

Federal Housing Finance Agency
Office of Inspector General



**FHFA Followed Its Guidance When
Making Conservatorship Decisions
But Needs to Improve Retention of
Decision Documentation and Update
the Conservatorship Decision Policy
and Procedures**

Audit Report • AUD-2023-003 • March 29, 2023



AUD-2023-003

March 29, 2023

Executive Summary

As conservator of Fannie Mae and Freddie Mac (the Enterprises), the Federal Housing Finance Agency (FHFA or Agency) has the authority to make day-to-day and long-term business, managerial, governance, and strategic decisions for the Enterprises to preserve and conserve their assets and property and restore them to a sound and solvent condition. FHFA has provided for the exercise of certain functions and authorities by the Enterprises' Boards of Directors. However, FHFA exercises decision-making authority over the Enterprises through conservatorship orders, directives, and a process defined in its Letter of Instruction (LOI) to each Enterprise board, by which the Enterprises must submit certain business matters to FHFA for consideration and determination before taking action.

FHFA conservatorship decision-making requires a cross-divisional effort. The Division of Conservatorship Oversight and Readiness (DCOR) assists the FHFA Director in exercising FHFA's authority as conservator. DCOR receives Enterprise submissions, coordinates analysis with responsible FHFA divisions, facilitates the FHFA conservatorship decision-making process, and engages in certain monitoring and surveillance on behalf of the Agency.

We conducted this audit to determine whether FHFA followed its policies and procedures when making conservatorship decisions. The scope of this audit covered FHFA's conservatorship decisions and processes from July 1, 2020, to June 30, 2022 (audit period).

FHFA made conservatorship decisions in accordance with its conservatorship decision policy and procedures. Our review of supporting documentation for a sample of 40 conservatorship decisions made during our audit period found that FHFA analyzed, approved, and documented 37 of the decisions as required. In addition, as required by its conservatorship decision policy and procedures, FHFA performed conservatorship monitoring and surveillance during the audit period.

We found three decisions in our sample for which FHFA could not provide documentation supporting the required FHFA Director approval or required analysis supporting the decision. Accordingly, FHFA cannot provide full transparency regarding the suitability of these decisions or assign accountability for their approval. FHFA officials told us they could not locate the relevant records and the FHFA officials who analyzed or approved these decisions were no longer with the Agency or had since transitioned out of the office responsible for the analysis.



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We also found several instances in which FHFA's conservatorship decision policy and procedures did not align with FHFA's current practices or lacked clarity. FHFA developed the conservatorship decision policy and procedures in early 2018 following its December 2017 LOI revision. The policy and procedures have not been substantially revised since that time even though FHFA's practices, especially those related to decision approval authorities and conservatorship monitoring and surveillance, have evolved. Policies and procedures that are not clear, complete, and consistent with current practice may result in conservatorship decisions that are not analyzed or approved, and monitoring activities that are not performed and documented, in accordance with FHFA management's intentions.

We made two recommendations in this report. In a written management response, FHFA agreed with our recommendations.

This report was prepared by Jim Lisle, Audit Director; April Ellison, Audit Manager; and Mike Rivera, Auditor-in-Charge; with assistance from Abdil Salah, Assistant Inspector General for Audits. 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.fhfaoig.gov, and www.oversight.gov.

James Hodge, Deputy Inspector General for Audits /s/

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ABBREVIATIONS

CSS	Common Securitization Solutions, LLC
DCOR	Division of Conservatorship Oversight and Readiness
Enterprises	Fannie Mae and Freddie Mac
FHFA or Agency	Federal Housing Finance Agency
LOI	FHFA Letter of Instruction to the Enterprises
OIG	Federal Housing Finance Agency Office of Inspector General
STAR	Status Tracking and Reporting

BACKGROUND

The Conservatorship Committee and DCOR Assist the FHFA Director in Exercising FHFA’s Conservatorship Authority

The FHFA Director chairs the Conservatorship Committee, which, according to its charter, meets regularly (typically weekly as noted by an FHFA official) to review and decide on conservatorship matters.¹

DCOR receives Enterprise requests for decisions and tracks these and resulting decisions in FHFA’s Status Tracking and Reporting (STAR) system. DCOR develops the Conservatorship Committee agenda and provides it with regular reports on the status of outstanding conservatorship requests. Typically, the FHFA division or office responsible for the subject of the Enterprise request will review the matter and provide recommendations based on their analysis. DCOR maintains FHFA’s conservatorship decision policy and procedures, which guide FHFA divisions and offices on the conservatorship decision process, and coordinates with these divisions and offices on their analysis of conservatorship matters.²

Further, DCOR monitors the Enterprise board, business line, and risk meetings to identify Enterprise business activity and proposed actions that may warrant FHFA conservator decision.

Conservatorship and CSS Decision Types

FHFA’s conservatorship decision policy and procedures define the types of analysis needed to support the decision types, establish approval authorities (typically, the FHFA Director approves conservatorship decisions), and describe the processes for communicating the decisions. FHFA uses the following types of decisions to exercise its conservatorship

¹ FHFA first issued the Conservatorship Committee Charter in July 2009. FHFA revised the charter in July 2014, May 2015, and again on October 16, 2020. In addition to the FHFA Director, the committee is comprised of Deputy Directors from DCOR, the Division of Housing Mission and Goals, Division of Enterprise Regulation, Division of Accounting and Financial Standards, and the Division of Research and Statistics, as well as the General Counsel, Special Advisors to the Director, Chief of Staff, and the Director of the Office of Minority and Women Inclusion.

² FHFA issued Policy No. 1101, Conservatorship Decision Policy, and Policy No. 1101, Conservatorship Decision Procedures, both on April 16, 2018, and last updated on October 16, 2020.

authority over the Enterprises and its related authority over the Common Securitization Solutions, LLC (CSS):³

- *Conservatorship Orders* – FHFA issues orders to each Enterprise providing certain authorizations to their Boards of Directors. FHFA also issues conservatorship orders that instruct the Enterprises to take, not to take, or to cease specific action or course of action at a particular point in time or, if necessary, to maintain a course of action.⁴
- *Conservatorship Directives* – FHFA issues directives to the Enterprises to set forth significant policy determinations by FHFA as conservator and provide specific direction to undertake separate or joint actions.
- *Conservatorship Determinations* – FHFA issues determinations in response to Enterprise requests for decision or notification pursuant to the LOI issued to the Enterprise’s board.⁵ The LOI addresses three types of conservatorship matters:
 - LOI Part A matters affect certain Enterprise fundamental corporate activities and require an FHFA conservator decision and consent by or consultation with the U.S. Department of the Treasury, in accordance with requirements of the Senior Preferred Stock Purchase Agreements, before the Enterprise takes action.⁶

³ FHFA’s conservatorship decision policy and procedures also include conservatorship scorecard submissions as a conservatorship decision category. However, our audit did not review scorecard submissions because an FHFA official told us that they are reviewed separately. We recently conducted an evaluation to assess FHFA’s policies and practices for establishing scorecard goals and metrics and evaluating and reporting on scorecard goal performance. See OIG, [FHFA’s Public Reporting of the Enterprises’ Progress Toward the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting](#) (March 17, 2022) (EVL-2022-002).

⁴ During our audit period, FHFA did not issue any orders.

⁵ FHFA issued initial LOIs in November 2008, shortly after placing the Enterprises into conservatorship. FHFA revised and replaced the 2008 LOIs in November 2012 and again in December 2017.

⁶ The Senior Preferred Stock Purchase Agreements were executed on September 7, 2008, and amended thereafter. They describe the terms by which the U.S. Department of the Treasury provides the Enterprises with financial support, including delineating transactions that require Treasury approval. To illustrate, some Part A matters listed under the LOI include payment of dividends; issuance of subordinated debt; entering into a merger or consolidation with another entity; and sale, transfer, or other disposition of certain assets.

- LOI Part B matters include changes that may result in a significant increase in risk to the Enterprise and require an FHFA conservator decision before the Enterprise takes action.⁷
- LOI Part C matters include those that represent a significant change in current business practices, operations, policies, or strategies not addressed in Parts A and B of the LOI. These matters require that the Enterprise provide timely notice of the activities. The Enterprise is free to move forward with the proposed action 15 calendar days after notification unless FHFA notifies the Enterprise otherwise.⁸
- *CSS Decisions* – FHFA exercises authority over CSS in FHFA’s capacity as regulator and supervisor of CSS and as conservator of the Enterprises. CSS makes requests on “significant matters” that require an FHFA decision before CSS takes action.
- *Guidance Decisions* – FHFA occasionally issues clarifications or guidance to the Enterprises that do not set requirements.

FACTS AND ANALYSIS

FHFA Made Conservatorship Decisions Following Its Guidance, but Needs to Improve Retention of Documentation Supporting Its Decisions and Update Its Guidance to Align with Its Current Practices

We found that FHFA made conservatorship decisions in accordance with its policy and procedures and performed conservatorship monitoring activities. Specifically:

- FHFA made and documented conservatorship and CSS decisions per its guidance for 37 of 40 decisions in our sample.⁹ For each of these 37 decisions, FHFA accurately

⁷ Some Part B matters include changes to or removal of board risk limits that would increase the amount of risk the Enterprise may take; increasing the compensation to Enterprise board members; and proposed changes in the business operations, activities, and transactions that are more likely than not to result in a significant increase in credit, market, reputational, operational, or other key risks. Certain Part B matters require Enterprise board approval before submission to FHFA.

⁸ FHFA may escalate Part C notices to require FHFA conservator decision under LOI Part B including instances where FHFA determines the proposed action is likely to result in a significant increase in risk, or if the proposed action is considered highly visible, unusual, or otherwise important. The count of calendar days begins on the first business day after notification.

⁹ Our sample included: 25 LOI Part B determinations, 10 directives, 4 CSS decisions, and 1 guidance decision. For further details of the sample selection, see the Objective, Scope, and Methodology section of this report.

recorded the matter in the STAR system; developed appropriate analysis to support the decision; obtained the required FHFA management approval; and communicated the decision to the Enterprise, or CSS, in accordance with established processes.

- FHFA accurately recorded all 25 LOI Part C matters in our sample in the STAR system.
- FHFA staff performed conservatorship monitoring and surveillance. FHFA attended 35 out of 35 Enterprise board, business line, and risk meetings in our sample of monitoring activities occurring during our audit period.
- DCOR staff accurately reported outstanding conservator decision requests to the Conservatorship Committee on its June 23, 2022, executive summary report.

We also found that FHFA did not properly retain supporting documentation for all of its decisions and that FHFA's conservatorship decision policy and procedures did not fully align with FHFA's current practices.

FHFA Did Not Properly Retain Supporting Documentation for 3 of the 40 Decisions in our Sample, as Required by Its Conservatorship Guidance and Records Retention Schedule

FHFA's conservatorship decision policy and procedures state that FHFA divisions and offices involved in the conservatorship decision-making process will maintain records collected, prepared, or produced in connection with conservatorship decisions in accordance with FHFA's Comprehensive Records Schedule. FHFA's Comprehensive Records Schedule identifies conservatorship decision files¹⁰ as permanent records.

FHFA did not properly retain all conservatorship documentation for three decisions – two directives and one CSS decision – in our sample. For one directive and one CSS decision, FHFA could not provide any analysis supporting the decision or documentation of the FHFA Director's approval. For the other directive, FHFA provided supporting analysis but no documentation of the FHFA Director's approval. Accordingly, FHFA cannot provide full transparency regarding the suitability of these decisions or assign accountability for their approval.

FHFA officials told us they could not locate the relevant records and the FHFA officials who analyzed or approved these decisions were no longer with the Agency or had since

¹⁰ FHFA's Comprehensive Records Schedule states that conservatorship decision files are records documenting and supporting the conservatorship activities conducted by FHFA. The schedule requires FHFA to retain these files for 30 years. After 30 years, FHFA must transfer these files to the National Archives and Records Administration.

transitioned out of the office responsible for the analysis. Further, FHFA does not have a centralized document management system or quality control review process to ensure that all conservatorship decision records are timely documented and maintained. Instead, FHFA requires individual divisions and offices to maintain certain conservatorship decision-making documentation, such as staff analyses supporting the conservator decisions.

FHFA's Conservatorship Decision Policy and Procedures Do Not Fully Align with FHFA's Current Practices and Lack Clarity for Certain Decision-Making Processes

We found several instances where FHFA's conservatorship decision policy and procedures contained procedures that did not align with FHFA's current practices or lacked clarity.¹¹ For example, we found that the policy and procedures:

- Require the FHFA Director to approve directives and decisions on matters submitted by CSS; however, it is FHFA's current practice to allow the responsible Deputy Director to approve a directive or CSS decisions in certain cases.
- Do not establish guidelines for documenting and communicating, to FHFA senior executives, key takeaways identified during conservatorship monitoring and surveillance activities. We found that the maintenance of such documentation was inconsistent.
- Do not define guidance decisions or establish requirements for their analysis, approval, and issuance. We identified one instance in our sample where a guidance decision was issued.
- Do not establish a process to de-escalate LOI decision requests when needed. We identified one instance, approved by senior management, where an LOI Part B submission was de-escalated to an LOI Part C submission.

FHFA developed the conservatorship decision policy and procedures in early 2018 following the December 2017 LOI revision but they have not been substantially revised since that time, even though FHFA's practices have evolved.¹² Policies and procedures that are not clear,

¹¹ *Standards for Internal Control in the Federal Government* (Green Book) states that management (1) documents policies in the appropriate level of detail to allow management to effectively monitor the control activity; (2) communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities; and (3) periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.

¹² The conservatorship decision policy and procedures reflected an effective date of October 2020; however, an FHFA official told us that they were re-issued in October 2020 under the then-FHFA Director's signature, but that FHFA did not make substantive changes at that time to align them with current practice.

complete, and consistent with current practice may result in conservatorship decisions that are not analyzed or approved, and monitoring activities that are not performed and documented, in accordance with FHFA management’s intentions.

FHFA officials acknowledged that its conservatorship decision policy and procedures were not in alignment with its current practices and that there were opportunities to provide clarity. These officials stated that FHFA started to update the conservatorship decision policy and procedures in June 2022 but paused this effort once we announced this audit. FHFA wanted to consider the results of our audit before finalizing any updated procedures.

FINDINGS

- FHFA did not properly retain supporting documentation for 3 of the 40 conservatorship decisions in our sample, as required by its conservatorship guidance and records retention schedule.
- FHFA’s conservatorship decision policy and procedures did not align with FHFA’s current practices and lacked clarity for certain decision-making processes.

CONCLUSIONS

FHFA made conservatorship decisions in accordance with its conservatorship decision policy and procedures and performed conservatorship monitoring and surveillance. We found certain instances where FHFA’s document management and retention practices adversely impacted FHFA’s ability to demonstrate its rationale for certain decisions. We also found that FHFA’s current policies and procedures increase the risk that conservatorship decision activity would not be conducted in accordance with FHFA management’s intentions.

RECOMMENDATIONS

We recommend the Deputy Director, DCOR:

1. Reiterate the requirements for documenting conservatorship decisions to all responsible offices. Further, DCOR should evaluate FHFA’s conservatorship decision document management practices and assess the feasibility of improvements such as implementing a pre-issuance quality control review of responsible offices’

conservatorship decision documentation and implementing a centralized conservatorship decision documentation management system.

2. Update FHFA's conservatorship decision policy and procedures to align with current practice and:
 - a. Provide clarity on approval authorities for issuing conservatorship directives and CSS decisions.
 - b. Provide guidance on performing and documenting monitoring and surveillance activities.
 - c. Establish procedures for issuing guidance decisions.
 - d. Establish procedures describing FHFA's practice to de-escalate LOI decision requests.

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA management an opportunity to respond to a draft of this audit report. FHFA management provided a technical comment on the draft report and that comment was considered in finalizing this report. FHFA management also provided a written management response, which is included as an Appendix to this report. In its management response, FHFA agreed with our recommendations and included the following planned corrective actions:

1. By January 31, 2024, DCOR will consult with other stakeholders on document management practices and assess the feasibility of improvements. By February 29, 2024, DCOR will hold a training for the FHFA offices involved in the conservatorship decision process that will reiterate the importance of documenting decisions, including all analysis, supporting documentation, and evidence of the Director’s approval.
2. By January 31, 2024, FHFA will update its conservatorship decision policy and procedures to provide greater clarity on the approval authorities for issuing conservatorship directives and CSS decisions and to document the established practice for issuing guidance decisions and de-escalating LOI decision requests. By this same date, DCOR will also establish guidance for performing and documenting DCOR’s surveillance of each Enterprise’s board and management oversight activities. DCOR’s training to be held by February 29, 2024, will cover the updated policy and procedures.

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

OBJECTIVE, SCOPE, AND METHODOLOGY

Our audit objective was to determine whether FHFA followed its policies and procedures when making conservatorship decisions. The scope of this audit covered FHFA’s conservatorship decisions and processes from July 1, 2020, to June 30, 2022 (audit period).

To accomplish our objective, we:

- Reviewed Government Accountability Office, *Standards for Internal Control in the Federal Government*, GAO-14-704G (September 2014), and determined that the control activities and information and communications components of internal control were significant to this objective, focusing on the underlying principles that management should design and implement control activities through policies and use quality information to achieve its objectives.
- Assessed the following FHFA conservatorship policies, procedures, and guidance and determined the extent to which these policies, procedures, and guidance were consistent with internal control standards:
 - FHFA, Policy No. 1101, Conservatorship Decision Policy (April 16, 2018; last updated October 16, 2020)
 - FHFA, Policy No. 1101, Conservatorship Decision Procedures (April 16, 2018; last updated October 16, 2020)
 - FHFA, Conservatorship Committee Charter (May 26, 2015; last updated October 16, 2020)
- Reviewed prior OIG reports related to FHFA’s conservatorship:
 - OIG, [*FHFA Could Enhance the Efficiency of the Agency’s Oversight of Enterprise Executive Compensation by Ensuring Sufficient Human Capital Resources and Updating Procedures*](#) (September 27, 2022) (EVL-2022-003)
 - OIG, [*FHFA’s Public Reporting of the Enterprises’ Progress Toward the Objectives FHFA Set in the 2020 Conservatorship Scorecard Lacked the Detail and Transparency of Past Reporting*](#) (March 17, 2022) (EVL-2022-002)
 - OIG, [*Compliance Review of FHFA’s Handling of Fannie Mae’s Confidential Conservator Requests*](#) (July 21, 2021) (COM-2021-006)

- [OIG, *FHFA Letters of Instruction to the Enterprises*](#) (July 23, 2018) (WPR-2018-004)
- [OIG, *FHFA's Conservator Approval Process for Fannie Mae and Freddie Mac Business Decisions*](#) (September 27, 2012) (AUD-2012-008)
- Interviewed DCOR personnel to gain an understanding of FHFA's conservatorship decision processes and the use of the STAR system to record conservatorship decisions.
- Compared FHFA's conservatorship guidance to FHFA's Principles of Corporate Governance in Conservatorship, Conservatorship Order No. 2018-002, *Functions and Authorities of the Board of Directors and its Members*, and the 2017 LOIs to the Enterprises; and assessed whether FHFA conservatorship guidance was consistent with and provided FHFA employees with key procedures to meet the objectives of the three aforementioned documents.
- Selected a judgmental sample of documentation for FHFA's attendance at 17 Enterprise board meetings out of a population of 41 board meetings and 18 Enterprise business line and risk meetings out of a population of 158 meetings for two of the eight quarters in our audit period. We reviewed the documentation to determine whether: FHFA attended the range of meetings required by the conservatorship guidance; the range of meetings attended made it likely that FHFA would identify matters that require conservatorship decision or notification; and Enterprise submission for conservatorship decision was initiated for identified concerns.
- Reviewed a STAR system report of the population of conservatorship decisions issued or closed during our audit period and evaluated completeness by:
 - Selecting a judgmental sample of three months of emails received by the FHFA Conservator Email from a population of 24 months in our audit period and reconciling these emails to the conservatorship decision requests entered into the STAR system for those months.
 - Confirming the number of orders and directives with FHFA personnel.
 - Assessing the list of FHFA staff who had read/write access to the STAR system to determine whether they had a valid data entry need.
- Analyzed the universe of 1,826 conservatorship entries recorded in the STAR system during our audit period and identified a population of 823 conservatorship decisions subject to our audit review. We excluded 1,003 entries from the population, including

440 scorecard-related submissions and 436 reports that were routine deliverables and did not require a decision; 31 requests for the Office of Congressional Affairs and Communications that were not substantive business decisions; 25 executive compensation requests that were subject to review in a recent OIG evaluation (see EVL-2022-03 referenced above); and 71 withdrawn requests for which no decision was made.

- Selected a judgmental sample of supporting documentation for 40 conservatorship decisions FHFA made during our audit period including 10 directives from a population of 97; 25 LOI Part B determinations from a population of 189; 4 CSS decisions from a population of 45 decisions categorized as “Other”; and 1 guidance decision from a population of 1. For each, we tested the decision documentation to determine whether it was consistent with STAR system information; staff analyses were prepared; Enterprise data used to make the decision was independently validated or reviewed for reasonableness; issues raised during the review process were addressed; proper approvals were obtained; and communication of the decision was consistent with the approval.
- Selected a judgmental sample of 25 LOI Part C decisions from a population of 491. We reviewed these LOI Part C notifications to determine whether they were accurately reported in the STAR system. We performed a limited review of the notification information to determine whether it was reasonable that the matter did not rise to the level of a Part B decision.
- Reconciled the Conservatorship Committee executive summary report as of June 23, 2022, to the STAR system report to determine whether DCOR reported accurate information to the Conservatorship Committee regarding the open LOI Part B and C matters and the number of days outstanding.
- Analyzed the STAR system report of conservatorship decisions during our audit period and assessed the overall timeliness of conservatorship decisions.

We conducted this performance audit from July 2022 to March 2023 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.....

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Federal Housing Finance Agency

MEMORANDUM

TO: James Hodge, Deputy Inspector General for Audits

FROM: Jason Cave, Deputy Director, Division of Conservatorship Oversight and Readiness (DCOR) **Cave, Jason**

SUBJECT: Draft Audit Report: *FHFA Followed Its Guidance When Making Conservatorship Decisions But Needs to Improve Retention of Decision Documentation and Update the Conservatorship Decision Policy and Procedures*

DATE: March 22, 2023

Digitally signed by Cave,
Jason
Date: 2023.03.22
14:10:18 -04'00'

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft report. The objective of OIG's audit review was to determine whether FHFA followed its policies and procedures when making conservatorship decisions. While the report concluded that FHFA made conservatorship decisions in accordance with its conservatorship decision policy and procedures, it also found areas for improvement and offers two recommendations. As outlined below, FHFA agrees with both the recommendations.

Recommendation 1: *Reiterate the requirements for documenting conservatorship decisions to all responsible offices. Further, DCOR should evaluate FHFA's conservatorship decision document management practices and assess the feasibility of improvements such as implementing a pre-issuance quality control review of responsible offices' conservatorship decision documentation and implementing a centralized conservatorship decision documentation management system.*

Recommendation 2: *Update FHFA's conservatorship decision policy and procedures to align with current practice and:*

- a. Provide clarity on approval authorities for issuing conservatorship directives and CSS decisions.*
- b. Provide guidance on performing and documenting monitoring and surveillance activities.*
- c. Establish procedures for issuing guidance decisions.*
- d. Establish procedures describing FHFA's practice to de-escalate LOI (Letters of Instruction) decision requests.*

Management Response for Recommendation 1 and 2: FHFA agrees with both the recommendations and will complete the following actions.

By January 31, 2024, FHFA (DCOR in collaboration with stakeholders across the agency) will update its *Conservatorship Decision Policy* and *Conservatorship Decision Procedures* to provide greater clarity on the approval authorities for issuing conservatorship directives and CSS decisions. This update will document the established practice for issuing guidance decisions and for de-escalating LOI decision requests. DCOR also will consult with other stakeholders on document management practices and assess the feasibility of improvements.

By February 29, 2024, DCOR will hold a training covering the new *Conservatorship Decision Policy* and *Conservatorship Decision Procedures*, the LOI, and Status Tracking and Reporting (STAR) system for the FHFA offices involved in the conservatorship decision process. This training will reiterate the importance of documenting decisions, including all analysis and supporting documentation, as well as retaining evidence of the Director's approval for all decisions.

By January 31, 2024, DCOR will also establish guidance for performing and documenting DCOR's surveillance of each Enterprise's board and management oversight activities. Since this guidance is specific to DCOR and separate from the cross-divisional conservatorship decision-making process, this guidance will be established separately.

I would like to acknowledge the dedication and professionalism by the OIG staff who conducted this audit. We find the report and its conclusions valuable in continuing to enhance our conservatorship oversight process. If you have any questions relating to our response, please contact me or Lindsay Rosenquist Burns.

cc: Edom Aweke
John Major
Lindsay Rosenquist Burns

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