florida's

⁷ Counselor Direct is a web-based system used by applicants, advisor agencies and loan underwriters to enter, store, and maintain HHF files.

Hardest Hit Program.” Overall, SAHIS had established adequate internal controls to ensure adherence to the PII requirements in the contracts; however, the OIG noted some areas that needed improvements. Those areas are discussed below.

Finding 1: Transmission of PII

The Confidentiality and Privacy Policy (Policy) indicates SAHIS will maintain a secure, private webmail system for separate interagency transmission of documents when required; however, it does not provide guidance on how PII will be transmitted when it is included in documents sent back to the applicant.

SAHIS staff indicated that, occasionally as a service to clients having difficulty completing their paperwork, they would complete the HHF application based on documentation the client provides and then they would email the application to the client for signature. The applications included PII such as the applicant’s name, address, date of birth and social security number. Staff stated that the applications were transmitted via email that was not password protected or encrypted.

SAHIS’ contracts require that scanned or electronically stored documents be safeguarded in a fashion that securely maintains the applicants’ privacy. PII is not sufficiently safeguarded when it is transmitted in an unsecured email since there is an increased possibility that the PII may be intercepted by unauthorized persons.

The OIG recommends that SAHIS revise its Policy to provide guidance to staff on how to email documents containing PII to applicants in accordance with industry best practices. If acquiring software to encrypt or password protect those emails is not feasible, SAHIS should refrain from using email as a method to transmit documents containing PII.

Finding 2: File Storage

SAHIS’ contract with Florida Housing requires that all files related to eligibility and ineligibility determinations be stored in Counselor Direct. As a means of strengthening the security of PII, Florida Housing staff have instructed advisor agencies that, once documents are properly scanned into Counselor Direct, the paper and electronic copies can be destroyed.

However, the audit disclosed that SAHIS uses several methods to store and backup HHF files, many containing PII. Files are uploaded to Counselor Direct and might also be kept in paper format, stored as electronic files within the SAHIS network server, stored via the electronic fax⁸ system, and/or stored in the onsite data backup storage drive. During the audit, the OIG reviewed 20 applicant files and found that for three files, applicant records were maintained in paper format, on the SAHIS’ network server and in Counselor Direct. For an additional five files, records were maintained on the server and in Counselor Direct.

During the audit, the OIG reviewed the controls over paper records. The SAHIS contract requires that paper documentation be kept in secured file cabinets. However, SAHIS’ Confidentiality and Privacy Policy indicates that clients’ paper records will be kept secure by being locked up within the administrative office with limited access. The OIG observed that paper records for active files were kept in a locked file cabinet but closed files for

⁸ SAHIS uses an electronic fax system to receive documents from clients. The electronic fax system eliminates the steps involved in processing files received in the mail, such as copying, logging, scanning, uploading, etc. Data is encrypted during the transfer and storage of the files.

ineligible applicants and funded applicants were kept in two boxes in an unsecured area in the rear of the office. Although the area where the closed files are kept is separate from the public area of the office, this storage method is not in compliance with the contract requirements and does not provide adequate security.

While maintaining records in various storage systems can help to ensure that file data is accessible to all agency staff, the use of multiple storage mechanisms and the unsecured storage of closed files increase the risk of data being accessed by unauthorized persons. To provide greater security of records containing PII, the OIG recommends that SAHIS destroy paper and electronic files once they are stored in Counselor Direct. The OIG also recommends that SAHIS store paper files in a secured room or locked file cabinet while preparing them for destruction.

Finding 3: Accessing Data

Best practices for information technology security provide that each individual use a unique password for accessing a database to provide accountability for each user's activity. During the audit, the SAHIS Administrator indicated that, on occasion, she would allow the Client Intake Specialist to access files through Counselor Direct using her password. The Specialist did not have authorization to access Counselor Direct, which was in violation of the contract requiring that Florida Housing be notified of employees performing services under the contract and having access to Counselor Direct.

SAHIS' procedures do not require that passwords not be shared. With the Specialist using the Administrator's password, a determination cannot be made as to what data was input to Counselor Direct, accessed, revised and/or deleted by each employee. Also, there is no assurance that the Specialist performed only those tasks and accessed only those files designated by the Administrator.

The OIG recommends that SAHIS include in their procedures a requirement that passwords not be shared. The OIG also recommends that the Administrator implement procedures to ensure that Florida Housing is promptly notified of employees performing services under the contract and those accessing Counselor Direct, as required by the contract.

OTHER

Written guidance provides assurance that Florida Housing's expectations are documented, roles and responsibilities are defined and staff (current and future) have guidance for maintaining the security of PII. Although Florida Housing staff have provided guidance and instructions via webinars, training sessions, and associated written transcripts to advisor agencies regarding methods to secure PII when it is being received from and transmitted to applicants, that guidance has not been incorporated into the HHF Advisor Manuals.

By having the guidance in the Manuals where management's expectations are defined, Florida Housing would provide advisor agency staff with one key document to research for instructions and for training on receiving and transmitting PII.

The OIG recommends that Florida Housing incorporate written guidance to specify the controls that must be in place related to the transmission of PII into the HHF Advisor Manuals.

Florida Housing’s response to the recommendation was “Florida Housing HHF staff will incorporate the existing PII transmission guidance into the HHF Advisor Manuals”.

RESPONSE

In a response dated October 14, 2014, SAHIS management concurred with our recommendations regarding their agency and identified corrective actions to be taken. The response is included in Appendix A of this report.

ACKNOWLEDGEMENT

The Office of Inspector General would like to extend our appreciation to the management and staff of the SAHIS and Florida Housing for their assistance and cooperation during this audit.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. The audit was conducted by Joseph Aita, CPA, CIG, under the supervision of Kim Mills, Director of Auditing, CPA, CGFM, CIG. This report and other reports prepared by the Office of the Inspector General can be obtained from the Corporation’s website, <http://www.floridahousing.org/AboutUs/OfficeOfInspectorGeneral>.

APPENDIX A – RESPONSE FROM SAHIS

(Continued on next page)

Memo

To: Kim Mills, Director of Auditing- Florida Housing Finance Corporation
From: Christic Henry, HHF Administrator- SAHIS
CC: Joseph Aita, HHF Program Auditor, Florida Housing Finance Corporation
Date: 10/14/2014
Re: Request for Response to Preliminary Findings from Florida Housing's OIG Audit of SAHIS Compliance with Requirements to Safeguard PII

In response to your request for response to Preliminary Findings from Florida Housing's OIG Audit of SAHIS Compliance with Requirements necessary for SAHIS to safeguard client PII, the following response to findings are provided below:

1. FINDING 1: SAHIS has implemented processes to eliminate transmission of intake applications and other materials which have PII by implementing a mandatory mailing requirement for all client documentation.
2. FINDING 2: SAHIS has corrected the storage process for paper files in our office by implementing an electronic documentation policy. Once files are received, they are stored under our server for processing; once file is deemed eligible, information on digital storage will be deleted/eliminated. All paper files in office are in the process of being shredded by office personnel and disposed of.
3. FINDING 3: All employees currently listed as working with HHF are listed with Florida Housing; no other personnel will have access to passwords and information on Counselor Direct. SAHIS will work with Florida Housing personnel to request password changes to protect system from previous occurrences of access.

This policy will be added to our existing SAHIS Policies and Procedures for Implementation of Florida's Hardest Program. An approved final draft is to be sent once document revisions are complete.

Sincerely,



Christic Henry, CFDIC
Administrative Director/HHF Administrator
Southside Affordable Housing & Investment Showcase

Rv. 10/09/14