

Federal Housing Finance Agency
Office of Inspector General



Compendium of Unimplemented Recommendations

June 1, 2024

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ABBREVIATIONS

DER	Division of Enterprise Regulation
Enterprises	Fannie Mae and Freddie Mac
FHFA	Federal Housing Finance Agency
MRA	Matter Requiring Attention
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
ROE	Report of Examination

INTRODUCTION

Since the Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) began operations in October 2010, we have made more than 600 recommendations to FHFA.¹ Our recommendations are targeted to improve efficiency and effectiveness and to reduce fraud, waste, and abuse at FHFA and the entities it oversees. As required under the Inspector General Act of 1978, as amended, we provide information on open and closed recommendations in each semiannual report to the Congress.²

To maintain the focus on opportunities for improvement that our recommendations identify, OIG publishes on its website a monthly report setting forth all unimplemented recommendations from our audits, evaluations, and other studies.³ For additional information on any recommendation, please click on the hyperlinked report title to access its underlying report. This compendium is comprehensive as of June 1, 2024.

Because FHFA serves a unique role as both conservator and regulator of Fannie Mae and Freddie Mac (the Enterprises), OIG’s responsibilities necessarily include oversight of FHFA’s actions in both of these roles, in order to determine whether the Agency is fulfilling its statutory duties and responsibilities and safeguarding the taxpayers’ resources. Our oversight role also reaches the Enterprises—recipients of \$191.5 billion in taxpayer monies—to ensure that they are satisfying their obligations under the authority delegated to them in the conservatorships. Through oversight, transparent reporting of results, and robust enforcement, OIG seeks to be a voice for, and protect the interest of, those who have funded Treasury’s investment in the Enterprises—the American taxpayers.

Tracking of OIG Recommendations

Our recommendations, like those of other inspectors general, are primarily made in written reports issued by our Offices of Audits, Evaluations, and Compliance. We report the facts, as found, and recommend actions to address any shortcomings we identify in FHFA’s exercise of its statutory duties and responsibilities or by one or both Enterprises, in connection with their execution of responsibilities delegated to them by FHFA, as conservator. FHFA is provided an opportunity to provide a written response to OIG recommendations. FHFA’s determinations whether to agree with OIG’s recommendations are included in our published reports. Once FHFA has accepted an OIG recommendation, it reports to us on its efforts to

¹ Includes public and non-public recommendations.

² OIG’s semiannual reports are available at www.fhfaog.gov/Reports/Semiannual.

³ This report does not include recommendations under consideration for work that is in progress.

implement the “corrective action” that is intended to respond to the recommendation. When FHFA believes that its implementation efforts are well underway or that implementation is complete, FHFA provides that information to us, along with corroborating documents, and we rely on those materials in determining whether to close recommendations. If the Agency rejects a recommendation or conclusively refuses to implement an acceptable corrective action, then we will close the recommendation and report it separately in this compendium.

Validation Testing

OIG typically relies on materials and representations from the Agency to close its recommendations and may close some recommendations based on the Agency’s representations as to the corrective actions it has taken. Accordingly, we are not always able to assess, at the time of closure, whether the implementation actions by FHFA meet the letter and spirit of the agreed-upon recommendation, nor can we determine, at closure, the longer-term impact of the recommendation. To better assess both the implementation and impact of OIG recommendations, we concluded that validation testing is needed. Such testing, and disclosure of results of that testing, provides greater accountability and adds value to FHFA and the American taxpayers it serves.

Because our Offices of Audits and Evaluations historically had not conducted extensive corrective action verification testing, we created the Office of Compliance. The primary operational role of that office is to examine closed recommendations to assess independently FHFA’s implementation of the corrective actions it represented to OIG that it intended to take, as well as the impact of those actions, and to publish reports of its validation testing in “compliance reviews.” These compliance reviews enable our stakeholders to assess the impact of OIG’s recommendations, as well as the efficacy of the Agency’s implementation of those recommendations. Compliance reviews enhance OIG’s ability to stimulate positive change in critical areas and promote economy, efficiency, and effectiveness at FHFA.

Any unimplemented recommendations contained in published compliance reviews are included in this compendium.

OPEN RECOMMENDATIONS

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should reiterate the requirements for documenting conservatorship decisions to all responsible offices. Further, the Division of Conservatorship Oversight and Readiness should evaluate FHFA’s conservatorship decision document management practices and assess the feasibility of improvements such as implementing a pre-issuance quality control review of responsible offices’ conservatorship decision documentation and implementing a centralized conservatorship decision documentation management system.</p>	<p>FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures (AUD-2023-003, March 29, 2023)</p>
<p>Conservatorship: FHFA’s Division of Conservatorship Oversight and Readiness Deputy Director should update FHFA’s conservatorship decision policy and procedures to align with current practice and:</p> <ul style="list-style-type: none"> • Provide clarity on approval authorities for issuing conservatorship directives and Common Securitization Solutions, LLC decisions. • Provide guidance on performing and documenting monitoring and surveillance activities. • Establish procedures for issuing guidance decisions. • Establish procedures describing FHFA’s practice to de-escalate Letter of Instruction decision requests. 	<p>FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures (AUD-2023-003, March 29, 2023)</p>
<p>Conservatorship: FHFA should complete the process of updating its Enterprise executive compensation review procedures to reflect the roles and responsibilities of the individuals and entities involved in the review process.</p>	<p>FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures (EVL-2022-003, September 27, 2022)</p>
<p>Conservatorship: FHFA should determine whether, and ensure that, the Agency has sufficient human capital resources to efficiently execute its statutory responsibility for oversight of Enterprise executive compensation.</p>	<p>FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures (EVL-2022-003, September 27, 2022)</p>

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s Division of Housing Mission and Goals Deputy Director should ensure the Office of Fair Lending and Oversight documents its process for monitoring and tracking referrals to the U.S. Department of Housing and Urban Development or the U.S. Department of Justice.</p>	<p>The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement (AUD-2024-005, May 8, 2024)</p>
<p>Supervision: FHFA’s Division of Housing Mission and Goals Deputy Director should ensure the Office of Fair Lending and Oversight documents its quality control review process of adverse examination findings in policy and procedures.</p>	<p>The Fair Lending Examination Program Was Implemented in Accordance with Policies and Procedures, But Guidance Needs Improvement (AUD-2024-005, May 8, 2024)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should re-enforce Examination Practices Bulletin 2014-01 requirements to the examination staff through reminders, training, or other forms of communication that conveys requirements for documenting sampling approaches, supervisory review of these approaches, and testing results.</p>	<p>DBR Conducted Effective Oversight of the FHLBanks’ Management of Third-Party Provider Risks But Did Not Fully Document Sampling in Examination Workpapers (AUD-2024-004, March 28, 2024)</p>
<p>Supervision: FHFA’s DER Deputy Director should ensure that DER develops and implements written policies and procedures for conducting reviews of nonbank seller/servicers, to include but not limited to, procedures, internal controls, and documentation requirements.</p>	<p>DER Provided Effective Oversight of the Enterprises’ Nonbank Seller/Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities (AUD-2024-003, March 28, 2024)</p>
<p>Supervision: FHFA’s DER Deputy Director should ensure that DER’s Nonbank Seller Servicer Risk Monitoring Branch develops and implements written policies and procedures to guide the risk monitoring and analysis process, to include but not limited to, procedures and internal controls.</p>	<p>DER Provided Effective Oversight of the Enterprises’ Nonbank Seller/Servicers Risk Management But Needs to Develop Policies and Procedures for Two Supervisory Activities (AUD-2024-003, March 28, 2024)</p>

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should define the role and responsibilities of FHFA personnel involved in the review of the proposed determinations submitted by the Enterprises, including personnel from DER, with respect to performing and documenting the evaluation of the impact of a change in credit score models required by section 1254.8(d) of the Regulation and the review and Agency decision required by section 1254.9(a).</p>	<p>FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should clearly document in the decision record FHFA’s conclusion that any credit score model the Agency approves is consistent with the safe and sound operation of the Enterprises. Such a step would better demonstrate FHFA’s fulfillment of its responsibility under the Economic Growth Act and the Regulation.</p>	<p>FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should clarify the extent to which FHFA expects the Enterprise Business Assessments to discuss the impact of a new credit score model or models on the Enterprises’ operations and risk management in terms of FHFA’s prudential management and operations standards and relevant governance regulations. To ensure that the Enterprises evaluate the impact of a new credit score model relative to the Agency’s prudential standards and risk management requirements, FHFA should explain what it means by “in accordance with” in this context.</p>	<p>FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record (EVL-2024-002, March 28, 2024)</p>
<p>Supervision: FHFA should require the Enterprises to include in their proposed determinations: (a) explicit statements that a credit score model did or did not pass the Enterprise Business Assessment, (b) the specific criteria in section 1254.8(b) that the model did not pass, and (c) the reasons for disapproval of the application. This step would ensure that FHFA has the benefit of relevant and meaningful details when it conducts its independent analysis under section 1254.8(d).</p>	<p>FHFA’s Analysis of Credit Score Models Was Consistent with Applicable Requirements but the Agency Could Improve Its Process and Enhance the Level of Detail in Its Decision Record (EVL-2024-002, March 28, 2024)</p>

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s Office of Housing and Regulatory Policy Senior Associate Director should require Office of Housing and Regulatory Policy staff to document reviews of quarterly desktop appraisal reports in accordance with internal control standards and Office of Housing and Regulatory Policy internal guidance.</p>	<p>FHFA Did Not Document Reviews of Desktop Appraisal Reports (AUD-2024-001, October 25, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should develop and implement guidance documenting examination procedures for evaluating Federal Home Loan Banks’ employee expense reimbursement processes. Guidance should include: (a) documenting examination analysis and results; and (b) following up on implementation of recommendations, including reviewing corrective actions.</p>	<p>DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should obtain and review Federal Home Loan Banks’ internal audit results on employee expense reimbursements for the years that the Division of Federal Home Loan Bank Regulation does not include these expenses in its examinations to ensure that the Division of Federal Home Loan Bank Regulation is aware of any findings related to wasteful or fraudulent spending.</p>	<p>DBR Conducted Effective Oversight of FHLBanks’ Employee Expense Reimbursement Processes But Lacked Documented Examination Guidance (AUD-2023-009, September 28, 2023)</p>
<p>Supervision: In accordance with DER priorities and policies, FHFA should update and refine the 2016 Common Securitization Solutions, LLC Module and other examination modules, as appropriate, in order to provide accurate examination guidance applicable to Common Securitization Solutions, LLC examination activities.</p>	<p>FHFA Examinations of CSS Include Review of the Board of Managers but Supervision Has a Key Person Dependency and Outdated Guidance (EVL-2023-002, March 20, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA’s Division of Federal Home Loan Bank Regulation Deputy Director should perform an Affordable Housing Program workforce planning analysis using the minimum examination frequencies for Affordable Housing Program risk areas established in response to Recommendation 1 to determine current and future examination needs and address any staffing gaps identified.</p>	<p>The Division of Federal Home Loan Bank Regulation Followed Its Guidance in Performing Annual Examinations of Each Federal Home Loan Bank’s Affordable Housing Program but the AHP Examination Planning Processes Require Improvement (AUD-2023-001, February 9, 2023)</p>
<p>Supervision: FHFA should, in a timely manner, ensure that complaints are filed with the relevant state appraiser licensing authorities for each appraisal from its December 2021 review in which FHFA found overt references to race, color, and other prohibited bases.</p>	<p>FHFA Could Further Combat Appraisal Bias by Ensuring That Complaints Are Filed with State Authorities and Ensuring the Enterprises Use Appraisals That Comply with Federal Law (EVL-2023-001, December 20, 2022)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should define the process for monitoring, scanning, and remediating vulnerabilities on its public websites in Office of Technology and Information Management Vulnerability Management Process document, including utilizing Office of Technology and Information Management’s existing vulnerability scanning tool to scan its public websites.</p>	<p>FHFA Effectively Blocked Phishing Emails, But Requires Improvement in Managing Vulnerabilities on Its Public Websites (AUD-2023-008, September 27, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update FHFA’s Supply Chain Risk Management Strategy to include past due OMB M-22-18 requirements including:</p> <ul style="list-style-type: none"> • Obtaining a self-attestation from the software producer before using the software; • Obtaining from software producers artifacts that demonstrate conformance to secure software development practices, as needed; • Establishing a system to store self-attestation letters from the software producer that are not publicly available in a central location; and • Assessing and developing training for reviewing and validating self-attestation letters. 	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Information Risk: If FHFA is unable to meet the requirements in OMB M-22-18 and/or OMB M-23-16 in a timely manner, FHFA should consider [a] request for an extension or waiver in accordance with OMB M-22-18 and/or OMB M-23-16. If FHFA requests a waiver, FHFA should consider documenting a risk-based decision, and document any compensating controls.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should remediate past due exploitable vulnerabilities in accordance with Cybersecurity and Infrastructure Security Agency Binding Operating Directive 22-01 and the Office of Technology and Information Management Vulnerability Management Process.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should develop plan of actions and milestones to track the remediation of past due Cybersecurity and Infrastructure Security Agency known exploitable vulnerabilities that cannot be remediated in a timely manner (within 14 days) in accordance with Cybersecurity and Infrastructure Security Agency’s Binding Operating Directive 22-01 and Office of Technology and Information Management Vulnerability Management Process. FHFA’s Acting Chief Information Officer should consider implementing compensating controls (i.e., isolating systems with un-remediated vulnerabilities) to mitigate the risk of the vulnerabilities.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Information Risk: FHFA’s Acting Chief Information Officer should identify and implement solutions, in coordination with vendors, where a solution does not exist for systems to natively forward event logs to the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should implement requirements across all Event Logging maturity tiers to ensure events are logged and tracked in accordance with OMB M-21-31.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA-OIG’s Chief Information Officer should identify and implement solutions, in coordination with vendors and [the] engineering team, to encrypt logs in transit between the source system and the Security Information and Event Management tool. If there are no viable solutions, perform a risk assessment and cost benefit analysis. Based on the risk assessment, document any risk-based decisions, including compensating controls, for systems not in compliance with OMB M-21-31.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should review and update the Cyber Incident Reporting Procedures, and the FHFA Common Control Plan to ensure they include FHFA’s three-year review cycle outlined in the Incident Response Standard.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>
<p>Information Risk: FHFA’s Acting Chief Information Officer should update the Disaster Recovery Procedures for FHFA Production Systems to include Job Performance Plan and its servers, and ensure they are included in the annual contingency testing.</p>	<p>Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2023 (AUD-2023-004, July 26, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Information Risk: FHFA’s Chief Information Officer should develop and maintain a complete and accurate cloud system component inventory, as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p>FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA’s Chief Information Officer should develop and implement a solution to encrypt all data-at-rest on the cloud system as required by National Institute of Standards and Technology Special Publication 800-53.</p>	<p>FHFA Did Not Fully Implement Select Security Controls Over One of Its Cloud Systems as Required by NIST and FHFA Standards and Guidelines (AUD-2023-002, March 8, 2023)</p>
<p>Information Risk: FHFA should update the General Support System contingency plan to include the Correspondence Tracking System and its servers, and ensure the Correspondence Tracking System and its servers are included in the annual General Support System contingency plan testing.</p>	<p>FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)</p>
<p>Information Risk: FHFA should assess whether the Office of Technology and Information Management has sufficient, qualified staff to complete required updates and testing of its contingency plans in accordance with FHFA’s standard and National Institute of Standards and Technology requirements, and address any resource constraints that have adversely affected the Office of Technology and Information Management’s ability to carry out its contingency planning requirements.</p>	<p>FHFA Did Not Follow All of its Contingency Planning Requirements for the National Mortgage Database (NMDB) or its Correspondence Tracking System (CTS) (AUD-2022-003, December 13, 2021)</p>
<p>Information Risk: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly, and the recommendation text is therefore non-public.</p>	<p>Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020 (AUD-2021-001, October 20, 2020)</p>
<p>Internal Control over Agency Operations: FHFA management should reinforce FHFA’s Travel Policy and Federal Travel Regulation requirements to employees and approving officials through ongoing training and periodic reminders of responsibilities.</p>	<p>Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023 (OIG-2023-001, September 28, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Internal Control over Agency Operations: FHFA management should ensure that employees submit travel vouchers within five working days after completing their travel.</p>	<p>Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023 (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that employees are aware and periodically reminded that the travel cards must be used for all official travel expenses.</p>	<p>Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023 (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA management should ensure that approving officials approve travel reimbursements within five calendar days of receipt of the voucher in the Agency’s electronic travel system.</p>	<p>Deficiencies in FHFA’s Travel Program From April 1, 2022, Through March 31, 2023 (OIG-2023-001, September 28, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should develop and implement procedures to ensure:</p> <ul style="list-style-type: none"> • FHFA employees and contractor employees complete required annual records management training; • Contractor employees complete required records management training at time of onboarding; and • FHFA senior officials (political appointees, senior agency officials, and senior executives) complete required targeted records management training at time of offboarding. <p>[Closed in February 2021; reopened upon results of compliance testing.]</p>	<p>FHFA Needs to Strengthen Controls Over its Records Management Program to Comply with OMB and NARA Requirements (AUD-2020-008, March 26, 2020) and FHFA Did Not Effectively Implement Records Management Training Controls for Onboarding and Offboarding Personnel (COM-2023-006, August 23, 2023)</p>

Significant, Open Recommendation	Report Title and Date
<p>Internal Control over Agency Operations: FHFA should develop, document, and implement control activities to ensure that (a) only current FHFA employees are receiving transportation benefits, (b) no employee is improperly participating in both transportation benefit programs, (c) the Transit Benefits System has a record/certification for each employee who receives a transportation benefit, and (d) SmarTrip® cards are physically controlled. Such control activities include periodic reconciliation of approved transit subsidy recipients in the Transit Benefits System to FHFA transit subsidy recipients listed on the Washington Metropolitan Area Transit Authority Monthly Activity Reports, periodic reconciliation of approved transit subsidy recipients to active parking permit recipients, and periodic inventory counts of SmarTrip® cards registered to FHFA and undistributed parking permits. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs (AUD-2018-013, September 25, 2018) and FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program (COM-2023-005, June 21, 2023)</p>
<p>Internal Control over Agency Operations: FHFA should ensure that the Transit Benefits System has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit. [Closed in June 2019; reopened upon results of compliance testing.]</p>	<p>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs (AUD-2018-013, September 25, 2018) and FHFA Did Not Effectively Implement Controls Intended to Ensure the Integrity of Its Employee Transportation Benefits Program (COM-2023-005, June 21, 2023)</p>
<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve the Agency’s existing internal controls over its employee financial disclosure process by performing and documenting technical reviews and conflict of interest analysis within 60 days of receiving employee financial disclosure reports as required by Office of Government Ethics regulations and FHFA policy.</p>	<p>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021 (AUD-2022-011, September 8, 2022)</p>

Significant, Open Recommendation	Report Title and Date
<p>Internal Control over Agency Operations: The FHFA Office of General Counsel’s Designated Agency Ethics Official or Alternate Designated Agency Ethics Official should improve FHFA’s existing internal controls over its employee financial disclosure process by ensuring that employees file their financial disclosure reports timely as required by Office of Government Ethics regulations and FHFA policy.</p>	<p>FHFA Did Not Always Follow Federal Regulations and Its Policy for Employee Financial Disclosures During Fiscal Years 2020 and 2021 (AUD-2022-011, September 8, 2022)</p>

CLOSED UNIMPLEMENTED RECOMMENDATIONS

The Inspector General Act of 1978 does not authorize any federal inspector general to compel its respective agency to adopt new policies or processes or take personnel actions to correct shortcomings found in their audits, evaluations, and investigations. Rather, the Act empowers inspectors general to recommend remedial actions to correct such shortcomings, and the affected agency determines whether or not to accept the recommendations.

We believe it is important to be transparent and distinguish between recommendations that have been closed because of meaningful movement toward implementation and recommendations that have been closed because of FHFA’s decision to not take any action. The recommendations listed below represent those that have been closed following FHFA’s decision to not implement the recommendation.

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae’s continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.</p>	<p>FHFA’s Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-001, March 26, 2019)</p>
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.</p>	<p>FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-002, March 26, 2019)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.</p>	<p>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.</p>	<p>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise (OIG-2017-004, March 23, 2017)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA's oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub. L. 93-579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise (OIG-2017-004, March 23, 2017)</p>
<p>Conservatorship: FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.</p>	<p>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae's Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Conservatorship Oversight and Readiness) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.</p>	<p>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should develop a strategy to enhance the Executive Compensation Branch’s capacity to review the reasonableness and justification of the Enterprises’ annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises’ proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.</p>	<p>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG’s decision to close a recommendation.</p>	<p>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>
<p>Supervision: FHFA should issue a formal position on the use of non-binding supervisory guidance as criteria for supervisory activities.</p>	<p>FHFA’s Failure to Use its Prudential Management and Operations Standards as Criteria for Supervision of the Enterprises Is Inconsistent with the FHFA Director’s Statutory Duty to Ensure the Enterprises Comply with FHFA’s Guidelines (OIG-2021-004, September 20, 2021)</p>
<p>Supervision: FHFA should enhance guidance and House Price Index production processes to include written requirements that FHFA’s Division of Research and Statistics document its performance of validation procedures and when necessary, follow-up on exceptions or anomalies identified through those procedures.</p>	<p>FHFA Lacked Documentation of its Validation of Data Used to Produce the Third Quarter 2020 Seasonally Adjusted, Expanded-Data FHFA HPI and Failed to Timely Review its Information Quality Guidelines (AUD-2021-010, July 22, 2021)</p>
<p>Supervision: In the current examination cycle, FHFA should assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% loan-to-value mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs’ objectives.</p>	<p>Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives (AUD-2020-014, September 29, 2020)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance (EVL-2019-003, September 10, 2019)</p>
<p>Supervision: FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.</p>	<p>FHFA Requires the Enterprises' Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners' Use of that Validation Work (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.</p>	<p>FHFA Requires the Enterprises' Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners' Use of that Validation Work (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains:</p> <ul style="list-style-type: none"> • The purpose for DER's annual presentation to each Enterprise board of directors on the report of examination (ROE) results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and • The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response. 	<p>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports (EVL-2016-009, July 14, 2016)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Supervision: FHFA should direct the Enterprises' boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.</p>	<p>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s).</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management's remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.</p>	<p>FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns (EVL-2016-008, July 14, 2016)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.</p>	<p>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.</p>	<p>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should review FHFA’s existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.</p>	<p>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.</p>	<p>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.</p>	<p>Evaluation of the Division of Enterprise Regulation’s 2013 Examination Records: Successes and Opportunities (EVL-2015-001, October 6, 2014)</p>

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<p>Counterparties, Third Parties, and Fourth Parties: FHFA should develop and implement a plan containing a timeliness standard by which to eliminate the current backlog of referrals and prevent future backlogs.</p>	<p>FHFA Should Improve its Administration of the Suspended Counterparty Program (COM-2017-005, July 31, 2017)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.</p>	<p>FHFA’s Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines (AUD-2014-018, September 26, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency’s objectives.</p>	<p>FHFA’s Representation and Warranty Framework (AUD-2014-016, September 17, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.</p>	<p>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections (AUD-2014-012, March 25, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.</p>	<p>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands (AUD-2014-009, February 12, 2014)</p>
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.</p>	<p>FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections (AUD-2014-005, January 15, 2014)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Counterparties, Third Parties, and Fourth Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.</p>	<p>Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses (EVL-2013-012, September 18, 2013)</p>
<p>Model Risk: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> • Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations; • Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models; • Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle; • Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and addressing that gap. 	<p>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely (EVL-2020-001, March 25, 2020)</p>
<p>Model Risk: Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p>Despite FHFA’s Recognition of Significant Risks Associated with Fannie Mae’s and Freddie Mac’s High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely (EVL-2020-001, March 25, 2020)</p>
<p>Information Risk: FHFA should develop and implement written procedures that define: (a) the pertinent information that needs to be recorded, tracked, and reported for all security incidents and (b) the controls to ensure the accuracy and completeness of the security incident records.</p>	<p>FHFA Did Not Record, Track, or Report All Security Incidents to US-CERT; 38% of Sampled FHFA Users Did Not Report a Suspicious Phone Call Made to Test User Awareness of its Rules of Behavior (AUD-2021-009, June 25, 2021)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Internal Control over Agency Operations: FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.</p>	<p><u>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs</u> (OIG-2020-001, March 3, 2020)</p>
<p>Internal Control over Agency Operations: FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.</p>	<p><u>Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements</u> (AUD-2018-011, September 6, 2018)</p>

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