



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

September 27, 2022

TO: Sandra L. Thompson, Director

FROM: Brian M. Tomney, Inspector General

SUBJECT: Closure of Recommendations from OIG’s Inquiry into a Whistleblower Complaint Concerning an Executive Compensation Matter (OI/OIG-2022-001)

In October 2021, a whistleblower alleged that FHFA’s then-Chief of Staff had worked to secure a \$250,000 “retention award” for a Fannie Mae executive. We investigated the allegation and found that the award had been proposed at the behest of Agency leadership. We also found that the Agency’s stated reasons for approving the award were pretextual. Our January 28, 2022, report on this matter made three recommendations.¹ The Agency agreed with the recommendations and stated that it would take corrective actions consistent with them. On April 27, 2022, the Agency issued a memorandum reflecting its completion of corrective actions in response to all three recommendations. As detailed below, we are reasonably assured that the Agency’s corrective actions satisfy these recommendations, and therefore, they may now be closed.

Recommendation 1: The Agency should document accurately its decision to approve the award in question, as well as any final decision as to whether it may be paid lawfully, consistent with the Federal Records Act and its recordkeeping policy.

In response to our recommendation, the Agency reconsidered the proposed award and determined that it could not be issued. The Agency issued a revised Staff Analysis memorandum documenting this determination, which superseded the original Staff Analysis. On review, the Agency’s revised Staff Analysis fulfills the Agency’s obligation under the Federal Records Act to “make and preserve records containing adequate and proper documentation of the ... decisions, procedures, and essential transactions of the agency and designed to furnish the information necessary to protect the legal and financial rights of the Government and of persons directly affected by the agency’s activities.”²

¹ *Report of Administrative Inquiry into a Whistleblower Complaint Concerning an Enterprise Executive Compensation Matter*, OI/OIG-2022-001 (Jan. 26, 2022).

² 44 U.S.C. § 3101, which is incorporated into the Agency’s January 2021 recordkeeping policy.

Recommendation 2: Prior to permitting the award in question to be paid, FHFA should determine whether doing so would result in a violation of the STOCK Act of 2012.

The Agency reviewed the STOCK Act’s language and legislative history and applied its findings to the underlying facts of the award. In its revised Staff Analysis, FHFA determined that (1) the Act applied to the Fannie Mae senior executive in question, (2) the actual motivations for the proposed award were not consistent with the basic requirements of a retention award, and (3) the proposed payment would be properly characterized as a bonus. Therefore, the proposed payment would be precluded by the Act and could not be paid. We find that the revised Staff Analysis addresses this recommendation sufficiently.

Recommendation 3: The Agency should implement a procedure under which retention awards for senior executives proposed by the Enterprises are analyzed and reviewed to ensure they are not violative of the STOCK Act’s prohibition on the payment of bonuses.

The Agency established a new Retention Awards Procedure, which recognizes that “senior executives” of an Enterprise in conservatorship are statutorily prohibited from receiving “bonuses” and establishes a process in which Agency personnel must analyze any proposed retention award to any employee of an Enterprise in conservatorship. The process requires analysis of whether the recipient qualifies as a “senior executive” under the STOCK Act, an explanation of the departure risk to be mitigated by the proposed award, the basis for the proposed retention period, and an assessment of whether the proposed award is designed to retain—rather than reward—an individual. On review of the Agency’s new procedure, we find that it is fully responsive to our third recommendation.

Conclusion

Based on the foregoing, we conclude that FHFA has fully implemented sufficient corrective actions to address the January 26, 2022, report’s three recommendations, and we are closing them on this basis. OIG may conduct additional compliance work in the future to assess the Agency’s implementation of its new procedure as warranted.