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## MEMORANDUM

TO: James Hodge, Deputy Inspector General for Audits

FROM: Joshua Stallings, Deputy Director, Division of FHLBank Regulation **JOSHUA STALLINGS**

SUBJECT: Draft Audit Report: *DBR Conducted Effective Oversight of the FHLBanks' Management of Third-Party Provider Risks But Did Not Fully Document Sampling in Examination Workpapers (OA-24-002)*

DATE: March 20, 2024

Digitally signed by  
JOSHUA STALLINGS  
Date: 2024.03.20  
16:28:59 -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 was to determine whether the Division of FHLBank Regulation's (DBR) oversight was effective for ensuring that the FHLBanks managed third-party provider risks. While the report concluded that DBR conducted effective oversight to ensure that the FHLBanks managed third-party provider risks, it identified an area for improvement and offered a recommendation. As outlined below, FHFA agrees with the recommendation.

**Recommendation:** *Re-enforce Examination Practices Bulletin (EPB) 2014-01 requirements to the examination staff through reminders, training, or other forms of communication that conveys requirements for documenting sampling approaches, supervisory review of these approaches, and testing results.*

**Management Response:** FHFA agrees with the recommendation. DBR will remind examination staff of the requirements in EPB 2014-01 for documenting sampling approaches, supervisory review of these approaches, and testing results. DBR will complete this reminder by training or through email communication to all DBR examination staff by July 31, 2024.

We 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 supervisory program. If you have any questions relating to our response, please contact Ed Stolle.

cc: John Major  
Mark David  
Ed Stolle

