



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

September 26, 2022

TO: Andre D. Galeano, Deputy Director, Division of Enterprise Regulation

FROM: Kyle D. Roberts, Deputy Inspector General for Evaluations /s/

SUBJECT: Closeout of the Special Project on FHFA's Organizational Optimization Blueprint

Summary

In April 2021, we initiated a special project on the efforts of the Federal Housing Finance Agency (FHFA or Agency) to develop and maintain a world-class supervision program, including its implementation of the recommendations and initiatives from an organizational optimization assessment. We suspended that project until the second half of 2022 to allow you, as new leadership, time to begin implementation of these initiatives. Because the initiatives and the Division of Enterprise Regulation's (DER) workforce planning efforts remain ongoing at this time, we conclude this effort is not yet ready for review. Given these circumstances, we have closed the special project. We will monitor DER's progress and initiate an evaluation at the appropriate time.

Background

In a March 2020 evaluation, we reported concerns about the lack of systematic workforce planning as applied to DER's supervision of the Enterprises' model risk management.¹ We made two recommendations to address the shortcomings our evaluation identified. The recommendations called for FHFA to, among other things, evaluate whether "a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess" and, if so, to address that gap. In a June 30, 2020, written management response to our two recommendations and a related audit report recommendation,² FHFA reported that it had "engaged the services of a contractor to provide organizational assessment

¹ See [OIG, *Despite FHFA's Recognition of Significant Risks Associated with Fannie Mae's and Freddie Mac's High-Risk Models, its Examination of Those Models Over a Six Year Period Has Been Neither Rigorous nor Timely* \(EVL-2020-001, Mar. 25, 2020\).](#)

² The first recommendation from our evaluation report paralleled a recommendation made in an audit report on workforce planning from the prior month. See [OIG, *Despite Prior Commitments, FHFA Has Not Implemented a Systematic Workforce Planning Process to Determine Whether Enough Qualified Examiners are Available to Assess the Safety and Soundness of Fannie Mae and Freddie Mac* \(AUD-2020-004, Feb. 25, 2020\).](#) FHFA's response addressed the recommendations of both reports.

expertise, analysis, and consulting services regarding the preparation of an organizational optimization Blueprint . . .” Based on the terms of FHFA’s engagement with the contractor, coupled with further discussions with FHFA management, we concluded that FHFA’s planned initiative with the contractor was generally responsive to our recommendations, with the understanding that FHFA was committed to address any program gaps that cause FHFA to fall short of the “world class” standard established by the contractor’s organizational assessment.

The contractor completed the organizational optimization blueprint report (Blueprint Report) on October 31, 2020. The following July, FHFA prepared a high-level action plan to implement, through two phases, several of the initiatives that would impact the Enterprise supervision program. Full implementation of those initiatives is still pending. Although the Agency is currently concluding phase one of its high-level action plan, as of mid-September 2022, the FHFA Director has not approved the initiation of phase two and the Agency has not established a timeline for that decision. Thus, FHFA’s future actions are currently uncertain.

At the time we suspended our special project, DER had begun to lay the groundwork for division-level workforce planning, and that work is ongoing. In June 2021, FHFA engaged its contractor to perform a strategic workforce analysis of DER. The contractor assisted DER in preparing an October 2021 “Strategic Workforce Report,” which sought to “establish a comprehensive picture of the existing DER workforce and determine if the Division possesses the necessary talent, with the right skills, to fulfill its current assigned functions, as well as to identify future talent needs.” In response to one of the report’s recommendations, DER partnered with the Office of Personnel Management (OPM) in 2022 to review duties and competency requirements for DER’s workforce and to identify skill gaps. DER expects to receive a skills assessment and gap analysis from OPM in the first quarter of 2023. Once DER receives that work product, its leadership will determine the appropriate path forward with respect to determining and meeting DER’s examination resource needs.

Given the pendency of the results of the OPM gap analysis and uncertainty with respect to DER’s actions relative to that analysis, as well as the uncertainty concerning FHFA’s future steps to implement the Blueprint Report initiatives, we have closed this special project. We will monitor DER’s progress and initiate an evaluation at the appropriate time.