OIG EVALUATION OF AGENCY COMMENTS

Comments on Attachment No. 2 to the Department's February 18, 2000 Response to the Draft Report on Internal Control and Compliance

Our individual comments correspond to the Department's numbered comments included in Attachment No. 2 to their response.

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1	In our judgment, the side caption reflects a reasonable conclusion with respect to the impact of the four issues reported relating to HUD's internal control environment. To the extent we noted progress, we have recognized this in the applicable report sections. With respect to HUD's financial systems, we concluded that controls relating to HUD's core financial system deteriorated due to difficulties encountered with the implementation of HUDCAPS as the Department's general ledger. This was a major factor in our inability to render an opinion on HUD's fiscal year 1999 financial statements. Further, as explained in the report, our decision to discontinue reporting, as separate reportable conditions, the resource management issues and weaknesses with HUD's management control program was due in large part to our reassessment that their effect on HUD's financial statements can be appropriately characterized as contributing causes for other material weaknesses and reportable conditions. KPMG, in assessing the previously reported material weakness with FHA's resources, similarly reports that staffing and administrative resources are contributing causes to other reportable conditions in their report.
2	Our concerns with HUD's control environment are largely unchanged from what we reported in our audit of HUD's fiscal year 1998 financial statements as well as previous years. Progress continues to be at a slow pace and behind the schedule set forth in the *HUD 2020* plan. Moreover, structural and organizational changes by themselves do not ensure that weaknesses will be corrected. For example, weaknesses continued with the disposition of single family properties in spite of the organizational change that was completed during fiscal year 1999 to outsource this activity. With this particular reform, the poor performance of the largest "management and marketing" contractor contributed to the fact that as of September 30, 1999, total single family property inventory reached 49,793 properties, an increase of 10,423 properties or about one fourth compared to the end of fiscal year 1998. Moreover, the number of properties remaining in inventory over one year increased by 64 percent.
3	The caption for this section was revised as suggested. We have revised the section to recognize that the conversion to HUDCAPS was a significant undertaking.
4	The referenced paragraphs are needed to provide a historical background on the selection of HUDCAPS for the Departmental general ledger. The decision to proceed with the development of HUDCAPS, it spite of the risks we pointed out has a direct bearing on the fiscal year 1999 findings as a contributing cause of the material weakness reported with HUD's core financial system.
5	We do not agree with the suggested revision as the system does not comply solely because of the FHA related issues. We cite additional weaknesses relating to the PAS to HUDCAPS interface, inability to sufficiently support fund balance with Treasury reconciliations and bypassing the normal general ledger posting process as federal financial system noncompliance issues.
6	We do not agree with the suggested revision. This "FSI" finding serves as a summary of the material weakness items noted is our response to comment 5, above.

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7	We have clarified this statement.
8	We do not believe the suggested changes add to the existing content.
9	We deleted the reference to Travel Management System.
10	We have been informed otherwise by Office of Administration officials.
11	The statement was revised to add some of the suggested additional details.
12	We subsequently received informal comments that we considered in preparing the final version of this report.
13	The resource management and management control discussions are part of the control environment section. Regardless of our decision not to separately categorize them as reportable conditions, these issues are still relevant to HUD's control environment and, in our judgment, warrant a separate discussion and side caption.
14	The side caption to this section has been changed to reflect our conclusion that HUD not only has to complete the organizational changes, but needs to take full advantage of those changes. We also believe that the historic references are entirely appropriate. These issues, and their impact on HUD's systems of internal controls are long standing and as our reports over the years have demonstrated, HUD has formulated plans in that past that it did not follow through and implement.
15	The fact remains that HUD 2020 plan's staffing levels were set without first performing a detailed analysis of HUD's mission and projected workload. Moreover, the Department still lacks an organization wide resource management system and does not expect to complete its current initiative to develop one until July 2001. We further note in our report that HUD did not implement a similar resource management proposal put forth three years ago.
16	The conclusions reported in our *Semiannual Report to the Congress* for the six months ended September 1999 were supported by a series of OIG internal audit reports on the following six major aspects of the 2020 Reform Plan: Community Builders, Troubled Agency Recovery Centers (TARCs), the Real Estate Assessment Center (REAC), Single Family Property Disposition, Single Family Loss Mitigation, and Departmental Procurement. We stand by our conclusions from that work that the major substance of the reform changes, i.e., business operational changes, is still under development.
17	We have modified the referenced heading to make it clear that HUD must make effective use of REAC physical and financial assessments to ensure the adequate condition of HUD's housing portfolio. At fiscal year end, the REAC had not completed financial assessments of multifamily projects due to delays in the rollout of its Financial Assessment Subsystem. Moreover, HUD's assessments of HAs are still advisory, due to the delays in implementing PHAS. In assessing HUD's comment on the availability of inspection results, we noted in our internal audit work at the REAC, that HUD does not have a method of tracking findings developed from inspections. While the majority of properties inspected were in fairly good condition, 21.1 percent received scores below the standard. Also, health and safety concerns were identified at 54.7 percent of the properties inspected. REAC performs only assessments; REAC does not resolve project issues resulting from assessments. The Office of Housing advised that they are not verifying corrections at the project level because the Secretary assured the industry that only one inspection would be conducted each year. Discussions with officials from PIH indicate that they are developing a system to track corrective action for issues identified via the physical inspections. As we note elsewhere in this report, since the PHAS scores were still advisory in nature, the field office and TARC staff were generally reluctant to use the results in their monitoring program. In fact, PIH did not release any guidance on the field offices' use of the PHAS scores until late August 1999 in

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	anticipation PHAS scores would be issued after September 30, 1999 - that date was delayed to March 2000.
18	In addressing our comment relating to the increase properties in inventory over one year, HUD attributes much of this increase to a rise in fiscal year 1999 claims and the start-up time required by the contractors. It is not clear how a rise in claims could affect the level of older inventory. We already reported difficulties with the largest "management and marketing" contractor and do not dispute that some amount of start-up time was required. HUD's response does not dispute the facts reported by KPMG and us but provides other measures that purport to show positive trends, particularly an increase in average price for properties sold. This increase is not surprising, given that the more recently acquired properties are being sold as evidenced by the increasing percentage of properties in inventory for longer periods. By the end of January 2000, HUD's single family property inventory totaled 47,711 properties, 42 percent of which had been in the inventory 6 months or more, and 17 percent of which had been in the inventory 12 months or more. Ten months earlier, when the management and marketing contractors started work, the inventory had totaled 43,560 properties, 30 percent of which had been in the inventory 6 months or more, and 10 percent of which had been in the inventory 12 months or more. These statistics demonstrate the difficulty of disposing of properties that have been in the inventory for long periods and the tendency of contractors to focus their efforts on disposing of recently acquired properties. The aging of the inventory is significant in that vacant, boarded up HUD-owned homes have a negative effect on neighborhoods, and the negative effect magnifies the longer the properties remain in HUD's inventory.
19	The section has been revised to focus on the need for HUD to complete staffing of its newly organized Departmental income verification program and demonstrate effectiveness in reducing overpaid assistance.
20	The section from the report was taken from our *Semiannual Report to the Congress* for the six months ended September 1999. Those conclusions are supported by the referenced OIG report.
21	We generally agreed with the suggested changes made separately by the CFO on the management control program and they were incorporated into our final report.
22	This section of the report relates to information that Department plans to include as performance measures in future accountability report and comes from representations made in its own draft accountability report. We have clarified the wording to indicate that establishment of the baseline is to be completed in fiscal year 2000.
23	We have added a sentence to clarify what official PHAS scores are to be available by March 2000. The Department's response did not indicate a change as to when it expects to include PHAS reporting in future accountability reports.
24	We disagree with the REAC's position that the material weakness caption, and much of our discussion of this issue seem unfair and unbalanced. We are very supportive of the Department's endeavor; however, we are obligated to address issues that may have a negative impact on implementing a workable and sustainable matching program.
25	We have deleted reference to the specific thresholds to be used for the large scale matching program.
26	The Department's response supports the fact that the Financial Management Center (the former Voucher Processing Center) is currently staffed at the average level cited in our draft report and also agrees that staffing according to the protocol will be "up to 25." We have revised our report in this section to clarify that the actions were taken before the transfer of the voucher review function from the Office of Housing to the FMC.
27	The statement that increased reviews resulted in increased workload is in the context of discussing a poorly designed control. This control needed to be adjusted to avoid reporting false errors.

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	Increased review of vouchers that should not have been rejected is not considered by us to be an improvement, rather it served to divert resources from reviewing legitimate rejections. Consequently, we see no reason to change the report. If the cause of the false errors is corrected, the number of the reviews that need to be done for this control should decrease.
28	We agree with the Department's suggestion and changed the report to eliminate reference to the selection threshold percentage.
29	We have modified the report to indicate that the sanctions have not been imposed because a policy has not been established.
30	For the response to the first paragraph of this comment see our response to comment 16.

The Office of Housing may no longer consider project monitoring to be a material weakness, but the OIG does and our conclusion is fully supported. The Office of Housing's discussion at this point draws from the FHA report focusing on the reported improvements in the physical inspection process, particularly inspections of Section 8 properties. The discussion also suggests that our classification of Multifamily Project Monitoring as a material weakness can only be because of monitoring responsibilities that are unique to Section 8 properties. While it is true that the FHA auditors classified Early Warning and Loss Prevention of Insured Mortgages as a reportable condition and that this relates to multifamily project monitoring, it only relates to the control risks associated with FHA mortgage insurance. Our judgment that Multifamily Project Monitoring is a material weakness includes these issues but is not based solely on results reported in the FHA report by KPMG LLP.

Physical Inspections of projects are one of three major monitoring tools used in the monitoring of multifamily projects, the other two being the use of information from audited financial statements of multifamily projects and the use of management and occupancy reviews. Our report includes our assessment of how each of these three tools were used for monitoring during fiscal year 1999.

Our assessment went beyond processing at the REAC of the physical inspections. We have concerns about the adequacy and timeliness of follow up efforts to the physical inspections during fiscal year 1999. Physical inspection scores for poor performers or those with exigent health and safety issues, that were not sent to the enforcement center, were not always appropriately followed up by Office of Housing staff. For example, physical inspections scored above 30 but less than 45 require Office of Housing staff to follow up and obtain repair intentions in the Management Improvement and Operating (MIO) plan format. Follow-up to physical inspection observations by owner or management agent self reporting through MIO or other reporting when scores are low is critical because the REAC inspections are based on a statistical sample approach which is not expanded to add more units if scores are low. This reporting is left up to the owner or agent, subject to verification to the Office of Housing. Our testing found that this was not always being done. The field was reminded of the need for these plans in releases dated September 28, 1999, or two days before the end of the fiscal year 1999.

The reported material weakness with multifamily project monitoring does not duplicate our discussion in the reportable condition with project-based subsidy payments. Issues relating to monitoring of multifamily projects which also receive Section 8 project based subsidies include many risks. One key element of monitoring these projects is the risk that owners/agents are providing subsidy payments to ineligible tenants. Owners/agents have the responsibility to properly certify tenant income and establish correct rent. HUD controls do not adequately address this risk due to insufficient on-site monitoring, particularly through what HUD has referred to as "occupancy |

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	reviews." These reviews are currently not part of the responsibilities of the FMC whereas the payment function described in the separate reportable condition is an FMC responsibility.
31	With respect to the fiscal year 1999 BOP reporting, the discussion of the accomplishments relating to multifamily Secretary-held notes is not related to our discussion of the material weakness with multifamily project monitoring. The balance of the comment on the fiscal year 1999 BOP reporting focused on activities involving the physical inspection monitoring efforts. Our report adequately acknowledges the results of this effort. What our report at this point is discussing regarding the fiscal year 1999 BOP process, is that for risks to be appropriately managed utilizing the BOP process, the process should include monitoring goals that involve all three monitoring tools: physical inspections, audited financial statements, and management and occupancy reviews. Furthermore, for risks to be appropriately managed, communication between the field and headquarters utilizing the BOP process needs to be dynamic and accurate, thus requiring REMS information to be current and correct. With respect to the fiscal year 2000 BOP reporting, we have modified our report to include reference to a goal for risk based management of the results from the physical inspections of multifamily projects.
32	We have modified our report to include some comments as "HUD's actions planned and underway" relating to the review of project financial statements.
33	Our report clearly states that at the field offices we visited we did not find these reviews were being completed. This was not disputed by Office of Housing field staff.
34	The intent of this paragraph is to summarize what has already been discussed previously and come to a conclusion as to the general cause for specific observations. The issues raised in this comment have already been addressed in the discussion of the material weakness and actions taken and planned by management.
35	We disagree with PIH's position that a risk assessment was conducted at the two field offices addressed in the draft report. There was not sufficient evidence to show nor support PIH's claim that a risk assessment was performed according to PIH's Field Monitoring Handbook procedures.
36	The comments made by the Department do not directly address nor diminish our concern that the reliability and use of the Single Audits in monitoring the HAs was limited in fiscal year 1999.
37	We have changed the completion date in the report to September 2000.
38	See OIG Response to the Department's attachment 3
39	The segregation of duty weakness has not been corrected. In our audit of HUD's fiscal year 1998 financial statements, we cited the CFO for failure to maintain an adequate separation of duties over the VEND and VACT tables. We specifically cited two model profiles that provided nine users in the Ft. Worth Office the ability to access and modify the data in both tables. In response to our findings, modifications to these profiles were completed in March 1999. Of the eleven people cited this year, two maintained access to both tables beyond March 1999. Both of these people were System Administrators in the CFO Office. In the audit of HUD's fiscal year 1997 financial statements, we cited the SYSADMIN profile for providing full access to most of the HUDCAPS tables and documents, including the STAB, VEND and VACT tables. In response to our report, the CFO created a separate Security Administrator profile with update access only to the STAB and report user tables and the SYSADMIN profile would be restricted to allow only scan access to the security tables and "add and change capabilities to the vendor file (VEND table) have been removed from the ...profile." We concurred with this

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	action.
	We agree that the SYSADMIN profile on 9/30/99 had the capability to add, change, and delete vendor records. Additional information provided by the CFO Office indicated that the access was established because there was an "occasional need to establish vendors to facilitate data conversion/system integration objectives". Our findings clearly indicate that the access to both the VEND and VACT tables was not occasional. For example, 55% of the transactions processed by one and 34% of the transactions processed by the other System Administrator were modifications to personnel data and not related to data conversion
40	Based on the response and documentation provided, we have deleted the sentence.
41	See OIG's comments to 39 and 40 above.
42	The report was revised to reflect the time extensions granted the two Has and the paragraph was changed to reflect that 7 of the 19 public housing agencies had not executed a general contractors contract and had $151 million in funds that remained unobligated by the HAs.
43	The findings were moved and reported as an instance of noncompliance in our Section on Compliance with Laws and Regulations. We have assessed HUD's program counsel's opinion regarding the expenditure and obligation of modernization funds and have incorporated HUD's viewpoint and nonoccurrence within our finding. The Department's legal opinions, along with our legal analysis, are provided in their entirety as Appendix F.
44	The paragraph was clarified to reflect HUD's comments.
45	We revised the paragraph to clarify our concern that the Department reclassified the systems without fully assessing the systems and taking all concerns into consideration.
46	This statement has been deleted based on revisions made by KPMG LLP in their report.
47	We base our conclusions regarding compliance with the SGL on the following three SGL elements contained in OMB Circular A-127 paragraph 7 c. : • Data in Financial Reports Consistent with the SGL. Reports produced by the system that provide financial information, whether used internally or externally, shall provide financial data that can be traced directly to the SGL accounts. • Transactions Recorded Consistent with SGL Rules. The criteria (e.g., timing, processing rules/condition) for recording financial events in all financial management system shall be consistent with accounting transaction definitiions and processing rules defined in the SGL. • Supporting Transaction Detail for SGL Accounts Readily Available, Transaction detail supporting SGL accounts shall be available in the financial management systems and directly traceable to specific SGL account codes. As reported by KPMG, LLP, the subsidiary systems that contain the transaction detail activity could not provide reports which were properly reconciled to the general ledger. In addition, detailed reports supporting the aggregate amounts recorded in the general ledger and reports on budget execution were not maintained The process used to enter FHA SGL transactions into the department-wide general ledger is neither timely nor efficient.. As a result, there is no assurance that information on departmental activities can be disseminated in a timely manner to support internal or external users. In addition, the continued reliance upon manual processes to convert FHA financial transactions into a usable format

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	is inefficient and requires duplicate entry of data.
48	We revised the paragraph to state that one of the contractor reviews resulted in the system being reclassified from conforming to nonconforming. In a subsequent paragraph we state how the system was reclassified back to conforming.
49	We revised the paragraph to acknowledge the CFO's reliance on program office certifications and the intent to perform more reviews in fiscal year 2000.
50	We do not agree that suggested change adds any more information than already exists.
51	Disagree, see our previous response on this issue relating to comment 6.
52	We have modified the wording of this recommendation.
53	We revised this recommendation to be more specific.
54	The Office of Administration must also rely on actions of the Program Offices (system owners), GTRs, and the Office of Procurement and Contracts as part of the personnel security process. System owners are primarily responsible for decisions regarding the security of application systems. System owners, along with GTRs, are responsible for determining the access level of HUD and/or contractor staff. The Office of Procurement and Contracts and the GTRs are responsible for ensuring that contracts contain the necessary background screening requirements. However, the Office of Administration has no organizational authority over these offices to ensure that their duties and responsibilities are met. Therefore, this recommendation has been retained.
55	We have changed the wording to indicate that the recommendations relate to a reportable condition.
56	This meets the intent of our recommendation. However, we believe that the personnel security should be identified as a priority task in the Office of Administration's 2000 Business Operating Plan. This was not addressed in the response to our recommendation.
57	Based on documentation provided by CFO, we will delete this recommendation.
58	The recommendation was reworded to agree with PIH's recommended change.
59	OIG disagrees with HUD OGC's legal opinion . The finding and associated recommendation have remained in the report. We have added a noncompliance issue on this matter in our report on compliance with laws and regulations.
60	HUD's comments are in agreement with the recommendation.
61	We have acknowledged the Department's current initiative to work with NAPA and develop a Department wide resource management system.
62	The date referenced in the report is the final action target date recorded in the Departmental Automated Audits Management System. We have modified the report to indicate that HUD expects to complete its national risk assessment program and complete action on this recommendation by September 30, 2000. PIH notes that we did not respond to their request for an extension. Based on the Department's Audits Management System as set forth in Handbook 2000.06 REV-3, OIG concurrence is not required to extend a target date. In this case, the system merely reflects that PIH missed the established target date of October 31, 1998 for completing action on this recommendation.
63	Based on the fiscal year 1999 findings, we will keep this recommendation open until we receive documentation on the procedures that OHR will use to ensure that the data in the tracking system are accurate and updated timely.
64	The report was modified to note that subsequent to the issuance of our fiscal year 1998 report, responsibility for this recommendation was transferred to the Office of Housing.
65	The report has been modified to reflect the date PIH expects to complete action on this recommendation.
66	The actions taken are appropriate. We will continue to monitor the status of this effort during fiscal year 2000.

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67	We consider this recommendation closed.
68	The use of the reporting utility Security.exe, while it provides some measure of security monitoring, does not provide the full functionality and monitoring capabilities needed to ensure the HUD's computer resources are protected from unauthorized access. We found that weaknesses exist in HUD's network environment and have recommended that the Department purchase an automated network monitoring package that would enable detection and correction of security exposures. Therefore, we will not consider this recommendation closed at this time.
69	We will continue to monitor the configuration management implementation for the various platforms. However, based on our current year findings, the Department still needs to provide OIG with an overall implementation plan for its platforms. We noted that the implementation schedules provided were not complete and lacked key milestone dates. Therefore, we do not consider this recommendation closed.
70	We are not disagreeing with the 1338 figure, provided it can be substantiated. The 8200 figure we used was based on the document that was provided by OIT to OHR which was to be used for identifying those personnel that would require a background investigation. Our intent was to indicate that a "potential" of up to 8200 individuals may require at least a more limited "National Agency Check and Inquiry." However, notwithstanding that the 8200 listing includes individuals with "read only" access, Handbook 2400.24 still requires these individuals to have a "National Agency Check and Inquiry" and, therefore, should be included in the OHR's tracking system.
71	We consider this recommendation closed.
72	We consider this recommendation closed.

Comments on Attachment No. 3 to the Department's February 18, 2000 Response to the Draft Report on Internal Control and Compliance

Our individual comments correspond to the Department's individual comments as referenced in Appendix D in Attachment No. 3 to their response.

OIG Comment 1:

Any started task that uses the default access identification (ACID) **will not** receive any security violations and the system **will not** shut down. The default ACID for started tasks allows ALL access to every data set and volume on the Hitachi production mainframe. This is the point of the exposure.

A procedure was established to review and verify the use of the default ACID on a weekly basis. We identified seven started tasks that used the default on a recurring basis and were not reviewed or validated.

OIG Comment 2:

The text will be added to the section on "HUD's Actions Planned and Underway to Improve Controls Over Its Computing Environment"

OIG Comment 3:

Our findings pertain to internal general controls as well as end user controls. We have changed "perpetrators" to "knowledgeable individuals." However, we must emphasize that this exposure is not minor but extremely serious. Started Tasks and the APF can grant users, especially by knowledgeable ones such as system programmers, powerful access privileges that can easily be misused. As a result, the use of both APF and Started Tasks must be adequately controlled and monitored.

OIG Comment 4:

There were two APF authorizations out of 134 which the Department did not apply proper maintenance. We will add this to the paragraph. However, the fact that two external penetration tests were executed does not mean that the vulnerability is not there. Penetration tests are considered detective controls, i.e. violations are detected after they have already been made. Controls over the APF are still needed to prevent unauthorized access to both internal and external individuals.

OIG Comment 5:

Although some safeguards are in place on Unisys 1 and Unisys 2 , we were still able to access sensitive customer data. Therefore, our statement is still valid.

OIG Comment 6:

We have indicated in our report that significant improvements have been made for the mainframe and network environments. We applaud the Department's efforts to further control access to it's computing resources.

OIG Comment 7:

We will adjust the report verbiage if OA can provide evidence that the stated changes have been implemented.

OIG Comment 8:

At the time of our field work, HUD was unable to provide sufficient evidence that sound procedures were in place to effectively process background investigation checks for individuals desiring access to HUD's critical systems. It is for this reason that we are still advocating operating system level security measures as a counter-balance and deterrent to unauthorized access. Additionally, significant vulnerability to unauthorized use exists internally to an organization.

OIG Comment 9:

We have revise the wording in this section. However, we will not remove the first paragraph as this paragraph is still valid. We have revised the paragraph to be more explicit as to the effect by indicating that an authorized outsider could use "root access" to access HUD system and/or data files which could then be manipulated, copied, and even destroyed with little or no audit trail. As for the additional sentence regarding the two external penetration tests, we believe this sentence would be misleading. Penetration tests are point-in-time tests. These tests show what exposures to unauthorized access may exist at or over a particular point in time. The fact that the tests show that HUD's network and system environments were secure during that particular point-in-time does not necessarily mean that it will remain that way. HUD is continually changing and upgrading its system and networking environments to meet its business needs. These changes and upgrades also affect the way the system and networks operate and could result in exposing HUD to access vulnerabilities that did not previously exist. Accordingly, the only way to minimize these vulnerabilities is to use a network monitoring software tool, as we recommend, to continuously monitor the network and system environment to detect and correct any vulnerabilities found.

OIG Comment 10:

At the time of our field work, we found that the IT staff in the field offices lacked knowledge of the BRPs developed by the program areas and, therefore, this remains a valid concern. We will add your above statements regarding the efforts to involve the IT field staff in the program office BRP process in the section on 'HUD's Actions Planned and Underway to Improve Controls over its Computing Environment."

OIG Comment 11:

The figures reflected in our draft report were based on information we obtained during our field work. The issue concerning the lack of a workplan is still valid. During our field work, we made every attempt to obtain a workplan so that we could assess such issues as resource allocation and whether the overall CM implementation was progressing as planned. However, all that we obtained were various schedules which provided no specific tasks and dependencies and with some schedules even lacking estimated completion dates. Consequently, we do not know whether the Department is actually pursuing this effort as "earnestly" as indicated.

OIG Comment 12:

We have changed the citation and clarified the discussion to reflect the change in security policy responsibilities. However, we recommend that the next revision of HUD Handbook 2400.24 include this change in responsibilities.

OIG Comment 13:

Our 8,200 figure was based on the listing provided to OHR by IT during our field work. We will include the revised figures that you provided under the section 'HUD's Actions Planned and Underway to Correct Personnel Security Weaknesses" as actions taken subsequent to the end of the fiscal year. However, the fundamental point of our finding remains valid. HUD is still at substantial risk of unauthorized individuals gaining access to sensitive

facilities, systems and resources until effective reconciliation procedures for employee and contractor personnel are established. We have modified the discussion but will keep the contractor example cited in our report as it serves as a real life example of what weak security procedures can result in and not just hypothetical, what-if scenarios.

OIG Comment 14:

We expanded the discussion to include the above suggested change. However, we still believe that the target date of March 31, 2000 will be difficult to achieve unless there is a significant commitment of resources towards this goal. We included HUD's comments that this effort has been given the highest priority and that funding will be provided. under the section "HUD's Actions Planned and Underway to Correct Personnel Security Weaknesses." as planned actions to be taken subsequent to fiscal year end.

OIG Comment 15:

Our statement that the OHR staff was using "as many as four different systems and methodologies for logging and tracking background investigations" is valid. HUD indicated that the OHR staff was directed to use one system. However, we did not have evidence that directed the OHR staff to use one tracking system and, in fact, this was not the case. The OHR staff was using manual records as well as PC based (Access and Dbase) and mainframe databases for tracking and managing their background investigation workload. It also appears there was some confusion over what tracking system should be used. At the time of our field work, we were told that "SETS," a mainframe database, was the primary system for inputting and tracking background investigation data. Based on HUD's responses to our draft report, "SCATS" is now the system designated as the primary OHR input/tracking tool for background investigations. The selection of one tracking system is crucial to avoid duplication and ensure the integrity of the personnel security data.

OIG Comment 16:

We included in "HUD's Actions Planned and Underway to Correct Personnel Security Weaknesses." the efforts that HUD indicated that have been made to address the personnel security issue.

Comments on REAC's Memorandum included in the Department's February 18, 2000 Response to the Draft Report on Internal Control and Compliance

The Department included the REAC issues in Attachment 2 to their response and our evaluation of those comments are included in our evaluation of Attachment 2.

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