

Federal Housing Finance Agency
Office of Inspector General



**FHFA Has Not Consistently
Collected and Destroyed
Identification Cards from
Separating Personnel, but Has
Otherwise Substantially Adhered to
its Offboarding Procedures**



COM-2022-008

September 8,
2022

Executive Summary

Since 2008, the Federal Housing Finance Agency (Agency or FHFA) has regulated Fannie Mae and Freddie Mac (collectively, the Enterprises) as well as the Federal Home Loan Bank System. It also serves as the Enterprises' conservator. The Agency has a professional workforce comprised of nearly 700 federal employees.

In a 2019 audit, we assessed the adequacy of FHFA's controls over its process for "offboarding" departing employees and contractors. We found that FHFA was unable to provide an accurate count of departed contractors, and it could not account for Personal Identity Verification (PIV) cards and Enterprise access cards it had previously assigned to departed employees and contractors. PIV cards are secure and reliable identity credentials issued by the federal government to its employees and contractors. We found that FHFA did not always collect and deactivate PIV cards, and it lacked written procedures for doing so. We made several recommendations to address these issues, including the following:

- Recommendation 1 – Develop and implement written procedures for all offboarding activities, to include procedures for the collection and deactivation of access cards for FHFA facilities and the collection and transfer of Enterprise access cards.
- Recommendation 2 – Ensure that PIV cards are collected and building access is deactivated for all separated and departed individuals to whom cards were issued. For unaccounted/lost PIV cards, ensure that building access associated with those cards is promptly deactivated.
- Recommendation 3 – Implement controls to ensure all departed contractor employees complete applicable offboarding requirements.

The Agency agreed with our recommendations. In February 2020, it implemented new Offboarding Procedures, which require the removal of financial system access for departing personnel, the deactivation of their facility access cards, and the removal of their access to Agency information technology (IT) systems. The Offboarding Procedures – and the later-issued Supplemental Guidance thereto (collectively, Offboarding Procedures) – establish target deadlines for FHFA to take these steps. The Agency also updated its Badging Procedures to require that FHFA collect and destroy PIV cards issued to departing employees and contractors. In May 2020, we closed our recommendations based upon these steps.



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We initiated this compliance review to determine whether FHFA's offboarding controls operated effectively from June 2020 through December 2021 (the review period). According to FHFA, 281 employees, contractors, or other persons were offboarded from the Agency during the review period. From this universe of 281 individuals, we selected a random sample for testing. We found that during the review period, the Agency did not comply with its updated Badging Procedures because it failed to collect and destroy PIV cards from 8 of the 30 offboarded individuals in our sample who possessed such cards, a failure rate of 26%, or over one-quarter. Because the Agency did not adhere to the updated Badging Procedures, we are re-opening the 2019 audit's second recommendation. In response, FHFA has committed to abide by applicable federal standards regarding the collection and destruction of PIV cards.

Aside from this deficiency, the Agency otherwise substantially adhered to its Offboarding Procedures during the review period: it timely removed access to FHFA financial systems or verified that access had never been granted to 55 of the 57 individuals in our sample who departed the Agency (97%); it timely terminated access or verified that access had never been granted to FHFA headquarters for 51 individuals (89%); and it timely removed access to Agency IT systems or verified that access had never been granted for 54 individuals (95%). While FHFA exceeded the Offboarding Procedures' deadlines in several instances, it had made reasonable efforts to comply in a timely manner.

This report was prepared by Patrice Wilson, Senior Investigative Evaluator, and David M. Frost, Assistant Inspector General, with assistance from Omolola Anderson, Senior Statistician. 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.fhfaig.gov.

/s/

Brian W. Baker
Deputy Inspector General
Office of Compliance

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ABBREVIATIONS

Agency or FHFA	Federal Housing Finance Agency
BFS	Treasury Department’s Bureau of the Fiscal Service
COR	Contracting Officer’s Representative
Enterprises	Fannie Mae and Freddie Mac, collectively
IAM	Identity and Access Management System
IT	Information Technology
OBFM	FHFA Office of Budget and Financial Management
OFOM	FHFA Office of Facilities Operation Management
OHRM	FHFA Office of Human Resources Management
OIG	FHFA Office of Inspector General
OTIM	FHFA Office of Technology and Information Management
PIV	Personal Identity Verification
Review Period	June 2020 through December 2021

BACKGROUND.....

FHFA is responsible for the supervision, regulation, and housing mission oversight of the Enterprises and the Federal Home Loan Bank System. Since September 2008, it has also served as the Enterprises’ conservator. As of December 31, 2021, FHFA’s workforce consisted of 692 federal employees (i.e., exclusive of contractors).

Our 2019 Audit Found Design and Compliance Shortcomings in FHFA’s Offboarding Process

When Agency employees or contractors leave FHFA, they are required to go through an “offboarding” process, during which the Agency performs many tasks, including collecting from those individuals the following items: access cards issued by FHFA and by the Enterprises; sensitive IT assets; and Agency records.

Sound offboarding processes are important. An agency’s failure to adopt and implement effective offboarding controls could lead to its facilities or IT systems being wrongfully accessed by unauthorized individuals. In addition, assets, including information, could be lost, stolen, or misused.

A 2019 audit¹ assessed the adequacy of FHFA’s offboarding controls over two calendar years, 2016 and 2017. OIG found that these controls were deficient in multiple respects. Among other problems, FHFA could not account for PIV cards and Enterprise access cards that had been assigned to offboarded employees or contractors. FHFA also did not track the number of contractors who departed, and it could not be assured that access to its facilities was limited to authorized personnel, all assets were accounted for, and Agency information was secure.

FHFA-OIG made a total of five recommendations to fix the Agency’s offboarding controls, which FHFA accepted. Of those five, three are pertinent to this compliance review:

- Recommendation 1: Develop and implement written procedures for all offboarding activities, to include procedures for the collection and deactivation of access cards for FHFA facilities and the collection and transfer of Enterprise access cards.
- Recommendation 2: Ensure that PIV cards are collected, and building access is deactivated, for all separated and departed individuals to whom cards were issued. For

¹ OIG, *FHFA’s Offboarding Controls over Access Cards, Sensitive IT Assets, and Records Were Not Always Documented or Followed During 2016 and 2017* (March 13, 2019) (AUD-2019-004).

unaccounted/lost PIV cards, ensure that building access associated with those cards is promptly deactivated.

- Recommendation 3: Implement controls to ensure all departed contractor employees complete applicable offboarding requirements.

FHFA Revised its Offboarding Process in Response to the 2019 Audit

To mitigate the deficiencies referenced above, FHFA updated its Badging Procedures effective March 29, 2019. The updated Badging Procedures require that the Agency collect and destroy any PIV card issued to a separating employee or departing contractor. This requirement is consistent with standards issued by the National Institute of Standards and Technology (NIST), which direct federal agencies, whenever possible, to collect and destroy the PIV cards of separating federal employees, as well as those of contractors who no longer need access to federal buildings or systems.²

FHFA also issued Offboarding Procedures, effective February 27, 2020, to prescribe the Agency's offboarding process for employees, contractors, and "other users."³ According to the Offboarding Procedures, the offboarding process begins when the official date on which an employee or contractor will separate from FHFA has been identified and entered in an automated system known as eWorkflow (currently administered by FHFA's Office of Human Resources Management (OHRM)). OHRM is responsible for initiating the process for Agency employees. For contractors, the responsible Contracting Officer's Representative (COR) must initiate the process. For other users, the offboarding process is initiated by a person with oversight of the individual's use of the system. To ensure that contractor offboarding is handled in a timely manner, the Identity and Access Management (IAM) system, which lists all active contractors, sends out automated monthly requests to all CORs, asking that they confirm the status of their contractors.

Once the process is initiated, several FHFA offices are required to take certain actions:

1. The Office of Budget and Financial Management (OBFM) is required to determine whether an offboarding individual has access to FHFA's financial systems and, if so, to remove that access;

² Where collection and destruction are impossible (e.g., in a case where the PIV card has been lost), agencies may terminate the credential in the system.

³ "Other users" are individuals who are neither FHFA employees nor contractors who need access to FHFA premises or systems (e.g., an employee of a regulated entity who needs limited access to an FHFA system).

2. The Office of Facilities Operation Management (OFOM) is required to determine whether an offboarding individual has physical access to FHFA facilities and, if so, to remove that access;
3. The Office of Technology and Information Management (OTIM) is required to determine whether an offboarding individual has access to FHFA’s IT systems and, if so, to remove that access.
4. OHRM is responsible for tracking and monitoring the timeliness of completing an offboard.

In May 2020, we closed our recommendations based on these corrective actions.

FINDINGS

We initiated this compliance review in February 2022 to determine whether FHFA followed its Offboarding Procedures and updated Badging Procedures from June 2020 through December 2021 (the review period), during which 281 individuals left FHFA. From this universe of 281 individuals, we selected a random sample of 57 people and assessed whether, for each of them, FHFA had determined what access the individual had, and whether the Agency had performed the following actions in a timely manner:⁴

- Terminated any access to FHFA’s financial systems;
- Terminated any physical access to FHFA space;
- Terminated any access to FHFA IT systems; and
- Retrieved and destroyed any PIV card assigned to that individual.⁵ The Agency must destroy the PIV card within 14 days of collecting it.

⁴ The separation effective date for a departing federal employee is his or her last day of employment with FHFA. For contractors, this is the last day on which he or she is assigned to provide goods or services to FHFA. For any user other than an Agency employee or a contractor, the separation effective date is considered to be the last day on which that user is permitted to access FHFA’s physical premises or IT systems.

⁵ FHFA officials explained during the fieldwork for AUD-2019-004 that the Agency issues PIV cards to employees and to those contractors who are expected to work at FHFA for more than six months.

For our review purposes, we considered an offboarding to be timely if the offboarded individual's access was terminated within one business day of his or her official separation effective date.⁶

We found that the Agency did not retrieve and destroy PIV cards in a consistent and timely manner as required by the updated Badging Procedures. However, FHFA otherwise adhered substantially to its Offboarding Procedures regarding the termination of access to Agency financial systems, IT systems, and facilities.

1. Contrary to its Updated Badging Procedures, FHFA Did Not Obtain More than a Quarter of the PIV Cards Due for Collection and Destruction During the Review Period

As noted above, the Agency's updated Badging Procedures require that PIV cards be collected from offboarding individuals on their separation. PIV cards must be destroyed within 14 days of receipt. Moreover, broader federal policy mandates that when an employee leaves federal service, the PIV card "shall be collected and destroyed, if possible."⁷

Of the 57 individuals in our sample who left FHFA during the review period, 30 of them had previously been issued PIV cards. We requested and reviewed FHFA's documentation regarding its collection and destruction of PIV cards from these 30 individuals.

We found that FHFA failed to collect and destroy 8 of the 30 PIV cards, for a compliance rate of 74%. When asked why it had not collected and destroyed these 8 PIV cards, OFOM stated that it did not view these steps as critical,⁸ and that it had decided in July 2020 to replace the updated Badging Procedures with a new flowchart which purportedly supersedes those procedures.⁹

⁶ The Supplemental Guidance to the Offboarding Procedures states that the process *should* be completed on or before the individual's separation effective date. OHRM states that, on some occasions, it received notification of an employee's or contractor's departure late in a workday, or on a Friday afternoon. In such limited cases, OIG viewed completion of the offboarding process within one business day as unlikely to pose undue risks to the Agency; therefore, as a practical matter, we did not consider one business day delay as an exception to the timeliness requirement for this report's purposes.

⁷ *Personal Identity Verification (PIV) of Federal Employees and Contractors*, § 2.9.4 PIV Card Termination Requirements, FIPS PUB 201-3, National Institute of Standards and Technology (NIST) (January 2022).

⁸ Such a view runs counter to overarching federal policy, which recognizes the necessity, for security-related reasons, of not leaving federal identification cards in the hands of persons who no longer work for, or require access to, a federal agency.

⁹ FHFA did not provide the flowchart in response to our request for all iterations of guidance in March 2022, so OIG was unaware of its existence until after we had already determined that FHFA had neither collected nor destroyed almost one-third of the 30 PIV cards at issue. Further, the flowchart itself tracks FHFA's collection

Regardless of the Agency's current views or procedures as to PIV card collection and destruction, it did not complete these actions for 26% of the PIV cards at issue during the review period. For this reason, FHFA has not performed the agreed-upon corrective action on which OIG relied when closing this recommendation.

2. FHFA Otherwise Substantially Adhered to its Offboarding Procedures

FHFA Timely Applied its Procedures for Removing Access to Financial Systems for 55 of 57 Individuals

OBFM is responsible for removing access to FHFA financial systems and canceling purchase or travel cards as necessary. OBFM must upload to its automated system any documentation needed to support an access termination. OBFM is also tasked with requesting that the Treasury Department's Bureau of the Fiscal Service (BFS) remove any access an offboarding employee may have to BFS systems.

Our review of applicable documentation found that OBFM performed these tasks, or verified that no access had ever been granted to a particular person and therefore that the tasks need not be performed, prior to the separation effective date for 55 of 57 individuals (97%). In the two exceptions we identified, one individual's access to Agency financial systems was terminated within three business days of his separation effective date; in the case of the other individual, who never had access to financial systems, the Agency only verified the absence of any such access three business days after the separation effective date.

FHFA Timely Applied its Procedures for Removing Access to FHFA Headquarters for 51 of 57 Individuals

OFOM is responsible for timely terminating the offboarding employee's PIV credentials in USAccess, notifying FHFA property management to terminate access to the facility, and confirming that this has been done. As applicable, OFOM also notifies Fannie Mae or Freddie Mac of an off-boarding action so any access to the Enterprises can be terminated.

We reviewed the applicable documentation for the 57 personnel in our sample who separated from FHFA during the review period and found that OFOM completed these actions on or prior to the separation effective date for 51 of those individuals (an adherence rate of 89%).

In two of the six exceptions, the offboarding individuals never had access to FHFA facilities, so adverse consequences for the failure to meet the timeliness requirement in those cases were mitigated. It is unclear whether Agency personnel responsible for this process were aware

and destruction of PIV cards, so, contrary to FHFA's assertion, adoption of the flowchart would not have altered these obligations. Finally, the flowchart only refers to FHFA employees, not contractors or other users.

that these individuals did not have access prior to the offboarding process; accordingly, the failures to conduct timely verifications must be considered exceptions. Regardless, these two instances constitute a minor portion of the sampled universe of 57 individuals who left FHFA during the review period.

Of the remaining four cases, two involved delays of three business days or less.¹⁰ Of the two cases involving longer delays, one occurred because a COR did not submit a timely offboarding request.

FHFA Timely Applied its Procedures for Removing Access to IT Systems for 54 of 57 Individuals

OTIM is responsible for timely removing access to IT systems from separating personnel. We reviewed the applicable documentation for our sample and found that OTIM verified access and completed deactivations as necessary no later than the separation effective date for 54 of the 57 individuals in our sample who separated from FHFA during the review period (an adherence rate of 95%).

In one of the three exceptions identified, the offboarded individual never had access to FHFA systems, so the exception pertains to the Agency’s delayed verification of that fact; thus, any adverse consequences for the failure to meet the timeliness requirement in this case were mitigated. In another of the three exceptions, the delay in deactivating an individual’s IT access was for three business days.

CONCLUSIONS

The Agency largely adhered to the tested Offboarding Procedures, but it did not satisfy its own requirements to collect and destroy PIV cards from one out of four personnel possessing such cards who separated from FHFA during the review period. This high failure rate demonstrates that FHFA has not effectively implemented the 2019 audit’s second recommendation. We are re-opening that recommendation as a result.

¹⁰ Of these two brief delays, one occurred because a COR did not submit a timely offboarding notice for a departing contractor.

FHFA COMMENTS AND OIG RESPONSE.....

In written comments upon a draft of this report, FHFA stated the following in response to our decision to re-open the 2019 audit’s second recommendation:

The Office of Facilities Operations Management (OFOM) will comply with the National Institute of Standards and Technology standards (FIPS PUB 201-3, Paragraph 2.9.4, PIV Card Termination Requirements), which directs federal agencies, **whenever possible**, to collect and destroy the PIV cards of separating employees/contractors (emphasis added).

FHFA also stated that, if separating employees or contractors neglect to return their PIV cards to the Agency, OFOM would “adhere to its current offboarding protocols which indicate, for the purposes of physical security, an individual is considered successfully offboarded when access to FHFA’s physical space is removed/deactivated from PIV card and the PIV card is terminated in the USAccess system.” The Agency stated that OFOM would update its Badging Procedures accordingly by September 30, 2022.

OIG understands FHFA’s written response to accept the re-opening of our 2019 audit recommendation even though it does not do so expressly. By committing to follow the relevant NIST standard, FHFA has thereby pledged to collect and destroy every departing employee or contractor’s PIV card unless doing so in particular circumstances would be impossible, not merely inconvenient; otherwise, the Agency is required to follow the standard’s directions, which are not discretionary. FHFA’s commitment is therefore a significant departure from its approach during much of the review period, when it did not view the collection and destruction of departing personnel’s PIV cards as “critical” during the COVID-19 pandemic.

FHFA has previously indicated that the Agency’s mandatory telework posture during the COVID-19 pandemic had made it difficult to collect PIV cards from departing personnel. Since a number of FHFA personnel have resumed working regularly in its headquarters, OIG expects that the collection and destruction of PIV cards from departing personnel will rarely, if ever, be truly impossible (although the NIST standard permits FHFA to make exceptions to its collection requirement in such an event). OIG believes that it would be the best practice for the Agency to include in its revised Badging Procedures a requirement to document such an event, should it occur. Given the significance and sensitivity of federal identification, OIG anticipates revisiting this matter after an appropriate interval to verify that FHFA’s practices and Badging Procedures have been brought into compliance with the NIST standard as promised.

OBJECTIVE, SCOPE, AND METHODOLOGY

We initiated this compliance review in February 2022 to determine whether FHFA’s controls over its offboarding processes are operating effectively.

To accomplish our objective, we obtained a list of employees, contractors, and other users who separated or departed from June 1, 2020, through December 31, 2021. From this population we selected a sample of 57 individuals, which constitutes 20 percent of the overall testing population. We then obtained and reviewed offboarding documentation regarding the termination of the sampled individuals’ access to financial systems, facilities, and IT systems. We also obtained and reviewed documentation for the collection and destruction of PIV or Kastle access cards.

We conducted our compliance review from February 2022 through May 2022 under the authority of the Inspector General Act of 1978, as amended, and in accordance with the *Quality Standards for Inspection and Evaluation* (December 2020), 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. The report takes the Agency’s feedback into account as appropriate.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Brian W. Baker, Deputy Inspector General for Compliance

THROUGH: Katrina D. Jones, Chief Operating Officer **KATRINA JONES** Digitally signed by KATRINA JONES
Date: 2022.08.18
14:38:47 -04'00'

FROM: Ayoka Fajardo, Acting Associate Director for Agency Operations **AYOKA FAJARDO** Digitally signed by AYOKA FAJARDO
Date: 2022.08.18 13:48:28 -04'00'

SUBJECT: Draft Compliance Report: *FHFA Has Not Consistently Collected and Destroyed Identification Cards from Separated Personnel, but has Otherwise Substantially Adhered to its Offboarding Procedures*

DATE: August 18, 2022

Thank you for the opportunity to respond to the above-referenced draft compliance report by the Office of Inspector General (OIG). This memorandum provides Federal Housing Finance Agency's (FHFA's) management response to the re-opened recommendation 2 from the original report, *FHFA's Offboarding Controls over Access Cards, Sensitive IT Assets, and Records Were Not Always Documented or Followed During 2016 and 2017* (AUD-2019-004, Issued March 13, 2019) contained in the draft report. The compliance review determined that FHFA adhered to its procedures for Recommendations 1 and 3 and those recommendations remain closed.

Recommendation 2: *Ensure that PIV cards are collected, and building access is deactivated, from all separated and departed individuals to whom the cards were issued. For unaccounted/ lost PIV cards, ensure that building access associated with those cards is promptly deactivated.*

Management Response: The Office of Facilities Operations Management (OFOM) will comply with the National Institute of Standards and Technology standards (FIPS PUB 201-3, Paragraph 2.9.4, PIV Card Termination Requirements), which directs federal agencies, whenever possible, to collect and destroy the PIV cards of separating employees/contractors. For those occasions where PIV cards are not returned by the separating employees/contractors, OFOM will adhere to current offboarding protocols which indicate, for the purposes of physical security, an individual is considered successfully offboarded when access to FHFA's physical space is removed/deactivated from PIV card and the PIV card is terminated in the USAccess system. OFOM will also update its badging procedures SOP by September 30, 2022, to include the above standards.

If you have any questions, please feel free to contact Stephanie Beavers at (202) 649-3940 or e-mail, Stephanie.Beavers@fhfa.gov.

cc: Angela Jackson
Bernard Roper
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