



OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

September 3, 2025

John Allen
Acting Inspector General
Federal Housing Finance Agency
Office of Inspector General
400 7th Street, S.W.
Washington, D.C. 20219

Dear Mr. Allen:

Attached is the System Review Report of the Federal Housing Finance Agency's Office of Inspector General audit organization, conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*. On August 20, 2025, we provided a draft of the report for your review and comment. We have included your response, dated August 27, 2025, as Enclosure 2 in the final System Review Report.

We appreciate the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Respectfully,

Digitally signed by KEVIN
MUHLENDORF
Date: 2025.09.03 11:05:17 -04'00'

Kevin Muhlendorf
Inspector General

Attachments

cc: James Hodge, Deputy Inspector General for Audits, Federal Housing Finance Agency



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

System Review Report

September 3, 2025

John Allen
Acting Inspector General
Federal Housing Finance Agency
Office of Inspector General
400 7th Street, SW
Washington, D.C. 20219

Dear Mr. Allen

We have reviewed the system of quality control for the audit organization of Federal Housing Finance Agency (FHFA) Office of Inspector General (OIG) in effect for the year ended March 31, 2025. A system of quality control encompasses FHFA OIG's organizational structure, policies adopted, and procedures established to provide it with reasonable assurance of conforming in all material respects with *Government Auditing Standards* and applicable legal and regulatory requirements.¹ The elements of quality control are described in *Government Auditing Standards*.

In our opinion, the system of quality control for the audit organization of FHFA OIG in effect for the year ended March 31, 2025, has been suitably designed and complied with to provide FHFA OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements in all material respects.

Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. FHFA OIG has received an External Peer Review rating of *pass*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to FHFA OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was

¹ U.S. Government Accountability Office, *Government Auditing Standards* (GAO-21-368G, April 2021).

to determine whether FHFA OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion; accordingly, we do not express an opinion on FHFA OIG's monitoring of work performed by IPAs.

Basis of Opinion

Our review was conducted in accordance with *Government Auditing Standards* and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General*.²

During our review, we interviewed FHFA OIG personnel and obtained an understanding of the nature of the FHFA OIG audit organization, and the design of FHFA OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with FHFA OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of the FHFA OIG audit organization, with an emphasis on higher-risk engagements.

In performing our review, we obtained an understanding of the system of quality control for the FHFA OIG audit organization. In addition, we tested compliance with FHFA OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of FHFA OIG's policies and procedures on selected GAGAS engagements. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with FHFA OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion. Enclosure 1 to this report identifies the FHFA OIG offices that we visited and the engagements we reviewed.

Responsibilities and Limitation

FHFA OIG is responsible for establishing and maintaining a system of quality control designed to provide FHFA OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and FHFA OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk

² CIGIE *Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General* (March 2020).

Mr. Allen
September 3, 2025
Page 3

that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Digitally signed by KEVIN
MUHLENDORF
Date: 2025.09.03 11:05:37 -04'00'

Kevin Muhlendorf
Inspector General

Enclosures

Scope and Methodology

We tested compliance with the FHFA OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 3 of 28 audit reports conducted in accordance with generally accepted government auditing standards (GAGAS engagements) issued from April 1, 2022, through March 31, 2025. We also reviewed the internal quality control reviews performed by FHFA OIG.

In addition, we reviewed FHFA OIG's monitoring of GAGAS engagements performed by IPAs where the IPA served as the auditor from April 1, 2022, through March 31, 2025. During the period, FHFA OIG contracted for the audit of its agency's fiscal year 2024 Information Security Program. FHFA OIG also contracted for another GAGAS engagement that was performed in accordance with *Government Auditing Standards*.

We visited FHFA OIG's main office located in Washington, DC.

Reviewed GAGAS Engagements Performed by FHFA OIG

Report No.	Report Date	Report Title
AUD-2024-010	09/25/2024	FHFA's Disaster Recovery Exercise for Its General Support System Needs Improvement
AUD-2025-003	03/28/2025	DBR's Oversight Was Sufficient to Ensure That FHLBanks Managed Mortgage Servicer Risks But Examiners Did Not Follow Steps Outlined in Its 2023 Supervisory Priorities

Reviewed Monitoring Files of FHFA OIG for Contracted GAGAS Engagements

Report No.	Report Date	Report Title
AUD-2024-006	07/30/2024	Audit of the Federal Housing Finance Agency's Information Security Programs and Practices Fiscal Year 2024

FHFA Response to the Draft System Review Report



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street SW, Washington, DC 20219

August 27, 2025

Kevin B. Muhlendorf
Inspector General
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-2977

Dear Inspector General Muhlendorf:

Thank you for the opportunity to respond to your office's draft of the External System Review Report on the Federal Housing Finance Agency Office of Inspector General's audit division.

We are pleased that your office's review resulted in a *pass* rating. This rating confirms that our system of quality control is suitably designed and provides reasonable assurance that our audits and audit reports comply with applicable professional, legal, and regulatory standards and requirements. We are committed to maintaining an effective quality management system for our audit and other programs and recognize the importance of the peer review process to that objective.

We appreciate the courtesy and professionalism of your staff in conducting this external peer review.

Sincerely,

JOHN ALLEN

Digitally signed by JOHN
ALLEN
Date: 2025.08.27 09:58:27
-04'00'

John "Joe" Allen
Acting Inspector General