



we make housing affordable

Office of Inspector General

Investigative Report

140623-02

September 25, 2014

Chris Hirst, Inspector General

Enhancing Public Trust in Florida's Affordable Housing

**Office of Inspector General
Investigative Report
Case Number 140623-02**

INTRODUCTION

On June 23, 2014, the Florida Housing Finance Corporation (Florida Housing) Office of Inspector General (OIG) received an email via the HHF Report Fraud, Waste and Abuse Website from Jamie Fridy, spouse of Hardest Hit Fund (HHF) Principal Reduction (PR) applicant Warren Fridy, alleging misconduct on the part of Ms. Adriana Knies, Executive Director of Dream Home Organization (DHO) Incorporated. On June 23, 2014, Ms. Fridy's complaint was also received by Florida Housing's Communications office, and on June 24, 2014, Florida Housing's HHF Compliance Officer, Matt Jugenheimer, was notified of the complaint.

The complaint from Ms. Fridy alleged that on June 20, 2014, Ms. Knies emailed Mr. Fridy his HHF PR intake package that contained Personally Identifiable Information (PII) of both Mr. Fridy and co-borrower Ms. Jennifer Gallman. The email was sent unsecured via Ms. Knies' DHO email account.

DHO was founded by Ms. Knies in 2008 and is a HUD Certified 501(C)(3) Not-For-Profit Corporation that provides a variety of housing finance counseling services. DHO has contracted with Florida Housing to perform advisor agency services since 2011. DHO was the assigned advisor agency responsible for reviewing Mr. Fridy's PR application.

The OIG initiated an investigation based on the information provided.

ALLEGATIONS

It is alleged that Ms. Knies emailed Mr. Fridy his PR application with PII through an unsecured email. It was further alleged that Ms. Knies violated DHO's policies by requesting the information via email and also ignored Mr. Fridy's request to ensure that his data was transmitted in a secure manner.

If supported, the allegation would constitute a violation of HHF Advisor Services Contract for the HHF PR Program between Florida Housing and DHO; Contract 2010-07-02-050, Section 7a requires HHF Advisors to maintain all documents and information received or generated with any applicant in a manner which safeguards the privacy of an applicant's PII; and Section 119.0701, Florida Statutes (F.S), which requires contractors of public agencies to adhere to Florida public records laws requirements.

In addition to these legal requirements, this would be a violation of DHO's policies for the safekeeping of client's confidential information and US Treasury guidance pertaining to HHF PII. US Treasury guidance indicates that appropriate measures should be taken to safeguard personal information that is transferred outside the organization, electronically and in hard copy (e.g., encryption, password-protected disks/files, and dedicated couriers).

EXECUTIVE SUMMARY

From July 1, 2014 until August 15, 2014, the OIG staff conducted interviews and reviewed significant documentation/records as it relates to the allegations. As a result of the investigation, OIG staff determined that the allegation of inadequately safeguarding Mr. Fridy's PII by DHO Executive Director Adriana Knies was supported. OIG staff further determined that the allegation that Ms. Knies ignored Mr. Fridy's request not to transmit his information in an unsecured manner was supported.

COMPLAINANT INTERVIEW

On July 9, 2014, a telephone interview was conducted with Ms. Jamie Fridy by the Office of Inspector General. The following represents Ms. Fridy's statement in substance:

Ms. Fridy indicated that she had provided detailed information to support the allegations pertaining to Mr. Fridy's PR application in a letter to the Inspector General dated June 26, 2014. The letter contained a chronology of the communications and emails sent and received during the application process. She stated that she considered the emailing of PII to be unsafe and that other means of transmission, such as mail, would have been preferable. Ms. Fridy further stated that she was aware of the necessary protective actions to be taken regarding potential identity theft and that they were already taking these actions.

DOCUMENTATION/RECORDS ANALYSIS

- A review of DHO's policies for safekeeping of client information (Exhibit 1). This document shows that DHO's policies require client PII to be safeguarded.
- A review of the email sent by Mr. Fridy to Ms. Knies (Exhibit 2) dated May 21, 2014. This email documents Mr. Fridy's initial transmission of records by fax and requesting information on another way (besides fax) to send documents.
- A review of the email sent by Mr. Fridy to Ms. Knies (Exhibit 3) dated May 21, 2014. This email documents Mr. Fridy indicating to Ms. Knies that he did not feel "comfortable" emailing bank statements with account numbers and other personal information.
- A review of the email sent by Ms. Knies to Mr. Fridy (Exhibit 4) dated May 21, 2014 at 2:11 PM. This email documents Ms. Knies requesting documents be sent by email instead of fax.
- A review of the email sent by Ms. Knies to Mr. Fridy (Exhibit 5) dated June 20, 2014. This email documents Ms. Knies' emailing of the application package.
- A review of the PR Intake Package documents (Exhibit 6) dated June 20, 2014. This is the PR Intake Package prepared and emailed by Ms. Knies. The documents are currently stored in Counselor Direct (CD).¹

¹ Counselor Direct (CD) is FHFC's web-based system used by applicants, advisors and underwriters to enter, store and maintain HHF files.

- A review of the email sent by Mr. Fridy to Ms. Knies (Exhibit 7) dated June 20, 2014. This email documents Mr. Fridy stating his concerns about personal information being sent via email.

WITNESS INTERVIEWS

On July 1, 2014, Mr. Jugenheimer, HHF Compliance Officer, was interviewed by the Office of Inspector General. The following represents Mr. Jugenheimer's statement in substance:

Mr. Jugenheimer stated that he had discussed Mr. Fridy's concerns with Ms. Knies, and that she acknowledged that she had emailed Mr. Fridy his completed application. Mr. Jugenheimer indicated that there was an issue in reporting the correct income on the application, in that since Mr. Fridy's mother was listed as a co-borrower, her income had to be added to the income reported, and Ms. Knies was trying to help complete the application. Mr. Jugenheimer stated that he expressed his concerns to Ms. Knies regarding requiring Mr. Fridy to use an email transmission method to send and receive documents. Mr. Jugenheimer stated that he was not aware of any other complaints like this related to DHO. Mr. Jugenheimer indicated that he is planning to address the emailing of PII at the next HHF advisor agency administrators meeting and is also considering requesting technical assistance training for DHO.

SUBJECT INTERVIEWS

On July 28, 2014, a telephone interview was conducted with Ms. Knies by the Office of Inspector General. The following represents Ms. Knies' statement in substance:

Ms. Knies acknowledged emailing the intake package to Mr. Fridy on June 20, 2014. The intake package contained Mr. Fridy's PR application which included the PII of Mr. Fridy and the co-borrower Ms. Gallman. The email came from her computer and email address and she is the only staff member with access to her email. She indicated that this action was a "big mistake". It was her assumption that since Mr. Fridy had previously emailed his tax returns that she had authorization for sending emails unsecured. Ms. Knies stated that she was not aware of Mr. Fridy being concerned prior to June 20th about the emailing of his PII. Ms. Knies stated that in the normal course of business she would not email PII; however, since she was having difficulty getting through to Mr. Fridy via telephone, she found success communicating and obtaining documents from him via email. Ms. Knies acknowledged that she did not get written approval.

Additionally in her testimony, Ms. Knies indicated that Mr. Fridy had responded to the initial records request by providing a 133 page fax that for the most part, did not contain the required information. Since Ms. Knies thought that Mr. Fridy's application would require a more extensive review, she made the decision not to assign the file to one of her counselors. She stated that she was the only one in the office who processed the records besides her intake support employee.

After receiving Mr. Fridy's June 20th email response pertaining to his PII, Ms. Knies indicated that she has not discussed the incident with anyone else besides Florida Housing staff. She was contacted by Mr. Jugenheimer and staff from Florida Housing's Communications office regarding the incident. She

responded to Mr. Fridy's concerns with an email and also a voice message on June 23, 2014. In both responses, she expressed her desire to continue to assist Mr. Fridy in getting his application reviewed.

ADDITIONAL ISSUES

Based on information obtained during this investigation, the following additional issues were discovered:

Ms. Knies reported to the OIG that she has taken appropriate actions to safeguard Mr. Fridy's PII by uploading only the relevant files into CD and disposing of all the other records and communications related to the Fridy file. The records in CD included the eligibility documents that had been requested along with the intake documents, tax returns, bank statements, and income records.

Ms. Knies stated that she has discontinued the practice of sending emails containing PII without specific authorization from the applicant; however, DHO continues to use a disclaimer on its emails denoting that the contents of emails may contain confidential information and that its policy is to now send or receive consumer information via email. This email statement is not addressed by or consistent with current practices or policies.

Ms. Knies attended the June 30, 2014 PII training session and has consistently attended other Florida Housing training sessions related to PII. Discussion topics did not specifically address the sending or receiving of applicant PII via email until the August 4, 2014, HHF Advisor Webinar. Advisor agencies were informed not to request or send PII information from clients via unsecured email.

A review of a sample of applicant files processed by DHO showed no recent evidence that DHO has transmitted PII to clients via email. From reviewing other PR applicant files where assistance was provided in completing the PR application, the OIG found that DHO would notify the applicant of changes needed to the application. The applicant would receive an email that states, "Go back to your application online at www.principalreductionflhhf.org, log in with your email and password, and download the PDF file." Once the applicant downloaded the application and made the changes, they were then instructed to print, sign and send it to DHO.

FINDINGS/CONCLUSIONS

It was alleged that Ms. Knies emailed Mr. Fridy his HHF PR intake package that contained the PII of Mr. Fridy and co-borrower Ms. Gallman through an unsecured email. It was further alleged that Ms. Knies violated DHO's policies by requesting information in an unsecured manner and also ignored Mr. Fridy's request to ensure that she transmit his data in a secure manner. Both allegations were supported.

Ms. Knies emailed the HHF PR intake package that contained the PII of Mr. Fridy and Ms. Gallman on June 20, 2014. (Exhibits 5 and 6) The finding was based on the supporting email with the intake package provided as an attachment. Ms. Knies had completed the intake package information for Mr. Fridy and attached it to the email. In the email, she requested Mr. Fridy and Ms. Gallman to review, sign and return the application. Ms. Knies confirmed that she did not secure or encrypt the intake package file.

Ms. Knies did not follow DHO's policies for safeguarding customer PII, which state that the privacy of individuals (applicants) must be kept at all times. Ms. Knies acknowledged that she was aware of this

policy, (Exhibit 1) as well as DHO's original email disclaimer indicating, "It is against Dream Home Organization's policy to send or receive consumer personal information i.e. social security numbers, driver license numbers, member number or balances via e-mail. The internet is an unsecured delivery system." This disclaimer was used in the June 20th email that contained Mr. Fridy's PII. (Exhibit 5)

Based upon the testimony and records reviewed, the OIG determined that Ms. Knies' purpose for sending the email was to expedite the processing of the file. Records show that Ms. Knies was attempting to find a way to efficiently obtain the records and the application needed to move forward. Mr. Fridy had on two occasions sent emails with PII, which had been encrypted and/or redacted. Therefore, the records do not support Ms. Knies' testimony indicating that it was her assumption that since Mr. Fridy had already emailed information in an unsecured manner that she had authorization to also email PII.

Counselor Direct (CD) records show that Ms. Knies made timely and appropriate efforts to assist Mr. Fridy to obtain the required documents. However, Ms. Knies' initial responses to Mr. Fridy's concerns by email on June 20th and with her telephone message on June 23rd did not acknowledge Mr. Fridy's PII security concerns. On August 11, 2014, Ms. Knies informed the OIG that she has taken action to upload all relevant eligibility documentation to CD and to shred the remaining paper file and delete all emails and remaining electronic files.

DHO, as a contractor for Florida Housing, is subject to Section 119, F.S. Section 119.0701, F.S. requires contractors of public agencies to comply with public records laws and ensure that public records that are exempt or confidential and exempt from public records disclosure requirements not be disclosed except as authorized by law. In addition, the contract requires DHO to comply with Section 119, F.S., and violations of State and/or Federal law is considered a condition of default and under the contract. The contractual remedies include termination of the contract, commencement of legal action, written warnings of more serious actions that can be taken in the absence of corrective action, or the exercise of other rights or remedies that may be otherwise available under law.

A copy of this report was provided to Ms. Knies on September 12, 2014, in compliance with Section 20.055(6)(e), Florida Statutes, for a response. On September 17, 2014, Ms. Knies provided a written response to the investigation, in which she apologized and acknowledged violating DHO's policy regarding PII. Ms. Knies also included several training recommendations focusing on the issues with PII for Florida Housing to consider. Additionally, Ms. Knies stated that DHO did remove the email disclaimer stating that PII may be released.

INSPECTOR GENERAL COMMENTS

The OIG recommends that DHO adhere to its' polices which require that transmissions of PII data, including via email, be done in a secure manner.

The OIG recommends that DHO either remove its email disclaimer regarding PII confidentiality or revise it to be consistent with current practices, policies and other legal requirements.

The OIG recommends that since DHO sent out the PII despite the concerns conveyed by Mr. Fridy, DHO should take proactive measures and employ best practices for responding to data exposures. This could

include providing Mr. Fridy and Ms. Gallman with credit monitoring or the purchase of a subscription to a fraud alert services for an established period of time.

The OIG recommends that Florida Housing verify the implementation of DHO's corrective actions recommended in this investigation. If corrective actions are not taken, the OIG recommends that Florida Housing take appropriate enforcement actions authorized by the HHF contract.

The OIG recommends that Florida Housing survey advisor agencies to determine how other advisor agencies currently store, transmit, respond to and report incidents of PII security violations and review best practices. In addition, Florida Housing should provide written guidelines relating to the transmission of PII for all advisor agencies to follow.

CERTIFICATIONS

This investigation was conducted in compliance with the "Quality Standards for Investigations" found within the *Principles and Standards for the Offices of Inspector General*.

Joseph Aita, HHF Auditor
Name, Title, Office of Inspector General

APPROVALS

Joseph Aita
Name
Investigator

Chris Hirst
Chris Hirst
Inspector General

9/29/14
Date

9/29/14
Date

Jennifer Guillermo

From: Chris Hirst
Sent: Wednesday, September 17, 2014 12:29 PM
To: Jennifer Guillermo
Subject: FW: Investigating Case No 140623-02

Importance: High

From: Dream Home Organization, Inc [mailto:adrianaknies@bellsouth.net]
Sent: Wednesday, September 17, 2014 12:15 PM
To: Chris Hirst
Subject: Investigating Case No 140623-02
Importance: High

I response to your letter of recommendation I hereby state that I am very sorry about how far this situation has come to, my comments or recommendation are:

- 1) PII is in issue that is affect most of us at this day and age of technology; creation of websites personal information being filter into Government and private sector, I would like for Florida Housing to create a method of training focusing on these issues so we can better address the clients in situations like these; and what is happening to us at Dream Home Organization, it is discouraging to know that as a small business some of us does not have the tools and funds to protect ourselves from such a liability - My first comment and recommendation is to have the Inspector General and the security department implement the rules and regulation and make a mandatory training State wide to provide us more information and tools how to protect ourselves and the clients information; maybe invite some experts and work on some topics as I listed below:
 - a) Inspector general (or someone that they enlighten us as to protecting our clients information)
 - b) Identity theft advisor (someone that specializes in these area)
 - c) Hacker (someone that can talk about the system and how they can hack into our system and steal information)
 - d) Play some scenarios and some examples that have happen in our industry
 - e) Insurance company to talk about the liability that we face in a situation like this
 - f) Talk about the present situation in our industry, the future of what Florida Housing expects from us, and the outcome to where we can go from here
 - g) I recommend also that we need to work on variation and outcome of new and existing program, and the new Florida Housing and how they have grown, and that people expect more from FHFC then before
 - h) I also recommend that we face different approaches as to be more efficient and proactive ways to adhere different
 - i) We can address disclaimers and confidentially agreements
 - j) I also suggest this be FACE TO FACE – conference call is nice cost effective and convenient but it is not as efficient as it sounds

We at Dream Home Organization we are and will and also have improved our clients communications, no one is to send from this office any PII information from this office without a written request from the clients. We also have remove the email disclaimer for all the emails at the office.

Please let me know if you need any more information.

Thank you

Adriana Knies

Dream Home Organization, Inc
7390 NW 5th street #4
Plantation, FL 33317
(954)474-4884 - Fax (954)474-4579
HUD Approved Local Housing Counseling Agency



www.dreamhomeorganization.org

Helping One Family at a Time.