

Federal Housing Finance Agency
Office of Inspector General



**FHFA Did Not Adequately
Document its Support for
Recruitment Bonuses but Adhered to
Most Requirements for Monetary
Awards and Retention Allowances
during Fiscal Year 2023**

..... EXECUTIVE SUMMARY

PURPOSE

The Federal Housing Finance Agency (Agency or FHFA) issues monetary awards (including Time-Off Awards), recruitment bonuses, and retention allowances. In response to a 2021 FHFA Office of Inspector General (OIG) audit report, the Agency reminded individuals involved in processing requests for such awards, bonuses, and allowances of program policies and procedures. Additionally, FHFA created a written awards policy (Excellence Awards) that had previously existed in practice but had not been formalized in written guidance.

This compliance review assessed whether FHFA adhered to its policies when granting and distributing monetary awards, recruitment bonuses, and retention allowances during fiscal year 2023 (review period).

RESULTS

During the review period, FHFA awarded to its employees 626 monetary awards (including Time-Off Awards), recruitment bonuses, and retention allowances totaling \$699,555 and 4,365 hours.

For this compliance review, we randomly selected and tested a statistically valid population of 63 monetary awards totaling \$38,650 out of 626 such awards. We also tested a randomly selected, statistically valid population of 6 recruitment bonuses totaling \$120,768 out of 24 such bonuses. Finally, we tested all three of the retention allowances totaling \$54,987.

FHFA followed requirements for monetary awards and retention allowances. However, we found that FHFA’s documentation of its justification for recruitment bonuses was insufficient. We found that 3 of the 6 recruitment bonuses – totaling \$95,768 – either did not include the required justification written by the head of the relevant major FHFA organizational unit, or the required justification lacked documentation.

RECOMMENDATIONS

We made two recommendations to address our finding regarding recruitment bonuses. In a written management response, FHFA agreed with our recommendations and committed to implement corrective actions.

This report was prepared by Crystal Tsang, Senior Compliance Specialist, and Patrice Wilson, Senior Investigative Evaluator. 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.

Kyle D. Roberts
Deputy Inspector General for Evaluations /s/

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ABBREVIATIONS

Agency or FHFA	Federal Housing Finance Agency
OHRM	FHFA Office of Human Resource Management
OIG	FHFA Office of Inspector General
Review Period	Fiscal Year 2023

BACKGROUND.....

FHFA provides monetary awards¹ to recognize and reward employee contributions and accomplishments, individually or in teams. FHFA also has the discretion to offer recruitment bonuses and retention allowances to attract, retain, and motivate highly competent employees. FHFA's Office of Human Resource Management (OHRM) manages the Agency's monetary award, recruitment bonus, and retention allowance programs.

Our 2021 Audit Found That FHFA Did Not Meet All of its Requirements for Monetary Awards, Recruitment Bonuses, and Retention Allowances

In a 2021 audit,² we reviewed whether FHFA followed its policies and procedures³ when granting and distributing monetary awards, recruitment bonuses, and retention allowances during fiscal years 2019 and 2020. We found exceptions related to recommendations and approvals for monetary awards. We determined that FHFA did not obtain all required concurrences for several awards that had been recommended by officials who did not supervise the awardees. We also found exceptions related to incomplete justifications for recruitment bonuses and retention allowances. Finally, we found that FHFA did not have written guidance for the process used to give Excellence Awards.

OIG made two recommendations to remedy these deficiencies, both of which FHFA accepted. These recommendations are pertinent to this compliance review:

Recommendation 1: Reinforce FHFA's program policies and procedures through a reminder to FHFA supervisors and senior officials involved in initiating, reviewing, and approving monetary awards, recruitment bonuses, and retention allowances to:

- Obtain the requisite concurrence from the supervisors of record and second level supervisors, when applicable, for monetary awards,

¹ Monetary awards available to FHFA employees include: On-the Spot Awards (net amounts of \$750 or less for accomplishments); Time-Off Awards (additional leave); Distinguished Service Awards (up to \$5,000 to recognize significant service or achievement of importance to FHFA programs, functions or mission); Director's Awards (the highest Agency honor that an employee may receive, up to \$7,500), and Excellence Awards (ranging from \$1,000 to \$5,000 to recognize individuals and teams who make significant contributions).

² *FHFA Did Not Always Follow its Policies for Monetary Awards, Recruitment Bonuses, and Retention Allowances during Fiscal Years 2019 and 2020; FHFA's Excellence Awards Were Not Included in Agency Policy* (AUD-2021-008) – June 17, 2021.

³ FHFA's written policies and procedures for its programs include: FHFA Policy No. 115, Awards; FHFA Policy No. 102, Non-Executive Compensation, and FHFA Policy No. 103, Executive Compensation.

- Ensure documentation supporting recruitment bonuses for non-executive, mission-critical positions cite how the positions were recruitment challenges, and
- Ensure documentation supporting retention allowances cite non-executive employees were offered non-FHFA employment or applied for retirement.

Recommendation 2: Ensure the Excellence Awards program is included in the planned revision to the FHFA Awards policy before such awards are made again.

We Closed the Recommendations After OHRM Communicated Reminders of Policies and Procedures and Documented Excellence Awards

FHFA took the following corrective actions in response to our two recommendations:

- The Human Resources Director communicated reminders of FHFA’s program policies and procedures to OHRM Account Managers, and Human Resources points of contacts in the divisions and offices who were involved in processing requests for monetary awards, recruitment bonuses, and retention allowances.
- OHRM finalized an Excellence Awards addendum to FHFA’s Awards Policy, which was approved by the Acting Director on November 30, 2021, prior to the Agency’s 2021 Excellence Awards program.

Based on these actions, we closed the first recommendation on October 21, 2021, and the second recommendation on March 29, 2022.

In the Fiscal Year Following the Completion of its Corrective Actions, FHFA Issued nearly \$700,000 in Monetary Awards to Agency Employees.

During Fiscal Year 2023, FHFA paid \$699,555 in monetary awards (excluding Time-Off Awards⁴), recruitment bonuses, and retention allowances to its employees. Those awards were distributed among the following categories:

⁴ Time-Off Awards are considered by FHFA to be monetary awards but are not monetized until the awarded time off is used.

FIGURE 1. FHFA’S MONETARY AWARDS, RECRUITMENT BONUSES, AND RETENTION ALLOWANCES PAID - FISCAL YEAR 2023

Program	Number	Amount Paid
Monetary Awards (626):		
On-the-Spot	346	\$253,800
Distinguished Service	13	26,500
Director’s Award	0	0
Excellence	55	103,500
Time-Off Award	212	N/A ⁵
Recruitment Bonus	24	260,768
Retention Allowance	<u>3</u>	<u>54,987</u>
Totals	<u>653</u>	<u>\$699,555</u>

OBJECTIVE AND SCOPE

We initiated this compliance review to assess whether FHFA adhered to its policy when granting and distributing monetary awards, recruitment bonuses, and retention allowances during fiscal year 2023 (review period).

To make this assessment, we randomly selected and tested a statistically valid population of 63 monetary awards totaling \$38,650 and 375 hours in time off, out of 626 such awards. We similarly tested a randomly selected, statistically valid population of 6 recruitment bonuses totaling \$120,768 out of 24 such bonuses. We also tested all three of the retention allowances totaling \$54,987.

RESULTS

FHFA Complied with its Requirements When Making Monetary Awards

FHFA Followed Written Guidance for On-the Spot, Time-Off, and Distinguished Service Awards in Our Sample

FHFA’s Awards Policy requires that recommending officials complete an FHFA Incentive Awards Form in which they nominate a person for an award. The recommending official must justify the award by describing how the employee met the award’s requirements. The recommending official also must obtain concurrence from the supervisor of record when

⁵ The 212 Time-Off Awards the Agency issued during the review period totaled 4,365 hours. As noted above, these are not monetized until used.

nominating an employee whom he or she does not permanently supervise. Additionally, recommended awards must be approved or disapproved by second level supervisor or higher.

We tested 39 On-the Spot and Distinguished Service Awards that totaled \$27,150 and 18 Time Off Awards for a total of 375 hours. We found no exceptions to the requirements for any of these awards.

FHFA Followed Written Requirements Governing Excellence Awards

The Excellence Awards addendum to FHFA's Awards Policy states that nominations are reviewed and scored by a committee made up of non-executive employees.⁶ Additionally, nominations are required to be vetted through OHRM to ensure compliance with eligibility requirements.⁷

We tested 6 Excellence Awards totaling \$11,500 and found no exceptions to the requirements described above for these awards.⁸

FHFA Generally Complied with the Requirements for Retention Allowances

FHFA Largely Followed its Retention Allowance Requirements for Written Justifications and Obtained Relevant Employee Documentation

FHFA's Non-Executive Compensation Policy and its Executive Compensation Policy (the Compensation Policies) both state that a retention allowance may be used by FHFA to retain exceptionally talented or knowledgeable employees and may be granted if an employee has been offered non-FHFA employment or has applied for retirement.⁹ Management must determine that retaining the employee's services is critical to accomplishing the Agency's mission or goals. The policies state that the head of the major organizational unit must submit a written justification outlining the reasons for the Retention Allowance.

We tested 3 retention allowances totaling \$54,987. We found that, in each case, the request for the retention allowance was written by the head of the relevant organizational unit and described the specific challenge.

⁶ The Director has the authority to nominate and select nominations outside of the Excellence Awards Nomination system that would not have been numerically scored by the committee.

⁷ For example, OHRM would verify whether a nominee must be disqualified due to pending or formal performance or disciplinary actions in the past two years.

⁸ The Director did not nominate any candidates outside of the Excellence Awards Nomination system during our review period.

⁹ Executive employees also may be granted a retention bonus if they intend to retire.

For 2 of those retention allowances we also found required documentation the employee was offered non-FHFA employment. For the remaining retention allowance, FHFA was unable to provide an application for retirement for the employee as required by the guidance.

When asked why there was not an application for retirement, OHRM stated that it accepted a memorandum from the Deputy Director of the requesting division maintaining it was the intention of the employee to retire. In addition, OHRM stated that they received documentation that the employee was taking steps towards retirement and obtained a verbal statement of the employees' intention to retire. We reviewed this documentation and accept the Agency's conclusion that this was sufficient documentation to satisfy the intent of the policy.

FHFA Complied with Retention Allowance Requirements for Service Agreements and Approvals by Management

According to FHFA's Compensation Policies, if the retention allowance is paid as a lump sum, the recipient is required to sign a service agreement for a specified period of employment with FHFA between six months and four years. Retention allowances for non-executive employees require approval from the OHRM Director's (less than or equal to \$15,000) or Chief Operating Officer (greater than \$15,000). The FHFA Director exercises final approval authority for all executive retention allowances.

We found that 2 of 3 retention allowances were paid by lump sum and required a service agreement. Both of these allowances had a signed service agreement for a specified period of time as required. We found that all 3 retention allowances were properly approved.

Finding: FHFA's Recruitment Bonus Documentation Was Inadequate

FHFA Did Not Obtain Justifications for Most Recruitment Bonuses in Our Sample

FHFA's Compensation Policies state that the Agency "may offer a [r]ecruitment [b]onus when a position has proven to be a recruitment challenge and is critical to the mission[.]" The policies also state that the head of the relevant major FHFA organizational unit must submit a written justification outlining the specific recruitment challenge validating the need for the recruitment bonus.

We tested a randomly selected sample of 6 recruitment bonuses totaling \$120,768. We found only 1 of the 6 included a complete written justification that clearly met the requirements of the policy. Two of the other recruitment bonuses – totaling \$20,000 – included no written justification.

For another two recruitment bonuses totaling \$15,000, FHFA identified emails that it asserted were collectively sufficient to meet the written justification requirement. While these emails

provide some basis to support the recruitment bonuses in question, we believe a better practice would be to document clearly the office's rationale for the requested action in a single record created for that purpose.

The remaining recruitment bonus for \$75,768 included a written justification from the then-Director of FHFA, but we determined that justification was insufficient to meet the requirements of FHFA's policy. In technical comments to a draft of this report, FHFA states that the Director is granted specific authority under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 for (setting) compensation levels and is the recognized highest level of approval for compensation decisions. We do not dispute the Director's authority; however, as detailed below, documentation of the Director's exercise of that authority with regard to the recruitment bonus lacked the specificity needed to meet FHFA's policies, and FHFA did not provide evidence that the Director waived applicability of the policy in this instance.

The justification statement was as follows:

[The candidate] possesses unique and critical experience, expertise and skills that will substantially benefit FHFA in achieving its mission. This request is in keeping with the Executive Compensation Policy and meets the following justification factors:

- This position is identified as one of FHFA's Mission Critical Occupations and by definition is a recruitment challenge and critical to the mission of FHFA.
- To Remain Competitive to Existing Market Employment Conditions, a recruitment bonus is provided to offset the loss of wages, bonuses, or other compensation items.
- To Offset Relocation Expenses.

This justification conflates two distinct criteria from FHFA's policy by stating that any mission critical position is "by definition" a recruitment challenge. Even if a position is "mission critical," the Agency must also provide its basis for stating that the position is a "recruitment challenge." The Policy is written in the conjunctive ("may offer a [r]ecruitment [b]onus when a position has proven to be a recruitment challenge and is critical to the mission"), and satisfying one criterion does not necessarily result in satisfying the other.

We asked FHFA a number of questions to better understand what made the Principal Advisor position "a recruitment challenge," and what attempts had been made to hire someone prior to offering the position to the candidate. FHFA indicated the position was filled using the FHFA Mission Critical Occupation Hiring Authority; under this authority, a job posting is not required and was not used for this hiring action. Our inquiry to OHRM revealed that FHFA did not make other recruitment efforts for this position prior to the candidate's selection.

Additionally, FHFA lacks support for the memorandum’s contention that the recruitment bonus had been provided “to offset the loss of wages, bonuses, or other compensation items.” We asked what analysis FHFA had done to determine that a recruitment bonus might be necessary to remain competitive to existing market employment conditions and what compensation was the candidate receiving at the time the recruitment bonus was approved. FHFA stated that the candidate resided in Georgia and required relocation to the Washington D.C. area, and that it is common for FHFA to utilize recruitment incentives to help offset the cost of relocation. FHFA states that OHRM does not request or consider an applicant’s prior salary when setting an incoming employee’s salary for an FHFA position. As a result, it would not be aware of what wages, bonuses, or other compensation items the candidate was receiving at the time the recruitment bonus was approved, and which the justification reflects that the bonus was intended to offset. While we do not dispute the Agency’s statement, we note that it was the Agency itself that raised the issue of the applicant’s prior salary and used it as a justification for its award.

OIG does not contest the representations made in the former Director’s memorandum. However, when asked, the Agency has been unable to provide evidence to support its representations, or to demonstrate it attempted to obtain relevant information before providing the recruitment bonus at issue. As a result, the memorandum’s reiteration of the policy language lacks documentation to support its conclusions. For this reason, the costs associated with this recruitment bonus are unsupported.

Recommendations

We recommend that FHFA:

1. Take actions as it deems appropriate regarding the \$95,768 in recruitment bonuses identified above (\$20,000 + \$75,768) for which FHFA has not provided documentary support; and
2. Reinforce to all Agency personnel the requirements of the Executive and Non-Executive Compensation Policy as it relates to recruitment bonuses.

FHFA Largely Complied with Service Agreement Requirements and Approvals by Management for Recruitment Bonuses in Our Sample

According to the policies, if the recruitment bonus is paid as a lump sum, the recipient is required to sign a service agreement¹⁰ for a specified period of employment with FHFA between six months and four years. Recruitment bonuses for non-executive employees require approval from the OHRM Director’s (less than or equal to \$15,000) or Chief Operating Officer (greater

¹⁰ A service agreement is a written agreement between FHFA and an employee under which the employee agrees to a specified period of employment.

than \$15,000). The FHFA Director exercises final approval authority for all executive Recruitment Bonuses.

We found 5 of 6 recruitment bonuses had service agreements signed by the employee for a specified period of time between six months and four years. The one exception was signed by the employee but does not include a specified period of employment for the \$5,000 recruitment bonus. When asked why there was not a specified period of employment, OHRM stated that it was an oversight.

We found that all 6 recruitment bonuses tested had been approved by the correct official. In other words, for non-executive employees, the recruitment bonus was approved by the OHRM Director or Chief Operating Officer, and for executive employees, it was approved by the FHFA Director.

CONCLUSIONS

The Agency has followed its policies with regard to its monetary awards and retention bonuses. For two of the tested recruitment bonuses, the Agency does not have any justification documentation. We also found that, in one additional instance, although a justification was submitted, that justification lacked support for its conclusions, and FHFA could not establish that it had attempted to obtain relevant information before awarding the bonus. Accordingly, we identified a total of \$95,768 in unsupported costs.

FHFA COMMENTS AND OIG EVALUATION.....

We provided a draft of this report to FHFA for its review and comment. The Agency's comments are included in Appendix II. FHFA agreed with both recommendations. Regarding the first recommendation, FHFA states that by October 31, 2025 they will review the exceptions identified in this report and will take actions it deems appropriate.

Regarding the second recommendation, FHFA states by October 31, 2025, it will issue a reminder to all Agency personnel of the requirements related to recruitment bonuses contained within the Executive and Non-Executive Compensation Policy.

We consider FHFA's planned corrective actions responsive to our recommendations. We will close the recommendations when we confirm the corrective actions have been implemented.

APPENDIX I: METHODOLOGY.....

To accomplish our objective, we performed the following procedures for Fiscal Year 2023:

- Test for compliance with selected provisions of FHFA’s Awards, Executive Compensation, and Non-Executive Compensation policies for a statistically valid population of 63 monetary awards totaling \$38,650 out of 626 such awards. We similarly tested a randomly selected, statistically valid population of 6 recruitment bonuses totaling \$120,768 out of 24 such bonuses. We also tested 3 retention allowances (\$54,987) paid by FHFA.
- We interviewed OHRM officials.
- We conducted our inspection from November 2024 through January 2025 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.

APPENDIX II: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

TO: Brian Baker, Deputy Inspector General, Office of Compliance

FROM: Angie Titcombe, Acting Director, Office of Human Resources Management

SUBJECT: *OIG Draft Report: FHFA Did Not Adequately Document its Support for Recruitment Bonuses but Adhered to Most Requirements for Monetary Awards and Retention Allowances during Fiscal Year 2023*

DATE: May 2, 2025

ANGIE
TITCOMBE

Digitally signed by
ANGIE TITCOMBE
Date: 2025.05.02
09:59:25 -04'00'

Thank you for the opportunity to review and respond to the above-referenced draft compliance report (Report) by the Office of Inspector General (OIG). The compliance review's purpose was to assess U.S. Federal Housing FHFA's (Federal Housing Finance Agency) adherence to its policies when granting and distributing monetary awards, recruitment bonuses, and retention allowances during fiscal year 2023.

FHFA agrees with the two recommendations in the Report and plans to take the following corrective actions:

Recommendation 1: *Take actions as it deems appropriate regarding the \$95,768 in recruitment bonuses identified above (\$20,000 + \$75,768) for which FHFA has not provided documentary support.*

Management Response: The Agency agrees with the recommendation and will review the exceptions identified during the review and take any actions the Agency deems appropriate by October 31, 2025.

Recommendation 2: *Reinforce to all Agency personnel the requirements of the Executive and Non-Executive Compensation Policy as it relates to recruitment bonuses.*

Management Response: The Agency agrees with the recommendation and the Office of Human Resources Management will issue a reminder to all Agency personnel by October 31, 2025, of the requirements related to recruitment bonuses contained within the *Executive and Non-Executive Compensation Policy*.

We would like to acknowledge the dedication and professionalism by the OIG staff who conducted this compliance review. If you have any questions on this response, please contact Michael Cummins.

cc: Toni Harris
Edom Aweke
John Major
Michael Cummins

Federal Housing Finance Agency Office of Inspector General

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Attn: Office of Investigations – Hotline
400 Seventh Street SW
Washington, DC 20219