



Issue Date	February 26, 2010
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Audit Report Number	2010-PH-0001
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TO: Vicki B. Bott, Deputy Assistant Secretary for Single Family Housing, HU
//signed//

FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region,
3AGA

SUBJECT: HUD's Philadelphia, PA, Homeownership Center Did Not Always Ensure
That Required Background Investigations Were Completed for Its Contracted
Employees

HIGHLIGHTS

What We Audited and Why

In accordance with our annual audit plan and due to concerns regarding the U.S. Department of Housing and Urban Development's (HUD) capacity to handle the increasing demand for loans insured by the Federal Housing Administration (FHA), we initiated an audit of HUD's Philadelphia, PA, Homeownership Center (Center). This is the first of two audit reports that we plan to issue on the Center's capacity to process current demand for FHA loans. The audit objective addressed in this report was to determine whether the Center processed FHA loan applications in accordance with applicable policies and procedures and ensured that required background investigations were completed for its contracted employees that performed functions associated with FHA loans.

What We Found

The Center generally processed FHA loans in accordance with applicable policies and procedures. However, it did not always ensure that required background investigations were completed for its contracted employees that were responsible

for processing FHA loan applications and monitoring the quality of lenders' underwriting. The Center had 29 contracted employees that were responsible for performing functions associated with FHA loans. Of the 29 contracted employees, 16, or 55 percent, had not been through minimum background investigations required by contract clauses and HUD's policies on personnel security/suitability. HUD spent more than \$5.4 million on services from contracted employees that may not have been eligible to access its computer systems and other information sources containing sensitive personally identifiable information.

What We Recommend

We recommend that the Deputy Assistant Secretary for Single Family Housing direct the Center to (1) initiate and follow up on the required minimum background investigations for its contracted employees that have not been investigated to justify more than \$5.4 million spent on the related contracts and (2) develop and implement controls to ensure that its contracted employees comply with contract terms and applicable HUD security policies.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We discussed the report with HUD during the audit and at an exit conference on February 2, 2010. HUD provided written comments to our draft report on February 23, 2010. HUD agreed with the finding and recommendations. The complete text of HUD's response is in appendix B of this report.

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BACKGROUND AND OBJECTIVE

The U.S. Department of Housing and Urban Development's (HUD) strategic plan states that part of its mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. HUD's overall strategy to advance this goal is to carefully apply public-sector dollars, whether through mortgage insurance, grants, loans, or direct subsidies, to leverage the private market and make it easier for low- and moderate-income Americans to buy and keep their own homes.

The National Housing Act, as amended, established the Federal Housing Administration (FHA), an organizational unit within HUD. FHA provides insurance for lenders against loss on single-family home mortgages. FHA insurance helps first-time home buyers and other families who could have difficulties in obtaining a mortgage by reducing the risk to private lenders.

HUD's Office of Single Family Housing handles the overall management, policy direction and administration of all single family insurance programs. Policy development and oversight are performed in three offices: Program Development, Asset Management, and Lender Activities and Program Compliance, located in Washington, DC. Program policy is implemented by HUD's four Homeownership Centers in Philadelphia, PA; Santa Ana, CA; Atlanta, GA; and Denver, CO. The Homeownership Centers insure single-family FHA mortgages and oversee the selling of HUD homes. They implement underwriting and insuring standards; monitor loan origination and servicing; administer nonprofit/housing counseling grant programs; and provide training, guidance, and technical assistance to HUD staff and customers.

The Philadelphia Homeownership Center (Center) employs 218 staff members, 79 of whom are located in its Processing and Underwriting Division. Part of the division's responsibilities include overseeing contracted employees that perform data entry, endorsement, and post endorsement technical review functions associated with FHA loans. The data entry function primarily involves entries into HUD's Computerized Homes Underwriting Management System to reflect the receipt and assignment loan case files submitted to HUD for insurance endorsement. The endorsement process entails a review to determine whether loan files submitted for insurance endorsement include all documents required by HUD. The post endorsement technical review is performed to monitor the quality of lenders' underwriting and to identify the degree of risk associated with each loan insured.

HUD contracted with Horizon Consulting, Inc. (Horizon), headquartered in Lansdowne, VA, to perform data entry, endorsements, and post endorsement technical reviews. The Horizon employees process all of the Center's data entry and endorsements and some of its post endorsement technical reviews. The Center had two government technical representatives that were responsible for the technical administration of the contracts.

Our audit objective was to determine whether the Center processed FHA loan applications in accordance with applicable policies and procedures and ensured that required background investigations were completed for its contracted employees that performed functions associated with FHA loans.

RESULTS OF AUDIT

Finding: HUD's Philadelphia Homeownership Center Did Not Always Ensure That Required Background Investigations Were Completed for Its Contracted Employees

The Center did not ensure that background investigations were completed as required for more than half its contracted employees that were responsible for processing FHA loan applications and reviewing approved FHA loan files to monitor the quality of lenders' underwriting. Also, more than one-third of the contracted employees had not taken security awareness training required by HUD's information technology (IT) security policy. The deficiencies occurred because the Center lacked controls to ensure that its contracted employees complied with HUD's security policies related to employee background investigations and IT security awareness. As a result, HUD spent more than \$5.4 million on services from contracted employees that may not have been eligible to access its computer systems and other information sources containing sensitive personally identifiable information.

Minimum Background Investigations Were Not Always Completed

HUD entered into separate contracts with Horizon, headquartered in Lansdowne, VA, to perform data entry, endorsement, and postendorsement technical review functions associated with FHA loans. There were 29 Horizon employees that performed these functions for the Center. The breakdown of the employees under the contracts was as follows: 3 for data entry, 18 for endorsements, and 8 for postendorsement technical reviews.

Our review of records on the 29 employees indicated that 16, or 55 percent, had not been through the minimum background investigation required via clauses incorporated into the contracts. These employees included all of the employees that performed the data entry and postendorsement technical reviews and 5 of the 18 that performed the endorsements. The employees had access to HUD systems and other sources of information with personally identifiable information¹ on FHA loan applicants including names, addresses, Social Security numbers, dates of birth, bank account numbers, credit reports, Internal Revenue Service W-2

¹ The term "personally identifiable information" refers to information which can be used to distinguish or trace an individual's identity, such as name, Social Security number, biometric records, etc., alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother's maiden name, etc. (Office of Management and Budget Memorandum M-07-16)

statements, and tax returns. According to Office of Management and Budget Memorandum M-07-16, safeguarding personally identifiable information in the possession of the government and preventing its breach are essential to ensure that the government retains the trust of the American public.

All three contracts with Horizon contained a clause stating that contracted employees would be required to have access to HUD systems and that they would be required to provide personal information and undergo background investigations before being permitted access to HUD systems in performance of the contracts. The clause stated that more extensive background investigations would be required for contracted employees requiring access to mission-critical² systems or sensitive information contained within HUD systems or applications. Also, according to HUD's handbook on personnel security/suitability,³ a minimum background investigation is required for all contractors working on behalf of HUD. The minimum investigation includes searches of the Office of Personnel Management's Security/Suitability Investigations Index, the Federal Bureau of Investigation's arrest and investigation records, and written inquiries covering specific areas of a person's background during the most recent 5 years.

As stated above, the contracted employees had access to sensitive personally identifiable information. The Center's failure to ensure the suitability of the employees to access such information could lead to potential abuses of HUD computer systems and access to sensitive information, which could seriously compromise data.

Contracted Employees Did Not Complete Required IT Security Awareness Training

Based on the requirements of the Federal Information Systems Management Act (FISMA) as incorporated into HUD's IT security policy, the Center's contracted employees should have taken IT security awareness training annually. FISMA requires each Federal agency to develop, document, and implement an agency-wide program to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source. HUD's IT security policy states that basic security awareness training is required at orientation and annually by the determined date established by the Office of Management and Budget to meet the FISMA legislation requirement. We

² HUD defines mission critical systems or functions as "those functions that enable Federal Executive Branch agencies to provide vital services, exercise civil authority, maintain the safety and well-being of the general public, and sustain the industrial/economic base during an emergency."

³ HUD Handbook 732.3, REV-1, paragraphs 3-1B and 4-5B

requested training certificates for the 29 Horizon employees to test the Center's compliance with the requirement.

Of the 18 Horizon employees performing the endorsements, only one had taken the required training before our request for the training certificates. Sixteen of the endorsement employees and all three of the data entry employees took the training after we requested the training certificates. The employees took the training between October 9 and October 14, 2009. The remaining endorsement employee had not taken the training as of the completion of our fieldwork. Also, none of the eight contracted employees working on the postendorsement technical reviews was up to date on the training requirement. One employee last took the training in June 2006, and three employees last took the training in August 2007. For the remaining four employees, there was no documentation to indicate that they had ever taken the training. As of the completion of our fieldwork, nine, or one-third, of the contracted employees had not completed the required annual security awareness training (see appendix C).

A key objective of an effective IT security program is to ensure that all employees and contractors understand their roles and responsibilities and are adequately trained to perform them. HUD cannot protect the confidentiality, integrity, and availability of its information systems and the information they contain without the knowledge and active participation of its employees and contractors in the implementation of sound security principles. To ensure that its contracted employees understand their roles and responsibilities in protecting IT and related data, the Center must ensure that its contracted employees take the required annual security awareness training in accordance with HUD's IT security policy.

The Center Lacked Controls To Ensure That It Complied With Security Policies

The Center lacked controls to ensure that its contracted personnel complied with HUD's security policies related to background investigations and IT security awareness. Although the contracts with Horizon included clauses that indicated background investigations were required, government technical representatives (representatives) responsible for administering the contracts were not aware of contract requirements pertaining to background investigations or that all contracted employees had not been through the required investigations. The representatives' duties included ensuring that the contractor established and complied with HUD's personnel security requirements. In certain cases, background investigations had been initiated; however, the initial background information forms submitted were returned to the employees because they were incomplete. The employees did not resubmit the forms, and the representatives did not follow up and take action to ensure that the investigations were completed. They also did not ensure that the

contracted employees had completed annual security awareness training as required.

As stated above, the representatives were responsible for ensuring the contractor's compliance with HUD's personnel security requirements and should have ensured that the contracted employees had been through the necessary background investigations and completed the required security awareness training. The Center needs to develop and implement controls to ensure that the representatives responsible for administering the contracts are aware of all contract terms and requirements and ensure that the requirements are enforced.

Conclusion

The Center did not ensure that required background investigations were completed for all of its contracted employees that were responsible for processing FHA loan applications and monitoring the quality of lenders' underwriting. It also did not ensure that all of the employees had taken IT security awareness training in accordance with HUD's IT security policy. These deficiencies occurred because the Center lacked controls to ensure that its contracted employees complied with HUD's security policies related to employee background investigations and IT security awareness. Horizon breached its contract with HUD when it did not ensure that all its employees complied with HUD's personnel security requirements. Therefore HUD needs to justify more than \$5.4 million (see appendix D) in funds already spent on the related contracts by providing documentation to show that it has performed the required background investigations to determine the suitability of the contracted employees for their duties and responsibilities. HUD also needs to ensure that the Center implements sufficient controls to prevent approximately \$2.2 million from being spent annually on contracted employees that may not be eligible to access its computer systems and other information sources containing sensitive personally identifiable information.

Recommendations

We recommend that the Deputy Assistant Secretary for Single Family Housing direct the Philadelphia Homeownership Center to

- 1A. Initiate the minimum required background investigations for its contracted employees and conduct monthly follow-ups to monitor the status of the investigations to ensure that HUD security requirements are met and to justify \$5,438,372 awarded for the related contracts. In cases where the contractor(s) fail to submit the necessary required paperwork, terminate all

HUD systems access for the employees within 30 days of the request for the paperwork.

- 1B. Develop and implement procedures for tracking the status of background investigations for its contracted employees and ensure that they are completed to prevent \$2,175,348 from being spent annually on employees that may not be suitable for their duties.
- 1C. Ensure that all contracted employees in the Center annually take mandatory IT security awareness training as described in HUD's IT security policy.
- 1D. Emphasize HUD's security policies to the Center's government technical representatives to ensure that they are aware of their responsibility to ensure that contracted employees undergo background investigations and complete IT security awareness training as required.

SCOPE AND METHODOLOGY

We performed our audit at HUD's Philadelphia, PA, Center offices from April through November 2009. The audit covered the period October 2006 through March 2009; however, we expanded the scope when necessary to include other periods.

We used computer-processed data only in conjunction with other supporting documents and information to reach our conclusions and determined that the data were sufficiently reliable for our purposes.

To accomplish our objective to determine whether the Center processed FHA loan applications in accordance with applicable policies and procedures and ensured that required background investigations were completed for its contracted employees that performed functions associated with FHA loans, we

- Analyzed a random sample of five loan case files to determine whether the Center performed endorsements in accordance with HUD policies and procedures.
- Analyzed a random sample of five loan files to determine whether the Center performed postendorsement technical reviews in accordance with HUD policies and procedures.
- Conducted interviews with various division directors and staff in the Center, as well as contracted employees.
- Interviewed key functional managers and/or staff of the Office of Single Family Housing and the Office of Security and Emergency Planning at HUD headquarters.
- Reviewed and analyzed the background check summaries for the Horizon contract employees that performed data entry, endorsements, and postendorsement technical reviews for the Center.
- Reviewed HUD policies on personnel suitability and IT security; mortgagee letters; and other applicable HUD policies, procedures, and regulations.

We calculated the funds to be put to better use by dividing the total unsupported costs (\$5,438,372) by the number of months (30) in our review period and multiplying the result (181,279) by 12 months to obtain the potential annual savings (\$2,175,348).

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following controls are achieved:

- Program operations,
- Relevance and reliability of information,
- Compliance with applicable laws and regulations, and
- Safeguarding of assets and resources.

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. They include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A significant weakness exists if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe that the following item is a significant weakness:

- The Center lacked controls to ensure that its contracted personnel complied with HUD's security policies related to employee background investigations and IT security awareness.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

Recommendation number	Unsupported 1/	Funds to be put to better use 2/
1A	\$5,438,372	
1B		\$2,175,348

1/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

2/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if HUD implements our recommendation, it will cease to incur contract costs for contractors that have not been determined to be suitable for their duties and, instead, will expend those funds for contracts that meet HUD's standards, thereby putting approximately \$2.2 million in funds to better use. Once HUD successfully implements our recommendation, this will be a recurring benefit. Our estimate reflects only the initial year of this benefit.

Appendix B

AUDITEE COMMENTS



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

OFFICE OF HOUSING

FEB 23 2010

MEMORANDUM FOR: John Buck, Regional Inspector General for Audit, 3AGA

FROM: Vicki Bott, Deputy Assistant Secretary for Single Family Housing, HU

SUBJECT: Discussion Draft-Audit Report
HUD's Monitoring of FHA Lenders' Loan Origination Practices
Issue Date: January 20, 2010

The Office of Inspector General performed the subject audit of Single Family Housing's (Single Family) Philadelphia Homeownership (HOC) to determine whether the HOC processed FHA loan applications in accordance with applicable policies and procedures and ensured that required background investigations were completed for its contractor employees that performed functions associated with FHA loans. During the course of the audit, OIG concluded that the HOC's contractor employees were not in full compliance with HUD IT Security requirements. Single Family's response to the audit results is as follows.

OIG's Determination:

The report states that the HOC did not ensure that background investigations were completed for more than half of the required contractor employees and made the following recommendation.

Single Family's Response:

Single Family takes security background checks and security awareness training requirement very seriously. We agree that while OIG found deficiencies in our processes and that our controls need to be strengthened to ensure that only eligible individuals have access to our systems. In addition to implementing OIG's recommendations as stated below, Single Family will ensure that Rules of Behavior are established and fully implemented for all contractor employees to adhere to

OIG's Determination:

The draft report indicates that minimum background investigations were not always completed. The report further stated that OIG's review of the records on the 29 employees indicated that 16, or 55 percent, had not been through the minimum background investigation required via clauses incorporated into the contracts. These employees included all of the employees that performed the data entry and post endorsement technical reviews and 5 of the 18 that performed the endorsements.

Single Family's Response:

Single Family agrees that the minimum background investigations were not always completed. However, HOC staff was recently informed by HUD's Personnel Security Branch (PSB) that it is not necessary for the background investigation to be fully completed before the contractor can obtain systems access. PSB also informed the HOC that if the contractor has already had a background investigation adjudicated by another Federal Agency or if the PSB is in receipt of the necessary paperwork (SF85 and/or 85P), the PSB can clear the contractor for systems access. Further, PSB does not provide notification that a contractor's investigation was completed unless the results are

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unfavorable. PSB stated that this is in full compliance with OPM requirements. Under the current process, Personnel Security Branch will allow systems access to be provided to a contractor only if the contractor has already had a background investigation adjudicated by another Federal Agency or if the PSB is in receipt of the necessary paperwork (SF85 and/or 85P). The fact that access was given without the proper documentation might indicate a breakdown in the process at a level above the HOC.

OIG's Determination:

Page 6 of the report indicates that Contractor Employees did not Complete Required IT Security Awareness Training. The report also states that of the 18 Horizon employees performing the endorsements, only one had taken the required training before our request for the training certificates. Sixteen of the endorsement employees and all three of the data entry employees took the training after we requested the training certificates. The employees took the training between October 9 and October 14, 2009. The remaining endorsement employee had not taken the training as of the completion of our fieldwork. The report further states that none of the eight contractor employees working on the post endorsement technical reviews was up to date on the training requirement. As of the completion of our fieldwork, nine, or one-third, of the contractor employees had not completed the required annual security awareness training."

Single Family's Response:

Single Family agrees with OIG's assertion; however, circumstances beyond the HOCs control prevented some of the off-site contractors from completing the training. During the audit process, the HOC advised the audit team, there was a system glitch that prevented contract employees with "C" Numbers from accessing the Security Awareness Training on the HUD website. Upon discovery of the problem, this matter was reported to Headquarters and resolved. Once the problem was resolved, all on-site contractors completed the course. The Philadelphia HOC had no control over the problem occurring with the Website. The remaining endorsement employee cited in the audit as not having taken the training submitted her Certificate of Completion to the Atlanta GTR, as she is based in Atlanta.

Recommendation 1A:

Initiate the minimum required background investigations for its contractor employees and conduct monthly follow-ups with HUD's Security Office to monitor the status of the investigations to ensure that HUD's security requirements are met for the \$5,438,372 awarded for the related contracts. And within 30 days of the requested paperwork, terminate all HUD system access given to the contractor employee(s) for whom the contractor(s) fails to submit the required paper work to HUD.

Description of Planned Actions:

Single Family agrees to require the HOCs to initiate the minimum background check for its contractor employees and has determined that the HOC has adequate procedures in place to ensure the background investigations of contractors are initiated. See attached. In addition, the HOCs will be required to terminate system access to any contractor employee that the contractor fails to submit the required security clearance paper work to HUD. Since we are now aware that the process to complete a background check could take up to one year, the HOCs will be required to conduct a follow-up with PSB within six months of the initiated requests to determine whether any of its contractor employees were found to be ineligible to access HUD's systems.

Recommendation 1B:

Develop and implement procedures for tracking the status of background investigations for its contractor employees and ensuring that they are completed to prevent \$1,829,308 million from being spent annually on employees that may not be suitable for their duties.

Description of Planned Action:

As stated for recommendation 1B, Single Family will require the HOCs to conduct a follow-up within six months from the date of the initiated requests to determine whether any of its contractor employees were found to be ineligible to access HUD's systems.

Recommendation 1C:

Ensure that all contractor employees in the Philadelphia HOC annually take the mandatory IT Security Awareness Training as described in HUD's IT Security Policy.

Description of Planned Actions:

Headquarters staff has determined that the HOC has developed adequate written procedures that ensure the contractors complete the Department's Security Awareness Training. A copy of the procedures is attached.

Recommendation 1D:

Emphasize HUD's security policies to the HOC's government technical representatives to ensure that they are aware of their responsibility to ensure that contractor employees undergo background investigations and complete IT security awareness training as required.

Description of Planned Actions

The Philadelphia HOC has developed an internal training program that covers all aspects of contracting responsibilities. The training includes a segment on the GTR's responsibilities with regard to the Security Clearance Process and Security Awareness Training for contractors. This training is scheduled to be presented by March 1, 2010. Although the training was not developed in direct response to this recommendation, we feel that it adequately addresses the issues raised.

Thank you for bringing these matters to our attention. If you have any questions regarding this matter, please contact Engram Lloyd, Director, Philadelphia HOC ff at 215-861-7694.

**SECURITY CLEARANCE PROCESS FOR SYSTEM ACCESS
FOR CONTRACTORS
PHILADELPHIA HOMEOWNERSHIP CENTER**

ENTRANCE ON DUTY

New on-site contractors are fingerprinted by staff of the Administrative Resources Division (ARD).

- Fingerprints are taken electronically and submitted to a HUD staff person who is outside of the Region. Submissions currently go to Prudy Lucas Hendon in the Anchorage OFAR office for adjudication.
- Ms. Hendon electronically submits the fingerprints to OPM for processing through the system.

RESULTS – FINGERPRINT CLEARANCE

Once OPM completes the review and fingerprints are cleared, the results are sent to the Security Management System (SMS), overseen by Office of Security and Emergency Planning (OSEP).

- SMS generates a notice that is issued to the GTR and the local IT Director
- The IT Director creates a Centralized HUD Account Management Process (CHAMP) request for a New User Account for the contractor to obtain an identification number (“C” Number) for computer access (e.g. LAN, email).
- Once the C Number is created, the IT Director notifies the Contract GTR of the assigned C Number.
- The GTR provides the C Number to the contractor, and the contractor contacts the HITS Help Desk for issuance of a password.

APPLICATION ACCESS

If the contractor requires access to a computer application, after receipt of the C Number, a second CHAMP request for Business Applications is needed to obtain application access.

- The Contractor must complete SF-85P, Questionnaire for Public Trust Positions (PDF fillable form)

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- The Contract Manager submits the completed SF-85P form to the Contract GTR, who forwards the form via email to the local CHUMS Coordinator.
 - The Local CHUMS Coordinator submits the completed SF-85P form to the HQs CHUMS Coordinator.
 - The GTR creates a second CHAMP request for the Business Application (e.g. FHA Connection, CHUMS).
 - The HQs CHUMS Coordinator submits the completed SF-85P form to Florence Campbell in OSEP.
 - The SF-85P form may be returned for corrections or additional information. The form is returned through the HQ CHUMS Coordinator to the Local CHUMS Coordinator. The Local CHUMS Coordinator returns the form to the contractor for the necessary corrections and monitors to ensure the corrections are made in a timely manner. The contractor provides the completed form to the Local CHUMS Coordinator, who will resubmit the form to the HQ CHUMS Coordinator
 - The Local CHUMS Coordinator checks with the HQs CHUMS Coordinator on a weekly basis regarding the status of pending clearances for systems access.
 - Once the SF-85P form is received and fingerprints have been cleared, the HQs CHUMS Coordinator sends an email to the Local CHUMS Coordinator to provide the contractor with access to the systems (FHAC and CHUMS).
 - The security clearance process will continue at OSEP. Note that OSEP provides no notification that a background investigation of a contractor has been completed. Notification will be provided only in the instance where a contractor employee is determined to be unsuitable to have access to the system

SEPARATIONS

When a contractor separates, the GTR notifies the local IT staff of the separation and notifies the Local CHUMS Coordinator. The Local CHUMS Coordinator notifies the HQs CHUMS Coordinator and either Coordinator can terminate the contractor's system access. The local IT terminates access to LAN.

**IT SECURITY AWARENESS TRAINING FOR CONTRACTORS
PHILADELPHIA HOMEOWNERSHIP CENTER**

In accordance with the HUDAR Clause contained in all HUD Contracts, each contractor having systems access must complete the IT Security Awareness training annually. It is the contractor's responsibility to ensure that its employees, in performance of the contract, receive annual training (or once if the contract is for less than one year) in HUD information technology security policies, procedures, computer ethics, and best practices in accordance with HUD Handbook 2400.25.

- The Contract GTR will insure that the notification of annual IT Security Awareness Training issued by Headquarters is provided to the Contractor Managers.
- The GTR will obtain a Completion Certificate from each contractor having systems access, ensuring completion of the training within the same timeframe as that specified for HUD employees.

Appendix C

SCHEDULE OF CONTRACTORS' TRAINING STATUS

Contract	Number of employees	Completed IT training before OIG request for certificates	Completed IT training after OIG request for certificates	Remaining employees lacking training
Data entry	3	0	3	0
Endorsements	18	1	16	1
Postendorsement technical reviews	8	0	0	8
Summary	29	1	19	9

Appendix D

SCHEDULE OF CONTRACTS AND RELATED EXPENDITURES

Contract number	Contract description	Amount expended*
C-PHI-00974	Data entry	\$ 480,698
C-PHI-00943 C-CHI-00949	Endorsements	3,736,848
C-PHI-00973 C-CHI-01018	Postendorsement technical reviews	1,220,826
		\$5,438,372

* These amounts include the base contracts and related modifications with terms ranging between September 2006 and September 2009.