

Federal Housing Finance Agency
Office of Inspector General



**For Fiscal Year 2019, FHFA Did Not
Always Follow its Policy for
Employee Reimbursements and
Stipends; FHFA’s Practice for
Calculating Employee Travel
Stipends Was Not Stated in its Policy
Nor Consistently Followed**



AUD-2020-007

March 26, 2020

Executive Summary

The Federal Housing Finance Agency (FHFA or Agency) provides reimbursements and stipends to its employees for job-related expenses including, among other things, professional licensing and certification, professional liability insurance, gym membership, expedited clearance through airport security, frequent official travel, and home office expenses. For fiscal year 2019, FHFA made 1,153 reimbursements and stipend payments totaling \$1,054,618.

In this audit, we sought to determine whether (1) FHFA's controls over the reimbursements and stipends program were operating effectively and (2) program payments were supported. The scope of the audit focused on the Agency's policy and procedures over its reimbursements and stipends program, and FHFA's program payments between October 1, 2018, and September 30, 2019 (fiscal year 2019).

We found that FHFA's controls over its reimbursements and stipends program during fiscal year 2019 were not fully effective. We found non-systemic exceptions related to non-authorized reimbursements for multiple professional licenses or prohibited membership fees, unsupported gym memberships, and over- and underpayments of travel stipends; out-stationed stipends paid to employees without approved out-station agreements and a miscalculated Examiner-in-Charge (EIC) stipend. Additionally, we found that FHFA's practice for calculating travel stipends was neither stated in its policy nor consistently followed.

We make three recommendations in this report to address these shortcomings. In a written management response, FHFA agreed with our recommendations.

This report was prepared by Heath Wolfe, Director of Audit Operations, with the assistance of Bob Taylor, Senior 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 (OMB), and others, and will be posted on our website, www.fhfaoig.gov, and posted on www.oversight.gov.

Marla A. Freedman, Deputy Inspector General for Audits /s/

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ABBREVIATIONS

DBR	Federal Housing Finance Agency Division of Federal Home Loan Bank Regulation
EIC	Examiner-in-Charge
Fannie Mae	Federal National Mortgage Association
FHFA or Agency	Federal Housing Finance Agency
Freddie Mac	Federal Home Loan Mortgage Corporation
GAO	Government Accountability Office
OHRM	Federal Housing Finance Agency Office of Human Resources Management
OIG	Federal Housing Finance Agency Office of Inspector General
OMB	Office of Management and Budget
Policy 113	FHFA's Reimbursements and Stipends Policy
TSA	Transportation Security Administration

BACKGROUND.....

FHFA provides reimbursements and stipends to its employees for certain job-related expenses. The Agency’s Office of Human Resources Management (OHRM) manages the reimbursements and stipends program.

FHFA’s Guidance for Its Reimbursements and Stipends Program

OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control*, defines management’s responsibility for internal control in federal agencies. The circular emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities. It also establishes an assessment process based on the Government Accountability Office’s (GAO) *Standards for Internal Control in the Federal Government* (also known as the Green Book) that management must implement to assess and improve internal controls. The Green Book provides an overall framework for establishing and maintaining an effective internal control system. Among other things, it states that management should implement control activities through documented policies.

FHFA has implemented this guidance through written policy and procedures for its reimbursements and stipends program: FHFA Policy No. 113, Reimbursements and Stipends Policy (Policy 113) and OHRM’s Reimbursements and Stipends Processing Standard Operating Procedure.

FHFA’s Fiscal Year 2019 Reimbursements

Policy 113 authorizes FHFA to provide the following categories of reimbursements to its employees during fiscal year 2019:

- Professional licensing and certification – FHFA reimburses employees for professional organization membership fees when the membership is required to obtain and hold the license or certification. The Agency will not reimburse employees for: (1) membership fees when the membership is not required to obtain and hold required licenses and certifications; (2) discretionary fees, such as optional local and state chapter dues, or optional donations or memberships in professional organizations; and (3) obtaining the same type of license or certification from more than one state or licensing body. For example, if an employee is an FHFA practicing attorney and is a member of the bar in two or more states, FHFA will reimburse licensing fees for one state and section only. The reimbursement is based on actual cost to the employee, not to exceed \$500.

- Professional liability insurance – FHFA reimburses executives and managers for professional liability insurance to be used for covered costs associated with actions arising from the conduct of their official duties. The reimbursement is based on actual cost to the employee not to exceed \$500.
- Gym membership – FHFA reimburses employees who are stationed at Fannie Mae or Freddie Mac facilities for fitness center access fees. The reimbursement is based on actual cost to the employee not to exceed \$300.
- Transportation Security Administration (TSA) PreCheck program – FHFA reimburses employees who are expected to travel on official business 10 or more times per fiscal year \$85 for the cost of TSA’s PreCheck program, which allows expedited clearance through airport security while on official travel.

Employees must provide documentation to support claims for reimbursement.

FHFA’s Fiscal Year 2019 Stipends

Policy 113 authorizes FHFA to provide the following categories of stipends to its employees during fiscal year 2019:

- Life cycle – Annually, FHFA provides employees a one-time payment of \$1,000 to defray the costs related to maintaining a healthy lifestyle and work-life balance that are not covered by employees’ health insurance or a federal spending account.
- Travel – To help offset expenses associated with frequent overnight work-related travel, FHFA pays employees who travel at least 50 nights per year an annual stipend of \$2,000. The Agency also pays an additional \$50 per night stipend for each night over 50 nights the employee spends away from home for work. After the end of each fiscal year, the Agency’s Office of Budget and Financial Management provides OHRM a report detailing the number of travel nights out for each FHFA employee for the fiscal year.
- Out-stationed employees – FHFA pays a one-time home office set-up stipend of \$1,600 to employees who work from home and who are not provided FHFA office space or supplies. In addition, the Agency pays these employees a quarterly stipend of \$500 for expenses related to working from home (e.g., office supplies and internet access). Employees must complete an Out-Stationed Employee Agreement and the Agreement must be approved by the employee’s supervisor and OHRM to be effective. FHFA prorates the payments based on the number of days the employee worked in a quarter.

- EIC – FHFA provides an annual stipend of \$5,000 to non-executive EICs in the Division of Federal Home Loan Bank Regulation (DBR) in recognition of the extra duties associated with this position. The stipend is prorated based on the number of days the DBR employee held the position of EIC, as a non-executive, during the prior fiscal year.

During fiscal year 2019, FHFA paid \$1,054,618 in reimbursements and stipends to its employees as follows:

FIGURE 1. FHFA’S REIMBURSEMENTS AND STIPENDS PAID - FISCAL YEAR 2019

Reimbursement/Stipend	Number	Amount Paid
Reimbursements		
Professional licensing and certification	126	\$ 32,770
Professional liability insurance	58	21,523
Gym membership	40	11,233
TSA PreCheck program	28	2,530
Stipends		
Life cycle	595	595,000
Travel	56	203,900
Initial out-stationed employee	3	5,167
Quarterly out-stationed employee	233	120,981
EIC	<u>14</u>	<u>61,514</u>
Totals	<u>1,153</u>	<u>\$1,054,618</u>

FACTS AND ANALYSIS

FHFA’s Policy and Procedures for its Reimbursements and Stipends Program Were Not Always Followed and, for the Travel Stipends, a Stated Practice Not in Policy Was Not Consistently Followed

For our audit, we selected and reviewed 717 reimbursements and stipends totaling \$732,530 paid by FHFA during fiscal year 2019. Our selection consisted of all 595 life cycle stipend transactions totaling \$595,000, and a random sample of 122 transactions totaling \$137,530 of reimbursements and other types of stipends. For 675 of the 717 reimbursements and stipends tested, we found that they met the requirements for which we tested. We found no exceptions

for the tested professional liability insurance reimbursements, TSA PreCheck program reimbursements,¹ life cycle stipends, and initial out-stationed employee stipends. The following summarizes the exceptions identified in the other 22 reimbursements and stipends tested. During our audit, we provided FHFA management with the details of each exception identified.

Professional Licensing and Certification Reimbursements (Six Transactions)

Policy 113 authorizes reimbursement to fees charged by one state or licensing body for the same type of license or certification and prohibits discretionary membership fees. For 6 of 37 tested professional licensing and certification reimbursements, the employees were paid for multiple licenses or membership fees outside the authority of Policy 113. The total amount of these exceptions was \$785.

Gym Membership Reimbursements (Three Transactions)

Policy 113 requires FHFA employees stationed at Fannie Mae or Freddie Mac facilities to submit paid receipts to OHRM in support of their claim for their fitness center access fees. For 3 of 10 tested reimbursements totaling \$900, the FHFA employees did not submit receipts. For one of the exceptions, the employee submitted a credit card receipt, but the vendor's name was not included nor was there a detailed description of the fees charged.

Travel Stipends (Eight Transactions)

As discussed earlier, Policy 113 authorizes FHFA to pay employees who travel at least 50 nights per year an annual stipend of \$2,000; it allows FHFA to pay an additional \$50 per night stipend for each night over 50 nights the employee spends away from home for work. Although not stated in policy, we were informed, in writing, by a senior Agency official that FHFA, in calculating the travel stipends, excludes nights out for external training from the calculation. For 3 of 11 tested travel stipends, we found that this practice was not followed: nights out for external training were included in the stipend calculation. The stipend amounts paid to the affected employees for these nights out were \$150, \$400, and \$450. We also found that 6 stipends were miscalculated, resulting in overpayments of \$1,900 and underpayments of \$200.²

¹ Of the six tested TSA PreCheck program reimbursements, three were for the Global Entry program, a separate TSA expedited traveler screening program that costs nominally more (\$15) than TSA PreCheck. We consider these reimbursements not to be exceptions.

² A stipend for one employee included both nights out for external training and a miscalculation of the other nights out.

Quarterly Out-Stationed Employee Stipends (Four Transactions)

For 3 of 24 tested quarterly out-stationed employee stipends, FHFA was unable to provide a copy of the required properly executed Out-Stationed Employee Agreement.³ In addition, FHFA did not provide documentation to support how it prorated another out-stationed employee stipend.

EIC Stipends (One Transaction)

For 1 of 5 tested EIC stipends, we found one employee was overpaid \$484 for the EIC stipend in fiscal year 2019 for her tenure as a non-executive EIC during the prior fiscal year. FHFA’s Policy 113 requires the Agency to prorate the EIC stipend based on the number of days the employee held the position of a non-executive EIC during the prior fiscal year, which for the affected employee was October 1, 2017, to April 14, 2018. The Agency paid \$3,149 for the EIC stipend. However, based on our recalculation of the prorated stipend, the amount should have been \$2,685.

FINDING

FHFA Did Not Always Follow its Written Policy for Employee Reimbursements and Stipends; FHFA’s Practice for Calculating the Travel Stipend Was Not Stated in its Policy Nor Consistently Followed

We found the following exceptions to FHFA’s Policy 113 for the tested reimbursements and stipends during fiscal year 2019:

- Six professional licensing and certification reimbursements totaling \$785 included reimbursements for licenses or membership fees not authorized by Policy 113;
- Three gym membership reimbursements totaling \$900 were not supported by written receipts;
- Six travel stipends were miscalculated resulting in overpayments of \$1,900 and underpayments of \$200;

³ FHFA did provide us with copies of the three employees’ SF-50, Notification of Personnel Action, that supported the employees’ duty station as the same city as the employees’ residence, so we did not consider these exceptions to be overpayments. However, an SF-50 is not the documentation required by FHFA’s Policy 113 and OHRM’s Reimbursements and Stipends Processing Standard Operating Procedure to support the stipend. Two of the three stipends related to the same employee.

- Three quarterly out-stationed employee stipends were paid without the required, properly executed Out-Stationed Employee Agreement and the calculation of a prorated quarterly out-stationed payment was not supported; and
- One EIC stipend was miscalculated resulting in an overpayment of \$484.

We determined that these exceptions were not systemic.

We found for the travel stipend, FHFA’s practice was not stated in its Policy 113, and that practice was also not consistently followed. Specifically, the Agency’s practice, not stated in policy, was to reduce employees’ travel stipends for nights out for external training. This practice was applied in most, but not all, of the travel stipends we tested.

CONCLUSION.....

We found that during fiscal year 2019, FHFA’s controls over its reimbursements and stipends program were not always effective. While we identified a number of exceptions to FHFA’s written Policy 113, we determined that the exceptions were not systemic. In our view, these exceptions occurred with sufficient frequency to warrant heightened management attention to program requirements.

We have no view about the terms that FHFA puts in place for its travel stipend regarding nights out for external training. Whatever practice FHFA adopts, however, should align with its written policy.

RECOMMENDATIONS.....

We recommend that FHFA:

1. Reinforce FHFA’s reimbursements and stipends program policies and procedures through a reminder to FHFA staff and supervisors involved in initiating, reviewing, and approving reimbursements and stipends to:
 - Reimburse employees for only eligible job-related expenses with required, supporting documentation,
 - Calculate travel and EIC stipends correctly, and
 - Maintain properly executed out-stationed employee agreements.

2. Update Policy 113 to align with management’s intent and practice.
3. Determine and take appropriate action to address the exceptions cited in this report for which the details were separately provided to FHFA management during the audit, e.g., reimburse employees who were underpaid based on Policy 113, seek reimbursement from employees who were overpaid based on Policy 113, and/or obtain the necessary documentation for reimbursements and stipends that lacked the proper support.

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA an opportunity to respond to a draft of this audit report. In its management response, which is included in the Appendix to this report, FHFA agreed with our three recommendations. As corrective actions, FHFA plans to:

1. Remind FHFA staff and supervisors who are involved in initiating, reviewing, and approving reimbursements and stipends about the applicable program policies and procedures by December 31, 2020.
2. Review Policy 113 and update it or issue additional guidance as appropriate by December 31, 2020.
3. Review the individual instances cited in the report and decide if action is appropriate by July 30, 2020. If action is warranted, OHRM will complete the appropriate transactions by September 30, 2020.

We consider FHFA’s planned corrective actions responsive to our recommendations.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether (1) FHFA’s controls over the reimbursements and stipends program were operating effectively and (2) program payments were supported. The scope of the audit focused on FHFA’s policy and procedures over its reimbursements and stipends program and FHFA’s program payments between October 1, 2018, and September 30, 2019 (fiscal year 2019).

To address our objectives, we:

- Researched applicable policies and procedures applicable to FHFA’s reimbursements and stipends program;
- Reviewed OMB Circular A-123, *Management’s Responsibility for Enterprise Risk Management and Internal Control* and GAO’s *Standards for Internal Control in the Federal Government*;
- Determined the dollar amounts, number of transactions, and other relevant data for FHFA’s reimbursements and stipends program for fiscal year 2019;
- Interviewed FHFA’s OHRM staff and other appropriate officials responsible for FHFA’s reimbursements and stipends program about (a) the nature and extent of monitoring they perform over the program and (b) whether and how management communicates to employees and approving officials its views on the proper use of Agency funds for the program;
- Determined whether FHFA and/or a third-party service provider conducted any compliance testing of FHFA’s reimbursements and stipends program;
- Reviewed GAO’s report on its audit of FHFA’s financial statements for fiscal year 2019 and inquired of its staff about the scope and results of any testing of the program done for the audit;
- Selected all 595 life cycle stipend transactions totaling \$595,000, and randomly selected a sample of 122 transactions totaling \$137,530 of reimbursements and other types of stipends from the universe of 558 such reimbursements and stipends totaling \$459,618 that were paid by FHFA for fiscal year 2019. For the 717 selected reimbursements and stipends, we tested for compliance with applicable provisions of FHFA’s Policy 113;

- Assessed the reliability of data received for this audit by (1) reviewing the data for obvious errors and incompleteness, (2) reviewing existing information about the data and the systems that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report; and
- Assessed the Agency’s internal controls related to the reimbursements and stipends program. Specifically, we evaluated the program’s control activities and monitoring.

We conducted this performance audit between October 2019 and March 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Marla Freedman, Deputy Inspector General for Audits

FROM: Andrew Wasilisin, Human Resources Director *JM for AW*

SUBJECT: Draft Audit Report: *For Fiscal Year 2019, FHFA Did Not Always Follow its Policy for Employee Reimbursements and Stipends; FHFA's Practice for Calculating Employee Travel Stipends Was Not Stated in its Policy Nor Consistently Followed*

DATE: 3/24/2020

Thank you for the opportunity to respond to the subject draft audit report. The Office of Inspector General (OIG) reviewed the Federal Housing Finance Agency's (FHFA) policy and procedures over its reimbursements and stipends program and program payments. The OIG identified exceptions to FHFA's policy but determined that the exceptions were not systemic. Our response to the recommendations are below:

Recommendation No. 1: *Reinforce FHFA's reimbursements and stipends program policies and procedures through a reminder to FHFA staff and supervisors involved in initiating, reviewing, and approving reimbursements and stipends to:*

- *Reimburse employees for only eligible job-related expenses with required, supporting documentation,*
- *Calculate travel and EIC stipends correctly, and*
- *Maintain properly executed out-stationed employee agreements.*

Management Response: FHFA agrees with the recommendation. The Office of Human Resources Management (OHRM) will remind FHFA staff and supervisors who are involved in initiating, reviewing, and approving reimbursements and stipends about the applicable program policies and procedures. OHRM will send reminders by the end of the calendar year.

Recommendation No. 2: *Update Policy 113 to align with management's intent and practice.*

Management Response: FHFA agrees with the recommendation. OHRM will review Policy 113 and update it or issue additional guidance as appropriate by the end of the calendar year.

Recommendation No. 3: *Determine and take appropriate action to address the exceptions cited in this report for which the details were separately provided to FHFA management during the audit, e.g., reimburse employees who were underpaid based on Policy 113, seek reimbursement from employees who were overpaid based on Policy 113, and/or obtain the necessary documentation for reimbursements and stipends that lacked the proper support..*

Management Response: FHFA agrees with the recommendation. OHRM will review the individual instances cited in the report and decide if action is appropriate by July 30, 2020. If action is warranted, OHRM will complete the appropriate transactions by September 30, 2020.

If you have any questions relating to our response, please do not hesitate to call me at (202) 649-3730.

ADDITIONAL INFORMATION AND COPIES.....

For additional copies of this report:

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