

**AUDIT OF SBA'S CONTROLS OVER
THE ACCESS, DISCLOSURE AND USE
OF SOCIAL SECURITY NUMBERS
BY THIRD PARTIES**

AUDIT REPORT NUMBER 2-34

SEPTEMBER 30, 2002

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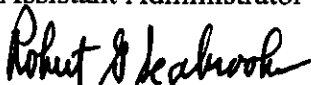
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AUDIT REPORT

Issue Date: September 30, 2002

Number: 2-34

To: Corey Whitehead
Assistant Administrator for Administration

From: 
Robert G. Seabrooks
Assistant Inspector General for Auditing

Subject: Audit of SBA's Controls Over the Access, Disclosure and Use of Social Security Numbers by Third Parties

As part of a government-wide initiative sponsored by the President's Council on Integrity and Efficiency (PCIE), we completed an audit of SBA's controls over the access, disclosure and use of social security numbers by third parties.

BACKGROUND

Among other things, the Privacy Act of 1974 requires Federal agencies to "establish appropriate administrative, technical and physical safeguards to insure the security and confidentiality of records and to protect against any anticipated threats or hazards to their security or integrity which could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom information is maintained." As an identifying number, an individual's social security number is considered a record subject to the Privacy Act.

OMB Circular A-130, Appendix I, Section 3, requires the head of each agency to ensure that certain reviews are performed periodically for compliance with the Privacy Act.

SBA Standard Operating Procedure 40 04 2, *Privacy Act Procedures*, describes SBA's implementation of the Privacy Act. According to the SOP, the Assistant Administrator for Hearings and Appeals has been designated by the Administrator as the Senior Official for Privacy Policy. The Chief, Freedom of Information/Privacy Acts Office, is the officer responsible for overseeing and implementing the Act.

The Office of Inspector General (OIG) at the Social Security Administration (SSA) coordinated this PCIE review. The SSA OIG developed written audit guidelines that provide the following background information:

Due to concerns related to perceived widespread sharing of personal information and occurrences of identity theft, Congress asked GAO to study how and to what extent Federal, State and local government agencies use individuals' SSNs [social security number] and how these entities safeguard records or documents containing those SSNs. As part of the study, GAO sent questionnaires to 18 Federal programs that are likely to routinely collect, maintain, and use individuals' SSNs. Specifically, GAO's questionnaires ask each Federal program to provide information about the

- ways in which the program obtains, maintains, and uses individuals' SSNs;
- program's practices for providing individuals' SSNs to other organizations, including fees charged; and
- program's practices for safeguarding records containing SSNs.

GAO plans to conduct limited fieldwork to verify information provided on the questionnaires.

The expanded use of the SSN as a national identifier provides a tempting motive for many unscrupulous individuals to acquire a SSN and use it for illegal purposes. While no one can fully prevent SSN misuse, Federal agencies have some responsibility to limit the risk of unauthorized disclosure of SSN information. To that end, the Chairman of the House Ways and Means Subcommittee on Social Security asked SSA/OIG and the PCIE to look across government at the way Federal agencies disseminate and control the SSN.

OBJECTIVES, SCOPE AND METHODOLOGY

The objective of our audit was to assess SBA controls over the use and protection of the social security numbers that it has collected from individuals. Specific objectives were to determine whether SBA:

- (1) makes legal and informed disclosures of SSNs to third parties;
- (2) has appropriate controls over other entities access and use of the social security numbers that SBA has collected from individuals;
- (3) has adequate controls over access to individuals' social security numbers maintained in its databases; and
- (4) has appropriate controls over contractors' access and use of the social security numbers that SBA has collected from individuals.

To accomplish these objectives, we reviewed relevant Federal statutes and regulations, the forms that SBA uses to collect SSNs from individuals (other than SBA employees), SBA standard operating procedures, SBA's Privacy Act reports to OMB, questionnaires that SBA program officials completed for a GAO survey on Federal agencies' collection and use of SSNs, and current agency practices. Interviews were conducted with SBA officials, including program officials who completed questionnaires for GAO's survey. We followed the "Audit Guidelines for Federal Agencies' Controls over the Access, Disclosure and Use of Social Security Numbers by Third Parties" developed by the SSA/OIG. Field work was conducted from January to May 2002. The audit covered current SBA policies, procedures, and practices.

We performed our audit in accordance with Government Auditing Standards.

AUDIT RESULTS

We found that SBA (1) makes legal and informed disclosures of SSNs to third parties, (2) has appropriate controls over other entities access and use of the SSNs that SBA has collected from individuals, and (3) has adequate controls over access to individuals' SSNs maintained in its databases. SBA does not, however, have appropriate controls over contractors' access and use of the SSNs that it has collected from individuals. Accordingly, additional steps are needed to limit the risks of unauthorized disclosure of SSN information.

SBA Makes Legal and Informed Disclosures of SSNs to Third Parties.

SBA makes legal and informed disclosures of SSNs to third parties. As required by 31 U.S.C. 7701, SBA requests the taxpayer identification number from credit applicants. For an individual, the taxpayer identification number is the SSN. The forms that SBA uses to request the taxpayer identification number (SSN) from credit applicants notify applicants how SBA will use the taxpayer identification number and other information provided. For example, credit applicants are notified of the actions SBA may take under the Debt Collection Act and Deficit Reduction Act should loan payments become delinquent. SBA has computer matching agreements with three Federal agencies to check for delinquent debtors: the Department of Housing and Urban Development (Credit Alert Interactive Voice Response System), U.S. Postal Service, and the Department of Defense Defense Manpower Data Center.

SBA's Office of Disaster Assistance may also disclose SSNs to other Federal agencies when processing applications for disaster loans. For example, SBA may disclose SSNs to the Federal Emergency Management Agency to check for duplication of benefits; the Department of Education, FHA, and VA to check for loan defaults; the Department of Justice to check for nonpayment of child support; and the Internal Revenue Service to check for unpaid taxes.

SBA Has Appropriate Controls over Other Entities Access and Use of SSNs

SBA has appropriate controls over other entities access and use of SSNs. SBA Standard Operating Procedure (SOP) 40 04 2, *Privacy Act Procedures*, provides that SBA will not disclose "any record that is contained in a system of records to any person or to another agency, except pursuant to a written request by, or with the written consent of, the individual to whom the record pertains." This applies to SSNs.

The SOP makes exceptions for SBA employees who have an official need for the record, certain Federal agencies, disclosures required by the Freedom of Information Act, court orders, the General Accounting Office (GAO), and Congressional committees and subcommittees. The SOP also makes an exception for "statistical research." In such cases, the requestor must provide adequate written assurance that the record will be used solely for that purpose. The SOP requires "transfer [of] the record in a form that is not individually identifiable."

SBA maintains records of disclosures. There is no record of disclosures of individuals' SSNs to other entities.

SBA Has Adequate Controls Over Access To Individuals' SSNs Maintained In Its Databases.

SBA has adequate controls over access to individuals' SSNs maintained in its databases for other organizations that connect to SBA's network. Security policy for contractors who access SBA systems is stated within SBA Standard Operating Procedure 90 47, *Automated Information System Security Program*. There are four contractors with access to SBA systems. SBA recently performed security reviews at two of the four contractor locations.

As pointed out in OIG Audit Report Number 2-18, dated May 6, 2002, controls over SBA employees' access to SSNs within the loan accounting system have needed some improvement.

SBA Does Not Have Appropriate Controls Over Contractors' Access and Use of SSNs

SBA does not have appropriate controls over contractors' access and use of SSNs. There are no controls in place over the access, disclosure, and use of SSNs by SBA contractors. For example, SBA does not:

- systematically identify the contractors who have access to the SSNs, or other Privacy Act information, that SBA has collected from credit applicants;
- have agreements or Memorandums of Understanding with the contractors who have access to the social security numbers that SBA has collected from credit applicants;
- monitor contractor compliance with the Privacy Act; and
- review contracts and record keeping practices and provide Privacy Act training to SBA personnel as required by OMB Circular A-130, Appendix 1, Federal Agency

Responsibilities for Maintaining Records About Individuals (Section 3, Assignment of Responsibilities).

Recommendation:

- 1A We recommend that the Assistant Administrator for Administration direct the development and implementation of management controls over contracting activities involving Privacy Act information. The controls should prevent improper disclosure and use of Privacy Act information by contractors. The controls should include agreements or Memorandums of Understanding with contractors, monitoring of contractor compliance with the Privacy Act, and periodic Privacy Act training for contracting officers.

Management Comments

The Assistant Administrator for Administration responded that she had no argument with our assessment.

* * *

The findings included in this report are the conclusions of the Office of Inspector General's Auditing Division. **The findings and recommendations are subject to review and implementation of corrective action by your office following the existing Agency procedures for audit follow-up and resolution.**

Please provide us your management decision for each recommendation within 30 days. Your management decisions should be recorded on the attached SBA Forms 1824, "Recommendation Action Sheet," and show either your proposed corrective action and target date for completion, or explanation of your disagreement with our recommendations.

Should you or your staff have any questions, please contact Robert G. Hultberg, Director, Business Development Programs Group at (202) 205-7204.

Attachment

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