



Audit Report

**Office of Audit
Information Systems Audit Division**

Controls Over The Single Family Acquired Asset Management System

*98-DP-166-0004
September 30, 1998*



Audit Report

Information Systems Audit Division
Office of Audit

Report: 98-DP-166-0004

Issued: September 30, 1998

TO: Ira Peppercorn, General Deputy Assistant Secretary for Housing-FHC, H
Leslie H. Graham, Jr., Deputy Director, Office of Information Technology, AMI

FROM: Benjamin K. Hsiao, Director, Information Systems Audit Division, GAA

SUBJECT: Audit Report, Controls Over Single Family Acquired Asset
Management System

We conducted a review of application and general controls related to the Federal Housing Administration (FHA) Single Family Acquired Asset Management System (SAMS). This audit was conducted at the request of the FHA Comptroller's office to determine whether SAMS is a reliable system for property disposition. KPMG Peat Marwick, LLP, provided audit support for this review. The reliability of SAMS is an essential element in supporting the annual FHA financial statement audit required by the Chief Financial Officers Act. SAMS processes and controls the disposition of single family properties worth millions of dollars.

The review disclosed a number of deficiencies in SAMS that render the system ineffective for managing and controlling the inventory of properties undergoing disposition. The most serious weakness is that SAMS does not have adequate controls in recording and tracking property disposition obligations and expenditures. As a result, the FHA is exposed to fraudulent and/or duplicate payments for purchases. We also found SAMS cannot be relied upon for making management decisions because of the poor data quality and exposure to unauthorized access.

Within 60 days, please submit for each recommendation a status report on: (1) corrective action taken; (2) the proposed corrective action and target completion dates; or (3) why action is considered unnecessary.

Thank you for the assistance provided to us by your staff during the course of our review. Should you have any questions, please call me at 708-3444, extension 149.

Executive Summary

Our review of the Single Family Acquired Asset Management System (SAMS) disclosed numerous internal control deficiencies that render the system ineffective for managing and controlling the inventory of properties undergoing disposition. OMB Circulars A-127 and A-130 require that financial systems controls be in place to protect governmental assets from theft and diversion, and to reduce the likelihood of losses and unnecessary expenses. SAMS is a critical system that does not meet the control requirements of OMB Circulars A-127 and A-130.

The most serious deficiency is in controlling expenses and disbursements. FHA did not develop a module in SAMS to record and track purchases and work orders because of schedule delays and cost overruns during system development. This module would have provided the capability to check the accuracy and legitimacy of the billings for services and goods ordered for properties under disposition. In addition, tax payments were being processed through the regular expense transmittal process rather than using the SAMS tax module which schedules payments and provides some control over duplicate payments. Without a purchase module, FHA cannot detect and prevent duplicate or fraudulent payments made during property disposition.

Other serious deficiencies found include:

- Sensitive data in SAMS is exposed to unauthorized use because of weak access controls and lack of background investigations of contractor employees;
- Continuity of operation is at risk because of an untested Disaster Recovery Plan and lack of preparation for Year 2000 date problem;
- Over reliance on the existing contractor for software maintenance and operations because of proprietary software; and
- SAMS cannot provide reliable information for management decisions during the disposition process because of inconsistent data.

These deficiencies increase the risk of errors and system failures that could disrupt FHA's ability to process properties that enter the Single Family Property Disposition Inventory. As a result, property holding costs could increase and negatively impact the FHA insurance fund.

During preliminary briefings on the results of the review, Single Family officials did not agree with all of the proposed corrective actions. In particular, management believes that additional funding to complete the purchase module is not necessary because Single Family intends to "reengineer the Single Family

business” and would not need SAMS when the reengineering is completed. However, this reengineering effort may require Congressional approval and take several years to complete.

We recommended that the FHA work with the Office of Information Technology to conduct a business needs analysis to determine the prospect of replacing the existing property disposition process. The analysis should also include an evaluation of the costs and benefits of implementing the recommended controls for SAMS. Such an analysis is necessary to determine whether additional investment in SAMS is needed.

RESPONSE TO REPORT

We provided the draft report to the General Deputy Assistant Secretary for Housing and the Deputy Director of the Office of Information Technology on August 13, 1998. We received written comments from IT, but not from FHA. IT generally agreed with our recommendations and either has taken or plans to take appropriate actions. IT’s response is provided in Appendix 2.

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Abbreviations:

CASE	Computer Assisted Software Engineering
CICS	Customer Information and Control System
DB2	Database 2
DPI	Data Prompt, Inc.
DRP	Disaster Recovery Plan
EDS	Electronic Data Systems, Inc.
FHA	Federal Housing Administration
FIPS	Federal Information Processing Standards
HUD	Department of Housing and Urban Development
IT	Office of Information Technology
KPMG	KPMG Peat Marwick, LLP
MIAS	Office of Mortgage Insurance Accounting and Servicing
OMB	Office of Management and Budget
REO	Real Estate Owned
PTARS	Problem Tracking and Reporting System
RPB	Single Family Post Insurance Division and Real Property Branch
SAMS	Single Family Acquired Asset Management System
SFPD	Single Family Property Disposition

Introduction

The Federal Housing Administration (FHA) implemented the Single Family Acquired Asset Management System (SAMS) on July 1, 1995. SAMS provides financial information needed to record and reconcile accounting transactions associated with the Single Family Property Disposition (SFPD) program. SAMS also tracks property acquisition, maintenance and disposition, and processes collections, disbursements and tax payments. SAMS is used by the Office of Mortgage Insurance Accounting and Servicing (MIAS), Single Family Post Insurance Division and Real Property Branch (RPB) and field offices.

SAMS data entry includes these sub-menus:

Accounting - Contains all Single Family Property operation accounting records and provides payable, receivable and general ledger item tracking.

Case Management - Contains data associated with daily case record maintenance.

Global Definitions - Contains field office identifiers, system user and security levels, and mortgagee, property manager, appraiser and taxing authority name and address identifiers.

Taxes - Contains data for the establishment, tracking and payment of real estate taxes.

Code Table - Contains data for tax codes, trade categories, and others.

SAMS was developed by Electronic Data System, Inc. (EDS) under subcontract to Lockheed Martin, a HUD contractor. SAMS was developed with INCASE, an EDS proprietary computer assisted software engineering (CASE) tool, which generated the COBOL application module source code. The SAMS computer application was built using IBM's Customer Information and Control System (CICS) and Database 2 (DB2) systems software. CICS is software that facilitates the development of on-line, interactive applications, and provides screen formats, terminal routing and other control information. Under the CICS facility, SAMS operates as a transaction-processing system.

SAMS is accessible from HUD field offices, Headquarters and contractors. There are approximately 600 users with access to SAMS. Access to SAMS can be restricted based upon an individual's specific duties.

Data Prompt Inc. (DPI) was responsible for programming and operating the previous version of SAMS outside of HUD's computing environment. FHA determined that there would be long-term benefits if SAMS operated on HUD-controlled computer systems. However, FHA could not purchase the DPI version of SAMS to use in-house because of contractual problems. FHA asked Lockheed Martin to obtain a new system to replace the DPI version of SAMS. Lockheed Martin subcontracted with EDS to develop the current version of SAMS.

FHA experienced data conversion and operating problems during the initial implementation of SAMS in 1995. A process to correct these problems was instituted and integrated with the phase-in of the current SAMS. Among problems KPMG noted were field offices and Headquarters users having difficulty getting reports to support their responsibilities.

SAMS cost approximately \$33 million to develop and annual operating costs are estimated to be between \$9 and \$10 million. SAMS processes approximately \$200 million in disbursements annually. In Fiscal Year 1996, the SFPD Division acquired and sold approximately 50,000 properties, with an inventory of approximately 24,000 properties. SAMS is designated as a "critical-sensitive" system. Unauthorized disclosure or alteration of data from SAMS could seriously threaten the organization or its mission. SAMS would be needed immediately after any disaster that rendered HUD's electronic data processing systems inoperable.

FHA indicated that it plans to reengineer the property disposition process and eliminate the current Single Family property real estate sales retail operation. SAMS may not be needed when the change takes place.

Audit Objectives, Scope, and Methodology

The audit objectives were to determine if SAMS is: (1) providing information for decisions on whether to sell a property "as is" or repaired; (2) monitoring FHA's inventory of properties; and (3) recognizing profits or losses in the proper accounting period.

The audit was conducted in accordance with generally accepted governmental accounting standards, and was conducted from July 1997 through April 1998. Field work was conducted at HUD Headquarters and at HUD offices in Atlanta, Georgia, Fort Worth, Texas, and Sacramento and Santa Ana, California.

KPMG interviewed key personnel, inspected documents and records, and observed SAMS operations. OIG conducted followup interviews and reviewed system documentation.

Finding

SAMS Lacks Sufficient Controls to Prevent Fraud, Waste and Abuse in Single Family Property Disposition

OMB Circulars A-127 and A-130 require that financial systems controls be in place to protect governmental assets from theft and diversion, and to reduce the likelihood of losses and unnecessary expenses. Our review of the Single Family Acquired Asset Management System (SAMS) disclosed numerous deficiencies. These deficiencies increase the risk of errors and system failures that could disrupt FHA's ability to process properties that enter the Single Family Property Disposition inventory. As a result, property holding costs could increase and negatively impact the FHA insurance fund.

The most critical control weakness in SAMS is the lack of a purchase order module for recording and tracking property disposition obligations and contracts. Other serious deficiencies found include weak security controls, inadequate planning for continuity of operations, and unreliable data in the system. These deficiencies are described in detail below.

EXPENSE AND DISBURSEMENT CONTROLS ARE NOT ADEQUATE

The original system design for SAMS included the Contracts, Purchase Orders, and Work Orders Module (Contract Module) to control payments for goods and services. However, this module was not built because of pressure to get SAMS into production. Without a subsystem to control the purchasing process and prevent unauthorized or excessive payments, Single Family Property Disposition activities are vulnerable to duplicate and fraudulent payments.

The purpose of the Contract Module was to reduce the likelihood of unallowable and inappropriate expenses. Property Managers would request normal purchase orders (obligations) from the Contract Module which would then be tracked. The Contract Module would provide the necessary vendor and pricing information to the Disbursements Module before payment. Contract and obligation data would be used to monitor and track property disposition expenses and generate a contractor performance evaluation summary report. The Contract Module was to provide a means of establishing purchase orders, contracts, and work orders for expenses related to property disposition.

The Contract Module is a key element in controlling purchases, since it provides a means of tracking a procurement. This module also was to ensure that only HUD-authorized contractors were used, and that purchases would not exceed the contract amount. To compensate for the missing Contract Module, field offices

were instructed to set up manual processes to track procurements. An Office of Housing Program memorandum was issued in March 1997 detailing field manual controls that were to be implemented to offset the absence of the Contract Module. However, a review of Fiscal Year 1997 transmittal processing error rates (see Appendix 1, page 12) indicates that the manual controls in the field were not operating as intended. During field work, KPMG noted that expenses are allowed to be charged without any time limits against properties that have been sold. Time limits were not established to avoid incurring late payment penalties caused by rejected proper requests for payment. As a result, fictitious invoices could be submitted for payment on sold properties. Verification of work performed on held properties was not being done because of either inadequate field staff or limited travel funds. In addition, we found that tax payments were being processed through the regular expense transmittal process rather than using the SAMS tax modules which schedule the payments and provide some control over duplicate payments.

Single Family officials indicated that they did not agree that the Contract Module should be built. They believed that it would not be cost effective to further invest in SAMS since the entire property disposition function may be privatized. However, the potential for duplicate and fraudulent payments calls for immediate management attention. Unless Single Family operations can be suspended for the period of time needed to reengineer and implement the changes, SAMS must still be used for property disposition. Also, we have not seen a schedule or a specific plan on changing the Single Family Disposition process. FHA cannot ignore the serious control deficiencies in SAMS.

In addition, Single Family officials indicated that they rely on a set of manual logs to track procurements for property disposition. However, KPMG found that field offices are not consistently using these logs. Further, Single Family has not implemented any quality control programs to ensure that the manual logs are working as intended. As a result, there is no assurance that these manual logs can be relied upon for controlling procurements in property disposition.

ACCESS CONTROLS FOR SAMS ARE WEAK

OMB Circular A-130 requires that access to sensitive and critical systems such as SAMS must be adequately controlled. However, the following weaknesses in access control exist.

Segregation of Duties

We noted that SAMS user profiles are not set up to reduce the possibility of unauthorized changes to the database. Anyone with access to the system could make unauthorized changes or delete property data. For example, users can

change a disposition status of a property without approval, which could delay the process and result in properties being held longer than necessary.

The reason for this deficiency is that the current user profiles in SAMS are not based on segregation of functions. Without proper segregation of duties, the potential for errors and irregularities in the data exists from users entering or changing data inappropriately. Also, the ability to detect errors and omissions may be limited as the field offices do not know how to access the detailed transaction logs to determine who updated data. While the SAMS administration staff in Headquarters can access the detailed transaction logs, the field offices KPMG visited were not aware of this capability.

During the audit, Single Family officials stated that ongoing reorganizations in Housing and staff reductions have impacted SAMS. For operational ease, all employees with supervisory oversight and data entry could set up transactions during each of the disposition steps. For example, a closing clerk who enters data when properties close can also enter properties into the inventory and set up payments. Although Single Family agreed with the need for access controls based on segregation of duties, they wanted flexibility in access to meet demands.

We disagree with Single Family's approach to access control. The ability to segregate access by position is critical for preventing unauthorized transactions in the system. When a user is unnecessarily given the ability to write or change data, he or she may be able to conduct unauthorized activity. These activities include the deletion of transactions and unauthorized access to data. This capability would result in the ability to remove, without detection, the history of unauthorized but completed transactions. While each office has divided the property disposition functions differently, controls should be in place to establish proper accountability and restrict users from deliberately or inadvertently changing data within SAMS.

Personnel Security

According to OMB Circular A-130 and HUD Handbook 2400.24, Federal and contractor personnel working on sensitive and critical systems such as SAMS must be properly cleared. However, background checks have not been completed for all current field and contractor personnel with access to SAMS. The contractor background checks are required by contract. These checks are required to help reduce the likelihood of a security risk having access to the SAMS system. Since SAMS processes around \$200 million per year, there is a definite need to ensure that staff with access to the system are trustworthy.

Housing officials agreed with the need for background checks on personnel with access to SAMS.

Security at Contractor Site

HUD Handbook 2400.24 requires that a system such as SAMS, which is classified as S3-Serious Risk, must implement adequate security measures. KPMG also found that a Real Estate Owned (REO) contractor, providing property disposition services, was using a peer-to-peer network configuration without requiring user IDs or passwords. In addition, each PC on the contractor network used to access SAMS has a modem. Without user ID and password controls, an unauthorized user on the peer-to-peer network could gain access to SAMS and make modifications or deletions to the data without detection.

Office of Information Technology (IT) officials did not consider the network security weakness at a contractor site to be a problem. We disagree with IT's position since SAMS is a critical system and access to the system from a contractor-operated site must be adequately secure.

PLANNING FOR CONTINUITY OF OPERATIONS IS NOT SUFFICIENT

OMB Circular A-130, the Computer Security Act, and Federal Information Processing Standards (FIPS) publications state the need for systems to have controls that reduce the likelihood of disruption. KPMG's work on SAMS indicated that Housing and IT did not sufficiently plan for continuity of operations in the event of a system failure.

There are three specific areas needing immediate attention to ensure that SAMS can continue to meet the needs of the Department. First, the disaster recovery plan (DRP) for SAMS must be tested to determine whether the plan is viable in the event of a disaster. Second, a plan to test and correct any date problems for the Year 2000 must be developed. Third, HUD must analyze different options to reduce the dependency on proprietary software controlled by a single contractor. If these three actions are not taken, the risk of disruption to the property disposition process is greatly increased. Such disruption could cause significant loss to the FHA insurance fund.

Disaster Recovery

According to industry accepted practices, it is prudent to periodically test the DRP of a critical system such as SAMS. The purpose of the test is to determine whether the plan is viable in the event of a disaster. HUD has never tested the DRP for SAMS even though the system has been operational for at least three years. Without testing the DRP for SAMS, HUD has no assurance that, in the event of a disaster, property disposition functions can still be supported. As a result, HUD could be vulnerable to substantial loss to the FHA insurance fund because of increased property holding costs.

IT indicated that the DRP for SAMS will be tested in 1998. However, at the time of our review, a schedule with testing and evaluation milestones was not prepared.

Year 2000

Another matter that needs immediate attention is Year 2000 compliance. There is no detailed Year 2000 compliance plan for SAMS. SAMS was developed to be Year 2000 compliant. However, there are extensive interfaces with other FHA systems for insurance/claims and underwriting that have not been tested. SAMS is not scheduled to be fully certified for Year 2000 compliance until early Fiscal Year 1999. If delays occur, SAMS may not be ready for Year 2000 certification before Fiscal Year 2000. The SAMS support personnel have been awaiting decisions about the lifespan of the SAMS applications and have not dedicated staff to plan and program the changes. If the Year 2000 date problems in SAMS are not corrected in time, the FHA insurance funds will be at risk of loss due to the inability to dispose of held properties.

IT indicated that the Year 2000 plan is being developed and the effort, including making the interfaces compliant, should be complete by October 1, 1998. However, without a detailed plan containing specific target dates, there is little assurance that the Year 2000 effort will be completed and tested on time.

Reliance on Proprietary Software

SAMS was developed with a proprietary software tool called INCASE. This tool is owned by the system development contractor, EDS, who also currently provides system maintenance and problem resolution services. It would be difficult, if not impossible to maintain or document SAMS without INCASE. As a result, the current situation forces HUD to depend on one contractor for operational support. Removing dependence on one source for SAMS maintenance and development is critical if the FHA is to continue to operate efficiently. If the contractual relationship between HUD and Lockheed Martin or Lockheed Martin and EDS were to end, HUD would not be able to maintain SAMS. IT responded that EDS has 10 developers trained in INCASE. HUD does not have the staff to support a similar effort, nor would HUD be able to obtain a contractor with INCASE expertise. IT said that the only alternative would be to convert SAMS to a recognized and supported CASE tool. IT stressed that the future of SAMS is in question, and until the future of the REO function is known, they cannot justify taking the steps needed to address the situation.

We are concerned about HUD's potential long-term exposure with INCASE. We understand that it would be difficult for IT to directly support the INCASE tool. However, SAMS is sufficiently critical to Single Family Property Disposition's current operations that steps must be taken to ensure it continues to operate without disruption. FHA must conduct a risk analysis of its plans to change its

operations. This analysis should consider how long a smooth conversion of the property disposition function will take, and whether SAMS will be needed after the business reengineering. FHA should then request that IT take appropriate action on what needs to be done to protect FHA's interest. FHA should also avoid using contractor-owned proprietary software tools for future system development efforts.

DATA IN SAMS ARE UNRELIABLE

During the audit work at field office sites, KPMG noted that data users depend on for their activities are not reliable. System queries provide different data depending on the selection criteria used for the same case. Without consistent data, management decisions and monitoring of the Property Disposition inventory could be based on incomplete or inaccurate data. Appendix 1 (page 13) contains a listing of data inconsistencies that were identified by field office staff during the site visits. Data reliability problems in SAMS can be attributed to several factors.

Numerous User Problems Remain Unresolved

SAMS has numerous problems that result in the system not operating as intended. Due to the implementation of SAMS prior to the completion of development, SAMS contains data fields for functions that are not in the current system. Some of the "Go To" pointers in SAMS pointing to specific functions do not work. For example, the "Go To" function for input and tracking of repair data does not work. Although the user documentation states that the "Go To" functions exist, none of the users interviewed were aware of the fields ever working. KPMG also observed several reports and screens displaying information that does not agree with other reports and screens. Because of the proprietary software tool used to develop SAMS, removing the fields would require extensive reprogramming of the application and databases and changes to the data entry screens.

During our review, there were 403 open unresolved user-experienced SAMS problems reported in the Problem Tracking and Reporting System (PTARS) as of August 8, 1997. Some of the problems have been open since 1994. This large number of reported problems contributes to the lack of confidence in the system and results in unofficial work processes. Housing and IT must jointly review these problems and schedule close-outs for each problem. To bolster system confidence, SAMS users must also be informed of which problems have planned fixes and which problems will not be resolved. IT indicated that many of the problems should be fixed in the new release of SAMS planned for the third quarter of 1998.

Continuous User Training Must Be Available

Another cause of unreliable data in SAMS is the lack of available training to current users. As part of the initial roll-out of SAMS, key users were identified at

each field office, and the key users were trained. Since the initial training, there has been an extensive staff reorganization and significant turnover within Single Family. Many of the key staff have left HUD and new users have not been trained. They do not know more than rudimentary data entry and inquiry functions used to move cases from acquisition to reconciliation of sale. Of eleven regular users interviewed, only two had received SAMS training.

We believe that Single Family Property Disposition needs to continually make training available for SAMS users. Users must be trained so that they can correctly enter data in the system, and properly use the reports produced to manage the properties undergoing disposition.

Use of Unofficial Work Procedures

To compensate for the complexity and lack of functionality within SAMS, Housing officials have allowed users to develop their own automated and manual alternative work procedures to accumulate and report SAMS-related data and to manage day-to-day Property Disposition operations. These alternative work procedures bypass controls present in SAMS. Each field office processes cases differently and information relating to cases is not consistently available to all FHA users. For instance, a field office indicated that an alternative system had to be developed to manage the workload of loan servicers because SAMS lacked this capability. Another example is the use of a manual log for tracking purchases of products and services. (See previous discussion on the lack of a Contract Module in SAMS.) Given the lack of an established quality assurance process, there is a high risk that critical data on properties generated from these alternative work procedures will not be entered into SAMS accurately or timely.

FHA must address the deficiencies in SAMS so that users can rely on the system. A dependable system will eliminate the need to develop alternative work processes and ensure complete and accurate information. Without a single reliable system to monitor disposition activities, FHA is vulnerable to fraud, waste and abuse.

Recommendations

We recommend that FHA:

- 1A. Implement controls to prevent unauthorized payments from SAMS. Consider either completing the Contract Module or adopting alternative methods to validate payments before they are made.
- 1B. Work with the Office of Information Technology to set up SAMS user access profiles to reflect appropriate segregation of duties and job responsibilities.

- 1C. Work with the Office of Administration to ensure that the appropriate security background checks are conducted for all SAMS users and contractors.
- 1D. Provide training to SAMS users.
- 1E. Develop a quality assurance process for maintaining data quality to ensure consistent, accurate, and complete information is entered into SAMS.
- 1F. Develop a plan to eliminate alternative work procedures for property disposition.
- 1G. Conduct a risk analysis of the Single Family Property Disposition reengineering effort to determine the likelihood of success. Once this analysis is complete, FHA should determine whether SAMS should be replaced or enhanced. The decision on SAMS should be made based on the cost and time to complete SAMS as well as potential obstacles to the reengineering effort.

We recommend that the Office of Information Technology:

- 1H. Review the property disposition contractor's network to determine if it meets HUD security requirements.
- 1I. Prepare a detailed test plan for disaster recovery, including a schedule and test scripts.
- 1J. Prepare a detailed Year 2000 plan containing specific target dates for testing the interfaces and compliance certification.
- 1K. Perform a risk analysis to address the vulnerabilities of having a sole source contractor for maintaining SAMS. If cost effective, obtain training for HUD personnel and other HUD contractors in the use and maintenance of the CASE tool that was used to develop and document SAMS.
- 1L. Ensure future SAMS replacement or conversion is developed with a software tool that is widely used in the industry.
- 1M. Work with FHA to evaluate and rank the open user-experienced problems, and determine which ones will be fixed and which ones will not be fixed. Keep the user informed of planned problem resolutions.

Appendices

Appendix 1

Data Errors

The disbursement contractor reported the following transmittal error rates for SAMS data during FY 1997:



PERIOD	PROCESSED	REJECTED	PERCENT REJECTED
October 1996	2,026	57	2.8%
November 1996	1,444	67	4.6%
December 1996	1,669	229	13.7%
January 1997	1,402	100	7.1%
February 1997	1,608	22	1.4%
March 1997	2,474	257	10.4%
April 1997	1,837	185	10.1%
May 1997	2,259	247	10.9%
June 1997	2,158	130	6.0%
July 1997	1,675	215	12.8%
August 1997	1,923	69	3.6%
September 1997	Not Available	Not Available	Not Available

Data Inconsistencies

ERRORS	PTAR EXISTS	PTAR PRIORITY	HOUSING SYSTEMS COMMENTS
1. Data inconsistencies between various screens within SAMS: QLSC1 and QLSC4 show different step information for the same case.	YES, #96-0027449	3	The QLSC1 and QLSC4 items are known problems and have an outstanding PTAR.
a) The QLSC1 screen on case #492-212950 shows Step 8 as of 3/28/96. The QLSC4 screen shows Step 8 as of 9/8/95.			
b) The QLSC1 screen on case #492-342624 shows Step 8 as if 5/10/96. The QLSC4 screen shows Step 8 as of 12/9/94.			
2. PLSC1 - 7, Case Management screens do not display claims generated (Z Track) and supplemental claims generated cases.	YES, #96-0014651	3	The Z-track case not displaying on the LSC1 - LSC7 screens is a known problem and has an outstanding PTAR.
3. The time period, 99 days, shown on the CMICSD01 Inventory report for case #492-372683 for Step 1 is being calculated from the Notification date rather than the Acquisition date.	No		Currently, the CMICSD01 Inventory Report is based on the Begin Date (Step 1 Date). In the example provided, the Effective Date displayed on the report is the Custodial Fee Status (CS) Step 1 date (3/6/97). The Fee Status changed to HUD Owned Vacant (HV) status on 6/4/97. The number of days calculation of 99 days is the period between 3/6/97 and 6/13/97 (the run date of the report example).
4. Management reports (MEAPS) produced by SAMS for the field offices to monitor inventory and activity show conflicting information for the same periods.	No		The Management Acquired Properties Report is working as designed. The reports provided were reviewed with the Case Management Headquarters staff and no apparent discrepancies were found based on the example provided. The suggestion was made that further training may be needed on the content of the report.
5. Profit and loss reports generated by SAMS show inconsistent information for the same periods.	No		The Case Management Profit and Loss reports are displaying the correct information. The CMLPHD01 version of the report addresses Acquisition Value and the CMLPHD02 addresses Acquisition Cost as footnoted at the bottom of each report.

Appendix 2

Auditee Comments

	U.S. Department of Housing and Urban Development Washington, D.C. 20410-3000
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION	SEP 11 1998
<p>MEMORANDUM FOR: Benjamin K. Hsaio, Director, Information Systems Audit Division, GAA</p> <p>FROM:  Leslie H. Graham, Jr., Deputy Director, Office of Information Technology, AMI</p> <p>SUBJECT: Draft Audit Report - Controls Over Single Family Acquired Asset Management System (SAMS)</p>	
<p>We have reviewed the above referenced draft audit report, dated August 13, 1998. While our comments are directed to the recommendations assigned to the Office of Information Technology (OIT), we would like to comment on one of Housing's recommendations, item IC (Work with the Office of Administration to ensure that the appropriate security background checks are made for all SAMS users and Contractors). Please note that OIT agrees with this finding and looks forward to working with Housing and the Office of Human Resources (OHR) to facilitate obtaining security background checks for all SAMS users and contractors. Background investigations are required in compliance with Executive Order 10450 (Security Requirements for Government Employment), CFR Title 5, Code of Federal Regulations. This is a Departmental policy which was contained in a memorandum dated October 6, 1997 from the Assistant Secretary for Administration to Principal Staff. Below are our comments on recommendations directed to OIT.</p>	
RECOMMENDATIONS DIRECTED TO OIT	
<p>IH. Review the Property Disposition Contractor's Network to determine if it meets HUD security requirements</p> <ul style="list-style-type: none"> o In a meeting with the Office of Inspector General (OIG) staff, OIT agreed that security at the contractor site was inappropriate; however, OIT contended then and now that the lack of security at the Housing contractor site does not pose a threat to HUD's Wide Area Networks (WANs), mainframes, or applications on the mainframes (such as SAMS). The contractor can only access the production mainframe but cannot enter an application without a HUD assigned identification and a password. However, OIT will again review 	

See OIG
Comment 1

the contractor's network for conformance to HUD security requirements.

See OIG
Comment 2

- II. **Prepare a detailed test plan for disaster recovery, including a schedule and test scripts**
- o OIT will coordinate with the SAMS technical staff to execute a Business Resumption Plan (BRP) exercise during FY 1999. As part of any BRP exercise, a detailed test plan is created which includes a time-line and test scripts. Since any IBM-compatible critical application BRP exercise affects the development and/or Year 2000 enterprise servers at the Development and Recovery Facility, we will also ensure these areas are addressed, as appropriate.

See OIG
Comment 3

- IJ. **Prepare a detailed Year 2000 plan containing specific target dates for testing the interfaces and compliance certification**
- o A detailed Year 2000 plan has been developed, the SAMS application has been modified, and as of this date, SAMS is in the Year 2000 certification phase.

See OIG
Comment 4

- IK. **Perform a risk analysis to address the vulnerabilities of having a sole source contractor for maintaining SAMS. If cost effective, obtain training for HUD personnel and other HUD contractors in the use and maintenance of the case tool that was used to develop and document SAMS**
- o As stated earlier, SAMS is a modified Commercial Off the Shelf System (COTS) package for which an annual licensing fee is paid. Formal training for using the INCASE tool is no longer available. SAMS contractor staff is now trained on a CASE tool and subsequent on-the-job training provides them with the skills of INCASE. Also, OIT has other contractors trained in the use of CASE tools.

See OIG
Comment 5

- IL. **Ensure future SAMS replacement or conversion is developed with a software tool that is widely used in the industry**
- o If Housing decides to replace SAMS, OIT will evaluate user requirements and available options, including recommendations.

See OIG
Comment 6

IM. Work with FHA to evaluate and rank the open user-experienced problems, and determine which ones will be fixed and which ones will not be fixed. Keep the user informed of planned problem resolutions

- o OIT and Housing have ranked the remaining open items in the Program Tracking and Reporting System which form the basis of the work for the next 12 months. Housing users are informed of planned problem resolution, including their sign-off on each resolution.

If you have any questions regarding our response, please contact me, on 708-0306.

OIG EVALUATION OF IT RESPONSE

Comments

1. IT's response meets the intent of this recommendation. We will agree to a management decision when we receive a target date for completing the review.
2. IT indicated during the SAMS review that it would conduct the business resumption test in 1998. We will agree to a management decision when we receive a detailed schedule with key milestones.
3. IT's response meets the intent of this recommendation. We will agree to a management decision when we receive a copy of the detailed Year 2000 plan.
4. The response did not indicate whether IT plans to conduct a risk analysis. The response did not provide enough information to determine whether HUD continues to be vulnerable to system disruption due to HUD's inability to obtain alternative sources of SAMS maintenance.
5. IT's response is satisfactory.
6. IT's response is satisfactory.

Appendix 3

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