

Federal Housing Finance Agency
Office of Inspector General



**Contrary to OMWI's FY 2016-2018
Strategic Plan, FHFA Developed and
Implemented Internal Diversity
Standards to Which it Does Not
Adhere Fully, and it Has Not
Established a Financial Literacy
Program**



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2022

Executive Summary

In 2015, in response to a request from members of the U.S. House of Representatives, we conducted an evaluation that recommended the Federal Housing Finance Agency (Agency or FHFA) implement a diversity and inclusion (D&I) strategic plan. FHFA's Office of Minority and Women Inclusion (OMWI) subsequently adopted a Strategic Plan for FY 2016-2018 (Strategic Plan) in which it committed to develop D&I and Equal Employment Opportunity (EEO) standards for recruitment, hiring, and retention practices (collectively, EEO Standards) and for increased participation of minorities, women, and underrepresented groups in Agency programs and contracts (collectively, the Contractor Outreach Program Standards, or Contracting Standards). The Strategic Plan also committed the Agency to create a financial literacy program and to perform outreach to promote financial literacy education. These commitments echoed mandates included in the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank).

This compliance review assessed whether the Agency met the Strategic Plan's commitments. We found that the Agency developed and implemented the EEO Standards and Contracting Standards, though OMWI data shows that the Agency does not adhere fully to them.

We also found that the Agency has not created a financial literacy program. While OMWI worked to develop the program's curriculum, a former FHFA Director curtailed OMWI's efforts in 2016 and available evidence indicates that they have not been resumed in the five years since.

This report was prepared by David M. Frost, Assistant Inspector General, with assistance from Alisa Davis, Senior Policy Advisor. We appreciate the cooperation of FHFA staff, as well as the assistance of all those who contributed to the preparation of this report.

This report has been distributed to Congress, the Office of Management and Budget, and others and will be posted on our website, www.fhfa.org.

/s/

Brian W. Baker
Deputy Inspector General
Compliance & Special Projects

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ABBREVIATIONS

Agency or FHFA	Federal Housing Finance Agency
Contracting Standards	Contractor Outreach Program Standards
D&I	Diversity and Inclusion
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act
EEO	Equal Employment Opportunity
HSSIP	High School Scholars Internship Program
MWDOB	Minority-, Women-, and Disabled-Owned Businesses
OIG	Federal Housing Finance Agency Office of Inspector General
OMWI	Office of Minority and Women Inclusion
Strategic Plan	OMWI Strategic Plan FY 2016 – FY 2018

BACKGROUND.....

On March 24, 2014, nine members of the U.S. House of Representatives asked the Inspectors General of seven federal financial regulators—including FHFA—to review diversity and related workplace issues at their agencies. In response to that request, OIG initiated a study on diversity issues at FHFA. We issued our report on January 13, 2015.¹

We found that while OMWI had conducted training and initiated other efforts to increase diversity at FHFA, the Agency had not acted on some of OMWI’s proposals concerning diversity and workforce issues. For example, OMWI developed a draft D&I plan that the Agency had not finalized. One of our recommendations to remedy this problem was that FHFA should adopt a D&I strategic plan. The Agency accepted the recommendation and stated that it would “adopt a diversity and inclusion strategic plan by September 30, 2015.”

On August 20, 2015, the Agency reported to OIG that OMWI had produced its Strategic Plan and provided us with a copy. The Strategic Plan committed OMWI to “[d]evelop internal D&I and EEO standards required under HERA and the Dodd-Frank Act.”² To that end, OMWI stated that it would take the following steps:

- Develop D&I and EEO standards for FHFA’s recruitment, hiring, and retention practices.
- Develop standards to ensure the fair inclusion of minority- and women-owned businesses in FHFA programs and the contracts of the Agency.
- Develop standards for increasing the participation of demographically underrepresented groups in FHFA programs and contracts, where feasible.
- Develop a plan for implementing developmental opportunities and financial literacy programs, including outreach to minority- and women-serving organizations and educational institutions.
- Develop financial literacy program curricula geared to specific levels of education.

Upon review of OMWI’s Strategic Plan, we closed this recommendation on January 14, 2016.

¹ *Women and Minorities in FHFA’s Workforce*, EVL-2015-003 (Jan. 13, 2015).

² See 12 U.S.C. § 5452(b), (c), and (f).

DISCUSSION

We initiated this study to determine whether OMWI met the above-referenced objectives from its Strategic Plan.

1. OMWI Developed and Implemented EEO Standards, but FHFA Does Not Adhere Fully to Them

On August 12, 2016, OMWI issued “EEO Standards” that purportedly were intended to “facilitate the process of Agency accountability and make diversity and inclusion (D&I) and equality of opportunity intrinsic parts of the Agency’s culture.”³

On review, the EEO Standards, if implemented, appear to satisfy the Strategic Plan’s objective regarding the development of D&I and EEO standards for hiring, retention, and recruitment practices. Based upon this understanding, we then assessed whether the Agency had taken appropriate steps to implement and abide by the EEO standards.

Our review confirmed that FHFA did implement the EEO standards, with the Director’s formal approval of those standards in August 2016. On August 30, 2017, OMWI circulated the EEO Standards to Agency division heads. At the same time, OMWI established a working group, which included personnel “from across the Agency,” to assist with the EEO Standards’ implementation.

As stated in minutes of its initial meeting, the working group’s “first step” would be “to collect data on existing FHFA activities that may meet the EEO standards. This will enable the group to identify where the Agency is already meeting the Standards and to identify what future activities are needed to fully meet them.”

OMWI did not issue its “data call” until 2019. In it, OMWI sought information from Agency divisions on matters pertaining to recruitment and the employment “life cycle.” OMWI stated at the time that it hoped, through the data call, to establish a more detailed baseline on the Agency’s adherence to the EEO Standards since their implementation in 2016.

The collected data indicated that the Agency’s use of diversity data in its hiring and retention practices was inconsistent across its various divisions. Assessing these results, the OMWI Director stated that, despite OMWI’s efforts, the personnel in some Agency divisions might remain unaware of the EEO Standards. The OMWI Director further stated that a second data

³ The Agency’s EEO standards are included in Appendix 2. The term “EEO Standards” as used by the Agency and in the present report refers exclusively to these standards. Our review did not include—and this report does not address—the standards set forth in Title VII of the Civil Rights Act of 1964 (Pub. L. 88-352), as amended, which prohibits employment discrimination based on race, color, religion, sex, and national origin.

call will be necessary to measure any Agency improvement against the established baseline since 2019, but that OMWI has not set a date for issuing a follow-up data call. Thus, the evidence currently available to OMWI shows that FHFA does not adhere fully to the EEO Standards.

2. OMWI Also Developed and Implemented Contracting Standards, but FHFA Does Not Adhere Fully to Them

Per the Strategic Plan, OMWI also developed Contracting Standards. As with the EEO Standards, the Contracting Standards, if implemented, appear to satisfy OMWI's underlying commitment.

We then assessed whether the Agency had implemented the Contracting Standards. We found that FHFA did implement the Contracting Standards, starting with their review by Agency leadership and their formal approval by the Director on June 26, 2019. As it did with its EEO Standards, OMWI subsequently conducted a data call to create a baseline from which it could measure the Agency's performance against the Standards, "to help identify existing gaps between [FHFA's] current activities and the six key components of" the Contracting Standards.

The results of OMWI's data call indicated that the Agency was not adhering fully to the Contracting Standards in the following respects:

- Not all respondents across FHFA divisions knew whether the Agency had a formal supplier diversity program;
- Respondents were aware of supplier diversity metrics and objectives, but few were aware of how these were developed; and
- Most respondents identified some level of supplier diversity communication from contracting officers, but it was unclear what training procurement staff received on supplier diversity issues.

As with the data collected for the EEO Standards, the data collected by OMWI for the Contracting Standards indicates that FHFA does not adhere fully to them.

3. OMWI Worked to Develop a Financial Literacy Curriculum and an Internship Program, but Implemented Neither

In addition to assessing FHFA's adoption, implementation, and adherence to certain standards required by OMWI's Strategic Plan, this compliance review also considered whether FHFA has complied with Dodd-Frank's requirements that FHFA and other financial regulators,

“where feasible,” partner “with inner-city high schools, girls’ high schools, and high schools with majority minority populations to establish or enhance financial literacy programs and provide mentoring.”⁴

To satisfy these requirements, OMWI’s Strategic Plan committed to:

- Develop a plan for implementing developmental opportunities and financial literacy programs, including outreach to educational institutions and organizations serving women and minorities; and
- Develop financial literacy program curricula geared to specific levels of education.

We assessed whether OMWI had met these objectives. To do so, we requested and reviewed materials from the Agency, which reflected that OMWI had expended substantial efforts in 2016 to develop a financial literacy curriculum. We also found that the Agency detailed an employee with knowledge of financial literacy education to OMWI to assist in the curriculum’s development. Moreover, OMWI had taken steps to reach out to local public schools.

OMWI reports that, notwithstanding the steps taken above, FHFA halted its efforts to develop the financial literacy program in September 2016 after then-Director Watt concluded that there were “insufficient resources” to continue.⁵ OMWI states that, although it had not implemented an Agency financial literacy program, it sought (in 2019) to participate in the Washington, D.C.-area High School Scholars Internship Program (HSSIP). The HSSIP includes other federal financial regulators and, among other goals, seeks to help interns improve their financial literacy. FHFA did not participate in the program, however. OMWI states that the Agency hopes to begin participation in HSSIP during 2022.

While HSSIP—if FHFA does participate—may prove to be a useful “developmental opportunity” as set forth in OMWI’s Strategic Plan, it would not constitute implementation of the financial literacy curriculum OMWI developed pursuant to its Strategic Plan. For these reasons, FHFA has not met the OMWI Strategic Plan’s financial literacy objectives.

⁴ Codified at 12 U.S.C. § 5452(f)(5).

⁵ OMWI personnel note that Dodd-Frank requires FHFA to establish a financial literacy curriculum “where feasible” (*see* 12 U.S.C. § 5452(f)(5)) and state that former Director Watt did not find the curriculum feasible due to “insufficient resources.” However, OMWI’s FY 2016-2018 Strategic Plan did not condition the curriculum’s implementation on feasibility generally or resource availability specifically.

CONCLUSION.....

Consistent with its Strategic Plan’s commitments, OMWI developed and implemented both EEO and Contracting Standards, but available data indicates that FHFA does not adhere fully to them. However, despite the commitments in its Strategic Plan, OMWI has not implemented a financial literacy program, nor has it implemented its internship program or other developmental opportunities supporting financial literacy.

While we are not making a new recommendation, OIG urges the Agency to adhere to its EEO and Contracting Standards and to promote financial literacy as required.

FHFA COMMENTS AND OIG RESPONSE.....

OIG provided the Agency with a draft of this report for its review and comment. The Agency’s comments are included in Appendix 1.

OBJECTIVE, SCOPE, AND METHODOLOGY

We initiated this survey in October 2021 to follow up on commitments made by the Agency in the OMWI Strategic Plan for FY 2016-2018.

To accomplish our objective, we requested and reviewed information and documents and conducted interviews with various FHFA officials.

We conducted our compliance review from October 2021 through December 2021 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012), which were promulgated by the Council of the Inspectors General on Integrity and Efficiency.

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

APPENDIX 1: FHFA MANAGEMENT RESPONSE



Federal Housing Finance Agency

MEMORANDUM

TO: Brian W. Baker, Deputy Inspector General Compliance & Special Projects

FROM: Sharron Levine, Director, Office of Minority and Women Inclusion **SHARRON LEVINE**

SUBJECT: Draft Report: *Contrary to OMWI's FY 2016-2018 Strategic Plan, FHFA Developed and Implemented Internal Diversity Standards to Which it Does Not Adhere Fully, and it Has Not Established a Financial Literacy Program*

DATE: February 15, 2022

Digitally signed by SHARRON LEVINE
Date: 2022.02.15 10:50:07 -05'00'

Thank you for the opportunity to review the Office of Inspector General's (OIG) draft report referenced above (Report). The OIG performed a compliance review to assess whether the Federal Housing Finance Agency (FHFA) implemented and met the objectives outlined in the OMWI FY 2016 -2018 Strategic Plan (Strategic Plan).

The Report acknowledges efforts of the Office on Minority and Women Inclusion (OMWI) to develop and implement EEO Standards and Contractor Outreach Program Standards (collectively, Diversity & Inclusion Standards) and draft a financial literacy curriculum. However, the OIG found that full adherence to the Diversity & Inclusion Standards and implementation of financial literacy programs have fallen short of the Strategic Plan's objectives.

OMWI will collaborate with the Office of the Chief Operating Office (OCOO), in particular with the Office of Human Resources Management (OHRM) and Office of Budget and Financial Management (OBFM), to take steps to continue the full implementation and adherence to the Diversity & Inclusion Standards through the actions outlined below:

1. OHRM provided the FHFA divisions with their diversity data during their 2021 Human Capital planning discussion. OHRM will provide updated diversity data on a more frequent basis to improve the consistent use of diversity data across FHFA divisions, and OMWI will provide training to appropriate Agency staff on the Diversity & Inclusion Standards.
2. OMWI will provide the Diversity & Inclusion Standards to OBFM for inclusion in the FY2023 Budget Formulation Guidance to raise awareness when FHFA divisions are formulating their budget requests.

3. OMWI will collaborate with OBFM to send out a targeted communication to FHFA division and office staff involved in the procurement process to raise awareness and knowledge of the Contractor Outreach Program Standards.
4. OMWI will collaborate with OHRM and OBFM to identify the target audience, questions, and available data to support the development of the next OMWI data calls to measure the FHFA's performance and adherence to the Diversity & Inclusion Standards and agree on a process to address identified performance needs.

The actions outlined below will be taken to advance the implementation of a financial literacy program:

1. FHFA is participating in the 2022 High School Scholar Internship Program (HSSIP) in summer 2022. This program provides students at targeted Washington, D.C. public and charter schools with an opportunity to work, explore career paths, and gain an understanding of FHFA's mission. The program has a specific financial literacy component that will use the curriculum developed by OMWI. As the program targets high schools with majority minority populations, FHFA participation will help the Agency comply with specific federal agency financial literacy requirements of the Dodd-Frank Act.¹
2. FHFA will assess the effectiveness of its curriculum during the 2022 HSSIP and consider both making adjustments in light of the Covid-19 pandemic or using other existing financial literacy curricula. The goal is to identify a preferred solution for a more broadly used financial literacy program by the end of the third quarter of 2022 and have it operational by the end of the first quarter of 2023.

We appreciate the professionalism and courtesy of the OIG staff who conducted this compliance review. We find the results valuable and take this matter and the Report's conclusions seriously. If you have any questions related to this response, please do not hesitate to contact me.

¹ Codified at 12.U.S.C. 5452(f)(5)

APPENDIX 2: FHFA'S EEO STANDARDS

FHFA EEO STANDARDS

The EEO Standards will facilitate the process of Agency accountability and make diversity and inclusion (D&I) and equality of opportunity intrinsic parts of the Agency's culture. We have identified the following six key Standards: 1. Assessment; 2. Communication; 3. Talent; 4. Inclusion; 5. Oversight; and 6. Network. OMWI will assess the EEO Standards or updates as needed. A description of each standard and its objective is below:

Standard # 1: Assessment – FHFA will perform Agency self-assessments at regular intervals to affirm consistency with EEOC [Equal Employment Opportunity Commission] guidance and D&I objectives.

Objective: To analyze relevant information to evaluate EEO compliance throughout the workforce and the effectiveness of policies and practices in relation to EEO principles and D&I objectives.

Standard # 2: Communication – FHFA will communicate concepts of D&I, including analysis of demographic and performance statistics and data with respect to its employees, to support Agency D&I.

Objective: To provide data, information, and engagement activities to educate managers and supervisors proactively; inform Agency employees at all levels of EEO and D&I concepts; and identify and eliminate barriers to employment opportunities for members of groups with low participation rates in the Agency's workforce.

Standard # 3: Talent – Consistent with EEO principles and D&I objectives, FHFA will seek to attract, develop, and retain productive, engaged employees.

Objective: To create a diverse, high-performing, sustainable organization and workforce dedicated to accomplishing the mission of the Agency.

Standard # 4: Inclusion – FHFA will foster an environment of involvement, respect, and connection, where diversity of ideas, backgrounds, and perspectives is encouraged and leveraged to achieve the mission of the Agency.

Objective: To support employee engagement by creating a culture that encourages collaboration, and recognizes and appreciates personal differences in a way that enhances the Agency.

Standard # 5: Oversight – FHFA will seek to bolster leadership accountability for the equitable treatment of employees consistent with the Agency's EEO policies, Conduct

and Discipline Policy, and applicable legal requirements, while upholding FHFA's core values.

Objective: To ensure that FHFA consistently evaluates executives and supervisors on their adherence to Agency EEO and D&I policies and practices, and on their completion of associated training.

Standard # 6: Network – FHFA will collaborate with skilled resources (internal stakeholders, external contributors, and D&I thought leaders) to incorporate EEO and D&I principles into the Agency's strategic and human capital planning processes.

Objective: To develop a team of invested stakeholders to help create a strategic recruitment and employee development plan designed to increase the number of diverse applicants to FHFA and to ensure equitable internal promotion of those in underrepresented groups.

APPENDIX 3: FHFA’S CONTRACTING STANDARDS

FHFA Contractor Outreach Program Standards (ACTION)⁶

The FHFA Contractor Outreach Program Standards will facilitate the process of Agency accountability and make diversity and inclusion (D&I) and equality of opportunity intrinsic parts of the Agency’s culture. We have identified the following six key Standards and Objectives to help achieve this goal: 1. **Assessment**; 2. **Communication**; 3. **Talent**; 4. **Involvement**; 5. **Oversight**; and 6. **Network**. OMWI will assess the Contractor Outreach Program Standards or updates as needed. A description of each Standard and its Objective is below:

Standard # 1: Assessment – FHFA, through OMWI, will perform Agency self-assessments at regular intervals to affirm consistency with Section 342 of the Dodd-Frank Act and FHFA D&I goals and objectives.

Objective: To analyze relevant information to evaluate Agency regulatory⁷ compliance and the effectiveness of the Agency’s organizational and operational infrastructure in support of FHFA’s contractor outreach program to ensure that minority-, women-, and disabled-owned businesses (MWDObS) are made aware of and given the opportunity to compete for contracts with the Agency.

Standard # 2: Communication – FHFA will communicate the value of supplier diversity to internal and external Agency stakeholders and the requirement to promote business opportunities for MWDObS.

Objective: To educate FHFA staff, proactively, on statutory and regulatory supplier diversity requirements, including outreach, engagement and technical assistance opportunities to promote increased MWDOb participation.

Standard # 3: Talent – Consistent with D&I concepts and objectives, FHFA will seek to attract increased participation of MWDObS for FHFA’s business opportunities.

Objective: To provide technical assistance to MWDObS as appropriate to facilitate the identification and solicitation of MWDObS.

⁶ Section 342(b)(2)(B) of Dodd-Frank requires the OMWI Director to develop standards for “increased participation of minority-owned, and women-owned businesses in the programs and contracts of the agency, including standards for coordinating technical assistance to such businesses[.]”

⁷ FHFA promulgated its final rule to establish its minority and women outreach programs on March 24, 2017, at 12 C.F.R. Part 1207.

Standard # 4: Involvement – FHFA will foster an environment exhibiting commitment, involvement, respect, and connection, where increased business opportunities for MWDOBs is encouraged and leveraged to achieve the mission of the Agency.

Objective: To leverage the use of participation in professional conferences and available acquisition strategies in an effective way to encourage diversity from the marketplace including MWDOBs.

Standard # 5: Oversight – FHFA will seek to bolster leadership accountability for MWDOB participation consistent with the Agency’s D&I policies, procedures, and applicable legal requirements, while upholding FHFA’s core values.

Objective: To ensure that FHFA consistently evaluates executives, managers and supervisors, on their adherence to D&I policies and practices, and on their completion of associated training, as well as providing opportunities for FHFA staff interfacing with the contracting community to become knowledgeable about and actively promote the Agency’s contractor outreach program.

Standard # 6: Network – FHFA will collaborate with skilled resources (internal stakeholders, external contributors, and D&I thought leaders) to incorporate and apply D&I principles into the Agency contractor outreach program.

Objective: To develop a team of invested stakeholders to help create a strategic outreach and educational plan designed to increase MWDOB participation in FHFA’s business and activities.

OMWI will assess the D&I Contractor Outreach Program Standards periodically and will update them as needed.

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