

Federal Housing Finance Agency
Office of Inspector General



FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training

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Executive Summary

The Federal Housing Finance Agency (FHFA or the Agency) is charged by the Housing and Economic Recovery Act of 2008 with the supervision of Fannie Mae and Freddie Mac (together, the Enterprises); Common Securitization Solutions, LLC, an affiliate of the Enterprises; the Federal Home Loan Banks (collectively, the regulated entities); and the Federal Home Loan Banks' fiscal agent, the Office of Finance. FHFA's mission is to ensure the safety and soundness of its regulated entities so that they serve as a reliable source of liquidity and funding for housing finance and community investment. Since 2008, FHFA has also served as conservator of the Enterprises.

FHFA's Office of Human Resources Management's (OHRM) mission is to recruit, hire, and retain a diverse and well qualified FHFA workforce. OHRM staff work with FHFA hiring managers to fill vacant positions at the Agency, primarily using one of three hiring approaches – delegated examining, merit promotion, and mission critical occupations. OHRM's policies and procedures included requirements that (1) periodic self-assessments be performed over its use of these hiring approaches and (2) OHRM staff and hiring managers be trained on the appointment procedures for mission critical occupations. OHRM staff prepare and distribute to FHFA management a monthly Staffing Plan, which tracks the status of hiring actions and the time-to-hire. For fiscal year 2021, FHFA established a performance measure to "Improve the number of days to hire" with a target of 95 workdays.

We conducted this audit to determine whether FHFA's hiring policies, procedures, and practices were implemented as designed and whether they facilitated the Agency's hiring goals. The scope of this audit was April 1, 2019, through March 31, 2021.

We found that:

- FHFA's monthly Staffing Plans were incomplete and inaccurate, and could not be relied on for hiring information such as the number of employees hired, entry-on-duty date, or the calculation of the Agency's time-to-hire. This occurred, in part, because FHFA did not establish and maintain comprehensive policies and procedures over preparing the Staffing Plans. The incomplete and inaccurate data contained in the Staffing Plans reduced their usefulness to FHFA management to manage, monitor, and report on the Agency's hiring practices.



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- FHFA had not performed any self-assessments of its hiring practices for delegated examining, merit promotion, or mission critical occupations. This occurred, in part, because the policies associated with each of the three hiring approaches used by FHFA, where self-assessments were required, lacked specific procedures as to how the reviews are to be performed, documented, and distributed. Also, two of the three policies (delegated examining and merit promotion) did not include the frequency for which the self-assessments were to be performed. As a result of not performing the required self-assessments of its hiring practices, FHFA could not ensure that hiring requirements were followed or that human capital goals were achieved.
- FHFA also did not ensure that training was provided to all affected OHRM staff members and hiring managers on how to conduct hiring actions using the mission critical occupations hiring approach. This occurred, in part, because OHRM had not performed any documented analysis as to who needed the training. By not ensuring the required training was provided, affected OHRM staff members and the Agency's hiring managers may not be aware of or understand the applications, requirements, and flexibilities that are available to fill FHFA's mission critical vacancies.

We make five recommendations in this report to address our findings. In a written management response, FHFA agreed with the recommendations.

This report was prepared by Tara Lewis, Audit Director; April Ellison, Auditor-in-Charge; Michael Rivera, Auditor-in-Charge (former employee); and with assistance from Abdil Salah, Assistant Inspector General for Audits; James Hodge, Deputy Assistant Inspector General for Audits; and Bob Taylor, Senior Advisor. 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.fhfaig.gov, and www.oversight.gov.

Marla A. Freedman, Senior Audit Executive /s/

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ABBREVIATIONS

APP	Annual Performance Plan
DER	Division of Enterprise Regulation
Enterprises	Fannie Mae and Freddie Mac
eWorkflow	Hiring Request eWorkflow
FHFA or the Agency	Federal Housing Finance Agency
FPPS	Federal Personnel and Payroll System
FY	Fiscal Year
Green Book	<i>Standards for Internal Control in the Federal Government</i>
OHRM	Office of Human Resources Management
OPM	Office of Personnel Management
PAR	Performance & Accountability Report

BACKGROUND.....

OHRM is responsible for monitoring and evaluating FHFA employment and placement programs and practices to ensure they: reflect “merit”; operate effectively to support agency goals and objectives; comply with applicable laws, regulations, and policy; and are carried out in a timely and cost-effective manner.¹

According to FHFA’s *Performance & Accountability Report 2020*, as of September 30, 2020, FHFA had 635 employees onboard.

FHFA Set a Strategic Goal to Strengthen its Workforce through Hiring and a Performance Measure to Improve the Time to Hire

FHFA’s Strategic Plan Fiscal Years 2021-2024 set as a new strategic goal: Position the Agency as a Model of Operational Excellence by Strengthening the Workforce and Infrastructure. An objective under that goal is “Cultivate a high-performing, diverse, accountable, and engaged workforce.” Among the means and strategies cited to achieve this objective are “Recruit a high quality, diverse workforce to cement the Agency as a world-class regulator” and “Develop an Agency-wide plan that optimizes the organizational structure and skill sets needed by the Agency to be a world-class regulator.”

FHFA’s *Annual Performance Plan for Fiscal Year 2021* (APP) established as a new performance measure “Improve the number of days to hire” with a target of 95 workdays. The APP states that measurement will begin when a vacancy announcement or hiring action has been authorized by the hiring manager and conclude when an applicant accepts a job offer. According to the APP, the days-to-hire are to be tracked monthly through FHFA’s Staffing Plan (described below) and reported on quarterly.²

¹ OHRM is organizationally placed within FHFA’s Office of the Chief Operating Officer, whose mission is to oversee the Agency’s day-to-day support operations, including: financial planning and budgeting, quality assurance, and FHFA’s strategic planning and performance management and reporting activities.

² On November 15, 2021, FHFA released its *FY 2021 Performance & Accountability Report* (PAR). FHFA reported for this performance measure that the average hiring time for FY 2021 was 106 workdays. FHFA stated in the PAR,

Because of the reporting limitations, FHFA’s internal tracking system currently only provides end-to-end hiring data which covers from the time the action was initiated until the selected employee reports/moves into the new position. The new tool will help identify obstacles at specific points during the hiring process.

Because the FY 2021 PAR was issued after completion of our fieldwork, we did not assess the support for this measure. However, as discussed later in this report, we found significant shortcomings in the report used by management to measure the time-to-hire.

A Contractor Assessment Found that FHFA’s Hiring Process Was Lengthy, Inefficient, and Lacked Transparency

In 2020, FHFA hired a contractor to perform an assessment of the Agency and prepare certain deliverables that included an organizational optimization “blueprint” and a human capital plan. The assessment found, among other things, that FHFA did not have an agency-wide annual human capital planning function, and the hiring process was lengthy, inefficient, and lacked transparency. The assessment concluded that this resulted in an increased time-to-hire, the loss of qualified applicants, and a lack of information for FHFA divisions and offices regarding the status of hiring actions.

The assessment provided FHFA with a series of recommendations and in July 2021, FHFA completed a proposed Agency-wide action plan to address those recommendations. One of the recommendations made was that FHFA should document, assess, and streamline its hiring process to include developing a hiring dashboard report providing stakeholders clear visibility into the status of their hiring actions. According to the action plan, implementation of this recommendation has an estimated completion of April 2022. The Agency expects the benefits of implementation to be the creation of an efficient hiring process to include reduced time-to-hire, consistent and organized onboarding of staff, and creation of a universal set of procedures.

In October 2021, subsequent to our audit fieldwork, FHFA issued a report titled *Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report* on the results of a joint effort by its Division of Enterprise Regulation (DER), OHRM, and the Office of Planning, Performance, and Risk Assessment (another office within FHFA’s Office of the Chief Operating Officer) to assess strategic workforce planning within DER. According to the report, the purpose of the assessment was 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.” From a gap analysis, the assessment identified, among other things:

- “As of August 2021, there are 16 open vacancies (~10% vacancy rate) within DER, of which 62.5% (10) are examiners. Given the increase in [the level of effort] to complete examination activities, this gap may need to be filled in order for DER to complete its current level of planned examination activities and other assigned functions.”
- “Hiring challenges and a perceived lack of adequate support in Mission Critical Occupation hiring is impacting DER’s ability to bring on necessary critical talent.”

One recommendation was summarized in the report as “OHRM should document the end to end hiring process, analyze each phase, and take steps to streamline and better resource the process, including removing unnecessary steps and excessive approvals, and adding additional support resources to those phases of the hiring process taking the most time.”³

FHFA's Hiring Process

According to FHFA’s Employment and Placement Policy, Policy 118, September 2020, FHFA supervisors and OHRM representatives are to collaborate and consider FHFA’s various appointment authorities and procedural choices available for each position. Together they are to determine the option that best enables FHFA to identify and employ the high performing workforce required to carry out the agency’s mission, including advancing diversity and inclusion in the workforce. Specifically, OHRM is to determine options and procedures for employment and placement actions, ensure that the action is consistent with FHFA budget considerations, discuss options with the supervisor, and execute the appropriate staffing procedures. OHRM is also to review selection decisions for compliance with applicable laws, procedures, and policies; approve personnel actions; and effect employment and placement actions.

FHFA Primarily Uses Three Hiring Approaches; OHRM Is Required to Perform Periodic Assessments of the Agency’s Use of these Approaches

FHFA informed us that it primarily uses three hiring approaches to fill vacant positions at the Agency – delegated examining, merit promotion, and mission critical occupations.⁴ For each hiring approach, FHFA has policies and procedures in place that are intended to ensure that hiring requirements are followed and human capital goals are achieved; the policies and procedures are briefly described for each approach as follows:

- Delegated Examining. This hiring approach is used to fill positions through a competitive process open to all U.S. citizens and is subject to civil service laws and

³ For additional discussion of DER’s earlier efforts to adopt and implement a workforce planning process, 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*](#) (Feb. 25, 2020) (AUD-2020-004).

⁴ FHFA may also appoint excepted service positions. Excepted service positions are defined by statute, by the President, or by the U.S. Office of Personnel Management (OPM) as excepted. These positions are not subject to the appointment, pay, and classification rules of the competitive service. Excepted service authorities enable agencies to hire when it is not feasible or not practical to use traditional competitive hiring procedures and can streamline hiring.

regulations.⁵ FHFA's Delegated Examining Standard Operating Procedures, April 2016, requires periodic evaluations to ensure that delegated examining activities adhere to Merit System Principles and other laws and regulations, and to determine the extent to which goals are being met, with the results to be used to drive continuous improvement.

- **Merit Promotion.** This hiring approach is used to fill positions through a competitive process open to current and former federal employees on the basis of merit. FHFA's Merit Promotion Plan, Policy 105, October 2008, requires OHRM to perform an evaluation of the Merit Promotion Plan hiring approach to ensure activities are addressing current FHFA strategic goals and human capital goals and objectives and that merit promotion hiring actions are executed in accordance with required procedures.
- **Mission Critical Occupations.** This hiring approach follows excepted service appointment procedures (i.e., actions to appoint an individual to the federal service that are not subject to certain aspects of competitive procedures).⁶ FHFA's Hiring for Mission Critical Occupations, OHRM 15-01, April 2016, requires the office to perform a quarterly review of a sample of hiring actions to ensure that all actions are consistent with the Merit System Principles, to determine if the hiring process consistently provides quality candidates for selection consideration, and to identify inefficiencies in the hiring process and recommend alternative actions. Also, this standard operating procedure requires that all affected OHRM staff members and FHFA hiring managers are trained on the appointment procedures for mission critical occupations.

OHRM Used a Monthly Staffing Plan to Track Hiring Activities

FHFA's Staffing Plan is a monthly planning report, produced in the form of an Excel spreadsheet, that tracks key human resource activities as of the first day of each month. Specifically, the Staffing Plan contains an overview of the number of employees on board and the number of vacant positions for each FHFA division and office. It also includes tabs for a detailed listing for each division and office that shows the employees on-board, their position title and grade level, as well as vacant positions. Additionally, the Staffing Plan includes tabs

⁵ OPM delegated competitive examining authority to FHFA via an Interagency Delegated Examining Agreement, effective October 2008.

⁶ 12 U.S.C. § 4517 authorizes FHFA to fill mission critical occupations positions using excepted service appointment procedures found at 5 C.F.R. Part 302. The covered positions are accountants, economists, examiners, financial analysts, information technology specialists, financial market specialists, and any other position that requires paramount knowledge of one of these disciplines.

showing the Agency’s calculations for the time-to-hire for filled positions by calendar year (referred to as “annual completed vacancies tabs”).

In addition to being used by OHRM, we were told the Staffing Plan was used by the Acting FHFA Director, the Office of Budget and Financial Management, and the Office of the Chief Operating Officer, as a source of information, among others, for making a range of decisions related to workforce planning, budgeting, and determining where additional resources/positions are needed. Further, FHFA leadership stated that they rely on the monthly Staffing Plan for information on the status of hiring actions and on the time-to-hire.

OHRM is responsible for preparing the monthly Staffing Plan and for ensuring its accuracy. OHRM developed a “job aid” which lays out procedures to prepare the monthly Staffing Plan. According to the job aid, the three steps to prepare the monthly Staffing Plan are: (1) gather data, (2) update the plan, and (3) review the updates. Specifically, OHRM Account Managers⁷ are expected to provide the Human Resources Manager with all of the personnel changes and status updates of vacancies for their respective assigned divisions and/or offices. According to the job aid, OHRM’s Human Resources Manager reviews the updates to the monthly Staffing Plan, which consists of verifying that the information provided was accurately added to the report and validating that the information is complete by comparing it to other sources.

FACTS AND ANALYSIS

The objective of the audit was to determine whether FHFA’s hiring policies, procedures, and practices were implemented as designed and whether they facilitated the Agency’s hiring goals during April 1, 2019, through March 31, 2021 (review period).

Because we were told that FHFA’s monthly Staffing Plan is an integral tool used by FHFA management to manage, monitor, and report on the Agency’s hiring activities, we performed tests to determine the accuracy of these reports. Also, because FHFA’s self-assessments of its hiring practices were designed to determine whether the Agency’s hiring policies and procedures were being followed and its human capital goals achieved, we sought to review the self-assessments to determine if they were performed as required.

⁷ The OHRM Account Managers are assigned to assist FHFA’s divisions and offices with hiring activities.

FHFA's Monthly Staffing Plans Were Inaccurate, Reducing Their Usefulness to FHFA Management to Manage, Monitor, and Report on FHFA Hiring Practices

Federal standards for internal control state that management should use quality information to achieve agency objectives. Within those internal control standards, quality information is defined as information that is accurate and complete, among other attributes.⁸

According to its procedures, OHRM's review of the updates to the monthly Staffing Plan consists of verifying that the information provided was accurately added to the report and validating that the information was complete by comparing it to other sources. However, we found that FHFA's monthly Staffing Plans contained incomplete and inaccurate data, and therefore could not be relied on for hiring information such as the number of employees hired, entry on duty date, or the Agency's time-to-hire.⁹ This finding brought into question the effectiveness of OHRM's review procedures and their implementation. To illustrate:

1. Number of employees hired. FHFA's April 1, 2021, Staffing Plan showed that 127 employees on-boarded during the review period. We compared that number to the number of employees shown as on-boarded in the Federal Personnel and Payroll System (FPPS), FHFA's payroll system. FPPS data showed that 149 employees on-boarded during the same period, 22 more than shown in the Staffing Plan. We also found for the same period that 10 internal employees were selected to fill vacancies, but were not included on the Staffing Plan.
2. Entry on duty date. Because the Staffing Plan did not include 22 employees who were hired and on-boarded during our review period, nor the 10 internal employees who were selected to fill vacancies, the entry-on-duty date was not included in the Staffing Plan for these 32 employees. In addition, for the 127 employees who were included in the Staffing Plan, we found that the entry-on-duty date was not always accurate. Specifically, we compared the entry-on-duty date recorded in FPPS for each of the 127 employees to the entry-on-duty date reported in the April 1, 2021, Staffing Plan and found that the date reported in the Staffing Plan was inaccurate for 9 of the 127 employees; 4 of the dates reported in the Staffing Plan were 2 weeks before the actual entry-on-duty date and 5 entry-on-duty dates ranged from 2 to 4 weeks after the actual entry-on-duty date.

⁸ *Standards for Internal Control in the Federal Government* (Green Book), Principle 13 is under the information and communication component of internal control. The Green Book is issued by the Government Accountability Office pursuant to 31 U.S.C. § 3512 (c) and (d). FHFA is subject to the Green Book. *See* GAO-14-704G (Sept. 2014).

⁹ Unless otherwise noted, our analysis was based on the annual completed vacancies tabs for calendar years 2019, 2020, and 2021, in the April 1, 2021, Staffing Plan.

3. Time-to-hire. As described in the Background section of this report, the Agency's time-to-hire measure was to follow a specified protocol; that is, the number of workdays between when a vacancy announcement or hiring action was authorized by the hiring manager and when an applicant accepted a job offer (with a goal of 95 workdays). We found that the formula used in the monthly Staffing Plan to calculate the Agency's time-to-hire contained multiple errors, such as: (1) using 360 days for calendar days instead of workdays to count the total elapsed time-to-hire; and (2) using the entry-on-duty date to end the time-to-hire instead of the applicant's acceptance of the job offer. The job offer acceptance date was a date that was not being tracked. Further, the time-to-hire included in the Staffing Plan was also incomplete because it too did not include 22 employees who were hired during our review period and 10 employees who were selected internally to fill vacancies.

OHRM officials gave us various reasons for the deficiencies we identified in the monthly Staffing Plans. First, regarding the number of employees hired, officials acknowledged that the 22 new hires and 10 internal hires should have been included in the Staffing Plan, and said this was an oversight on their part. Next, the entry-on-duty date was inaccurate because, according to OHRM officials, they relied on emails received from OHRM account managers and others as source information for the entry-on-duty date reported in the Staffing Plan. For both the number of employees hired and the entry-on-duty date, OHRM officials acknowledged that they did not reconcile information in the Staffing Plan to official systems of record, such as FPPS. Finally, regarding the time-to-hire, officials told us that they were not aware of the description of the time-to-hire measure set forth in the APP, so they did not follow it.¹⁰

Further, the monthly Staffing Plan was incomplete and inaccurate because FHFA did not establish and maintain comprehensive policies and procedures over preparing the report. Lacking were procedures to:

- Reconcile information, such as the number of employees hired and the entry on duty date, to official systems of record, such as FPPS.
- Cover expanded data added to the monthly Staffing Plans to include information on the time-to-hire in support of its reporting on the related performance measure in the APP.

Because the monthly Staffing Plans were incomplete and inaccurate, FHFA management did not have reliable information on the status of the Agency's hiring actions or the time it took to

¹⁰ In a technical comment to a draft of this report, OHRM acknowledged the need for a tracking mechanism to specifically address the APP time-to-hire measure and stated that it was working with FHFA's Office of Technology and Information Management to develop one.

fill vacancies, thereby hindering management's ability to make decisions related to workforce planning, budgeting, and determining where additional resources/positions are needed.¹¹

FHFA Did Not Perform Required Self-Assessments of its Hiring Practices Intended to Ensure that Hiring Requirements Were Followed and Human Capital Goals Achieved

Federal standards for internal control state that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objective, in which management develops and maintains documentation of its internal control system to establish and communicate the who, what, when, where, and why of internal control execution to personnel.¹²

FHFA has some policies and procedures in place that are intended to ensure that hiring requirements were followed and human capital goals achieved. Contrary to its policies and procedures, we found that FHFA had not performed the required self-assessments of its hiring practices for delegated examining, merit promotion, or mission critical occupations.

FHFA officials gave several reasons for not performing the required self-assessments. For delegated examining, officials informed us that they relied on Office of Personnel Management (OPM) reviews to satisfy its requirement for periodic self-assessment. We found that OPM's reviews of delegated examining hiring cannot fulfill the purpose of FHFA's self-assessments which are, in part, to determine if delegated examining goals of the Agency are being met, such as whether delegated examining hiring is operating effectively and efficiently, and whether it provides highly qualified candidates for consideration. Similarly, an OHRM official informed us that it was OPM's responsibility to perform the merit promotion reviews. We note that OHRM's position is in contravention of FHFA's policy, which states that the merit promotion self-assessments are to be performed to ensure that the Merit Promotion Plan activities are addressing current FHFA strategic goals and human capital goals and objectives. Lastly, OHRM officials did not offer a specific reason for not performing the required mission critical occupations self-assessments, but did note that they

¹¹ OHRM officials informed us that in October 2020 they initiated a hiring tracking tool, OHRM's Hiring Request eWorkflow (eWorkflow). eWorkflow is a SharePoint-based model designed to make hiring more efficient and to: streamline and track the hiring process, provide transparency, and ensure each step is completed in a timely manner. OHRM intended for eWorkflow to be used parallel to the Staffing Plan until eWorkflow was working as intended. However, according to OHRM officials, as of June 2021, eWorkflow could not produce complete, accurate reports to provide basic information about the Agency's hiring activities. Officials informed us that they were working on fixing the errors in the system so it could be used as intended.

¹² See the Green Book, Principle 3 under the control environment component of internal control.

performed “spot checks” of some of the hiring actions completed with this hiring authority, although they did not provide documentation of the results of those spot checks.¹³

Further, we noted that the policies associated with each of the three hiring approaches used by FHFA, where self-assessments were required, lacked specific procedures as to how the reviews are to be performed, documented, and distributed. Also, two of the three policies (delegated examining and merit promotion) did not include the frequency for which the self-assessments were to be performed.

As a result of not performing the required self-assessments of its hiring practices, FHFA could not ensure that hiring requirements were followed or that human capital goals were achieved.

FHFA Did Not Provide Required Training to OHRM Staff and Hiring Managers on How to Conduct Hiring Actions Using the Mission Critical Occupations Hiring Approach

Federal standards for internal control state that, as an attribute of the principle that management should design control activities to achieve objectives and respond to risks, operational success is possible only when personnel are provided the right training, tools, and structure, among other things. Training is aimed at developing and retaining employee knowledge, skills, and abilities to meet changing organizational needs.¹⁴

FHFA’s standard operating procedure requires training to be provided to affected OHRM staff members and hiring managers on how to conduct mission critical occupations hiring actions in accordance with requirements. OHRM officials informed us that the training was provided to some affected OHRM staff members and hiring managers on an informal basis, but they could not provide evidence that it was provided to all affected OHRM staff members and hiring managers. This occurred because, according to OHRM officials, not all hiring managers needed to be trained as some were more experienced than others. We found, however, that OHRM had not performed any documented analysis as to who needed the training. By not ensuring the required training was provided, affected OHRM staff members

¹³ In a technical comment to a draft of this report, OHRM suggested that we add the following language to this paragraph: “In addition to the “spot checks,” the OHRM Director provided high level metrics that he uses to monitor performance of the hiring process including the quality of the hiring.” During our audit, we inquired about these “high level” metrics and were given examples such as turnover ratios and the distribution of performance ratings. While we do not question that such metrics may have been used, the cited metrics do not meet the intent and are not a substitute for the self-assessments required in FHFA’s policies and procedures.

¹⁴ See the Green Book, Principle 10 under the control activities component of internal control.

and the Agency’s hiring managers may not be aware of or understand the applications, requirements, and flexibilities that are available to fill FHFA’s mission critical vacancies.¹⁵

FINDINGS

- FHFA’s monthly Staffing Plans were incomplete and inaccurate, reducing their usefulness to FHFA officials to manage, monitor, and report on FHFA hiring practices.
- FHFA did not perform required self-assessments of its hiring practices intended to ensure that hiring requirements were followed and human capital goals achieved.
- FHFA did not provide required training to all affected OHRM staff and hiring managers on how to conduct hiring actions using the mission critical occupations hiring approach.

CONCLUSION.....

FHFA’s monthly Staffing Plans contained incomplete and inaccurate data, rendering it unreliable for hiring information such as the number of employees hired, entry-on-duty date, or the Agency’s time-to-hire. Because the monthly Staffing Plans were incomplete and inaccurate, FHFA management did not have reliable information on the status of the Agency’s hiring actions or the time it took to fill vacancies, thereby hindering management’s ability to make decisions regarding hiring and reducing the usefulness of the Staffing Plans to FHFA management.

We also found that OHRM did not perform required self-assessments for the delegated examining, merit promotion, and mission critical occupations hiring approaches, in part, because the policies associated with each of the three hiring approaches lacked specificity as to how the reviews were to be performed, documented, and distributed. Also, two of the three policies (delegated examining and merit promotion) did not include the frequency for which

¹⁵ In a technical comment, FHFA asserted that: (1) OHRM staff were provided standard operating procedures; (2) hiring managers were briefed on hiring options; and (3) when using the mission critical occupations/direct hiring authority, hiring managers were provided information on the process, expectations, and roles. In our view, the assertion that OHRM staff were provided standard operating procedures was not an adequate substitute for providing them with training on the mission critical occupations hiring approach. In addition, FHFA’s position in the technical comment that hiring managers are provided information on processes, expectations, and roles when hiring for mission critical occupations is different from OHRM’s previously stated position that some hiring managers were more experienced and did not need to receive such training.

the self-assessments were to be performed. As a result of not performing the required self-assessments of its hiring practices, FHFA had no way of knowing whether hiring requirements were followed and human capital goals achieved.

In addition, OHRM could not provide evidence that they provided training to all affected OHRM staff members and hiring managers on how to conduct hiring actions using the mission critical occupations hiring approach because OHRM had not performed any documented analysis as to who needed the training. Without ensuring that the required training is provided, affected OHRM staff members and hiring managers may not be aware of or understand the applications, requirements, and flexibilities that are available to fill FHFA's mission critical vacancies.

RECOMMENDATIONS.....

We recommend that FHFA:

1. Establish comprehensive policies and procedures for preparing, updating, and reviewing the Staffing Plans to ensure their accuracy and usefulness for managing the hiring process and informing users.
2. Complete efforts to develop and implement a tracking mechanism to report accurately on FHFA's time-to-hire performance measure.
3. Enhance policies and procedures, and ensure their implementation, related to performing self-assessments for delegated examining, merit promotion, and mission critical occupations hiring approaches to include procedures for: (a) documenting the results of their reviews, (b) defining the frequency for which the delegated examining and merit promotion reviews should be performed, and (c) distributing the results of the reviews to the appropriate parties.
4. Ensure that (a) affected OHRM staff members and hiring managers are trained on how to conduct mission critical occupations hiring actions in accordance with FHFA's requirements, and (b) a record of the training is maintained.
5. Take action in an expeditious manner to address the recommendation made in FHFA's October 2021 internal report *Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report* that OHRM document the end-to-end hiring process, analyze each phase, and take steps to streamline and better resource the process, including removing unnecessary steps and excessive approvals, and adding additional support resources to those phases of the hiring process taking the most time.

FHFA COMMENTS AND OIG RESPONSE.....

We provided FHFA an opportunity to respond to a draft of this audit report. FHFA provided technical comments on the draft report and those comments were considered in finalizing this report. FHFA also provided a management response, which is included as the Appendix to this report. In its management response, FHFA agreed with each of our recommendations and included the following planned corrective actions:

1. By September 1, 2022, FHFA will establish procedures for preparing and updating the Staffing Plan to ensure the accuracy and usefulness for reporting on the hiring process and informing users.
2. By September 1, 2022, FHFA will develop and implement a tracking mechanism to report on the time-to-hire performance measure.
3. By September 1, 2022, FHFA will enhance procedures related to performing self-assessments for delegated examining, merit promotion, and mission critical hiring approaches.
4. By June 30, 2022, FHFA will ensure that affected OHRM staff members and hiring managers are trained on how to conduct mission critical occupation hiring actions in accordance with FHFA's requirements and will maintain training records.
5. By September 1, 2022, FHFA will document the end-to-end hiring process, analyze each phase, and take steps to streamline and better resource the process.

We consider FHFA's planned corrective actions responsive to our recommendations.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether FHFA’s hiring policies, procedures, and practices were implemented as designed and whether they facilitated the Agency’s hiring goals during April 1, 2019, through March 31, 2021. Interns were excluded from our scope.

To accomplish our objective, we:

- Researched and identified laws, regulations, and guidance relevant to federal hiring practices.
- Obtained and reviewed FHFA policies, procedures, and guidance on FHFA’s hiring process, hiring goals, and related controls.
- As part of obtaining an understanding of FHFA’s hiring process and related controls, interviewed FHFA officials as well as obtained and analyzed information provided by FHFA related to the universe of hiring actions initiated during our review period.
- Determined that three components of federal standards for internal control (Green Book) were significant to our objective: (1) information and communication; (2) control environment, and the underlying principle that management should establish an organization structure, assign responsibility, and delegate authority to achieve the entity’s objective; and (3) control activities.
 - With regard to information and communication, and the underlying principle that management should use quality information to achieve the entity’s objectives, where quality information is current, complete, accurate, accessible, and provided on a timely basis, we analyzed the completeness and accuracy of information in FHFA’s Staffing Plans, such as (1) the date hiring initiated for all instances when the corresponding narrative indicated that a hiring action had been initiated; (2) the number of employees hired by comparing data in the Staffing Plan for April 1, 2021, to data in FHFA’s payroll system, FPPS; (3) entry-on-duty dates for employees onboarded; (4) the type of hiring approach used (source); and (5) appropriate parameters, measurement methods, and calculations as established in its FY 2021 APP to calculate the time-to-hire.
 - To gain an understanding of the FPPS control environment and reliability of FPPS, we obtained and reviewed the most recent independent service auditor’s report on the U.S. Department of the Interior’s description of its FPPS and the suitability of the design and operating effectiveness of its

controls. The scope of that report was for the period July 1, 2020, through July 31, 2021.

- With regard to control environment, and the underlying principle that management should establish an organization structure, assign responsibility, and delegate authority to achieve the entity's objectives, we requested documentation of FHFA self-assessments of its hiring practices for delegated examining, merit promotion, and mission critical occupations hiring approaches. After being informed that no such documentation existed, we interviewed OHRM officials about the reasons for non-compliance with these requirements.
- With regard to control activities, and the underlying principle that management should design control activities to achieve objectives and respond to risks, we requested documentation of the training FHFA has provided to OHRM staff members and hiring managers on the mission critical occupations hiring approach. After being informed that no such documentation existed, we interviewed OHRM officials about the reasons for this.
- Obtained and analyzed information provided by FHFA related to the universe of hiring actions initiated during our review period.

We conducted this performance audit between April 2021 and January 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX: FHFA MANAGEMENT RESPONSE.....



Federal Housing Finance Agency

MEMORANDUM

TO: Marla Freedman, Senior Audit Executive

THROUGH: Katrina D. Jones, Chief Operating Officer **KATRINA JONES** Digitally signed by KATRINA JONES Date: 2021.12.15 12:31:40 -05'00'

FROM: Michele Horowitz, Acting Director of Human Resources¹ **ROBERT STANTON** Digitally signed by ROBERT STANTON Date: 2021.12.15 10:06:38 -05'00'

SUBJECT: Draft Audit Report: *FHFA's Ability to Fill Positions Was Hampered by an Unreliable Internal Management Reporting Tool, Failure to Review its Hiring Practices, and Lack of Training*

DATE: December 15, 2021

Thank you for the opportunity to review the Office of Inspector General's (OIG) draft report referenced above (Report). The objective of this report was to determine whether the Federal Housing Finance Agency's (FHFA) hiring policies, procedures, and practices were implemented as designed and whether they facilitated the Agency's hiring goals for the period April 1, 2019, through March 31, 2021.

Less than 60 days ago, FHFA announced new leadership for the Office of the Chief Operating Officer (OCOO), with the appointment of a permanent COO. In addition, less than 30 days ago, FHFA announced the appointment of a new Acting Director of the Office of Human Resources (OHRM). A search for a permanent Director of Human Resources is now underway. FHFA leadership is committed to ensuring that the Agency has effective and transparent hiring process, with accurate and current reporting available to Agency management.

In 2022, OHRM will focus strategically on development of a human capital plan, workforce planning, automating processes, and streamlining operational activities with a focus on internal controls. We appreciate the OIG's draft report and will utilize the findings and recommendations to add value to our initiatives. This memorandum provides FHFA's management response to the recommendations contained in the draft Report.

¹ Robert Stanton, Supervisory Human Resources Specialist, signing on behalf of Michele Horowitz, Acting Director of Human Resources.

Recommendation 1: *Establish comprehensive policies and procedures for preparing, updating, and reviewing the Staffing Plans to ensure their accuracy and usefulness for managing the hiring process and informing users.*

Management Response: FHFA agrees with the recommendation and will establish procedures for preparing and updating the Staffing Plan to ensure the accuracy and usefulness for reporting on the hiring process and informing users. The new process will include an automated tool. Full implementation of these actions is expected to be completed by September 1, 2022.

Recommendation 2: *Complete efforts to develop and implement a tracking mechanism to report accurately on FHFA's time-to-hire performance measure.*

Management Response: FHFA agrees with the recommendation and will develop and implement a tracking mechanism to report on Time-to-Hire performance measure by September 1, 2022.

Recommendation 3: *Enhance policies and procedures, and ensure their implementation, related to performing self-assessments for delegated examining, merit promotion, and mission critical occupations hiring approaches to include procedures for: (a) documenting the results of their reviews, (b) defining the frequency for which the delegated examining and merit promotion reviews should be performed, and (c) distributing the results of the reviews to the appropriate parties.*

Management Response: FHFA agrees with the recommendation to enhance procedures related to performing self-assessments for delegated examining, merit promotion, and mission critical hiring approaches. These actions will be completed by September 1, 2022.

Recommendation 4: *Ensure that (1) affected OHRM staff members and hiring managers are trained on how to conduct mission critical occupations hiring actions in accordance with FHFA's requirements, and (2) a record of the training is maintained.*

Management Response: FHFA agrees with the recommendation and will ensure that affected OHRM staff members and hiring managers are trained on how to conduct mission critical occupation hiring actions in accordance with FHFA's requirements and will maintain training records. These actions will be completed by June 30, 2022.

Recommendation 5: Take action in an expeditious manner to address the recommendation made in FHFA's October 2021 internal report *Federal Housing Finance Agency Division of Enterprise Regulation (DER) Strategic Workforce Report* that OHRM document the end-to-end hiring process, analyze each phase, and take steps to streamline and better resource the process,

including removing unnecessary steps and excessive approvals, and adding additional support resources to those phases of the hiring process taking the most time.

Management Response: FHFA agrees with the recommendation and will document the end-to-end hiring process, analyze each phase and take steps to streamline and better resource the process by September 1, 2022.

If you have any questions, please feel free to contact me.

cc: Edom Aweke
John Major

ADDITIONAL INFORMATION AND COPIES.....

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