



Federal Housing Finance Agency
Office of Inspector General

STRATEGIC PLAN

Fiscal Years 2018–2022

FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

A Message from the Inspector General

I am pleased to present the Federal Housing Finance Agency (FHFA) Office of Inspector General's (OIG) Strategic Plan for Fiscal Years (FY) 2018-2022. In it, we identify the goals and objectives for this five-year period in our continuing effort to improve the effectiveness and efficiency of FHFA's programs and operations.



Congress created FHFA-OIG to oversee FHFA's supervision of Fannie Mae and Freddie Mac (the Enterprises), the Federal Home Loan Banks (FHLBanks), and the FHLBanks' fiscal agent, the Office of Finance (the regulated entities). In September 2008, FHFA used its statutory authorities to place Fannie Mae and Freddie Mac into conservatorships after a substantial deterioration in the housing markets severely damaged their financial condition and left them unable to continue without government intervention. Now in their tenth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity. FHFA exercises control over trillions of dollars in assets and billions of dollars in revenue and makes business and policy decisions affecting the entire U.S. mortgage finance industry. The Agency's dual responsibilities require us to structure our oversight program in similar fashion, making us and our mission significantly different from other financial regulators.

We use a risk-based approach to our work which enables us to leverage our resources and provide strong oversight of FHFA. We focus our resources on those Agency programs and operations that pose the greatest financial, governance, and/or reputational risks to FHFA, the Enterprises, and the FHLBanks, which are reflected in our annual Management and Performance Challenges memorandum to the FHFA. Our memorandum for FY 2018 can be accessed here: www.fhfaig.gov/reports/managementperformancechallenges.

Since FHFA-OIG issued its last strategic plan, we have developed and implemented new initiatives and enhanced some of our existing processes to strengthen oversight. Those new initiatives and enhancements include:

- Creation of the Office of Risk Analysis which is tasked with identifying, analyzing, monitoring, and prioritizing emerging and ongoing risks to enable us to adjust our focus and deploy our assets to address them.
- Creation of the Office of Compliance and Special Projects which conducts testing to verify that FHFA has implemented the corrective actions it has agreed to undertake and also undertakes special projects as assigned.

- Issuance of management alerts when we become aware of significant matters requiring FHFA's immediate attention.
- Issuance of special reports and status reports to inform FHFA senior management, the public, Congress, and other stakeholders of significant developments involving ongoing FHFA projects.

For a complete discussion of our oversight initiatives and enhancements to existing processes, please see our Fourteenth Semiannual Report to Congress (at pages 12-13), available at www.fhfa.ig.gov/Content/Files/FourteenthSemiannualReport.pdf.

Strategic planning is a dynamic process. We recognize that we may need to adapt this plan to changes that may occur in the marketplace and the economy, as well as any new priorities that may emerge as Congress considers the future of the nation's housing finance system.

A handwritten signature in black ink, appearing to read "Laura S. Wertheimer". The signature is fluid and cursive, with a large initial "L" and "W".

Laura S. Wertheimer
Inspector General

February 1, 2018

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Introduction and Scope of Responsibilities

The Housing and Economic Recovery Act of 2008 (HERA) established FHFA. Its primary mission is to ensure that the Enterprises and the FHLBanks operate in a safe and sound manner so they can serve as a reliable source of liquidity and funding for housing finance and community investment.

The FHLBanks support residential mortgage lending and community investment through their member financial institutions.

The Enterprises dominate the secondary mortgage market and the mortgage securitization sector in the United States and, thus, affect the entire mortgage finance industry. In September 2008, FHFA placed the Enterprises into conservatorships, thereby undertaking the unique dual role of regulator and conservator. As their conservator, FHFA is responsible for making the Enterprises sound and solvent and conserving and preserving their assets and property as they perform their housing finance mission. To date, the Enterprises have required a \$187.5 billion financial investment from the U.S. Treasury to avert insolvency; through September 2017 they have paid the Treasury more than \$275 billion in dividends on its investment. The Enterprises have grown while in conservatorship despite high leverage, a diminished capital buffer, conservatorship status, and an uncertain future. Their combined total assets are approximately \$5.3 trillion, and their combined debt exceeds \$5 trillion.

FHFA Office of Inspector General

HERA, which amended the Inspector General Act of 1978, also established OIG. Our mission is to promote economy, efficiency, and effectiveness in FHFA's programs and operations, and to prevent and detect fraud, waste, and abuse in them. OIG conducts audits, investigations, evaluations, compliance reviews, and other oversight activities in connection with FHFA's programs and operations, including its supervision and conservatorship of the Enterprises, and its oversight of the FHLBank System.

Vision, Mission, and Core Values

Vision

To be an organization that promotes excellence and trust through exceptional service to FHFA, Congress, stakeholders, and the American people. OIG achieves this vision by being a first-rate independent oversight organization in the federal government that acts as a catalyst for effective management, accountability, and positive change in FHFA and holding accountable those, whether inside or outside of the federal government, who waste, steal, or abuse funds in connection with the Agency, the Enterprises, or the FHLBanks.

Mission

OIG promotes economy, efficiency, and effectiveness and protects FHFA and the entities it regulates against fraud, waste, and abuse, contributing to the liquidity and stability of the nation's housing finance system. We accomplish this mission by providing independent, relevant, timely, and transparent oversight of the Agency to promote accountability, integrity, economy, and efficiency; advising the Director of the Agency and Congress; informing the public; and engaging in robust enforcement efforts to protect the interests of the American taxpayers.

Core Values

OIG's core values are integrity, respect, professionalism, and results. Accordingly, we endeavor to maintain the highest level of integrity, professionalism, accountability, and transparency in our work. We follow the facts—wherever they may lead—without fear or favor; report findings that are supported by sufficient evidence in accordance with professional standards; and recommend actions tied to our findings. Our work is independent, risk-based, relevant, and timely. We play a vital role in promoting the economy and efficiency in the management of the Agency and view our oversight role both prospectively (advising the Agency on internal controls and oversight, for example) and retrospectively (by assessing the Agency's oversight of Fannie Mae, Freddie Mac, and the Federal Home Loan Banks in its role as regulator, and its operation of Fannie Mae and Freddie Mac in its role as conservator).

Because FHFA has been placed in the unique role of regulator and conservator of the two Enterprises, which support over \$5 trillion in mortgage loans and guarantees, our oversight role reaches matters delegated by FHFA to the Enterprises to ensure that the Enterprises are satisfying their delegated responsibilities and that taxpayer monies are not wasted or misused.

We emphasize transparency in our oversight work to the fullest reasonable extent and in accordance with our statutory obligations to foster accountability in the use of taxpayer monies and program results. We seek to keep the Agency's Director, members of Congress, and the American taxpayers fully and currently informed of our oversight activities, including problems and deficiencies in the Agency's activities as regulator and conservator, and the need for corrective action.

Significant Enhancements to Internal FHFA-OIG Processes

Beginning operations in October 2010, FHFA-OIG expeditiously established an organizational structure, obtained the infrastructure necessary to fulfill its mission, and hired investigators, evaluators, auditors, attorneys, subject matter experts, and administrative support staff. After IG Wertheimer joined FHFA-OIG in October 2014, she and her senior staff undertook an appraisal of existing processes and practices relating to project design and management, knowledge sharing across the organization, recruitment and retention of professionals with the necessary training and experience, and fiscal responsibility. That assessment provided a clear understanding of strengths and challenges. IG Wertheimer and her senior staff identified actions to respond to key challenges and we now summarize some of the actions taken.

Project Design and Management

- To best leverage resources to strengthen oversight, we focused our report-writing offices on those programs and operations that pose the greatest financial, governance, and/or reputational risk to the Agency, the Enterprises, and the FHLBanks. We established an integrated approach to identifying the greatest risks and published our first risk-based Audit and Evaluation Plan in February 2015.
- Since that time, we have continued to engage in robust annual efforts to develop risk-based workplans across all report-writing offices.
- Development of projects tied to each risk has yielded targeted, high quality reports faster and with smaller teams.
- Assessment of fact finding processes used by report-writing offices identified certain processes that would benefit from greater rigor, and the following enhancements have been adopted:
 - Crafting of clear, written document requests tailored to the scope of the project;
 - Collection and review of emails, when determined necessary, to facilitate discovery of relevant facts;
 - Internal training to improve fact-finding interview skills; and
 - Internal quality control process across FHFA-OIG requiring all written work product to be uniformly referenced, or cite-checked, by lawyers in its Office of Counsel to ensure that factual support exists for each factual statement and that findings are based on the application of the facts to objective criteria.

Knowledge Sharing Across FHFA-OIG

- FHFA-OIG accumulated large amounts of data and information about FHFA and the entities it regulates but lacked the technology to aggregate, search and optimize efficient access to it.

- After the knowledge-sharing needs of our professionals were identified, a technology infrastructure was designed and implemented.
- Employees have received training on the opportunities provided by the technology infrastructure to capture and retain information and on the available tools to search and analyze this information so that they can access and review information more efficiently, economically, and securely.

Recruitment and Retention of Professionals with Requisite Skills and Experience

- To accomplish our mission of providing independent, relevant, timely, and transparent oversight of the Agency, our employees—our human capital—is our most critical asset.
- As we explained in our Tenth Semiannual Report to Congress, we “commenced a major reorganization effort . . . to ensure that the skill sets of OIG personnel facilitate the types of performance audits and evaluations that OIG plans to conduct, and to fulfill OIG’s strategic vision of producing targeted, relevant, high-quality audit and evaluation products faster and with smaller teams.” That effort identified gaps between the then-current capabilities of employees in our report-writing offices and the necessary mission-driven requirements.
 - To close the gaps in our Office of Audit (OA), FHFA-OIG “offered a voluntary separation incentive” for OA employees and “reassigned some OA employees who did not elect to take the separation incentive to other offices that needed their skill sets and experience.” Reorganization of OA is now complete and the professionals in that office have the necessary audit and IT security skills.
 - We have closed competency gaps in other offices through classroom training, online development training programs, continuing professional development, and mentoring.
 - As vacancies arise through attrition, high-quality applicants with the necessary skills have been recruited to enable FHFA-OIG to continue to effectively execute its risk-based work plan.
- We have also focused on creating a climate of diversity and inclusion to promote employee engagement and satisfaction.

Fiscal Responsibility

- We have adopted rigorous controls over our own spending to ensure that resources are spent economically and efficiently.
- We have ended the past practice of hiring external audit firms to conduct performance audits of Agency programs and operations, with the exception of the mandated reviews of the Agency’s information security programs and practices, saving millions of dollars.

- We have ended the past practice of using external consultants to draft our semiannual reports to Congress, strategic plan, and continuity-of-operations plan, saving more than \$3.5 million.
- We have significantly reduced the number of positions requiring top-secret or secret clearances, at cost savings, because FHFA-OIG rarely accesses classified information.

OIG Strategic Goals

OIG's mission – to promote FHFA's economy, efficiency, and effectiveness, and protect FHFA and the entities it regulates against fraud, waste, and abuse – is accomplished by independent, relevant, timely, and transparent oversight of FHFA through our audits, evaluations, assessments, reviews, and investigations. Because FHFA serves in a unique dual role as conservator and regulator of the Enterprises and regulator of the FHLBanks, we must structure our oversight program to examine FHFA's exercise of its dual responsibilities. Therefore, our oversight efforts differ significantly from those of other financial regulators. Our strategic goals are:

1. Promote FHFA's effective supervision of the Enterprises and the FHLBanks to ensure their safety and soundness;
2. Promote FHFA's effectiveness as conservator of the Enterprises;
3. Prevent and detect fraud, waste, and abuse in the programs and operations of the Agency; and
4. Promote excellence and effectiveness in OIG internal operations.

Objectives to Implement Strategic Goals and Performance Measures

OBJECTIVE: Focus on critical risks to FHFA's programs and operations and produce targeted, risk-based high-quality reports.

PERFORMANCE MEASURES:

- Focus audits, evaluations, compliance reviews, management alerts, special project reports, and status reports on the risk-based management and performance challenges identified annually, hotline complaints, Congressional requests, and statutory mandates.
- Outreach to Congressional oversight committees to inform stakeholders and to identify other high-risk areas of stakeholder interest.
- Monitor and assess FHFA programs and operations and developments in housing finance to identify emerging and high-risk areas, and allocate resources accordingly.
- Issue accurate, clear, and concisely written reports within the timelines established by each report-writing office.
- Concentrate investigations on high-impact matters, and respond to complaints of fraud, waste, or abuse in a timely and focused manner.
- Promote the reporting to FHFA-OIG by employees of FHFA and the regulated entities and the public of potential fraud, waste, or abuse.

- Report results of our oversight work publicly, to the fullest reasonable extent and in accordance with law, to foster accountability in use of resources and program results.

OBJECTIVE: Promote a diverse, skilled, and engaged workforce and foster an inclusive, collaborative environment.

PERFORMANCE MEASURES:

- Recruit, develop, and retain motivated employees with diverse backgrounds, skills, and experiences.
- Provide opportunities for the development of leadership skills, as well as continuous learning and mentorship.
- Match employee skills and experience with organizational needs.
- Encourage knowledge sharing and collaboration across FHFA-OIG.
- Promote transparency of internal decisions and communications within FHFA-OIG.
- Promote initiatives that improve employee satisfaction and foster a positive work environment.

OBJECTIVE: Advance organizational effectiveness and develop a culture of continuous improvement and innovation.

PERFORMANCE MEASURES:

- Continually improve the availability and accessibility of technology to facilitate information gathering and analysis and enhance effectiveness and efficiency of oversight.
- Continue to provide employees with the information technology and tools that enhance collaboration, communication, and mobility.
- Benchmark existing OIG processes and controls against those used in other OIGs and make improvements.
- Identify opportunities to enhance existing quality assurance programs and internal controls and, where appropriate to do so, implement changes.
- Encourage employees to identify both potential improvements to existing operations and processes, as well as new operations and processes, to enhance OIG's capabilities.

OBJECTIVE: Effectively engage with stakeholders both to communicate our role, work, and results, as well as to receive their concerns and input.

PERFORMANCE MEASURES:

- Outreach to Congressional oversight committees and other stakeholders on a regular basis.
- Incorporate stakeholder feedback into workplans.
- Respond promptly to Congressional requests for information and assessments.
- Enhance outreach efforts to external stakeholders to promote awareness of OIG's mission.

Report Alleged Waste, Fraud, or Abuse

FHFA-OIG depends upon FHFA, FHFA-OIG, other Federal employees, and also the public, to report information about those, whether inside or outside of the federal government, who waste, steal, or abuse funds in connection with the Agency, the Enterprises, any of the FHLBanks, or the FHLBanks' Office of Finance, or about mismanagement within FHFA.

FHFA has been placed in the unique dual role of regulator and conservator of two Enterprises, which support over \$5 trillion in mortgage loans and guarantees, and the American taxpayers have invested \$187.5 billion in these Enterprises. All Americans have a stake in FHFA's success and effectiveness.

Please contact FHFA-OIG if you have any information regarding:

- Possible waste, fraud, abuse, mismanagement, or other misconduct involving FHFA employees, programs, operations, contracts or subcontracts;
- Possible violations of Federal laws, regulations, rules, or policies pertaining to FHFA or to any of the regulated entities; or
- Possible unethical activities involving employees of FHFA or of the regulated entities.

You may contact FHFA-OIG using our telephone hotline, 1-800-793-7724, or VA Relay 711 (TTY).

You may submit information through our Online Allegation Form, which is located at <https://www.fhfaoig.gov/ReportFraud>.

You may send us a written report by fax at (202) 318-0358 or by mail at:

Federal Housing Finance Agency Office of Inspector General
Attention: Office of Investigations – HOTLINE
400 7th Street SW
Washington, DC 20219