

Federal Housing Finance Agency
Office of Inspector General



FHFA Did Not Consistently Comply with Policies and Procedures for Paying Employee Reimbursements and Stipends

..... **EXECUTIVE SUMMARY**

PURPOSE

The Federal Housing Finance Agency (FHFA or Agency) provides reimbursements and stipends to its employees for approved job-related expenses, including professional licensing and certification, professional liability insurance, gym membership, expedited clearance through airport security, frequent official travel, and home office expenses.

In response to a 2020 FHFA Office of Inspector General (OIG) audit report, the Agency updated its reimbursements and stipends policy and reinforced its policy and procedures with FHFA staff and supervisors.

We initiated this compliance review to assess whether FHFA complied with its reimbursements and stipends policy and procedures from

October 1, 2022, to March 31, 2025.

RESULTS

We found that FHFA did not consistently comply with its policies and procedures when issuing employee reimbursements and stipends. In general, we identified instances in which payments were (1) unsupported by required documentation or in violation of policy; (2) made to ineligible employees or those without required, approved agreements; and (3) disbursed without confirmation of accuracy. We also found that FHFA did not consistently comply with records retention and management requirements. As a result, we question costs totaling \$65,690 that violated the Agency’s policies and procedures governing the expenditure of funds. Of this amount, \$9,580 were unsupported costs. See Appendix II for Schedule of Questioned Costs.

Without enforcing adherence to controls over payments of reimbursements and stipends, including records management requirements, FHFA risks making improper payments in the future.

RECOMMENDATIONS

We made nine recommendations to address our findings. In a written response, FHFA management agreed with our recommendations.

This report was prepared by Karen Van Horn, Senior Investigative Counsel, 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.

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ABBREVIATIONS

2021-DBR-OPB-04	2021-DBR-OPB-04, Processing of DBR Employee Stipends
Agreement	Duty Station Agreement
DBR	Division of Federal Home Loan Bank Regulation
EIC	Examiner-in-Charge
FHFA or Agency	Federal Housing Finance Agency
FY	Fiscal Year
GRS	National Archives and Records Administration's General Records Schedules
OHRM	Office of Human Resources Management
OIG	FHFA Office of Inspector General
OPB	Operating Procedure Bulletin
OPPR	Office of Planning, Performance, and Risk
Policy 113	Reimbursements and Stipends Policy
SOPB	Supervision Operations Branch
TSA	Transportation Security Administration

BACKGROUND

The Federal Housing Finance Agency (FHFA or Agency) provides reimbursements and stipends to its employees for approved job-related expenses, including professional licensing and certification, professional liability insurance, gym membership, expedited clearance through airport security, frequent official travel, and home office expenses.

FHFA’s Policy and Procedures for Its Reimbursements and Stipends Program

FHFA outlines the types of reimbursements and stipends provided to employees in its Reimbursements and Stipends Policy (Policy 113). Policy 113 also sets forth the criteria for receiving and retaining these payments. The criteria and procedures for processing, receiving, and retaining reimbursements or stipends vary based on the type of reimbursement or stipend.¹ The Agency’s Office of Human Resources Management (OHRM) is responsible for administering Policy 113, including review, approval, and processing of reimbursements and stipends, as well as employee notifications and documentation maintenance.

FHFA’s Division of Federal Home Loan Bank Regulation (DBR) established additional procedures for the processing of stipends for its employees. Under its Operating Procedure Bulletin (OPB), 2021-DBR-OPB-04, Processing of DBR Employee Stipends (2021-DBR-OPB-04), DBR’s Supervision Operations Branch (SOPB) is responsible for ensuring that the stipends paid to DBR employees are accurate.

Our 2020 Audit Found That FHFA’s Controls Over Its Reimbursements and Stipends Program During Fiscal Year 2019 Were Not Fully Effective

Our 2020 audit² assessed whether (1) FHFA’s controls over the reimbursements and stipends program were operating effectively and (2) program payments were supported. The scope of the audit focused on the Agency’s policy and procedures over its reimbursements and stipends program, and FHFA’s program payments between October 1, 2018, and September 30, 2019.

We found that FHFA’s controls over its reimbursements and stipends program during Fiscal Year (FY) 2019 were not fully effective. We found non-systemic exceptions to Policy 113, specifically non-authorized reimbursements for multiple professional licenses or prohibited

¹ Policy 113 states: “Reimbursements and stipends amounts subsequently determined to have been improperly advanced or paid are recoverable by the Government by setoff against accrued pay, compensation, retirement credit, or other amount due the employee by the Government or by such other method as is provided by law for such recovery.”

² OIG, [*For Fiscal Year 2019, FHFA Did Not Always Follow its Policy for Employee Reimbursements and Stipends; FHFA’s Practice for Calculating Employee Travel Stipends Was Not Stated in its Policy Nor Consistently Followed*](#) (March 26, 2020) (AUD-2020-007).

membership fees, unsupported gym membership , over- and underpayments of travel stipends, out-stationed stipends paid to employees without approved out-stationed employee agreements, and a miscalculated Examiner-in-Charge (EIC) stipend.³ Additionally, we found that FHFA’s practice for calculating travel stipends was neither stated in its policy nor consistently followed.⁴

We recommended that the Agency reinforce its reimbursements and stipends program policy and procedures through a reminder to FHFA staff and supervisors involved in initiating, reviewing, and approving reimbursements and stipends to: (a) reimburse employees for only eligible job-related expenses with required, supporting documentation; (b) calculate travel and EIC stipends correctly; and (c) maintain properly executed out-stationed employee agreements. We also recommended that the Agency update Policy 113 to align with management’s intent and practice. Finally, we recommended that FHFA take appropriate action to address the exceptions identified in the audit report. The Agency agreed with all three recommendations.

FHFA Took Corrective Actions to Address the Recommendations

In response to our first recommendation, the then-OHRM Director sent a reminder e-mail to staff and supervisors involved in the processing of reimbursements and stipends, highlighting the policy requirements for the various discrepancies identified from the audit testing and providing “a reminder to adhere to the policy and procedures (especially in retaining documentation).” Additionally, OHRM staff sent an e-mail to the FHFA employees who were eligible to receive an FY 2020 travel stipend and their supervisors. The e-mail included the *FHFA Travel Stipend — Certification Form* which states: “Employees and supervisors are required to review and certify the nights out travel information that are used to calculate the stipend.” The form also required the review and signature of the employee, the employee’s supervisor, and OHRM. We closed this recommendation on March 18, 2021.

On April 15, 2021, in response to our second recommendation, FHFA updated Policy 113 to clarify that travel stipends would apply to any work-related travel, including travel for training. We closed this recommendation on May 10, 2021.

In response to the final recommendation, FHFA reimbursed the employees whose travel stipends were underpaid and offset one employee’s FY 2019 travel stipend overpayment against their FY 2020 travel stipend reimbursement. For the remaining exceptions identified in the audit, FHFA determined that recoupment of amounts paid to employees for travel nights for external conferences or training would not be appropriate because the travel was “work-related.” FHFA’s

³ An out-stationed employee is required by FHFA management to work from home or other non-FHFA space and is not assigned permanent FHFA office space.

⁴ During our previous audit, we were informed in writing, by a senior Agency official that FHFA, in calculating the travel stipends, excluded nights out for external training. This exclusion was not stated in Policy 113, and FHFA did not follow it consistently, resulting in over- and underpayments of travel stipends.

then-OHRM Director waived the remaining stipend overpayments as *de minimis*. We closed this recommendation on January 13, 2021.

FHFA's Internal Control Assessment Identified Issues in Almost 30 Percent of the Reimbursements and Stipends Sample They Tested

In October 2024, FHFA's Office of Planning, Performance, and Risk (OPPR) issued the results of an internal control assessment in which they tested a sample of 24 reimbursements and stipends for compliance with Policy 113.⁵ OPPR's assessment identified seven issues within the sample including:

- a. A professional licensing and certification reimbursement that exceeded the maximum amount allowed;
- b. A quarterly out-stationed stipend that was processed for an employee stationed at FHFA headquarters;
- c. A duplicate EIC stipend that was processed for a single employee; and
- d. Three reimbursements that were missing required supporting documentation.

The issues identified by OPPR resulted in FHFA processing overpayments to employees of approximately \$16,250 between FY 2021 and FY 2024. OPPR recommended that OHRM:

- a. Ensure incorrect payments identified by OPPR are corrected and/or resolved in accordance with FHFA's policies and procedures, and
- b. Strengthen documentation and implementation of procedures to ensure stipends and reimbursements are appropriately reviewed and processed.

OHRM agreed with OPPR's recommendations.⁶

⁵ In its assessment, OPPR tested transactions dating back to 2021.

⁶ FHFA issued debt letters to recoup the overpaid EIC stipend and the out-stationed employee quarterly stipend. Recoupment of funds was not tested as part of this compliance review.

FHFA Issued Over \$3.7 million in Reimbursements and Stipends to Agency Employees Between October 2022 and March 2025

From October 1, 2022, to March 31, 2025, the Agency paid over \$3.7 million in reimbursements and stipends to its employees. Those reimbursements and stipends were distributed among the following categories in Table 1:

Table 1. Reimbursements and Stipends Paid – October 1, 2022, to March 31, 2025

Reimbursement/Stipend Category	Number of Payments ^a	Amount Paid
Reimbursements		
Professional licensing and certification	280	\$ 66,880
Professional liability insurance	186	78,436
Gym membership	37	9,665
Transportation Security Administration (TSA) Pre✓™ program	13	945
Stipends		
Life cycle	2,204	2,947,500
One-time out-stationed employee	21	33,600
Quarterly out-stationed employee	764	370,685
Travel	10	27,000
EIC	48	197,141
Totals	<u>3,563</u>	<u>\$3,731,852</u>

Source: OIG analysis of FHFA data.

Note: The amounts paid have been rounded to the nearest dollar in this table and throughout the report.

^a Within certain reimbursement or stipend categories, some employees received multiple payments in a given year.

OBJECTIVE AND SCOPE

We initiated this compliance review to assess whether FHFA complied with its reimbursements and stipends policy and procedures from October 1, 2022, to March 31, 2025.

For details on methodology, see Appendix I.

RESULTS

We found that FHFA did not consistently follow its policies and procedures for paying employee reimbursements and stipends. As a result, we question costs⁷ totaling \$65,690 that violated FHFA’s policies and procedures governing the expenditure of funds. Of this amount, \$9,580 were unsupported because of inadequate documentation.⁸ (See Finding 1.) We also found that FHFA did not consistently follow its records retention and management requirements. (See Finding 2.)

Finding 1: FHFA Did Not Consistently Comply with Its Policy and Procedures When Issuing Reimbursements and Stipends

Professional Licensing and Certification Reimbursements

Policy 113 states that FHFA will reimburse “employees for the initial cost and/or annual renewal cost of professional licenses and/or certifications that are required or enhance their ability to perform the duties of their current position or prepare them for higher level duties within FHFA.”⁹ In addition, FHFA reimburses employees for professional organization membership fees when the membership is required to obtain and hold the license or certification. The reimbursement is limited to \$500 per fiscal year. Policy 113 requires employees to submit a Fees for Professional Licenses and Certification Reimbursement Request Form and all documentation to support payment of the fee(s) to OHRM by September 30 each year.

From a population of 280 professional licensing and certification reimbursements, we tested a sample of 42 reimbursements totaling \$9,706. We found that 23 of 42 employees (approximately 55 percent) did not have an approved form and documentation supporting payment of the fee(s). The corresponding costs totaling \$5,055 were unsupported because required documentation was missing.

During our testing, we also identified one employee in our sample who received two professional licensing and certification reimbursements in one fiscal year, the total of which exceeded the \$500 reimbursement limit. As a result of this observation, we analyzed all 280 professional

⁷ The term “questioned cost” means a cost that is questioned by the OIG because of— (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, the cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

⁸ The term “unsupported cost” means a cost that is questioned by the OIG because such cost is not supported by adequate documentation.

⁹ To be considered “required,” the licenses and certifications must be specified in the employee’s position description.

licensing and certification reimbursements paid between October 1, 2022, and March 31, 2025, to determine the extent to which reimbursements to other employees exceeded the maximum amount allowed under Policy 113.¹⁰ We identified a total of nine individuals who received reimbursements that exceeded the limit during the respective fiscal year, resulting in overpayments totaling \$1,188. In addition to receiving an overpayment, one individual also received a double reimbursement for professional and certification fees the following fiscal year in the amount of \$449. The corresponding costs totaling \$1,637 were made in violation of FHFA’s Policy 113.

For the professional licensing and certification reimbursements in our sample, we question costs totaling \$6,692 because \$5,055 were unsupported and \$1,637 violated FHFA’s policy.

Professional Liability Insurance Reimbursements

Under Policy 113, FHFA reimburses executives and supervisors for professional liability insurance to cover costs associated with actions arising from the conduct of their official duties. To obtain a professional liability insurance reimbursement, an employee must submit a Professional Liability Insurance — Reimbursement Request Form with a copy of proof of payment to OHRM by September 30 each year. FHFA only reimburses employees for fully paid professional liability insurance premiums.¹¹ The professional liability insurance reimbursement is limited to \$500 per fiscal year.

From a population of 186 professional liability insurance reimbursements, we tested a sample of 28 reimbursements totaling \$12,190. We found that 10 of 28 employees (approximately 36 percent) did not have required supporting documentation for \$3,684 of the costs.¹²

We also analyzed all 186 professional liability insurance reimbursements paid between October 1, 2022, and March 31, 2025, to determine whether they exceeded the maximum amount allowed under Policy 113. We found three professional liability insurance reimbursements that exceeded the limit under Policy 113 by \$442.

¹⁰ We conducted a similar analysis of other categories of reimbursements for which OIG tested a sample (professional liability insurance reimbursements and gym reimbursements) to determine if employees exceeded the maximum limit per fiscal year. The results of these analyses are discussed later in this report.

¹¹ If the annual premium for the professional liability insurance is paid in installments, (for example, bi-weekly, quarterly, or semi-annually), reimbursement is made when the premium for a full plan year has been paid.

¹² We identified an exception in which the documentation was incomplete. Although the form was signed, the signor did not indicate whether the reimbursement was “approved” or disapproved. Because the reimbursement included documented proof of payment, we did not classify this payment as questioned costs.

For the professional liability insurance reimbursements in our sample, we question costs totaling \$4,126 because \$3,684 were unsupported and \$442 violated FHFA's policy.

Gym Reimbursements

FHFA reimburses employees who are stationed at Fannie Mae or Freddie Mac facilities for fitness center access fees.¹³ Employees must submit to OHRM by September 30 each year proof of payment of the gym membership fee. The reimbursement is limited to \$300 per fiscal year.

We tested a sample of 5 of 37 reimbursements totaling \$1,425. We found that three of the five gym membership reimbursements had the required documentation. However, the remaining two reimbursements (40 percent), totaling \$600, lacked supporting documentation.

We also analyzed all 37 gym membership reimbursements paid between October 1, 2022, and March 31, 2025, to determine whether they exceeded the maximum allowed amount under Policy 113. We found one gym reimbursement that exceeded the maximum amount allowed by \$300.

For the gym membership reimbursements in our sample, we question costs totaling \$900, because \$600 were unsupported and \$300 violated FHFA's policy.

TSA Pre✓™ Reimbursements

Under Policy 113, FHFA reimburses employees for the cost of the TSA Pre✓™ Program, which allows expedited clearance through security while on official travel. FHFA employees who are expected to travel on official business 10 or more times per fiscal year are eligible for this reimbursement. To obtain a TSA Pre✓™ reimbursement, an employee must submit a TSA Pre✓™ — Reimbursement Request Form to OHRM with a copy of proof of payment of the program fee. For FY 2023 and FY 2024, the maximum amount allowed for reimbursement was \$85. For FY 2025, the maximum amount allowed was \$130.

We tested all 13 TSA Pre✓™ reimbursements paid between October 1, 2022, and March 31, 2025, which totaled \$945. We found that 3 of 13 employees (approximately 23 percent) did not have an approved form and documentation supporting payment of the fee(s).

For the TSA Pre✓™ reimbursements, we question costs totaling \$241 because they were unsupported.

¹³ Our review of documentation supporting the gym membership reimbursements confirmed that the fitness center access fees were paid to non-Fannie Mae and non-Freddie Mac facilities.

Life Cycle Stipends

FHFA provides employees with a one-time annual payment of \$1,500 to defray the costs related to maintaining a healthy lifestyle and work-life balance that are not covered by employees' health insurance.¹⁴ According to Policy 113, to be eligible to receive the life cycle stipend, an employee must be "on FHFA's rolls" as of September 30. Employees do not have to apply for this payment or submit proof of expenses.

We tested all 2,204 life cycle stipends issued between October 1, 2022, and March 31, 2025, to determine compliance with the "on FHFA's rolls" requirement. We requested from FHFA an employee roster as of September 30 of each year within the review scope. In response, FHFA provided rosters of employees who were onboard/employed during the pay period that included September 30 of each year. Our review of these rosters identified 11 exceptions in which employees were not "on FHFA's rolls" as of September 30, which included (1) five employees who received the FY 2024 stipend and (2) six employees who received the FY 2025 stipend.

The Agency asserted that the five employees who received the FY 2024 stipend were still on the Agency's rolls as of September 30, 2023. However, FHFA did not provide official documentation confirming their employment status as of that date.

For the 11 life cycle stipend exceptions, we question costs totaling \$16,500 because they violated FHFA's policy.

Out-Stationed Employee Stipend (One-Time)

Policy 113 authorizes a one-time home office set-up stipend of \$1,600 to employees in out-stationed positions. FHFA's Duty Station Policy requires out-stationed employees to enter into a Duty Station Agreement (Agreement) to be eligible for the applicable stipends described in Policy 113. According to the Duty Station Policy, employees who meet the criteria for establishing their residence as their duty station "are considered 'out-stationed employees' and are eligible for the applicable stipends."

The Agreement between the employee and FHFA sets forth the responsibilities and requirements of maintaining a duty station in the employee's home. The Agreement is signed by the employee, the employee's supervisor, and an OHRM official. With respect to DBR employees, an OHRM official told us that processing stipends required coordination between OHRM and DBR.

¹⁴ The life cycle stipend payment was \$1,000 from 2014 to 2023 at which time it increased to \$1,500 beginning with the October 2023 payment in FY 2024.

We tested all 21 out-stationed employee (one-time) stipends, which totaled \$33,600. FHFA provided us with Agreements for all 21 employees (100 percent); however, we found that OHRM did not sign 8 of them (approximately 38 percent), totaling \$12,800 in stipends. Included in this amount was one DBR employee who received an out-stationed employee (one-time) stipend that exceeded the amount specified in the Agreement by \$100.

We noted deficiencies in FHFA's controls for ensuring the accuracy of the stipend payments. Under 2021-DBR-OPB-04, SOPB initiates the one-time home office set-up stipend for DBR employees and ensures its accuracy. However, for the 18 out-stationed employee (one-time) stipends paid to DBR employees, FHFA did not provide sufficient documentation demonstrating that SOPB ensured the accuracy of the out-stationed employee (one-time) stipend payouts. Furthermore, there is no corresponding requirement to review and confirm the accuracy of the out-stationed employee (one-time) stipends paid to non-DBR employees.

For the out-stationed employee (one-time) stipends, we question costs totaling \$12,800 because they violated FHFA policy (i.e., \$12,700 to employees who did not have properly executed Agreements and \$100 exceeded the stipend allowance).

Out-Stationed Employee Stipends (Quarterly)

FHFA pays out-stationed employees a quarterly stipend of \$500 for expenses related to working from their home office. The quarterly stipend has the same requirements as the one-time home office set-up stipend.

As stated above, FHFA's Duty Station Policy requires an approved Agreement for each out-stationed employee. From a population of 764 out-stationed employee (quarterly) stipends paid,¹⁵ we tested a sample of 112 payments (approximately 15 percent) totaling \$55,740 issued to 78 employees. FHFA did not provide us with approved Agreements for 36 employees, as required by the Duty Station Policy, for 51 of the 112 out-stationed employee (quarterly) stipend payments issued (approximately 46 percent), totaling \$24,431.

For DBR employees, the quarterly stipend is initiated by SOPB simultaneously with the one-time home office set-up Agreement and stipend payment. Under 2021-DBR-OPB-04, OHRM sends to SOPB quarterly a list of DBR employees who are eligible for the quarterly stipend, and SOPB ensures the accuracy of the stipend payment before it is paid.

Contrary to the process established in 2021-DBR-OPB-04, OHRM did not send to SOPB the quarterly list of DBR employees who were eligible for the quarterly stipend. For the 90 out-stationed employee (quarterly) stipends paid to DBR employees, SOPB did not ensure the

¹⁵ The 764 payments were made to 92 employees between October 1, 2022, and March 31, 2025.

accuracy of the payouts to DBR employees. An Agency official also confirmed that documentation supporting accuracy does not exist.

Furthermore, we found that there are no corresponding controls to ensure the accuracy of stipend payments to non-DBR employees. Consequently, FHFA is applying different standards between DBR and other FHFA employees. This lack of uniform controls creates gaps and inconsistencies in the implementation of Agency policy, increasing the risk of improper payments.

For out-stationed employee (quarterly) stipends in our sample, we question costs totaling \$24,431 because they violated FHFA policy (i.e., employees did not have properly executed Agreements).

Travel Stipends

Under Policy 113, FHFA pays a stipend of \$2,000 to employees who travel at least 50 nights per fiscal year for any FHFA-approved travel. FHFA also pays an additional \$50 per night stipend for each night over 50 nights spent away for FHFA approved travel. Employees do not have to apply for this payment.

In accordance with Policy 113 and 2021-DBR-OPB-04, after the end of each fiscal year, FHFA's Office of Budget and Financial Management provides OHRM a report detailing the number of travel nights for each FHFA employee for that fiscal year ("Travel Nights Out Report"). The report contains the traveler's name, travel location and purpose for the travel, dates and number of travel nights, and the travel costs.

Under 2021-DBR-OPB-04, OHRM coordinates with the DBR employees for verification of completeness and accuracy of the information in the Travel Nights Out Report. Through employee validation and supervisor/manager approval, the DBR employee then certifies that the information provided is accurate and complete. There is no corresponding requirement for non-DBR employees and their supervisors to provide such certification.

As noted in the background section of this report, FHFA took corrective actions to address the recommendations from our previous audit. In response to the first recommendation of the audit report, FHFA provided us with a 2020 e-mail reminder from the then-OHRM Director and an e-mail from OHRM staff to demonstrate that the Agency had completed corrective actions. The 2020 e-mail reminder from the then-OHRM Director to staff and supervisors who were involved in the processing of reimbursements and stipends, stated that "OHRM personnel should ensure that both employees and supervisors understand their obligation to review and confirm nights out travel information." This e-mail did not differentiate between DBR and non-DBR employees.

Additionally, OHRM staff sent an e-mail to employees eligible to receive an FY 2020 travel stipend and their supervisors, which stated that "FHFA policy requires employees and

supervisors to review and certify the nights out travel information that are used to calculate the stipend.” The FHFA Travel Stipend - Certification Form attached to OHRM’s email stated: “Employees and supervisors are required to review and certify the nights out travel information that are used to calculate the stipend.” The email and attached form did not differentiate between DBR and non-DBR employees.

We tested all 10 travel stipends paid between October 1, 2022, and March 31, 2025, which totaled \$27,000. We found that the Agency did not consistently enforce the requirement for employees and their supervisors to review and certify the Travel Nights Out Report. Specifically, FHFA was unable to provide an approved FHFA Travel Stipend - Certification Form for 7 of the 10 travel stipends (70 percent). For the six travel stipends that were paid to DBR employees, FHFA was unable to provide documentation demonstrating that OHRM coordinated with the DBR employees for verification of completeness and accuracy of the travel as required by 2021-DBR-OPB-04.

Although Policy 113 does not mandate certification of travel nights out data, the Agency provided documentation that showed two non-DBR employees had reviewed their Travel Nights Out Reports and found errors in the number of travel nights attributed to them. These examples underscore the need to comply with controls requiring employees and their supervisors to review and certify the accuracy of the reports. While we do not question the employees’ eligibility to receive travel stipends, the weaknesses in FHFA’s controls increase the risk that incorrect payments may be made.

EIC Stipends

FHFA provides an annual stipend to non-executive EICs in DBR in recognition of the extra duties associated with the position. FHFA prorates the payments based on the number of days in the year that the employee held the position of EIC.

Under 2021-DBR-OPB-04, SOPB confirms the effective dates of the EIC assignment with OHRM prior to payment. OHRM provides SOPB with an annual reporting of payout, and SOPB follows up with the EIC to ensure the accuracy of the payout.

From a population of 48 EIC stipends, we tested a sample of 7 stipends, totaling \$22,693. Although we found no issue with the eligibility of EICs who received stipends in our sample, we found that SOPB did not consistently follow the procedures established in 2021-DBR-OPB-04. For six of seven EIC stipends, FHFA did not provide documentation reflecting that SOPB confirmed with OHRM the effective dates of the EIC assignment. Furthermore, FHFA did not provide any documentation demonstrating that SOPB ensured the accuracy of the EIC stipend payouts with any of the seven EICs. An Agency official confirmed that such documentation does not exist.

During its 2024 internal control assessment, OPPr found that OHRM did not have procedures adequately documented and implemented to ensure stipends and reimbursements were appropriately reviewed and processed. OPPr identified duplicate EIC stipends that were processed for one employee in both December 2022 and 2023. FHFA determined the payments to this employee were improper and issued a debt letter to recoup the overpayments which exceeded \$9,000.

An FHFA official told us that the Agency continues to make an EIC stipend payment until OHRM manually initiates a payroll action to terminate the payment. As stated above, FHFA has existing controls designed to confirm the eligibility for and the accuracy of the EIC stipend payments. However, these controls were not fully implemented. The duplicate payment identified by OPPr reinforces the importance of enforcing established internal controls to prevent payment errors.

While we do not question the employees’ eligibility to receive EIC stipends, the weaknesses in FHFA’s controls, as noted above, increase the risk that incorrect payments may be made.

Table 2 below sets forth the total questioned costs and unsupported costs resulting from FHFA’s noncompliance with Policy 113 and the Duty Station Policy.

Table 2. Questioned and Unsupported Costs – October 1, 2022, to March 31, 2025

Reimbursement/Stipend Category	Questioned Costs	Unsupported Costs
Reimbursements		
Professional licensing and certification	\$6,692	\$5,055
Professional liability insurance	4,126	3,684
Gym membership	900	600
TSA Pre✓™ program	241	241
Stipends		
Life cycle	\$16,500	\$0
One-time out-stationed employee	12,800	0
Quarterly out-stationed employee	24,431	0

Source: OIG analysis of FHFA data.

In total, we question costs of \$65,690 that violated FHFA’s Policy 113 and Duty Station Policy governing the expenditure of funds for reimbursements and stipends. Of this amount, \$9,580 of costs were unsupported because the required documentation was missing. See Appendix II for Schedule of Questioned Costs.

Without enforcing adherence to controls over payments of reimbursements and stipends to include records management, FHFA risks making improper payments in the future.

Recommendations

We recommend that the OHRM Director:

1. Determine the allowability of the questioned reimbursement and stipend costs totaling \$65,690 and take appropriate action including recoupment of funds.
2. Strengthen compliance with applicable policies and procedures over reimbursements and stipends through targeted training of OHRM staff responsible for initiating, reviewing, and approving payments. Training on the requirements of Policy 113, the Duty Station Policy, and other applicable guidance should reinforce the following:
 - a. Reimbursements must be supported by verifiable documentation of an employee's eligible job-related expenses with required, supporting documentation;
 - b. Payments must not exceed reimbursement and stipend thresholds and must be accurate;
 - c. Stipends should be issued exclusively to employees who meet eligibility criteria; and
 - d. Agreements and other certifications must be properly executed and maintained.
3. Develop and implement standardized controls to systematically review and verify the accuracy of out-stationed employee stipend payments for consistency across the Agency.
4. Conduct periodic testing of controls over reimbursements and stipends to ensure payments are made in accordance with Policy 113 and other applicable guidance.

We recommend that the DBR Deputy Director:

5. Reinforce controls governing out-stationed employee stipends through periodic reminders and targeted training of officials responsible to ensure recipient eligibility, accurate payment through coordination with OHRM, as necessary, and maintenance of properly executed duty station agreements.
6. Train DBR staff responsible for initiating, reviewing, processing, and approving stipends on the requirements of Policy 113, 2021-DBR-OPB-04, the Duty Station Policy, and any procedural updates.

Finding 2: FHFA Did Not Consistently Comply with Records Management Requirements

FHFA is required to “make and preserve records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency” and to establish a program for the management of those records.¹⁶ Among other things, FHFA’s records management program must provide “effective controls over the creation and over the maintenance and use of records.”¹⁷

FHFA’s Records and Information Management Policy, applicable to all FHFA employees, requires management of records using the Agency’s official recordkeeping repositories. The policy specifically requires that:

FHFA must maintain information, including records, in a manner that ensures timely, efficient, and accurate retrieval by authorized users when needed. Records must be complete and accurate to document the organization, functions, policies, decisions, procedures, and essential transactions of the Agency, and furnish the information necessary to protect the legal and financial rights of FHFA and of persons directly affected by the Agency’s activities.¹⁸

Policy 113 identifies FHFA’s records retention obligations regarding its reimbursements and stipends, as follows:

Records created to implement this policy will be maintained in accordance with FHFA’s Comprehensive Records Schedule and the National Archives and Records Administration’s General Records Schedules (GRS). FHFA will manage all information created under this policy (including Travel Stipends information) under GRS 1, Item 10, and destroy it when it is seven years old.

As detailed throughout this report, we identified multiple instances in which the Agency did not document or could not locate documentation that would have supported the expenditure of Agency funds. An FHFA official said that there had been a lot of employee turnover (approximately 50-60 percent) in OHRM in the last four years. The official also said that the recent Voluntary Early Retirement Authority/Voluntary Separation Incentive Payment departures

¹⁶ 44 U.S.C. §§ 3101 and 3102.

¹⁷ 44 U.S.C. § 3102(1).

¹⁸ FHFA has also publicly stated on its website that it requires mandatory records and information management training for every government employee to ensure everyone understands his or her responsibilities and the procedures for appropriately keeping and disposing of records. FHFA, [Records and Information Management \(RIM\)](#) (accessed Oct. 20, 2025).

have resulted in OHRM's inability to locate some of its records. In our view, if OHRM had implemented an effective recordkeeping system for maintaining documentation related to the payments made under FHFA's reimbursements and stipends policies and procedures, then employee turnover would not have affected its ability to locate those records.

OHRM's lack of retention of this documentation is inconsistent with Policy 113 and applicable Agency and government-wide requirements on records management. Without such documentation, the Agency cannot demonstrate that it has appropriately received, processed, and paid reimbursements and stipends.

Recommendations

We recommend that the OHRM Director:

7. Develop a centralized recordkeeping system for managing reimbursement and stipend records that allows timely and accurate retrieval of supporting documentation.
8. Perform periodic checks of reimbursement and stipend documents to verify that they are accurate, complete, and have been retained for the required period of time.
9. Provide supplemental, as-needed training to FHFA staff responsible for initiating, reviewing, and approving reimbursements and stipends on the requirements of FHFA's Records and Information Management Policy; FHFA's Comprehensive Records Schedule; and the National Archives and Records Administration's General Records Schedules when retaining information and documentation created under Policy 113 and any corresponding updates. This training should complement, not replace, other mandatory training.

FHFA COMMENTS AND OIG EVALUATION.....

We provided FHFA management an opportunity to review and provide technical comments on a draft of this compliance review. We considered those comments in finalizing this report. In a written response, FHFA agreed with our recommendations and included the following corrective actions, which we evaluated:

Recommendation 1

FHFA management responded that by September 30, 2026, the Agency will review the exceptions identified in this report and take appropriate action, as necessary. Although the Agency agreed with this recommendation, FHFA management disputed that “all of the exceptions are questioned costs that would require recoupment.” To clarify, this recommendation was not for the Agency to recoup any specific questioned cost; rather, we recommended that the Agency determine the allowability of each questioned cost and take appropriate action, which may or may not include recoupment.

Notwithstanding the differing interpretation of our recommendation, management’s planned corrective action meets the intent of our recommendation.

Recommendation 2

FHFA management responded that the Agency will take the corrective actions described in this recommendation. By September 30, 2026, OHRM will implement a Reimbursement and Stipend Standard Operating Procedure (SOP) that addresses the processing of stipends and reimbursements. In addition, senior OHRM staff will conduct periodic evaluations of processed stipends and reimbursements to ensure payment eligibility and verify documentation.

Management’s planned corrective actions meet the intent of our recommendation.

Recommendation 3

FHFA management responded that by September 30, 2026, OHRM will implement the Reimbursement and Stipend SOP described above, which also will include standardized controls to systematically review and verify the accuracy of out-stationed employee stipend payments for consistency across the Agency.

Management’s planned corrective action meets the intent of our recommendation.

Recommendation 4

FHFA management responded that by September 30, 2026, OHRM will implement periodic testing of controls over reimbursements and stipend payments to ensure compliance with Policy 113 and other applicable guidance.

Management's planned corrective action meets the intent of our recommendation.

Recommendation 5

FHFA management responded that by June 30, 2026, DBR will initiate periodic reminders and provide targeted training of officials responsible for out-stationed employee stipends to ensure recipient eligibility, accurate payment through coordination with OHRM, as necessary, and the maintenance of properly executed duty station agreements.

Management's planned corrective actions meet the intent of our recommendation.

Recommendation 6

FHFA management responded that by June 30, 2026, DBR's Supervision Operations Branch staff who initiate, review, and process stipends will receive training on the requirements of Policy 113, 2021-DBR-OPB-04, the Duty Station Policy, and any related procedural updates. FHFA stated that the training will cover eligibility criteria, required documentation, and the approval process, in accordance with established policies. FHFA also stated that refresher sessions and updated guidance will be provided as policies or procedures are revised.

Management's planned corrective actions meet the intent of our recommendation.

Recommendation 7

FHFA management responded that by September 30, 2026, OHRM will implement a centralized recordkeeping system for managing reimbursement and stipend records.

Management's planned corrective action meets the intent of our recommendation.

Recommendation 8

FHFA management responded that by September 30, 2026, OHRM will develop a schedule and implement periodic checks of reimbursement and stipend documents to verify they are accurate, complete, and have been retained for the required period of time.

Management's planned corrective actions meet the intent of our recommendation.

Recommendation 9

FHFA management responded that by September 30, 2026, OHRM will provide appropriate supplemental training to FHFA staff responsible for initiating, reviewing, and approving reimbursements and stipends on the requirements of FHFA's Records and Information Management Policy, FHFA's Comprehensive Records Schedule, and the National Archives and Records Administration's General Records Schedules.

Management's planned corrective action meets the intent of our recommendation.

Overall, we consider FHFA management responsive to the recommendations in this report. These recommendations will remain open until we confirm that corrective actions have been fully implemented. FHFA's written response, in its entirety, is included as Appendix III of this report.

APPENDIX I: METHODOLOGY.....

The objective of our compliance review was to assess whether FHFA complied with its reimbursements and stipends policy and procedures from October 1, 2022, to March 31, 2025.

To address our objective, we:

- Researched policies and procedures applicable to FHFA’s reimbursements and stipends program;
- Determined the applicable amounts, number of transactions, and other relevant data for each type of reimbursement and stipend;
- Interviewed staff from FHFA’s Office of the Chief Operating Officer and OHRM, and other appropriate officials responsible for FHFA’s reimbursements and stipends program;
- Tested all life cycle stipend transactions (717 transactions for FY 2023; 736 transactions for FY 2024; and 751 transactions for FY 2025) for compliance with applicable provisions of FHFA’s Policy 113;
- Tested all out-stationed employee (one-time) stipend transactions (21 transactions), the Travel stipend transactions (10 transactions) and TSA Pre✓™ reimbursements (13 transactions) for compliance with applicable provisions of FHFA’s Policy 113.
- Tested random samples of 10-15 percent of the professional licensing and certification reimbursements, professional liability insurance reimbursements, gym membership reimbursements, out-stationed employee (quarterly) stipends, and EIC stipends across all three fiscal years for compliance with applicable provisions of FHFA’s Policy 113. We used random sampling to allow for the collection of unbiased, evidential material for generalized assessments; and
- Reviewed the complete records for each item tested during this compliance review.

We conducted our compliance review from May 2025 to March 2026 in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation* (December 2020).

APPENDIX II: SCHEDULE OF QUESTIONED COSTS

Questioned cost is a cost that is questioned by OIG because of—

- (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- (B) a finding that, at the time of the audit, the cost is not supported by adequate documentation (unsupported cost); or
- (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<u>Recommendation Number</u>	<u>Questioned Costs</u>
Recommendation 1	\$65,690

The total questioned cost relates to reimbursements and stipends that either violated FHFA policy or agreement or were unsupported by required documentation. As described in Finding 1, questioned costs totaling \$65,690, of which \$9,580 were unsupported, consist of the following:

- (1) \$6,692 for professional licensing and certification reimbursements, of which \$1,637 exceeded the maximum amount allowed in violation of FHFA policy and \$5,055 were unsupported because they lacked the required, approved form and documentation supporting payment of the fee(s);
- (2) \$4,126 for professional liability insurance reimbursements, of which \$442 exceeded the maximum amount allowed in violation of FHFA policy and \$3,684 were unsupported because required documentation was missing;
- (3) \$900 for gym membership reimbursements, of which \$300 exceeded the maximum amount allowed in violation of FHFA policy and \$600 were unsupported because required documentation was missing;
- (4) \$241 for TSA Pre✓™ reimbursements that were unsupported because they lacked an approved form and documentation supporting payment of the fee;
- (5) \$16,500 for life cycle stipends paid to ineligible employees in violation of FHFA policy;
- (6) \$12,800 for the out-stationed employee (one-time) stipends, of which \$12,700 violated FHFA policy because the employees did not have properly executed Duty Station Agreements and \$100 exceeded the stipend allowance; and

(7) \$24,431 for the out-stationed employee (quarterly) stipends that violated FHFA policy because the employees did not have properly executed Duty Station Agreements.

APPENDIX III: FHFA MANAGEMENT RESPONSE.....

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Federal Housing Finance Agency

MEMORANDUM

TO: Angela Choy, Assistant Inspector General for Evaluations, Office of Inspector General

FROM: Angie Titcombe, Chief Human Resources Officer, Office of Human Resources Management

Digitally signed by
Titcombe, Angie
Date: 2026.03.23
12:03:08 -04'00'

Joshua Stallings, Deputy Director, Division of FHLBank Regulation

JOSHUA
STALLINGS
Digitally signed by
JOSHUA STALLINGS
Date: 2026.03.23
12:49:52 -04'00'

SUBJECT: Compliance Review: *FHFA Did Not Consistently Comply with Policies and Procedures for Paying Employee Reimbursements and Stipends*

DATE: March 23, 2026

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft report (report). The compliance review's objective was to determine whether U.S. Federal Housing (Federal Housing Finance Agency or FHFA) complied with its reimbursements and stipends policy and procedures from October 1, 2022, to March 31, 2025.

The report identified nine recommendations to improve compliance with requirements for paying employee reimbursements and stipends. The Agency rejects the assertion that all of the identified exceptions are questioned costs that would require recoupment, but agrees with the recommendations and plans to take the following corrective actions.

Recommendation 1: *Determine the allowability of the questioned reimbursement and stipend costs totaling \$65,690 and take appropriate action including recoupment of funds.*

Management Response: By September 30, 2026, the Agency will review the exceptions noted in the report and take appropriate action, as necessary.

Recommendation 2: *Strengthen compliance with applicable policies and procedures over reimbursements and stipends through targeted training of OHRM staff responsible for initiating, reviewing, and approving payments. Training on the requirements of Policy 113, the Duty Station Policy, and other applicable guidance should reinforce the following:*

- a. *Reimbursements must be supported by verifiable documentation of an employee's eligible job-related expenses with required, supporting documentation;*
- b. *Payments must not exceed reimbursement and stipend thresholds and must be accurate;*
- c. *Stipends should be issued exclusively to employees who meet eligibility criteria; and*

March 23, 2026

d. Agreements and other certifications must be properly executed and maintained.

Management Response: FHFA disagrees with the interpretation in the report that there is a linkage between Policy #113 and the Duty Station Policy. However, the Agency will take the corrective actions described in the recommendation above. By September 30, 2026, the Office of Human Resources Management (OHRM) will implement a Reimbursement and Stipend Standard Operating Procedure (SOP) that addresses the processing of stipends and reimbursements. In addition, senior OHRM staff will conduct periodic evaluations of processed stipends and reimbursements to ensure payment eligibility and verify documentation.

Recommendation 3: *Develop and implement standardized controls to systematically review and verify the accuracy of out-stationed employee stipend payments for consistency across the Agency.*

Management Response: By September 30, 2026, OHRM will implement the Reimbursement and Stipend SOP described above, which also will include standardized controls to systematically review and verify the accuracy of out-stationed employee stipend payments for consistency across the Agency.

Recommendation 4: *Conduct periodic testing of controls over reimbursements and stipends to ensure payments are made in accordance with Policy 113 and other applicable guidance.*

Management Response: By September 30, 2026, OHRM will implement periodic testing of controls over reimbursements and stipend payments to ensure compliance with Policy 113 and other applicable guidance.

Recommendation 5: *Reinforce controls governing out-stationed employee stipends through periodic reminders and targeted training of officials responsible to ensure recipient eligibility, accurate payment through coordination with OHRM, as necessary, and maintenance of properly executed duty station agreements.*

Management Response: By June 30, 2026, the Division of FHLBank Regulation (DBR) will initiate periodic reminders and provide targeted training of officials responsible for out-stationed employee stipends to ensure recipient eligibility, accurate payment through coordination with OHRM, as necessary, and the maintenance of properly executed duty station agreements.

Recommendation 6: *Train DBR staff responsible for initiating, reviewing, processing, and approving stipends on the requirements of Policy 113, 2021-DBR-OPB-04, the Duty Station Policy, and any procedural updates.*

March 23, 2026

Management Response: By June 30, 2026, DBR's Supervision Operations Branch staff who initiate, review, and process stipends will receive training on the requirements of Policy 113, 2021-DBR-OPB-04, the Duty Station Policy, and any related procedural updates. The training will cover eligibility criteria, required documentation, and the approval process, in accordance with established policies. Refresher sessions and updated guidance will be provided as policies or procedures are revised.

Recommendation 7: *Develop a centralized recordkeeping system for managing reimbursement and stipend records that allows timely and accurate retrieval of supporting documentation.*

Management Response: By September 30, 2026, OHRM will implement a centralized recordkeeping system for managing reimbursement and stipend records.

Recommendation 8: *Perform periodic checks of reimbursement and stipend documents to verify that they are accurate, complete, and have been retained for the required period of time.*

Management Response: By September 30, 2026, OHRM will develop a schedule and implement periodic checks of reimbursement and stipend documents to verify they are accurate, complete, and have been retained for the required period of time.

Recommendation 9: *Provide supplemental, as-needed training to FHFA staff responsible for initiating, reviewing, and approving reimbursements and stipends on the requirements of FHFA's Records and Information Management Policy; FHFA's Comprehensive Records Schedule; and the National Archives and Records Administration's General Records Schedules when retaining information and documentation created under Policy 113 and any corresponding updates. This training should complement, not replace, other mandatory training.*

Management Response: By September 30, 2026, OHRM will provide appropriate supplemental training to FHFA staff responsible for initiating, reviewing, and approving reimbursement and stipends on the requirements of FHFA's Records and Information Management Policy, FHFA's Comprehensive Records Schedule, and the National Archives and Records Administration's General Records Schedules.

If you have any questions related to this response, please contact Michael Cummins at michael.cummins@fhfa.gov or (202) 510-3223.

cc: Edom Aweke
Ivan Bengtson
Ed Stolle

Federal Housing Finance Agency Office of Inspector General

To report potential fraud, waste, abuse, mismanagement, or any other kind of criminal or noncriminal misconduct relative to FHFA's programs or operations:

- Call: 1-800-793-7724
- Fax: 202-318-0358
- Visit: www.fhfaog.gov/ReportFraud
- Write: FHFA Office of Inspector General
Attn: Office of Investigations – Hotline
400 Seventh Street SW
Washington, DC 20219