

Federal Housing Finance Agency
Office of Inspector General



Compendium of Open Recommendations

January 1, 2019

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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
NGC	Fannie Mae Board of Directors' Nominating and Corporate Governance Committee
OIG	Federal Housing Finance Agency Office of Inspector General
PII	Personally Identifiable Information
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 400 recommendations¹ to improve efficiency and effectiveness and reduce fraud, waste, and abuse at FHFA and at the government-sponsored enterprises for which the Agency acts as conservator and regulator, Fannie Mae and Freddie Mac (the Enterprises), and at the Federal Home Loan Banks for which the Agency acts as regulator. 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 open recommendations from our audits, evaluations, and other studies.³ For additional information on any recommendation, please click on the hyperlinked report number to access its underlying report. This compendium is comprehensive as of January 1, 2019.

Because FHFA serves a unique role as both conservator and regulator of 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

¹ Includes public and non-public recommendations.

² OIG's semiannual reports are available at www.fhfa.ig.gov/Reports/Semiannual.

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

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 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 and Special Projects. 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 open recommendations contained in published compliance reviews are included in this compendium.

OPEN RECOMMENDATIONS

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Open Recommendations			
Conservatorship: Delegated Responsibilities			
Development of Common Securitization Platform	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	<i>Reducing Risk and Preventing Fraud in the New Securitization Infrastructure</i> (EVL-2013-010 , August 22, 2013)
	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	<i>Reducing Risk and Preventing Fraud in the New Securitization Infrastructure</i> (EVL-2013-010 , August 22, 2013)
	Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.	Improved fraud prevention	<i>Reducing Risk and Preventing Fraud in the New Securitization Infrastructure</i> (EVL-2013-010 , August 22, 2013)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Review and Enhancement of Underwriting Standards	FHFA's Division of Housing Mission and Goals should formally establish a policy for its review process of underwriting standards and variances, including escalation of unresolved issues reflecting potential lack of agreement.	Improved oversight	<p><i>FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards</i> (AUD-2012-003, March 22, 2012); see also <i>Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances</i> (COM-2016-001, December 17, 2015) and <i>Update on FHFA's Implementation of its Revised Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances</i> (COM-2018-003, March 27, 2018)</p>
Conflicts of Interest	FHFA should provide guidance to Fannie Mae on FHFA governance expectations regarding authority to review and resolve actual, potential, and apparent conflicts of interest involving senior executive officer positions.	Improved oversight	<p><i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001, January 31, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should direct Fannie Mae to conduct a comprehensive internal review of its governance documents (both board and management generated) for consistency and clarity, with specific emphasis on the assignment of authority to review and resolve conflict of interest matters involving senior executive officer positions, by seniority and rank, and the process to be used to review and resolve such conflicts.</p>	<p>Improved oversight</p>	<p><i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001, January 31, 2018)</p>
	<p>FHFA should direct the Fannie Mae Board of Directors to review the results of the comprehensive internal review and determine whether authority to review and resolve conflict of interest matters involving specific senior executive officer positions, by seniority and rank, should be vested in a Board committee or delegated to Fannie Mae management, and determine the process to be used to review and resolve such conflicts. Should the Board determine to delegate to management authority to review and resolve all potential, actual, or apparent conflicts of interest involving the Chief Executive Officer and the Chief Executive Officer's direct reports, counsel the Board on the process that should be put into place to require management to report its resolution of all such conflicts to a Board committee for its review.</p>	<p>Improved oversight</p>	<p><i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001, January 31, 2018)</p>
	<p>FHFA should, to the extent that the Fannie Mae Board of Directors determines to delegate authority to the Chief Compliance and Ethics Officer and Fannie Mae's Office of Compliance and Ethics to review and resolve certain conflicts of interest involving senior executive officers, counsel the Board to amend the relevant governance documents and establish a reporting relationship between the Fannie Mae Board of Directors' Nominating and Corporate Governance Committee (NGC), Fannie Mae's Office of Compliance and Ethics, and the Chief Compliance and Ethics Officer.</p>	<p>Improved oversight</p>	<p><i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001, January 31, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	FHFA should direct FHFA employees to monitor the review and resolution of senior executive officer disclosures of potential, actual, or apparent conflicts of interest to ensure that revised Board committee charter(s) and management policies and procedures are being followed.	Improved oversight	<i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001 , January 31, 2018)
	FHFA should direct the NGC to use its authority to retain, as appropriate, independent outside corporate governance experts to assist it in fulfilling its obligations under the NGC Charter.	Improved oversight	<i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001 , January 31, 2018)
	FHFA should direct the Fannie Mae Board of Directors to assess the skills and professional experiences of current board members and, as vacancies occur, prioritize candidates with demonstrable expertise in corporate governance.	Improved oversight	<i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001 , January 31, 2018)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should require the NGC to fully document, in meeting minutes, its discussions, deliberations, and actions at each meeting to ensure an effective flow of information between the NGC and other directors and to provide FHFA with sufficient information to enable it to assess whether the NGC is meeting the responsibilities and obligations set forth in its Charter.</p>	<p>Improved oversight</p>	<p><i>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae's Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA</i> (EVL-2018-001, January 31, 2018)</p>
	<p>Prior to the FHFA Director's final decision on alternative credit score models, FHFA should promptly perform a comprehensive review of the conflict of interest implications arising from [redacted] possible involvement in Fannie Mae's assessment of the potential impact of [redacted] and possible discussions with FHFA about Fannie Mae's assessment, in light of [redacted] employment of [redacted] as [redacted].</p>	<p>Improved oversight</p>	<p><i>Administrative Review of a Potential Conflict of Interest Matter Involving a Senior Executive Officer at an Enterprise</i> (OIG-2018-001, July 26, 2018)</p>
	<p>Prior to the FHFA Director's final decision on alternative credit score models, FHFA should ensure appropriate controls are in place to mitigate any potential, apparent, or actual conflict of interest.</p>	<p>Improved oversight</p>	<p><i>Administrative Review of a Potential Conflict of Interest Matter Involving a Senior Executive Officer at an Enterprise</i> (OIG-2018-001, July 26, 2018)</p>
Supervision			
<p>Examiner Capacity</p>	<p>FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.</p>	<p>Improved supervision</p>	<p><i>Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises</i> (EVL-2014-002, December 19, 2013)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.</p>	<p>Improved supervision</p>	<p><i>Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises</i> (EVL-2014-002, December 19, 2013)</p>
	<p>FHFA should assess whether the Division of Enterprise Regulation (DER) has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER's ability to carry out its risk-based supervisory plans.</p>	<p>Improved supervision</p>	<p><i>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</i> (AUD-2017-010, September 27, 2017)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER's ability to carry out its risk-based supervisory plans.</p>	<p>Improved supervision</p>	<p><i>FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed</i> (AUD-2016-007, September 30, 2016); <i>FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued</i> (AUD-2016-006, September 30, 2016)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Accreditation of Examiners	FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of government-sponsored enterprise examinations.	Improved quality	OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program (COM-2015-001 , July 29, 2015) and FHFA's Housing Finance Examiner Commissioning Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners (COM-2018-006 , September 6, 2018)
Quality Control	FHFA should reinforce the requirements of DER operating procedures bulletin DER-OPB-02 and hold DER leadership accountable to ensure that targeted examination conclusions presented in the report of examination (ROE) are based on work that has either (1) undergone quality control review and been communicated in writing to the Enterprise, or (2) the required quality control review has been waived by the Deputy Director of DER and documented in writing.	Improved quality	FHFA's 2015 Report of Examination to Fannie Mae Failed to Follow FHFA's Standards Because it Reported on an Incomplete Targeted Examination of the Enterprise's New Representation and Warranty Framework (AUD-2017-008 , September 22, 2017)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should ensure that examination specialists reviewing community investment examinations under the Division of Federal Home Loan Bank Regulation’s revised independent quality control process did not participate in the examination activity under review.</p>	<p>Improved quality</p>	<p><i>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 (AUD-2018-010, August 17, 2018)</i></p>
	<p>FHFA should ensure the planned operating procedures bulletin for independent quality control reviews of Division of Federal Home Loan Bank Regulation examinations are issued and conform to Supervision Directive 2017-01, to include the requirement that personnel performing the quality control review must not have participated in the examination activity under review.</p>	<p>Improved quality</p>	<p><i>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 (AUD-2018-010, August 17, 2018)</i></p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Risk Assessments for Supervisory Planning	<p>FHFA should reinforce through training and supervision of DER personnel, the requirements established by FHFA, and reinforced by DER guidance, for the risk assessment and supervisory planning process. Specifically:</p> <ul style="list-style-type: none"> a. Ensure that the annual supervisory strategy identifies significant risks and supervisory concerns and explains how the planned supervisory activities to be conducted during the examination cycle address the most significant risks in the operational risk assessment. (Applies to AUD-2017-010 and AUD-2017-011) b. Ensure that supervisory activities planned during an examination cycle to address the most significant risks in the operational risk assessment are completed within the examination cycle. (Applies to AUD-2017-010) 	Improved supervision	<p><i>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</i> (AUD-2017-010, September 27, 2017); <i>FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle</i> (AUD-2017-011, September 27, 2017)</p>
Targeted Examinations Completed	<p>FHFA should reinforce, in examiner training, the need to prepare workpapers for targeted examinations with sufficient detail and clarity to provide a third party with a clear understanding of the examination work performed; the examination findings, conclusions, and ratings reached; and any implications of the findings, conclusions, and ratings.</p>	Improved supervision	<p><i>FHFA Completed its Planned Procedures for a 2016 Representation and Warranty Framework Targeted Examination at Freddie Mac, but the Supporting Workpapers Did Not Sufficiently Document the Examination Work</i> (AUD-2018-006, March 13, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
<p>Communication of Deficiencies to Enterprise Boards</p>	<p>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 a matter requiring attention (MRA). (In COM-2018-005, OIG clarified that the recommendation covers “supervisory correspondence,” which includes conclusion letters and supervisory letters that set forth MRAs.)</p>	<p>Improved supervision</p>	<p><i>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</i> (EVL-2016-005, March 31, 2016) and <i>Compliance Review of FHFA’s Communication of Serious Deficiencies to the Enterprises’ Boards of Directors</i> (COM-2018-005, September 5, 2018)</p>
	<p>FHFA should, except for rare instances where DER has an urgent need to communicate significant supervisory concerns to an Enterprise board, ensure that all supervisory conclusions and findings reported by DER in the Enterprise’s annual ROEs are based on completed work that has been previously communicated, when required, in writing to the Enterprise.</p>	<p>Improved supervision</p>	<p><i>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle</i> (AUD-2017-010, September 27, 2017); <i>FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle</i> (AUD-2017-011, September 27, 2017)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Assessing Remediation of Deficiencies	<p>FHFA should train DER examiners on the elements of the current operating procedures bulletin standard for MRA issuance, follow-up and closure, which include: (a) a requirement that examiners ensure that proposed corrective actions in remedial plans are sufficient to address the deficiency underlying an MRA before issuing non-objection letters; and (b) a requirement that examiners determine, after an Enterprise implements its remedial plan, that the deficiency giving rise to the MRA has been satisfactorily addressed.</p>	Improved remediation of deficiencies	<p><i>FHFA Failed to Ensure Freddie Mac's Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions</i> (AUD-2018-008, March 28, 2018)</p>
	<p>FHFA should ensure that Freddie Mac takes, or has taken, remedial action to address the deficiency underlying the MRA regarding the need to implement a process to verify and monitor [certain matters].</p>	Improved remediation of deficiencies	<p><i>FHFA Failed to Ensure Freddie Mac's Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions</i> (AUD-2018-008, March 28, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Use of Fraud Risk Reporting	<p>FHFA should adopt clear guidance for examiners to follow when assessing the sufficiency of MRA remediation by the Enterprises that identifies the work steps that should be included in examiners' independent assessments of Internal Audit's work and specifies the conditions under which examiner testing is expected.</p>	<p>Improved remediation of deficiencies</p>	<p><i>FHFA's Adoption of Clear Guidance on the Review of the Enterprises' Internal Audit Work When Assessing the Sufficiency of Remediation of Serious Deficiencies Would Assist FHFA Examiners</i> (EVL-2018-003, March 28, 2018)</p>
	<p>FHFA should revise its guidance to provide clear direction to examiners on whether, or the circumstances under which, its examiners may rely on information, analyses, or conclusions provided by an Enterprise's Internal Audit function when assessing the adequacy of MRA remediation.</p>	<p>Improved remediation of deficiencies</p>	<p><i>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</i> (EVL-2018-002, March 28, 2018)</p>
	<p>Because Congress required the Enterprises to prepare fraud reports and FHFA has directed them to submit detailed monthly and quarterly reports to meet this statutory requirement, we recommend that FHFA re-evaluate the fraud information it requires from the Enterprises, and revise, as appropriate, its existing reporting requirements to enhance the utility of these reports with the goal of using these reports to inform its supervisory activities with respect to the risk that fraud poses to the Enterprises.</p>	<p>Improved supervision</p>	<p><i>FHFA Should Re-evaluate and Revise Fraud Reporting by the Enterprises to Enhance its Utility</i> (EVL-2018-004, September 24, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Counterparties			
Compliance with Advisory Bulletins	In 2017, or as expeditiously as possible, FHFA should complete the examination activities necessary to determine whether [the Enterprise's] risk management of nonbank seller/servicers meets FHFA's supervisory expectations as set forth in its supervisory guidance. These activities should include an independent assessment of the [related matters].	Improved risk management	<i>FHFA's Examinations Have Not Confirmed Compliance by One Enterprise with its Advisory Bulletins Regarding Risk Management of Nonbank Sellers and Servicers</i> (EVL-2017-002 , December 21, 2016)
	Information Technology		
Information Technology Risk Examinations	FHFA should comply with Financial Stability Oversight Council recommendations to address the gaps, as prioritized, to reflect and incorporate appropriate elements of the National Institute of Standards and Technology Framework.	Improved risk management	<i>FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework</i> (EVL-2016-003 , March 28, 2016)
	FHFA should comply with Financial Stability Oversight Council recommendations to revise existing regulatory guidance to reflect and incorporate appropriate elements of the National Institute of Standards and Technology framework in a manner that achieves consistency with other federal financial regulators.	Improved risk management	<i>FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework</i> (EVL-2016-003 , March 28, 2016)
Cyber Risk Oversight	FHFA should direct the Fannie Mae Board to enhance Fannie Mae's existing cyber risk management policies to: <ul style="list-style-type: none"> a. Require a baseline Enterprise-wide cyber risk assessment with subsequent periodic updates; b. Describe information to be reported to the Board and committees; c. Include a cyber risk framework and cyber risk appetite. 	Improved risk management	<i>Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA's Closer Attention to Governance Issues</i> (EVL-2016-006 , March 31, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Privacy Information and Data Protection	<p>FHFA should direct the Fannie Mae Board to oversee management’s efforts to leverage industry standards to:</p> <ul style="list-style-type: none"> a. Protect against and detect existing threats; b. Remain informed on emerging risks; c. Enable timely response and recovery in the event of a breach; and d. Achieve the desired target state of cyber risk management identified in Recommendation 2 within a time period agreed upon by the Board. 	Improved risk management	<p><i>Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA’s Closer Attention to Governance Issues</i> (EVL-2016-006, March 31, 2016)</p>
	<p>The FHFA Privacy Office should conduct a comprehensive business process analysis to identify all FHFA business processes that collect personally identifiable information (PII) in electronic and hardcopy form to build an inventory of where PII is stored.</p>	Improved protection of privacy information	<p><i>Performance Audit of the Federal Housing Finance Agency’s (FHFA) Privacy Program</i> (AUD-2017-007, August 30, 2017)</p>
	<p>The FHFA Privacy Office should develop manual and automated processes to maintain an accurate and complete inventory of where PII is stored.</p>	Improved protection of privacy information	<p><i>Performance Audit of the Federal Housing Finance Agency’s (FHFA) Privacy Program</i> (AUD-2017-007, August 30, 2017)</p>
	<p>The FHFA Privacy Office should establish, implement, and train end users to apply naming conventions to files and folders containing PII.</p>	Improved protection of privacy information	<p><i>Performance Audit of the Federal Housing Finance Agency’s (FHFA) Privacy Program</i> (AUD-2017-007, August 30, 2017)</p>
	<p>The FHFA Privacy Office should conduct a feasibility study of available technologies to supplement the manual and automated processes to identify and secure PII at rest and in transit.</p>	Improved protection of privacy information	<p><i>Performance Audit of the Federal Housing Finance Agency’s (FHFA) Privacy Program</i> (AUD-2017-007, August 30, 2017)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
FHFA Information Technology Security	Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly.	Improved information security	<i>Performance Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2018</i> (AUD-2019-001, October 24, 2018)
	Because information in this report could be used to circumvent FHFA's internal controls, it has not been released publicly.	Improved information security	<i>Performance Audit of the Federal Housing Finance Agency's Information Security Program Fiscal Year 2018</i> (AUD-2019-001, October 24, 2018)
Agency Operations			
Oversight of FHFA Workforce Matters	FHFA should regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.	Improved opportunities and oversight	<i>Women and Minorities in FHFA's Workforce</i> (EVL-2015-003, January 13, 2015)
Management of Agency Resources	FHFA should reinforce FHFA's government purchase card policies and procedures through periodic reminders to, and training of, FHFA cardholders and approving officials, including requirements to: <ul style="list-style-type: none"> • Distribute micro-purchases equitably among qualified suppliers (to the extent practicable), • Document receipt of goods and services, and • Obtain prior written approval from an approving official before purchases are made. 	Improved management of resources	<i>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</i> (AUD-2018-011, September 6, 2018)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>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) FHFA's 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 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.</p>	<p>Improved management of resources</p>	<p><i>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</i> (AUD-2018-013, September 25, 2018)</p>
	<p>FHFA should ensure that FHFA's Transit Benefits System has accurate and up-to-date records of, and current certifications for, each FHFA employee who receives a transportation benefit.</p>	<p>Improved management of resources</p>	<p><i>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</i> (AUD-2018-013, September 25, 2018)</p>
	<p>Should FHFA identify, through these newly implemented controls, any individuals who improperly used transit subsidies to which they were not entitled, FHFA should determine whether to recover the amounts (taking cost/benefit into consideration).</p>	<p>Improved management of resources</p>	<p><i>FHFA Needs to Strengthen Controls over its Employee Transportation Benefits Programs</i> (AUD-2018-013, September 25, 2018)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>FHFA should reinforce FHFA's government travel card policies and procedures through periodic reminders to, and training of, FHFA travelers and approving officials, including requirements to ensure:</p> <ul style="list-style-type: none"> • Travel card holders do not pay lodging taxes in states that exempt government issued travel cards from taxes; • Employees submit vouchers within five working days after employees complete their travel, initiate travel only after their travel authorizations are approved, and submit required receipts with travel vouchers; • Employees use their government-issued travel cards for all official travel expenses; and • Employees use travel cards only for official travel. 	Improved management of resources	<p><i>Audit of FHFA's Fiscal Year 2017 Government Travel Card Program: FHFA Needs to Emphasize Certain Program Requirements to Travelers and Approving Officials</i> (AUD-2018-014, September 25, 2018)</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 in light of appropriate movement toward implementation and recommendations that have been closed in light of FHFA’s refusal to take any action. For those recommendations closed due to rejection by FHFA, we continue to stand by our findings and believe that the Agency should have undertaken the recommended actions.

The recommendations listed below represent those that have been closed following FHFA’s rejection and were not implemented.

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Closed Unimplemented Recommendations			
Property Inspection Quality Controls	FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.	Improved quality	<i>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections</i> (AUD-2014-012 , March 25, 2014)
Improperly Reimbursed Property Inspection Claims	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.	Improved accuracy	<i>FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections</i> (AUD-2014-005 , January 15, 2014)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Seller/Servicer Resolution of Aged Repurchase Demands	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.	Improved oversight	<i>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands</i> (AUD-2014-009 , February 12, 2014)
Oversight of Enterprise Implementation of Representation and Warranty Framework	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.	Improved framework management	<i>FHFA's Representation and Warranty Framework</i> (AUD-2014-016 , September 17, 2014)
Seller/Servicer Compliance with Guidance	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.	Improved compliance	<i>FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines</i> (AUD-2014-018 , September 26, 2014)
Collection of Funds from Servicers	FHFA should publish Fannie Mae's reduction targets and overpayment findings.	Improved transparency	<i>Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses</i> (EVL-2013-012 , September 18, 2013)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Examination Recordkeeping Practices	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.	Improved efficiency	<i>Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities</i> (EVL-2015-001 , October 6, 2014)
Oversight of Enterprise Executive Compensation	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.	Improved oversight	<i>Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</i> (COM-2016-002 , March 17, 2016)
	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.	Improved oversight	<i>Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance</i> (COM-2016-002 , March 17, 2016)
Oversight of Servicing Alignment Initiative	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.	Improved servicing compliance and minimized losses	<i>FHFA's Oversight of the Servicing Alignment Initiative</i> (EVL-2014-003 , February 12, 2014)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	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.	Improved servicing compliance and minimized losses	<i>FHFA's Oversight of the Servicing Alignment Initiative</i> (EVL-2014-003 , February 12, 2014)
	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.	Improved servicing compliance and minimized losses	<i>FHFA's Oversight of the Servicing Alignment Initiative</i> (EVL-2014-003 , February 12, 2014)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
<p>Targeted Examinations Completed</p>	<p>FHFA should revise existing guidance to require examiners to prepare complete documentation of supervisory activities and maintain such documentation in the official system of record, and train DER examiners on this guidance.</p>	<p>Improved supervision</p>	<p><i>FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007, September 30, 2016); FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006, September 30, 2016); FHFA's Supervisory Planning Process for the Enterprises: Roughly Half of FHFA's 2014 and 2015 High-Priority Planned Targeted Examinations Did Not Trace to Risk Assessments and Most High-Priority Planned Examinations Were Not Completed (AUD-2016-005, September 30, 2016)</i></p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Oversight of Enterprise Remediation of Deficiencies	<p>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>	Improved remediation of deficiencies	<p><i>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</i> (EVL-2016-004, March 29, 2016)</p>
	<p>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>	Improved remediation of deficiencies	<p><i>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies</i> (EVL-2016-004, March 29, 2016)</p>
Communication of Deficiencies to Enterprise Boards	<p>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>	Improved Board oversight	<p><i>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate</i> (EVL-2016-005, March 31, 2016)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>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 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. 	Improved Board oversight	<p><i>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</i> (EVL-2016-009, July 14, 2016)</p>
	<p>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>	Improved Board oversight	<p><i>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</i> (EVL-2016-009, July 14, 2016)</p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Assessing Remediation of Deficiencies	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).	Improved remediation of deficiencies	<i>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</i> (EVL-2016-007, July 14, 2016)
	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.	Improved remediation of deficiencies	<i>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</i> (EVL-2016-007, July 14, 2016)
	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.	Improved remediation of deficiencies	<i>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</i> (EVL-2016-007, July 14, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
	<p>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>Improved remediation of deficiencies</p>	<p><i>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)</i></p>
	<p>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>Improved remediation of deficiencies</p>	<p><i>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)</i></p>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Identification of Deficiencies and Their Root Causes	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.	Improved Board oversight	<i>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</i> (EVL-2016-008 , July 14, 2016)
Oversight of Fannie Mae Headquarters Consolidation and Relocation	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.	Improved oversight	<i>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</i> (COM-2016-004 , June 16, 2016)
	FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship for its review and for FHFA approval through the design and construction of Fannie Mae's leased space in Midtown Center.	Improved oversight	<i>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</i> (COM-2016-004 , June 16, 2016)

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Oversight of Fannie Mae Northern Virginia Consolidation and Relocation	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.	Reduced waste	<i>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</i>
	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.	Reduced waste	<i>Consolidation and Relocation of Fannie Mae's Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</i>
Conflicts of Interest	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).	Improved oversight	<i>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)</i>

Specific Risk to be Mitigated	Recommendation	Expected Impact	Report Name and Date
Management of Agency Resources	<p>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>	Improved oversight	<p><i>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)</i></p>
	<p>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>	Improved compliance	<p><i>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 (AUD-2018-011, September 6, 2018)</i></p>

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