

Federal Housing Finance Agency
Office of Inspector General



Compliance Review of FHFA's Office of Minority and Women Inclusion



COM-2019-005

June 24, 2019

Executive Summary

The Housing and Economic Recovery Act of 2008 (HERA) established FHFA as the safety, soundness, and housing mission regulator of Fannie Mae, Freddie Mac, and the Federal Home Loan Bank System (the regulated entities). Section 1116 of HERA directed that each of FHFA’s regulated entities establish an office for diversity and inclusion. Each regulated entity is required by statute to “develop and implement standards and procedures to ensure, to the maximum extent possible, the inclusion and utilization of minorities . . . and women, and minority- and women-owned businesses . . . in all business and activities of the regulated entity at all levels”

In 2010, Congress enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act, which, among other things, mandated that federal financial regulators, including FHFA, each create an Office of Minority and Women Inclusion (OMWI). By statute, each agency’s OMWI is responsible “for all matters of the agency relating to diversity in management, employment and business activities,” and each OMWI Director must, among other things, “develop standards for assessing the diversity policies and practices of entities regulated by the agency.”

In March 2014, nine members of the U.S. House of Representatives asked the Inspectors General at seven financial regulators, including FHFA, to conduct a review of diversity and related workplace issues at their agencies. In response, OIG initiated an evaluation to: (1) determine if any personnel practices had systematically prevented minorities and women from obtaining senior management positions at the Agency; (2) determine if any personnel practices had created a discriminatory workplace for minorities and women; and (3) assess OMWI’s operations.

In our report published in January 2015, we found that OMWI carried out statutorily mandated reporting requirements, conducted diversity training, and initiated a number of other efforts to increase diversity. We also found, however, that FHFA had not acted on some of OMWI’s proposals concerning diversity and workforce issues. For example, FHFA had not acted on OMWI’s draft diversity and inclusion (D&I) strategic plan. FHFA agreed to our recommendation that it adopt, and by implication implement, a D&I strategic plan. OMWI published its *FY16-18 OMWI Strategic Plan* in July 2015 (OMWI Strategic Plan). We closed the recommendation in January 2016 based on the publication of the OMWI Strategic Plan.

The OMWI Strategic Plan established five “goals” and supporting “objectives,” which identified the necessary tasks, or “strategies,” the Agency had to perform in order for it ultimately to achieve each goal. The second goal of the OMWI Strategic Plan required that OMWI develop standards for



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implementing D&I practices within FHFA and develop guidance for use by the regulated entities. OMWI represented that these standards and guidance would fulfill OMWI's statutory obligations under HERA and the Dodd-Frank Act. To achieve this second goal, the OMWI Strategic Plan set forth three objectives. One objective, titled "Design and develop an agency D&I Examination Program," required OMWI to complete four tasks:

- Develop and propose standards for use by the regulated entities in implementing D&I legislative and regulatory requirements under HERA;
- Develop guidelines to assist the regulated entities in applying the standards in designing D&I programs and initiatives;
- Develop a program for FHFA to examine and assess D&I practices of the regulated entities; and
- Implement an examination protocol for use by FHFA in assessing regulated entity compliance with HERA, FHFA regulations, and Agency guidelines and standards.

We initiated this compliance review in December 2018 to determine whether OMWI accomplished these four tasks, as it committed to do in its OMWI Strategic Plan. We found that OMWI achieved the identified tasks. We did, however, identify a deficiency in the D&I examination program implemented as part of the latter two tasks; specifically, that quality control reviews of D&I examination results were not timely or did not occur at all.

In light of the Agency's continuing problems with quality control reviews of examination findings, as documented in previous OIG reports, we recommend that the Agency ensure that quality control reviews are performed before issuing D&I examination results to a regulated entity, as required by FHFA's standard. In its written management response, FHFA agreed with the recommendation.

This report was prepared by Patrice E. Wilson, Senior Investigative Evaluator, and Gregg M. Schwind, Attorney Advisor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report. This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfaog.gov.

David M. Frost
Acting Deputy Inspector General for Compliance & Special Projects

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ABBREVIATIONS

AB	Advisory Bulletin
D&I	Diversity and Inclusion
D&I Exam Procedures	D&I Examination Policy and Procedures
D&I Module	D&I Examination Module
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
EEO	Equal Employment Opportunity
Enterprises	Fannie Mae and Freddie Mac
FHFA or Agency	Federal Housing Finance Agency
HERA	Housing and Economic Recovery Act of 2008
MRA	Matter Requiring Attention
OIG	Federal Housing Finance Agency Office of Inspector General
OMWI	Office of Minority and Women Inclusion
OMWI Strategic Plan	<i>FY16-18 OMWI Strategic Plan</i>
OPB	Operating Procedures Bulletin

BACKGROUND.....

FHFA’s responsibilities related to diversity and inclusion are grounded in Section 1116 of HERA. The statute amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 to require each of FHFA’s regulated entities to establish an office for diversity and inclusion¹ and to “develop and implement standards and procedures to ensure, to the maximum extent possible, the inclusion and utilization of minorities . . . and women, and minority- and women-owned businesses . . . in all business and activities of the regulated entity at all levels”

Enacted in July 2010, Section 342 of the Dodd-Frank Act mandated that FHFA and other federal financial regulatory agencies create an Office of Minority and Women Inclusion (OMWI).² According to the Act, each agency’s OMWI is “responsible for all matters of the agency relating to diversity in management, employment and business activities.” The Act requires the OMWI Director, among other things, to develop standards for: (1) equal employment opportunity and racial, ethnic, and gender diversity; (2) increased participation of minority-owned and women-owned businesses; and (3) assessing the diversity policies and practices of FHFA’s regulated entities.³

In December 2010, FHFA adopted regulations setting forth minimum requirements for the D&I programs of its regulated entities and establishing regular reporting requirements.⁴ FHFA established OMWI in January 2011.⁵ FHFA stated that same year that “OMWI ensures that minorities, women, service-disabled veterans, and persons with disabilities are fully included in any and all job and business opportunities created as part of the federal

¹ See 12 U.S.C. § 4520.

² The Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 342, Pub. L. No. 111-203, 11th Congress, 12 U.S.C. § 5452 (July 21, 2010). The agencies identified in this section of the Dodd-Frank Act, in addition to FHFA, are the Department of the Treasury, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Federal Reserve banks, the National Credit Union Administration, the Office of the Comptroller of the Currency, the Securities and Exchange Commission, and the Consumer Financial Protection Bureau.

³ The terms “diversity” and “inclusion” are not defined in HERA, the Dodd-Frank Act, or FHFA’s implementing regulations. The Office of Personnel Management (OPM) defines “workforce diversity” as a “collection of individual attributes that together help agencies pursue organizational objectives efficiently and effectively.” OPM defines “inclusion” to mean “a set of behaviors (culture) that encourages employees to feel valued for their unique qualities and experience a sense of belonging.” See U.S. Office of Personnel Management, *Governmentwide Inclusive Diversity Strategic Plan*, July 2016, available online at www.opm.gov/policy-data-oversight/diversity-and-inclusion/reports/governmentwide-inclusive-diversity-strategic-plan-2016.pdf.

⁴ See 75 Fed. Reg. 81,395 (Dec. 28, 2010); 12 C.F.R. part 1207 (2010).

⁵ The Agency appointed the current OMWI Director in October 2014.

government’s efforts to reform and strengthen the banking system and the financial services industry.”

OIG Identified Deficiencies in FHFA’s Diversity and Inclusion Program in a 2015 Evaluation Report

In March 2014, nine members of the U.S. House of Representatives asked the Inspectors General at seven financial regulators, including FHFA, to conduct a review of diversity and related workplace issues at their agencies. In response to the request, OIG initiated an evaluation to (1) determine if any personnel practices had systematically prevented minorities and women from obtaining senior management positions at the Agency; (2) determine if any personnel practices had created a discriminatory workplace for minorities and women; and (3) assess OMWI’s operations.⁶

In our January 2015 report, we found that OMWI carried out statutorily mandated reporting requirements, conducted diversity training, and initiated a number of other efforts to increase diversity. We also found, however, that FHFA had not acted on some of OMWI’s proposals concerning diversity and workforce issues. For example, FHFA had not acted on OMWI’s draft diversity and inclusion (D&I) strategic plan.⁷ The OMWI Director reported at that time that the office would continue to work toward implementing a plan.

In light of our finding, we recommended that the Agency adopt and, by implication implement, a D&I strategic plan, which FHFA agreed to do by September 30, 2015.⁸ This recommendation is the subject of this compliance review.

FHFA Issued the FY16-18 OMWI Strategic Plan in July 2015

FHFA notified OIG in August 2015 that it had issued its *FY16-18 OMWI Strategic Plan* in July 2015. The plan applied a strategic framework that defined the OMWI vision, mission, and values,⁹ and articulated strategic goals and objectives to be achieved during the period of the plan.

⁶ OIG, *Women and Minorities in FHFA’s Workforce* (Jan. 13, 2015) (EVL-2015-003) (online at www.fhfa.gov/Content/Files/EVL-2015-003.pdf). In the 2015 report, we presented our analysis of workforce and diversity data available from FHFA for the period 2011-2013 and an assessment of OMWI’s operations.

⁷ We also found that FHFA had not acted on a proposed policy for OMWI to partner with FHFA’s human resources office for recruitment.

⁸ In our 2015 evaluation report, we made other recommendations, as we made other findings. These other findings and recommendations are outside the scope of this compliance review.

⁹ The OMWI Strategic Plan also outlined how OMWI will support D&I and Equal Employment Opportunity (EEO) mandates included in both HERA and the Dodd-Frank Act, while aligning with FHFA’s mission.

The OMWI Strategic Plan established five “goals,” as well as supporting “objectives” that listed the necessary tasks, or “strategies,” the Agency had to perform in order for it ultimately to achieve each goal. The second goal of the OMWI Strategic Plan stated that OMWI would develop standards for implementing D&I practices within FHFA and develop guidance for use by the regulated entities.¹⁰ To achieve this second goal, the OMWI Strategic Plan articulated three objectives. One objective, titled “Design and develop an agency D&I Examination Program,” set four tasks for OMWI to complete:

- Develop and propose standards for use by the regulated entities in implementing D&I legislative and regulatory requirements under HERA;
- Develop a program for FHFA to examine and assess D&I practices of the regulated entities;
- Develop guidelines to assist the regulated entities in applying the standards in designing D&I programs and initiatives; and
- Implement an examination protocol for use by FHFA in assessing regulated entity compliance with HERA, FHFA regulations, and Agency guidelines and standards.

We closed the 2015 recommendation in January 2016 based on the Agency’s adoption of the OMWI Strategic Plan.¹¹

FACTS AND ANALYSIS

We initiated this compliance review in December 2018 to determine whether the Agency completed the four tasks necessary to design and develop a D&I examination program as it committed to do in its OMWI Strategic Plan.¹² We reviewed OMWI’s policies and

¹⁰ OMWI represented that the standards and guidance would fulfill its statutory obligations under HERA and the Dodd-Frank Act. OMWI’s other strategic goals were: design a comprehensive operational structure for delivery of OMWI programs and services (Goal 1); educate stakeholders on OMWI’s mission (Goal 3); strengthen FHFA’s and the regulated entities’ understanding of diversity, inclusion, and equal opportunity (Goal 4); and serve as a catalyst for identifying and addressing FHFA’s cultural inclusion challenges and opportunities (Goal 5).

¹¹ We also based the closure of the recommendation on the Agency’s representation in its FY15 *Performance and Accountability Report* that the *FY16-18 OMWI Strategic Plan* contained the Agency’s D&I Plan. In October 2018, FHFA published a follow-on OMWI strategic plan for FY19-21. The *FY19-21 OMWI Strategic Plan* continued the approach of the previous plan.

¹² After we initiated this compliance review, the U.S. Government Accountability Office published a related report in which it assessed FHFA’s implementation and the effectiveness of efforts to increase diversity and

procedures, as well as D&I examination materials prepared by OMWI examination staff. We also interviewed OMWI officials. Our period of review was July 2015 to December 2018. As explained below, we determined that OMWI completed the four tasks; however, we found a deficiency in the execution of quality control reviews of completed examinations.

OMWI Developed and Proposed Additional D&I Standards for the Regulated Entities to Follow in Implementing HERA Requirements

Prior to the issuance of the OMWI Strategic Plan in July 2015, the regulated entities were subject to a number of D&I standards by statute and regulation. As stated above, HERA required each of FHFA’s regulated entities to establish an office for diversity and inclusion and to “develop and implement standards and procedures to ensure, to the maximum extent possible, the inclusion and utilization of minorities . . . and women, and minority- and women-owned businesses . . . in all business and activities of the regulated entity at all levels”

In December 2010, FHFA adopted regulations setting forth minimum requirements for the D&I programs of its regulated entities and establishing regular reporting requirements. Many D&I standards currently applicable to the regulated entities are contained in these 2010 regulations.¹³ In May 2015, FHFA amended its regulations to include new diversity provisions for the regulated entities’ boards of directors.¹⁴

With respect to the first task we examined in the OMWI Strategic Plan, OMWI personnel explained that the D&I standards targeted by this task were contained in May 2015 and July 2017 updates to the 2010 FHFA regulations. Although the May 2015 regulatory amendments were finalized before the issuance of the strategic plan, the strategic plan had been drafted at that time, and the amendments address this task.¹⁵

With respect to the July 2017 amendments, FHFA published the notice of proposed rulemaking in October 2016. As proposed, and as finalized in July 2017, the amendments

inclusion on the boards of directors of the Federal Home Loan Banks. *See* GAO, *Steps Have Been Taken to Promote Board Diversity, but Challenges Remain* (Feb. 14, 2019) (GAO-19-252).

¹³ *See* 12 C.F.R. part 1207 (2010). For example, the 2010 regulations require each regulated entity: to establish internal procedures to receive and resolve discrimination complaints; to establish procedures for accepting and reviewing requests for reasonable accommodation of disabilities; to encourage the consideration of diversity in nominating or soliciting nominees for board positions; to require clauses in contracts requiring contractors to practice EEO and non-discrimination in all business activities; to establish an outreach program for diversity in contracting; and to report data showing, by minority and gender, the number of individuals applying for employment, hired, and separated.

¹⁴ *See* 80 Fed. Reg. 25,209 (May 4, 2015).

¹⁵ The amendments were published as a proposed rule on June 25, 2014, and as a final rule on May 4, 2015.

impose additional standards for the regulated entities to meet the broad requirements under HERA.¹⁶ Specifically, the amendments require each regulated entity: to develop a board-approved D&I strategic plan to amend its EEO policies by adding sexual orientation, gender identity, and status as a parent to the list of protected classes; and to provide additional information on D&I efforts. The amendments also added and revised several definitions to clarify existing and new requirements. Based on these actions, we concluded that OMWI achieved this task.

OMWI Developed a Program for FHFA to Examine and Assess D&I Practices of the Regulated Entities

FHFA's examination program for its regulated entities includes a number of modules directed at specific areas. Examination modules provide instruction to examiners on how to assess specific topics, business lines, and risk areas. During 2016, OMWI drafted a D&I Examination Module (D&I Module), which was approved by FHFA in December 2016.¹⁷ Our review of the D&I Module found that it provided detailed guidance and standards for OMWI examination staff to use in conducting D&I examinations of the regulated entities. For example, the D&I Module identifies the types of documents that an OMWI examiner should obtain and review during an examination, identifies specific requirements against which to evaluate the regulated entities' D&I programs, and provides specific questions that OMWI examiners should answer during the course of an examination.¹⁸

OMWI conducts D&I examinations of FHFA's regulated entities independently of safety and soundness examinations conducted by the Division of Enterprise Regulation (DER) and the Division of Federal Home Loan Bank Regulation (DBR). OMWI uses its own examiners and, like DER and DBR, can issue adverse examination findings (matters requiring attention (MRAs), violations, and recommendations). OMWI reports its examination findings in separate memoranda from those issued by DER and DBR.

OMWI records establish that it conducted examination activities pursuant to the D&I Module as part of the examinations of all regulated entities in 2017, resulting in the issuance of findings memoranda (with MRAs) to each regulated entity. Guided by the D&I Module, OMWI examiners conducted further examination activities in 2018, and additional findings

¹⁶ See 82 Fed. Reg. 34,388 (July 25, 2017). The regulations for the D&I programs of the regulated entities were redesignated as 12 C.F.R. part 1223 in 2017. See 82 Fed. Reg. 14,994 (Mar. 24, 2017).

¹⁷ In 2015, OMWI sent a baseline survey to the regulated entities to understand the status of their respective D&I programs. Information from the survey was used to assist in the development of the D&I Examination Module.

¹⁸ FHFA's D&I Module is publicly available at www.fhfa.gov/SupervisionRegulation/ExaminerResources/Documents/062717-OMWI-Exam-Module.pdf.

were issued to some of the regulated entities.¹⁹ OMWI maintains a “findings tracker” to monitor and comment on MRA remediation and closure. Based on these actions, we concluded that OMWI took the steps necessary to implement this second strategy.

OMWI Developed Guidelines to Assist the Regulated Entities in Applying Standards in Designing Internal D&I Programs and Initiatives

According to OMWI personnel, FHFA issued four sources of guidelines during the relevant time period. First, the D&I Module provides guidance to OMWI examination staff and informs the regulated entities of the scope of the Agency’s D&I examination program. The D&I Module also contains guidelines to assist the regulated entities in designing D&I programs and initiatives. For example, the D&I Module states that a regulated entity should regularly review and recalibrate diversity measures/benchmarks in procurement, and that specific components should be included in a regulated entity’s workforce D&I program.

Second, in January 2018, FHFA’s Office of General Counsel, in coordination with OMWI, directed that responsibility for a regulated entity’s OMWI function, including OMWI performance, management, and results, must be assigned to a single person who reports to the CEO or COO. OMWI personnel advised us that OMWI considers the requirement that each regulated entity centralize D&I responsibility in one person to be a “guideline” within the meaning of this goal.

Third, OMWI issued a Data Reporting Manual in August 2018 to ensure consistency in the reporting of information by the regulated entities. The manual includes a “Data Dictionary” of standardized terms for the regulated entities’ use in meeting their Agency reporting requirements. According to OMWI personnel, the Data Dictionary constitutes a guideline intended to assist the regulated entities in applying standards in designing D&I programs and initiatives.

Finally, in August 2018, OMWI also issued templates (financial transactions, procurement, and workforce) for the quarterly and annual reports required to be submitted to FHFA. Again, OMWI personnel consider these templates to be guidelines intended to assist the regulated entities in applying standards in designing D&I programs and initiatives. In our view, these elements provided sufficient evidence that OMWI completed this task.

¹⁹ The OMWI Examination Manager confirmed to us that because he consults with examiners and reviews their workpapers, he is confident that examiners follow the D&I Module. An independent verification by OIG is beyond the scope of this review.

OMWI Implemented a D&I Examination Protocol for Use by FHFA to Assess Compliance by the Regulated Entities with HERA, FHFA Regulations, and Agency Guidelines and Standards

OMWI issued D&I Examination Policy and Procedures (D&I Exam Procedures) in September 2016, which it updated in 2017 and 2018. The D&I Exam Procedures set out an examination process that incorporates a supervisory strategy, an alert letter initiating each examination, an examination work program, an analysis memorandum, a findings memorandum, findings tracking, and comment in the annual Report of Examination.

In our view, OMWI’s D&I Exam Procedures provided sufficient evidence that OMWI implemented its strategy by developing and issuing an examination protocol.

Despite OMWI’s Implementation of D&I Protocols, Our Testing Identified an Execution Deficiency: Quality Control Reviews of D&I Examination Results Were Not Timely or Did Not Occur at All

The D&I Exam Procedures require each D&I examination to be subject to a quality control review. The OMWI Examination Manager confirmed that all exams are subjected to quality control review.

FHFA’s Supervision Directive 2017-01 (SD 2017-01) requires that all examination workpapers, including for OMWI D&I exams, be subjected to quality control reviews prior to the issuance of exam conclusions and findings to a regulated entity. The purpose of the quality controls reviews is to “identify significant deviations from FHFA examination standards and supervision policy” and provide the examiners with the “opportunity to correct any deviations before final examination results are communicated to a regulated entity.” SD 2017-01 specifically includes OMWI D&I exams in this mandate.

However, the OMWI Examination Manager reported to us that quality control reviews of D&I exams typically occur after findings are issued to a regulated entity—a practice that does not comply with SD 2017-01.

We sought to determine the timing of quality control reviews of OMWI D&I exams conducted in 2017 and 2018. Of the 30 D&I findings memoranda issued to the regulated entities during those two years, we selected a sample of 10 and obtained the associated quality control reviews. Our sample consisted of five findings memoranda in 2017 and five in 2018, and we found non-compliance in all ten cases with the requirement that quality control reviews precede issuance of findings memoranda.

Quality Control Review in 2017. Three findings memoranda were issued to Fannie Mae and Freddie Mac for D&I exams conducted during 2017. We found no documentation to show

any quality control assessment of these findings. OMWI reported to us that, “[d]ue to our unforeseen staffing issues, we have not formally started QC work for [the D&I exams conducted in 2017] for Fannie Mae and Freddie Mac.”

Two findings memoranda were issued to Federal Home Loan Banks for D&I exams conducted during 2017. Our review of workpapers for the quality control assessments found that both assessments were conducted many months after OMWI issued its findings.

Quality Control Review in 2018. No findings memoranda for D&I exams conducted during 2018 for Fannie Mae and Freddie Mac were in our sample.²⁰

Five findings memoranda were issued to the Federal Home Loan Banks for D&I exams conducted during 2018. Our review of workpapers for the quality control assessments found: (1) three of the D&I findings memoranda had no quality control reviews; and (2) quality control reviews for the other two findings memoranda occurred many months after issuance.

This is the seventh report since September 2015 in which OIG has found problems with Agency quality control.²¹

CONCLUSION.....

In enacting HERA and the Dodd-Frank Act, Congress not only mandated that FHFA’s regulated entities act to ensure, to the maximum extent possible, the inclusion of minorities and women in their business activities, but also directed FHFA to supervise the diversity policies and practices of its regulated entities.

²⁰ OMWI did not conduct D&I examinations of the Enterprises or issue findings to the Enterprises in 2018. Instead, OMWI conducted ongoing monitoring and tracked the Enterprises’ remediation of the D&I MRAs issued in 2017.

²¹ See OIG, *DBR’s Safety and Soundness Quality Control Reviews Were Conducted in Compliance with FHFA’s Standard During the 2017 Examination Cycle but DBR’s Community Investment Quality Control Reviews Were Not* (Aug. 17, 2018) (AUD-2018-010); OIG, *FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle* (Sept. 27, 2017) (AUD-2017-011); OIG, *FHFA’s 2015 Report of Examination to Fannie Mae Failed to Follow FHFA’s Standards Because it Reported on an Incomplete Target Examination of the Enterprise’s New Representation and Warranty Framework* (Sept. 22, 2017) (AUD-2017-008); OIG, *The Gap in FHFA’s Quality Control Review Program Increases the Risk of Inaccurate Conclusions in its Reports of Examination of Fannie Mae and Freddie Mac* (Aug. 17, 2017) (EVL-2017-006); OIG, *FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies* (Mar. 29, 2016) (EVL-2016-004); OIG, *Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations* (Sept. 30, 2015) (EVL-2015-007).

In our report published in January 2015, we recommended that FHFA adopt a D&I strategic plan. FHFA’s OMWI published its OMWI Strategic Plan in July 2015. We initiated this compliance review in December 2018 to determine whether OMWI developed a D&I examination program as it committed to do in the second goal of its OMWI Strategic Plan, and whether the Agency implemented the four tasks under the second goal.

We found that OMWI completed the four tasks. However, we identified a deficiency in the execution of OMWI’s examination program—quality control reviews of D&I examination results were not timely or did not occur at all, in contravention of FHFA’s internal guidance.

RECOMMENDATION.....

We recommend that OMWI ensure that quality control reviews are performed before issuing D&I examination findings to a regulated entity, as required by SD-2017-01.

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA an opportunity to respond to a draft report of this compliance review. FHFA did not provide technical comments on the draft report. In its management response, which is reprinted in its entirety in the Appendix, FHFA agreed with OIG’s recommendation.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this review was to determine whether OMWI developed an Agency D&I examination program for the regulated entities as it committed to do in its *FY16-18 OMWI Strategic Plan*. Specifically, our review focused on four strategies under Objective 2.3 in the OMWI Strategic Plan.

To accomplish our objective, we analyzed OMWI standards and guidelines. We also reviewed OMWI documentation such as examination guidance, procedures, and quality control documentation. In addition to our document review, we interviewed Agency personnel and reviewed other public documents regarding OMWI.

We conducted our compliance review from December 2018 to April 2019 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012), promulgated by the Council of the Inspectors General on Integrity and Efficiency.

We provided a draft of this report to FHFA for its review and comment.


APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: David Frost, Acting Deputy Inspector General, Compliance & Special Projects

FROM: Sharon Levine, Director, Office of Minority and Women Inclusion 

SUBJECT: Management Response to Draft Report: *Compliance Review of FHFA's Office of Minority and Women Inclusion*

DATE: June 21, 2019

Thank you for the opportunity to respond to the above-referenced draft compliance report by the FHFA Office of Inspector General (OIG). We are pleased that OIG acknowledges the continuing progress FHFA's Office of Minority and Women Inclusion (OMWI) has made in implementing a Diversity and Inclusion (D&I) examination program in accordance with our Strategic Plan. The draft report makes one recommendation, with which FHFA agrees.

Recommendation: *We recommend that OMWI ensure that quality control reviews are performed before issuing D&I examination findings to a regulated entity, as required by SD-2017-01.*

Management Response to Recommendation: FHFA agrees with the recommendation and will ensure quality control reviews are performed prior to final issuance of D&I examination findings. By June 30, 2020, OMWI will provide evidence of quality control reviews completed over the next twelve months. By September 30, 2019, OMWI will review its procedures to clarify when examination findings are considered final for the FHLBanks and the Enterprises, and when the quality controls reviews should be conducted.

We appreciate the work and professionalism of the OIG staff who worked with FHFA on this engagement.

Cc: Chris Bosland
Larry Stauffer
Paul Priest
John Major

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