



FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2020 – March 31, 2021



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A Message from the Inspector General

I am pleased to present this Semiannual Report on the operations of OIG, which covers the period from October 1, 2020, to March 31, 2021.

During this reporting period, the COVID-19 pandemic wreaked havoc in America. The enormous federal response to the pandemic makes our mission to prevent, detect, and report upon waste, fraud, and abuse absolutely vital. As demonstrated in this Report, we continued to effectively execute our mission to exercise independent oversight of the programs and operations of the Federal Housing Finance Agency.

During this reporting period, we published 19 reports, including audits, evaluations, compliance reviews, a special report, and white papers, which are available on our [website](#), and on [Oversight.gov](#), a publicly accessible, searchable website containing the latest public reports from federal Inspectors General. These 19 reports illustrate the broad scope of our oversight responsibilities and the extensive efforts we have undertaken during this semiannual period, despite the pandemic.

As in prior reporting periods, we have focused our resources on the Agency programs and operations that pose the greatest financial, governance, and/or reputational risk to FHFA, the Enterprises, and the Federal Home Loan Banks. We have identified the four most significant risks and one area of management concern in two annual publications: our [Management and Performance Challenges Memorandum](#) and our [Audit, Evaluation, and Compliance Plan](#).

During this reporting period, we issued significant reports addressing each of these risks. These reports – along with our work in prior periods – demonstrate that preparing for, much less executing, the Enterprises' exit from conservatorship will be an enormous task.



Laura S. Wertheimer
Inspector General

- **Conservatorship Operations.** As the Enterprises’ conservator since September 2008, FHFA has broad authority to oversee and direct their operations.

In September 2020, the FHFA Director testified before Congress: “Fannie and Freddie have what I would consider some of the worst corporate cultures I’ve ever seen in corporate America.” During that same testimony, he explained that “fixing that is a fundamental prerequisite” to the Enterprises exiting conservatorship, and he acknowledged that the Agency has “a lot of work to do on that front.”

The FHFA Director’s negative assessment was consistent with our findings during this reporting period. For example, we issued an [evaluation](#) in which we assessed Fannie Mae’s compliance with an FHFA conservatorship directive, setting forth its expectations regarding disclosure and resolution of actual, potential, and apparent conflicts of interest and Fannie Mae governance documents. Notwithstanding the announced commitment to strong corporate governance by FHFA and by the Fannie Mae Board of Directors, we found significant noncompliance both by three senior executive officers at Fannie Mae and by Fannie Mae’s Office of Compliance and Ethics, which call into question whether Fannie Mae is truly committed to a culture of compliance.

- **Supervision of the Enterprises.** In its 2019 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac, FHFA stated that its capacity to supervise the Enterprises must be “on par with that of other independent federal financial regulators” before releasing them from conservatorship. The FHFA Director, in subsequent written Congressional testimony in June 2020, reinforced that advice: he represented that effective safety and soundness supervision “is essential to preparing the Agency and the Enterprises to responsibly exit and operate safely outside of conservatorship.”

During this reporting period, we issued seven audits, evaluations, and compliance reviews in which we identified continued shortcomings in FHFA’s supervision of the Enterprises. For example, in one [evaluation](#), we found that, over a nine-year period, FHFA consistently recognized critical deficiencies in a Fannie Mae program subject to one of FHFA’s prudential standards of management and operations but nevertheless failed to take timely and decisive supervisory action to bring Fannie Mae into compliance with that standard. Separately, we concluded, in a [compliance review](#) that, after four and one-half years, FHFA continued to fail to ensure that Enterprise Boards of Directors were promptly notified of Matters Requiring Attention.

- **Cybersecurity.** Cybersecurity, as defined by the National Institute of Standards and Technology, is “the process of protecting information by preventing, detecting, and responding to attacks.” The Financial Stability Oversight Council, of which FHFA is a member, has recognized that a destabilizing cybersecurity incident could threaten the stability

of the U.S. financial system. FHFA recognizes that its regulated entities face significant operational risk from information security and cybersecurity threats.

We learned, in December 2020, that a threat actor had caused malicious code to be inserted into SolarWinds' network management software. That code allowed the threat actor to breach the information technology (IT) systems of some users of that software. In short order, we [surveyed](#) the possible impact of that hack on FHFA and its regulated entities. We also issued several audits in which we assessed FHFA's compliance with existing control standards for cybersecurity.

- **Counterparties and Third Parties.** The Enterprises rely heavily on counterparties and third parties for a wide array of professional services, including mortgage origination and servicing. As the Enterprises and FHFA recognize, that reliance exposes the Enterprises to a number of risks. In an [audit](#), we found that FHFA failed to follow its written guidance over a seven-year period when it did not conduct targeted examinations of Fannie Mae's management of third-party provider relationships with vendors that provided operational support and IT services, areas recognized to constitute a significant operational risk.

Where our fact-finding identifies shortcomings, deficiencies, or processes that could be upgraded, our reports include actionable recommendations to assist FHFA in improving the effectiveness and efficiency of its operations. For this semiannual period, we issued 21 new recommendations. In the Recommendations section of this report, we list all significant, open recommendations as well as closed, rejected recommendations. We regularly update this information as new recommendations are issued or recommendations are closed, and we publish a compilation monthly in a [Compendium of Open Recommendations](#) on our website.

We protect the interests of the American taxpayer through our robust law enforcement efforts and those of our partner law enforcement agencies with which we work collaboratively. Shortly before the start of this reporting period, we joined colleagues at the Department of Justice and other law enforcement agencies in announcing that over 50 individuals who allegedly committed fraud to obtain monies from the Paycheck Protection Program had been criminally charged. That work continues, and as a result of historic, collaborative enforcement efforts during the past year, the U.S. Government has publicly charged more than 470 defendants with offenses involving over \$569 million in COVID-19 related fraud schemes, as of the end of this reporting period.

The pandemic has delayed judicial proceedings, including Grand Jury deliberations, trials, and sentencing hearings. However, those delays have not deterred our investigators. Equipped with appropriate personal protective equipment, they continued their efforts, including: opening new investigations; identifying and promptly investigating potential perpetrators of COVID relief fraud; and continuing ongoing work with law enforcement partners and with federal and state prosecutors.

Through our written reports and our law enforcement efforts, we hold institutions and individuals accountable both for their actions and inactions. The work described in this Semiannual Report demonstrates the importance of the effective, fair, and objective investigative oversight conducted by this Office.

The resourcefulness and dedication of OIG employees during this pandemic have resulted in the accomplishments described in this Semiannual Report. I am inspired by their unflagging professionalism and continuing commitment to our mission of independent oversight.

Laura S. Wertheimer
Inspector General
March 31, 2021

Snapshot of OIG Accomplishments

Semiannual Reporting Period
October 1, 2020 – March 31, 2021

Reports Issued	19
Includes audits, evaluations, compliance reviews, a special report, and white papers	
Recommendations Made	21
Investigative Activities:	
Indictments / Charges	74
Arrests	44
Convictions / Pleas	34
Sentencings	30
Suspension / Debarment Referrals to Other Agencies	28
Suspended Counterparty Referrals to FHFA	10
Investigative Monetary Results:	
Criminal Restitution	\$12,963,180
Criminal Fines / Special Assessments / Forfeitures	\$4,682,012
Civil Settlement	\$100,000
Investigations Total Monetary Results*	\$17,745,192*

*Includes money ordered as the result of joint investigations with other law enforcement organizations.

OIG's Oversight

Overview

The Federal Housing Finance Agency (FHFA or Agency) was created on July 30, 2008, when the President signed into law the Housing and Economic Recovery Act of 2008 (HERA). HERA charged FHFA to serve as regulator and supervisor of Fannie Mae and Freddie Mac (the Enterprises) and of the Federal Home Loan Banks (FHLBanks) (collectively, the regulated entities), and the FHLBanks' fiscal agent, the Office of Finance. HERA also enhanced FHFA's resolution authority to act as conservator or receiver, and FHFA has served as conservator of the Enterprises since 2008. Initially, the conservatorships were intended to be a "time out" during a period of extreme stress to stabilize the mortgage markets and promote financial stability. Now in their thirteenth year, FHFA's conservatorships of the Enterprises are of unprecedented scope, scale, and complexity.

OIG's Risk-Based Oversight Strategy

FHFA's dual roles as supervisor for the Enterprises and the FHLBanks and as conservator of the Enterprises continue to present unique challenges. Consequently, OIG structures its oversight program to examine FHFA's exercise of its dual responsibilities, which differ significantly from the typical federal financial regulator. Given the size and complexity of the regulated entities and the unique, dual responsibilities of FHFA, making the right choices about what we audit, evaluate, examine for compliance, and investigate in our oversight efforts is critical.

To assist in making those choices, our Office of Risk Analysis (ORA) enhances our ability to focus our resources on the areas of greatest risk to FHFA. ORA is tasked with identifying, analyzing, monitoring, and prioritizing emerging and ongoing risks and with educating stakeholders on those issues. Through its work, it has contributed data and information to our annual risk-based planning process for audits, evaluations, and compliance reviews, and has issued white papers discussing areas of potential emerging and ongoing risks.

Management and Performance Challenges

An integral part of OIG's oversight is to identify and assess FHFA's top management and performance challenges and align our work with these challenges. On an annual basis, we assess and report to the FHFA Director FHFA's most serious management and performance challenges, which, if not addressed, could adversely affect FHFA's accomplishment of its mission. Our annual report identifying FHFA's management and performance challenges and one management concern for Fiscal Year (FY) 2021 is available on our [website](#). An overview of the oversight activities during FY 2021 is discussed in our annual [Audit, Evaluation and Compliance Plan](#).

The four management and performance challenges and the management concern for FY 2021 are:

- **Conservatorship Operations:** Improve Oversight of Matters Delegated to the Enterprises and Strengthen Internal Review Processes for Non-Delegated Matters
- **Supervision of the Regulated Entities:** Upgrade Supervision of the Enterprises and Continue Supervision Efforts of the FHLBanks
- **Information Technology Security:** Enhance Oversight of Cybersecurity at the Regulated Entities and Ensure an Effective Information Security Program at FHFA
- **Counterparties and Third Parties:** Enhance Oversight of the Enterprises' Relationships with Counterparties and Third Parties
- **Management Concern:** Sustain and Strengthen Internal Controls Over Agency Operations

OIG focuses much of its oversight activities on identifying vulnerabilities in these areas and recommending positive, meaningful actions that the Agency could take to mitigate these risks and remediate identified deficiencies.

OIG's Oversight of FHFA's Programs and Operations Through Audit, Evaluation, and Compliance Activities During This Reporting Period

OIG fulfills its oversight mission through four operational offices. In this section, OIG discusses its oversight activities in three of its operational offices: the Office of Audits, the Office of Evaluations, and the Office of Compliance and Special Projects. During this reporting period, OIG published 15 reports from these offices. All of these reports relate to the four ongoing major management and performance challenges and the one management concern identified above.

Our investigative work is discussed further below in the Investigative Activity Section.

Office of Audits

The Office of Audits (OA) conducts independent performance audits with respect to the Agency's programs and operations. OA also undertakes projects to address statutory requirements and stakeholder requests. As required by the Inspector General Act, as amended (IG Act), OA performs its audits in accordance with the audit standards promulgated by the Comptroller General of the United States, which are known as generally accepted government auditing standards or GAGAS. OA also oversees independent public accounting firms that perform certain audits of FHFA's programs and operations.

Office of Evaluations

The Office of Evaluations (OE) conducts independent and objective reviews, assessments, studies, and analyses of FHFA's programs and operations. Under the Inspector General Reform Act of 2008, IGs are required to adhere to the professional standards designated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), unless otherwise specified in the IG Act. OE performs its evaluations in accordance with the standards CIGIE established for inspections and evaluations, known as the *Quality Standards for Inspection and Evaluation*.

Office of Compliance and Special Projects

The Office of Compliance and Special Projects (OCom) strengthens OIG's capacity to determine whether FHFA has fully implemented our recommendations and addressed deficiencies identified during an audit, evaluation, or other reports. OCom has several responsibilities. It maintains a database in which it tracks the status of all recommendations issued by OIG in its reports. It tracks the status of each recommendation and consults with the division that issued the recommendation, prior to closure, to ensure we are applying a single standard across OIG for closing recommendations. It conducts validation testing on a sample of closed recommendations to hold FHFA accountable for the corrective actions it has represented it has implemented. We publish the results of that validation testing to enable our stakeholders to assess the efficacy of FHFA's implementation of actions to correct the underlying shortcoming. OCom also undertakes special projects, which may include reviews and administrative inquiries of hotline complaints alleging non-criminal misconduct. OCom performs its compliance reviews and special projects in accordance with the standards CIGIE established for inspections and evaluations.

Reports and Recommendations

Significant Reports

The following reports highlight the most significant problems, abuses, and deficiencies in the administration of FHFA's programs and operations addressed by OIG during the six-month reporting period from October 1, 2020, through March 31, 2021, and the recommendations made to address them.

[Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction](#) (EVL-2021-001, March 15, 2021)

Our prior reviews of Fannie Mae's conflict of interest (COI) framework revealed failures by its CEO to timely and fully disclose potential conflicts and breakdowns by the Fannie Mae Board's Nominating and Corporate Governance Committee (NGC) and by FHFA. In this evaluation, we assessed, for the period from November 1, 2018, to June 30, 2020, whether Fannie Mae and its

senior executive officers followed FHFA’s conservatorship directive (Directive) and Fannie Mae’s revised governance documents for the disclosure and resolution of potential, actual, or apparent COIs. We found that Fannie Mae’s CEO failed to make timely COI disclosures in 3 out of 7 instances and two other very senior executive officers failed to make timely disclosures in 2 out of 25 instances, in contravention of the Directive and Fannie Mae’s governance documents. Their non-disclosures and untimely disclosures of COI matters were inconsistent with Fannie Mae’s goal of operating with the highest standards of compliance and ethics. We also found that, for 3 of 7 COI matters involving the CEO, Fannie Mae documents show that Fannie Mae’s Office of Compliance and Ethics (FM Ethics) substituted its judgment for that of the Board’s NGC and displaced the NGC as the final decision maker, in contravention of the Directive and revised governance documents. We recommended, and FHFA agreed, as conservator, to:

1. Determine the appropriate disciplinary action against the CEO for his non-disclosure and untimely disclosures of COI matters;
2. Provide timely instruction to the Fannie Mae Board regarding FM Ethics’ authority to interpret CEO mitigation plans where new facts are presented; and
3. In accordance with Recommendation 2, direct the Fannie Mae Board and/or management to amend and clarify the appropriate COI governance documents to identify all instances in which FM Ethics is required to submit COI matters involving the CEO to the NGC for its resolution.

[For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency](#) (EVL-2021-002, March 22, 2021)

Pursuant to HERA, FHFA issued its prudential management and operations standards (PMOS) in 2012. PMOS 8, Principle 11 directs that a “regulated entity should have adequate and well-tested disaster recovery and business resumption plans for all major systems and have remote facilitates [sic] to limit the effect of disruptive events.” Beginning in 2012, FHFA consistently found critical deficiencies in Fannie Mae’s business resiliency practices. Despite its awareness that these deficiencies had not been corrected, FHFA’s Division of Enterprise Regulation (DER) never formally assessed whether Fannie Mae’s business resiliency capabilities meet PMOS 8, Principle 11. DER neither issued an adverse examination finding nor directed Fannie Mae to submit a corrective plan to bring Fannie Mae’s business resiliency program into compliance with PMOS 8, Principle 11. Rather than take timely and decisive supervisory action, DER has allowed the Enterprise to proceed at its own leisurely pace, with Fannie Mae currently projecting its work to be completed during 2021, nearly nine years after adoption of PMOS 8, Principle 11.

We recommended that FHFA:

1. In the current examination cycle, assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet PMOS 8, Principle 11; and
2. Develop examination guidance that establishes criteria and expectations for determining, on an annual basis, whether a regulated entity meets or fails to meet PMOS 8, Principle 11.

FHFA offered an alternative to our first recommendation, which did not include a determination of whether the Enterprise’s practices meet FHFA’s PMOS during the 2021 examination cycle. We did not consider FHFA’s alternative to be reasonable and closed the recommendation as rejected. FHFA disagreed with our second recommendation. We closed that recommendation as rejected.

[FHFA’s Failure to Define and Clearly Communicate “Supervisory Concerns” Hinders the Enterprise Boards’ Ability to Execute Their Oversight Obligations Under FHFA’s Corporate Governance Regulation and Renders the Regulation Ineffective as a Supervisory Tool](#) (EVL-2021-003, March 30, 2021)

FHFA’s corporate governance regulation directs that each Enterprise Board of Directors (Board) is responsible for overseeing Enterprise management in its remediation of “all supervisory concerns” in a timely and appropriate manner. FHFA and DER guidance do not define “supervisory concern” for purposes of this regulation. According to DER’s examiners-in-charge, a “supervisory concern” amounts to an issue or deficiency found during an examination activity that must be corrected but does not warrant a Matter Requiring Attention (MRA). They explained that DER communicates its “supervisory concerns” in the annual report of examination (ROE) issued to each Enterprise. Recognizing that an Enterprise Board can only satisfy its oversight responsibilities under the governance regulation when DER clearly advises it of “supervisory concerns,” we assessed whether each of 12 sample statements from the 2018 and 2019 ROEs, which DER reported to us was a “supervisory concern,” was clearly labeled as a “supervisory concern.” We found that none were specifically categorized as “supervisory concerns” in the ROEs or DER’s presentations to the Boards. Without clarity from DER, an Enterprise Board lacks a reasonable basis to understand that its oversight responsibilities under FHFA’s governance regulation have been triggered. As a consequence, FHFA’s ability to assess a Board’s compliance with its governance regulation is impaired, and the regulation is rendered ineffective as a supervisory tool. We recommended, and FHFA agreed, to:

1. Define the term “supervisory concern” as it is used in FHFA’s corporate governance regulation; and

2. Develop examination guidance that explains how supervisory concerns should be described and categorized in the ROEs, establishes DER’s expectations for timely and appropriate remediation for each such concern, and prescribes how such concerns should be monitored until they are fully remediated.

[Despite FHFA’s Acknowledgement that Enterprise Reliance on Third-Parties Represents a Significant Operational Risk, No Targeted Examinations of Fannie Mae’s Third-Party Risk Management Program Were Completed Over a Seven-Year Period](#) (AUD-2021-007, March 29, 2021)

FHFA’s regulated entities use third-party providers in their operations to reduce costs, enhance performance, and obtain access to specific expertise, applications, and systems. Fannie Mae’s use and reliance on third-party relationships present a significant risk, as identified by both Fannie Mae and DER. We performed this audit in part to determine what examination activities DER completed, during the period 2014 through 2020, in response to identified risks in Fannie Mae’s third-party risk management (TPRM) program. We found that, from 2014 through 2020, DER’s completed examination activities related to Fannie Mae’s TPRM program consisted solely of ongoing monitoring activities. No targeted examinations, included as part of DER’s governing supervisory framework to enable examiners to conduct “a deep or comprehensive assessment” of selected areas found to be of high importance or risk, were completed in this risk area. In light of the express recognition by DER and Fannie Mae of the risk associated with management of these third-party providers and the more than six years that Fannie Mae took to remediate an MRA identified in 2013, DER’s governing supervisory framework warranted the completion of one or more targeted examinations of this risk during the period 2014 through 2020. We recommended, and FHFA agreed, that FHFA:

1. Ensure that DER uses its full range of available examination activities, including targeted examinations and when appropriate, enhanced risk monitoring, to provide comprehensive assessments of known areas of high risk, like Fannie Mae’s reliance on third-party vendors.

As part of our audit, we also assessed whether the ongoing monitoring activities that DER completed during 2019 and 2020 related to Fannie Mae’s TPRM program complied with applicable examination guidance, and we found that those activities did comply with applicable guidance.

[FHFA’s Failure to Include the Financial Crimes and Model Components in its CSS Risk Assessment Is Inconsistent with a Risk-Based Approach to Supervision](#) (AUD-2021-005, March 23, 2021)

According to FHFA, risk assessments provide the foundation for determining the examination activities to be conducted and are a key component of the supervisory work executed by DER. We performed this audit to determine whether FHFA developed operational risk assessments for the Enterprises’ affiliated entity, Common Securitization Solutions, LLC (CSS), in 2019 and 2020

in accordance with its requirements. For 2019, DER drafted an operational risk assessment for CSS but never finalized it. For 2020, DER’s operational risk assessment for CSS was incomplete because it did not contain an assessment of two required components of operational risk – Financial Crimes and Model – applicable to CSS operations. By not including the Financial Crimes component in the operational risk assessment, FHFA cannot be assured that CSS has established an effective anti-money laundering program to help prevent fraud and other financial crimes. So too, the lack of a Model component in the operational risk assessment deprives FHFA of insight into whether CSS is engaging in sound risk modeling practices. In our view, DER’s decision to exclude these two required components in the 2020 CSS operational risk assessment is inconsistent with a risk-based approach to supervision. We recommended and FHFA agreed, that FHFA:

1. Going forward, ensure a risk assessment for CSS is prepared and approved annually in accordance with DER requirements; and
2. Include all required components, including the Financial Crimes and Model components, when preparing the annual risk assessment for CSS.

[FHFA Followed OMB Guidance in Implementing its Enterprise Risk Management Program But its 2020 Risk Profile Failed to Identify a Significant Action Underway to Address Acknowledged Supervision Risk](#) (AUD-2021-004, March 17, 2021)

Enterprise Risk Management (ERM) is a process that allows management to identify and understand the combined impact of external and internal risks, rather than addressing the risks within silos. We performed this audit to determine whether FHFA implemented an ERM program that adhered to guidance issued by the Office of Management and Budget (OMB), as adopted by FHFA. We found that FHFA followed OMB’s guidance for its ERM program and prepared risk profiles that addressed the components required by OMB for each year we reviewed. However, FHFA’s 2020 Annual Risk Profile did not include, in its risk response action items, a known significant action underway by the Agency to address identified residual risk in its Supervision program. Specifically, it did not address an “organizational optimization Blueprint” project that was undertaken to ensure that FHFA “has the optimal workforce, infrastructure, and organization to carry out its supervisory mission in a post-conservatorship environment.” FHFA’s projected dates for deliverables from this project have already slipped. In addition, we found that FHFA’s ERM program was not supported by written policies and procedures. We recommended, and FHFA agreed, that FHFA:

1. Going forward, ensure Annual Risk Profiles include all significant risk response action items designed to reduce identified residual risks, such as FHFA’s “organizational optimization Blueprint” project, along with identifying the owners of those risk response action items and target completion dates; and

2. Develop written policies and procedures for its ERM program.

[After Four and a Half Years, DER Still Fails to Ensure that Enterprise Boards are Notified of Serious Deficiencies in a Timely Manner](#) (COM-2021-002, January 21, 2021)

This report followed up on our 2018 compliance review, which found that DER had ignored its 2016 commitment to transmit MRAs not only to Enterprise management, but also to the chair of the Enterprise Boards’ audit committee. Instead of doing so, DER continued to rely on Enterprise management to notify the audit committee chair of new MRAs. We re-opened our 2016 recommendation and stated that FHFA should “direct DER either to amend its guidance to implement the recommendation, or require that DER put into place an internal control to ensure that it receives contemporaneous, written certification from Enterprise management that each supervisory correspondence containing MRAs has been timely provided to the Audit Committee Chair of the affected Enterprise.” DER chose the latter option. In our January 2021 compliance review, we found that Freddie Mac had adopted a new internal protocol to ensure that its management provided notification of new supervisory correspondence to its audit committee chair within 24 hours of receipt, and that during the review period of January 1, 2019, through June 30, 2020, such notification was provided to the audit committee chair within one day of receipt for 86% of all supervisory correspondence received by Freddie Mac. By contrast, we found that Fannie Mae had not adopted a comparable control, and that only 10% of supervisory correspondence received by Fannie Mae during the review period had been forwarded to the audit committee chair within one day. We recommended that FHFA require DER to provide contemporaneous notice both to Enterprise management and the audit committee chair. FHFA responded that DER would take no further action on this issue.

Other Reports Issued During Semiannual Period

In addition to the seven significant reports summarized above, OIG issued 12 other reports during this reporting period. Below, we group these reports according to each of the four management and performance challenges and significant management concern.

Conservatorship Operations

- [Disaster Risk for Enterprise Single-Family Mortgages](#) (WPR-2021-004, March 23, 2021)

Supervision of the Regulated Entities

- [Enterprise Business Resiliency: Risk Mitigation and Plan Development](#) (WPR-2021-003, March 22, 2021)
- [Update on Enterprise Transition from LIBOR to an Alternative Index for Single-Family ARMs](#) (WPR-2021-002, March 17, 2021)

- [Compliance Review of DER’s Assessments of Enterprise MRA Closure Packages](#) (COM-2021-004, March 15, 2021)
- [Compliance Review of FHFA’s Quality Control Reviews of Enterprise Supervision Activities](#) (COM-2021-003, February 12, 2021)
- [Compliance Review of FHFA’s Commitment to Conduct Independent Quality Control Reviews of DBR’s Community Investment Examinations](#) (COM-2021-001, January 6, 2021)

Cybersecurity at FHFA and the Regulated Entities

- [Audit of an FHFA Sensitive Employment-Related Case Tracking System: FHFA Followed its Access Control Standard, But its System Is Adversely Impacted by Two Security Control Weaknesses](#) (AUD-2021-006, March 29, 2021)
- [Landscape Report: Survey of the Impact of the SolarWinds Orion Supply Chain Compromise on FHFA and its Regulated Entities](#) (OIG-2021-001, March 23, 2021)
- [Audit of the Federal Housing Finance Agency Office of the Inspector General’s Information Security Program Fiscal Year 2020](#) (AUD-2021-002, October 20, 2020)
- [Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020](#) (AUD-2021-001, October 20, 2020)

Counterparties and Third Parties

- [Update on Mortgage Insurers as Enterprise Counterparties](#) (WPR-2021-001, March 8, 2021)

Agency Operations and Internal Controls

- [Audit of FHFA’s Design of Procedures and Guidance to Prevent and Reduce Improper Payments](#) (AUD-2021-003, March 11, 2021)

IG Act Information Concerning Reports

During the period ending March 31, 2021, OIG issued no reports that included recommendations with questioned costs, unsupported costs, or funds to be put to better use by management.

No reports issued before October 1, 2020, are currently awaiting an FHFA management decision, nor are there reports for which OIG did not receive a response within 60 days of issuing a report to the Agency for comment. In addition, FHFA did not significantly revise any management decisions during this period.

During this period, there were two significant management decisions with which the Inspector General disagreed. As discussed above, OIG made two recommendations in the evaluation report, [For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency](#) (EVL-2021-002, March 22, 2021). FHFA proposed an alternative to one recommendation, which OIG did not

consider to be reasonable. FHFA disagreed with OIG’s second recommendation. OIG closed both recommendations as rejected.

Recommendations

Significant, Open Recommendations

The following table contains all open recommendations from the reporting period ending March 31, 2021, and previous semiannual reporting periods. For a regularly updated list of all open recommendations, see OIG’s monthly [Compendium of Open Recommendations](#).

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA, as conservator, should determine the appropriate disciplinary action against the CEO for his non-disclosure and untimely disclosures of COI matters.</p>	<p>Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction (EVL-2021-001, March 15, 2021)</p>
<p>Conservatorship: FHFA, as conservator, should provide timely instruction to the Fannie Mae Board regarding FM Ethics’ authority to interpret CEO mitigation plans where new facts are presented.</p>	<p>Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction (EVL-2021-001, March 15, 2021)</p>
<p>Conservatorship: In accordance with Recommendation 2, FHFA, as conservator, should direct the Fannie Mae Board and/or management to amend and clarify the appropriate COI governance documents to identify all instances in which FM Ethics is required to submit COI matters involving the CEO to the NGC for its resolution.</p>	<p>Corporate Governance: Fannie Mae Senior Executive Officers and Ethics Officials Again Failed to Follow Requirements for Disclosure and Resolution of Conflicts of Interest, Prompting the Need for FHFA Direction (EVL-2021-001, March 15, 2021)</p>
<p>Conservatorship: FHFA, as conservator, should direct Freddie Mac to revise its policies and procedures to align with the responsibilities assigned to the Nominating and Governance Committee and facilitate the Nominating and Governance Committee’s execution of its responsibilities. [Closed in July 2018; reopened upon results of compliance testing.]</p>	<p>Management Alert: Need for Increased Oversight by FHFA, as Conservator, to Ensure that Freddie Mac’s Policies and Procedures for Resolution of Executive Officer Conflicts of Interest Align with the Responsibilities of the Nominating and Governance Committee of the Freddie Mac Board of Directors (OIG-2017-005, September 27, 2017) and Freddie Mac Management Failed to Adopt and Implement Conflicts of Interest Policies Which Aligned Fully with FHFA’s Directive on Senior Executive Officers’ Conflicts of Interest, and With the Charter for the Freddie Mac Board’s Nominating and Governance Committee (COM-2020-006, August 26, 2020)</p>

Significant, Open Recommendation	Report Title and Date
<p>Conservatorship: FHFA should direct FHFA employees to monitor the review and resolution of Senior Executive Officer disclosures of potential, actual, or apparent conflicts of interest to ensure that revised Board committee charter(s) and management policies and procedures are being followed.</p>	<p>Corporate Governance: Review and Resolution of Conflicts of Interest Involving Fannie Mae’s Senior Executive Officers Highlight the Need for Closer Attention to Governance Issues by FHFA (EVL-2018-001, January 31, 2018)¹</p>
<p>Supervision: FHFA should define the term “supervisory concern” as it is used in FHFA’s corporate governance regulation.</p>	<p>FHFA’s Failure to Define and Clearly Communicate “Supervisory Concerns” Hinders the Enterprise Boards’ Ability to Execute Their Oversight Obligations Under FHFA’s Corporate Governance Regulation and Renders the Regulation Ineffective as a Supervisory Tool (EVL-2021-003, March 30, 2021)</p>
<p>Supervision: FHFA should develop examination guidance that explains how supervisory concerns should be described and categorized in the ROEs, establishes DER’s expectations for timely and appropriate remediation for each such concern, and prescribes how such concerns should be monitored until they are fully remediated.</p>	<p>FHFA’s Failure to Define and Clearly Communicate “Supervisory Concerns” Hinders the Enterprise Boards’ Ability to Execute Their Oversight Obligations Under FHFA’s Corporate Governance Regulation and Renders the Regulation Ineffective as a Supervisory Tool (EVL-2021-003, March 30, 2021)</p>
<p>Supervision: Going forward, FHFA should ensure a risk assessment for CSS is prepared and approved annually in accordance with DER requirements.</p>	<p>FHFA’s Failure to Include the Financial Crimes and Model Components in its CSS Risk Assessment Is Inconsistent with a Risk-Based Approach to Supervision (AUD-2021-005, March 23, 2021)</p>
<p>Supervision: FHFA should include all required components, including the Financial Crimes and Model components, when preparing the annual risk assessment for CSS.</p>	<p>FHFA’s Failure to Include the Financial Crimes and Model Components in its CSS Risk Assessment Is Inconsistent with a Risk-Based Approach to Supervision (AUD-2021-005, March 23, 2021)</p>
<p>Supervision: FHFA should ensure that the Office of Housing and Regulatory Policy (OHRP) (a) develops and issues written guidance to the Enterprises on the data elements to be reported regularly for FHFA’s monitoring of the 97% LTV mortgage programs and (b) establishes quality control procedures to ensure that information reported by the Enterprises is reliable and conforms to the requirements of the written guidance.</p>	<p>Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives (AUD-2020-014, September 29, 2020)</p>

¹ This recommendation is being held open pending the completion of a related 2021 FHFA planned supervisory activity in response to the second recommendation of EVL-2021-001, and OIG’s assessment of that supervisory activity.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should clarify and reinforce OHRP’s guidance regarding the frequency of 97% LTV mortgage program monitoring dashboard preparation to OHRP staff and ensure that the monitoring dashboards are prepared and reviewed in accordance with that guidance.</p>	<p>Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives (AUD-2020-014, September 29, 2020)</p>
<p>Supervision: FHFA should determine the appropriate threshold or criteria for charging off delinquent single-family loans at the Enterprises and communicate that threshold or criteria through revised or new Agency guidance.</p>	<p>More than Eight Years After Issuing its Advisory Bulletin, FHFA Has Not Held the Enterprises to its Expectations on Charging off Delinquent Loans or Communicated New Expectations (EVL-2020-003, September 10, 2020)</p>
<p>Supervision: FHFA should assess the Enterprises’ implementation of the revised or new Agency guidance to ensure that the Enterprises’ practices comport with FHFA’s supervisory expectations.</p>	<p>More than Eight Years After Issuing its Advisory Bulletin, FHFA Has Not Held the Enterprises to its Expectations on Charging off Delinquent Loans or Communicated New Expectations (EVL-2020-003, September 10, 2020)</p>
<p>Supervision: FHFA should reinforce the requirement to examiners in charge and examination managers that changes to an examination plan must be risk-based – changes in Enterprise business operations or risk exposures – and that resource constraints are not accepted reasons for such changes.</p>	<p>FHFA Completed Most of its Planned Ongoing Monitoring Activities for Fannie Mae and CSS for 2019; However, FHFA Failed to Follow its Requirements When it Changed Examination Plans for Non-Risk-Based Reasons and Failed to Obtain Deputy Director Approval (AUD-2020-011, September 9, 2020)</p>
<p>Supervision: FHFA should reinforce the requirement that any revisions to an examination plan must be approved in writing by the Deputy Director.</p>	<p>FHFA Completed Most of its Planned Ongoing Monitoring Activities for Fannie Mae and CSS for 2019; However, FHFA Failed to Follow its Requirements When it Changed Examination Plans for Non-Risk-Based Reasons and Failed to Obtain Deputy Director Approval (AUD-2020-011, September 9, 2020)</p>
<p>Supervision: FHFA should assess whether Fannie Mae’s remediation of its [redacted] is sufficient.</p>	<p>FHFA Examiners’ Lack of Assessment and Escalation of Shortcomings Identified by an Enterprise in its Servicer Fraud Risk Management Framework Limited the Agency’s Supervisory Oversight (EVL-2020-002, August 27, 2020)</p>
<p>Supervision: FHFA should set clear expectations in supervisory guidance for prompt escalation within DER by examiners of information regarding deficient practices at an Enterprise for a determination of whether such practices warrant additional supervisory attention and/or should be the subject of an adverse examination finding.</p>	<p>FHFA Examiners’ Lack of Assessment and Escalation of Shortcomings Identified by an Enterprise in its Servicer Fraud Risk Management Framework Limited the Agency’s Supervisory Oversight (EVL-2020-002, August 27, 2020)</p>

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should reinforce in examiner training and the annual performance appraisal process its expectations for collaboration among examiners, communication of potential deficient practices to DER managers, and documentation of support for conclusions.</p>	<p>FHFA Examiners’ Lack of Assessment and Escalation of Shortcomings Identified by an Enterprise in its Servicer Fraud Risk Management Framework Limited the Agency’s Supervisory Oversight (EVL-2020-002, August 27, 2020)</p>
<p>Supervision: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented. That process should include:</p> <ul style="list-style-type: none"> • Identifying the appropriate number of Enterprise high-risk models to be examined each year through targeted examinations; • Identifying the current examination skills and competencies of examiners engaged in supervisory activities of high-risk models; • Forecasting the optimal staffing levels and competencies of examiners necessary to complete the identified number of targeted examinations of high-risk models planned for each examination cycle; • Evaluating whether a gap exists between skills required to conduct supervision of high-risk models that its examiners currently need but do not possess; and • Addressing that gap. 	<p>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, March 25, 2020)²</p>
<p>Supervision: Based on the results of its workforce analysis, FHFA should conduct a written assessment of whether DER’s current budget for its supervision of high-risk models is sufficient.</p>	<p>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, March 25, 2020)</p>

2 FHFA represented that its Agency-wide “Organizational Optimization Blueprint” project would address the spirit of this recommendation. FHFA committed to providing OIG certain deliverables by October 30, 2020. Instead, those deliverables were provided on March 9, 2021. In its Annual Performance Plan for FY 2021, FHFA assigned the task of “an action plan to address improvement opportunities identified in FHFA’s optimization study to further the development of a world-class supervision program” to FHFA’s Chief Operating Officer, with a target due date of June 30, 2021.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should direct DER to develop and implement a systematic workforce planning process within 12 months that aligns with Office of Personnel Management guidance and best practices and is fully documented in writing. That process should include:</p> <ul style="list-style-type: none"> Identifying the current examination skills and competencies of its examiners; Forecasting the optimal staffing levels and competencies needed to meet its supervisory needs; Evaluating whether a gap exists between skills that its workforce may currently need but does not possess; and Addressing that gap. 	<p>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, February 25, 2020)³</p>
<p>Supervision: FHFA should develop a process that links annual Enterprise examination plans with core team resource requirements.</p>	<p>Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL-2014-002, December 19, 2013) and 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, February 25, 2020)</p>
<p>Supervision: FHFA should establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.</p>	<p>Update on FHFA’s Efforts to Strengthen its Capacity to Examine the Enterprises (EVL-2014-002, December 19, 2013) and 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, February 25, 2020)</p>
<p>Supervision: FHFA should require DER, upon acceptance of an Enterprise’s remediation plan, to estimate the date by which it expects to confirm internal audit’s validation, and to enter that date into a dedicated field in the MRA tracking system. [Closed in September 2017; reopened upon results of compliance testing.]</p>	<p>FHFA’s Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA’s Supervision of the Enterprises (EVL-2016-007, July 14, 2016) and Compliance Review of the Timeliness of FHFA’s Assessments of the Enterprises’ Remediation Closure Packages for a Matter Requiring Attention (COM-2020-001, February 21, 2020)</p>

3 See prior footnote.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should establish and communicate clear expectations for use of revised and new examination modules by DER examiners.</p>	<p>Five Years After Issuance, Many Examination Modules Remain in Field Test; FHFA Should Establish Timelines and Processes to Ensure Timely Revision of Examiner Guidance (EVL-2019-003, September 10, 2019)</p>
<p>Supervision: FHFA’s Office of Minority and Women Inclusion should ensure that quality control reviews are performed before issuing diversity and inclusion examination findings to a regulated entity, as required by Supervision Directive 2017-01.</p>	<p>Compliance Review of FHFA’s Office of Minority and Women Inclusion (COM-2019-005, June 24, 2019)</p>
<p>Supervision: FHFA should require examiners to document their assessment of the design of the Federal Home Loan Banks’ vulnerability scans and penetration tests as part of their assessment of the operational effectiveness of such controls. [Closed in February 2017; reopened upon results of compliance testing.]</p>	<p>FHFA Should Improve its Examinations of the Effectiveness of the Federal Home Loan Banks’ Cyber Risk Management Programs by Including an Assessment of the Design of Critical Internal Controls (AUD-2016-001, February 29, 2016), and Compliance Review of DBR’s Examinations of Critical Cybersecurity Controls at the Federal Home Loan Banks (COM-2019-004, May 7, 2019)</p>
<p>Supervision: FHFA should determine the causes of the shortfalls in the Housing Finance Examiner Commission Program that we have identified, and implement a strategy to ensure the program fulfills its central objective of producing commissioned examiners who are qualified to lead major risk sections of government-sponsored enterprise examinations.</p>	<p>OIG’s Compliance Review of FHFA’s Implementation of Its Housing Finance Examiner Commission Program (COM-2015-001, July 29, 2015) and FHFA’s Housing Finance Examiner Commissioning Program: \$7.7 Million and Four Years into the Program, the Agency has Fewer Commissioned Examiners (COM-2018-006, September 6, 2018)⁴</p>
<p>Supervision: FHFA should ensure that Freddie Mac takes, or has taken, remedial action to address the deficiency underlying the MRA regarding the need to implement a process to verify and monitor the [redacted] programs and certain matters.</p>	<p>FHFA Failed to Ensure Freddie Mac’s Remedial Plans for a Cybersecurity MRA Addressed All Deficiencies; as Allowed by its Standard, FHFA Closed the MRA after Independently Determining the Enterprise Completed its Planned Remedial Actions (AUD-2018-008, March 28, 2018)⁵</p>

4 OIG has twice determined that the Housing Finance Examiner Commission Program was not on track to produce commissioned examiners. This recommendation is open pending FHFA actions to assess and address the Program’s shortfalls and OIG’s assessment of those corrective actions.

5 This recommendation is being held open pending OIG’s assessment of a supervisory activity that FHFA completed during the 2020 examination cycle related to the underlying deficiency of the MRA discussed in this report.

Significant, Open Recommendation	Report Title and Date
<p>Supervision: FHFA should reinforce, through training and supervision of DER personnel, the requirements established by FHFA, and reinforced by DER guidance, for the risk assessment and supervisory planning process. Specifically:</p> <ol style="list-style-type: none"> a. Ensure that the annual supervisory strategy identifies significant risks and supervisory concerns and explains how the planned supervisory activities to be conducted during the examination cycle address the most significant risks in the operational risk assessment. (Applies to AUD-2017-010 and AUD-2017-011) b. Ensure that supervisory activities planned during an examination cycle to address the most significant risks in the operational risk assessment are completed within the examination cycle. (Applies to AUD-2017-010) 	<p>FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle (AUD-2017-010, September 27, 2017); and FHFA Did Not Complete All Planned Supervisory Activities Related to Cybersecurity Risks at Freddie Mac for the 2016 Examination Cycle (AUD-2017-011, September 27, 2017)</p>
<p>Supervision: FHFA should assess whether DER has a sufficient complement of qualified examiners to conduct and complete those examinations rated by DER to be of high-priority within each supervisory cycle and address the resource constraints that have adversely affected DER's ability to carry out its risk-based supervisory plans.</p>	<p>FHFA's Targeted Examinations of Freddie Mac: Just Over Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed (AUD-2016-007, September 30, 2016); and FHFA's Targeted Examinations of Fannie Mae: Less than Half of the Targeted Examinations Planned for 2012 through 2015 Were Completed and No Examinations Planned for 2015 Were Completed Before the Report of Examination Issued (AUD-2016-006, September 30, 2016); and FHFA Failed to Complete Non-MRA Supervisory Activities Related to Cybersecurity Risks at Fannie Mae Planned for the 2016 Examination Cycle (AUD-2017-010, September 27, 2017)</p>
<p>Counterparties and Third Parties: FHFA should ensure that DER uses its full range of available examination activities, including targeted examinations and when appropriate, enhanced risk monitoring, to provide comprehensive assessments of known areas of high risk, like Fannie Mae's reliance on third-party vendors.</p>	<p>Despite FHFA's Acknowledgement that Enterprise Reliance on Third-Parties Represents a Significant Operational Risk, No Targeted Examinations of Fannie Mae's Third-Party Risk Management Program Were Completed Over a Seven-Year Period (AUD-2021-007, March 29, 2021)</p>

Significant, Open Recommendation	Report Title and Date
<p>Information Technology: FHFA should implement multifactor authentication for [redacted] for Employment Matters Tracking System (EMT) database servers.</p>	<p>Audit of an FHFA Sensitive Employment-Related Case Tracking System: FHFA Followed its Access Control Standard, But its System Is Adversely Impacted by Two Security Control Weaknesses (AUD-2021-006, March 29, 2021)</p>
<p>Information Technology: FHFA should send EMT [redacted] for correlation and analysis.</p>	<p>Audit of an FHFA Sensitive Employment-Related Case Tracking System: FHFA Followed its Access Control Standard, But its System Is Adversely Impacted by Two Security Control Weaknesses (AUD-2021-006, March 29, 2021)</p>
<p>Information Technology: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly. (7 open recommendations)</p>	<p>Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2020 (AUD-2021-001, October 20, 2020)</p>
<p>Information Technology: FHFA should validate the implementation of minimum security requirements for all existing cloud-based General Support System (GSS) Tools and ensure to do the same for future cloud-based GSS Tools.</p>	<p>FHFA Failed to Follow its Cloud-Based Computing Requirements when it Did Not Validate the Implementation of Minimum Security Requirements for Cloud-Based Tools and Did Not Include Required IT Security Provisions in Some of its Cloud Service Contracts (AUD-2020-013, September 17, 2020)</p>
<p>Information Technology: FHFA should modify existing cloud-based GSS Tool contracts to include the required IT security provisions and ensure future cloud-based GSS Tool contracts include all required provisions.</p>	<p>FHFA Failed to Follow its Cloud-Based Computing Requirements when it Did Not Validate the Implementation of Minimum Security Requirements for Cloud-Based Tools and Did Not Include Required IT Security Provisions in Some of its Cloud Service Contracts (AUD-2020-013, September 17, 2020)</p>
<p>Information Technology: FHFA should reinforce the requirements in the Information System Characterization Methodology to Office of Technology and Information Management Security staff.</p>	<p>FHFA Failed to Follow its Cloud-Based Computing Requirements when it Did Not Validate the Implementation of Minimum Security Requirements for Cloud-Based Tools and Did Not Include Required IT Security Provisions in Some of its Cloud Service Contracts (AUD-2020-013, September 17, 2020)</p>
<p>Information Technology: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly. (1 open recommendation)</p>	<p>Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2019 (AUD-2020-001, October 25, 2019)</p>
<p>Information Technology: FHFA should ensure that outdated [redacted] and [redacted] protocols in FHFA’s systems are disabled or upgraded in a timely manner in accordance with National Institute of Standards and Technology (NIST) directives.</p>	<p>2019 Internal Penetration Test of FHFA’s Network and Systems (AUD-2019-014, September 24, 2019)</p>

Significant, Open Recommendation	Report Title and Date
Information Technology: FHFA should determine privacy controls that are information system-specific, and/or hybrid controls.	Audit of the Federal Housing Finance Agency’s 2019 Privacy Program (AUD-2019-009, August 28, 2019)
Information Technology: FHFA should document privacy controls within each system’s system security plan or system-specific privacy plan, clearly identifying whether controls are program level, common, information system-specific, or hybrid.	Audit of the Federal Housing Finance Agency’s 2019 Privacy Program (AUD-2019-009, August 28, 2019)
Information Technology: FHFA should comply with Financial Stability Oversight Council (FSOC) recommendations to address the gaps, as prioritized, to reflect and incorporate appropriate elements of the NIST Framework.	FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework (EVL-2016-003, March 28, 2016) ⁶
Information Technology: FHFA should comply with FSOC recommendations to revise existing regulatory guidance to reflect and incorporate appropriate elements of the NIST Framework in a manner that achieves consistency with other federal financial regulators.	FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework (EVL-2016-003, March 28, 2016) ⁷
Agency Operations/Internal Controls: Going forward, FHFA should ensure Annual Risk Profiles include all significant risk response action items designed to reduce identified residual risks, such as FHFA’s “organizational optimization Blueprint” project, along with identifying the owners of those risk response action items and target completion dates.	FHFA Followed OMB Guidance in Implementing its Enterprise Risk Management Program But its 2020 Risk Profile Failed to Identify a Significant Action Underway to Address Acknowledged Supervision Risk (AUD-2021-004, March 17, 2021)
Agency Operations/Internal Controls: FHFA should develop written policies and procedures for its Enterprise Risk Management program.	FHFA Followed OMB Guidance in Implementing its Enterprise Risk Management Program But its 2020 Risk Profile Failed to Identify a Significant Action Underway to Address Acknowledged Supervision Risk (AUD-2021-004, March 17, 2021)
Agency Operations/Internal Controls: FHFA should update FHFA’s Reimbursements and Stipends Policy 113 to align with management’s intent and practice.	For Fiscal Year 2019, FHFA Did Not Always Follow its Policy for Employee Reimbursements and Stipends; FHFA’s Practice for Calculating Employee Travel Stipends Was Not Stated in its Policy Nor Consistently Followed (AUD-2020-007, March 26, 2020)

6 OIG is reviewing additional documentation provided by FHFA during this reporting period to assess whether the Agency has adequately addressed this recommendation.

7 See prior footnote.

Significant, Open Recommendation	Report Title and Date
<p>Agency Operations/Internal Controls: FHFA should include all National Archives and Records Administration-required content topics in annual records management training provided to FHFA employees and contractor employees.</p>	<p>FHFA Needs to Strengthen Controls Over its Records Management Program to Comply with OMB and NARA Requirements (AUD-2020-008, March 26, 2020)</p>
<p>Agency Operations/Internal Controls: FHFA should develop written procedures for carrying out the functions of the Office of the Ombudsman, to include procedures for documenting that all incoming complaints and appeals are tracked, considered, and appropriately resolved. In developing these procedures, the guidance published by the Coalition of Federal Ombudsmen should be taken into consideration.</p>	<p>FHFA Should Name an Ombudsman and Document the Office of the Ombudsman's Procedures (AUD-2019-011, September 16, 2019)</p>

Closed, Rejected Recommendations and Potential Cost Savings

The following table contains recommendations closed as rejected, including three during this reporting period. See OIG's [Compendium of Open Recommendations](#) for a comprehensive list, updated monthly, of all recommendations closed as rejected. During the last 7 and a half years we made 41 recommendations that were rejected by the Agency. OIG has identified a total potential cost savings of \$893,525,860⁸ based on our oversight of Agency operations and programs.

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.6 million to the Fannie Mae President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Fannie Mae's continued conservatorship status and the burdens imposed on the taxpayers from that status; and the 10-year practice at Fannie Mae where one individual executed the responsibilities of both the Chief Executive Officer and President positions, with annual compensation capped at \$600,000 since 2015.</p>	<p>FHFA's Approval of Senior Executive Succession Planning at Fannie Mae Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-001, March 26, 2019)</p>

⁸ This figure includes potential aggregate cost savings to the Agency or the Enterprises from specific recommendations, i.e., recommendations of potential funds to be put to better use by management, questioned costs, and other monetary calculations in all OIG oversight reports supporting OIG recommendations and conclusions.

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should re-assess the appropriateness of the annual compensation package of \$3.25 million to the Freddie Mac President with consideration paid to the following factors: the congressional intent behind the statutory cap on compensation; Freddie Mac’s continued conservatorship status and the burdens imposed on the taxpayers from that status; the 10-year practice at Freddie Mac where one individual executed the Chief Executive Officer responsibilities with annual compensation capped at \$600,000 since 2015; and the temporary nature of the position of President, in light of FHFA’s representation that Candidate A will leave Freddie Mac if he is not selected for the Chief Executive Officer position.</p>	<p>FHFA’s Approval of Senior Executive Succession Planning at Freddie Mac Acted to Circumvent the Congressionally Mandated Cap on CEO Compensation (EVL-2019-002, March 26, 2019)</p>
<p>Conservatorship: To reduce the waste from Option C (the option Fannie Mae selected for its future operations in Northern Virginia), FHFA, consistent with its duties as conservator, should cause Fannie Mae to calculate the net present value for a Status Quo Option, and calculate the costs associated with terminating the lease with Boston Properties.</p>	<p>Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: To reduce the waste from Option C, FHFA, consistent with its duties as conservator, should direct Fannie Mae to terminate the lease, cancel the sale of the three owned buildings, and implement the Status Quo Option, should the net present value for a Status Quo Option and the termination costs be lower than the adjusted net present value for Option C.</p>	<p>Consolidation and Relocation of Fannie Mae’s Northern Virginia Workforce (OIG-2018-004, September 6, 2018)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93–579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise (OIG-2017-004, March 23, 2017)</p>
<p>Conservatorship: Take appropriate action to address conflicts of interest issue involving an entity within FHFA’s oversight authority. Public release by OIG of certain information in the Management Alert and accompanying expert report is prohibited by the Privacy Act of 1974 (Pub.L. 93–579, 88 Stat. 1896, enacted December 31, 1974, 5 U.S.C. § 552a).</p>	<p>Administrative Investigation into Anonymous Hotline Complaints Concerning Timeliness and Completeness of Disclosures Regarding a Potential Conflict of Interest by a Senior Executive Officer of an Enterprise (OIG-2017-004, March 23, 2017)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA should ensure that it has adequate internal staff, outside contractors, or both, who have the professional expertise and experience in commercial construction to oversee the build-out plans and associated budget(s), as Fannie Mae continues to revise and refine them.</p>	<p>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should direct Fannie Mae to provide regular updates and formal budgetary reports to the Division of Conservatorship (now known as the Division of Resolutions) for its review and for FHFA approval through the design and construction of Fannie Mae’s leased space in Midtown Center.</p>	<p>Management Alert: Need for Increased Oversight by FHFA, as Conservator of Fannie Mae, of the Projected Costs Associated with Fannie Mae’s Headquarters Consolidation and Relocation Project (COM-2016-004, June 16, 2016)</p>
<p>Conservatorship: FHFA should develop a strategy to enhance the Executive Compensation Branch’s capacity to review the reasonableness and justification of the Enterprises’ annual proposals to compensate their executives based on Corporate Scorecard performance. To this end, FHFA should ensure that: the Enterprises submit proposals containing information sufficient to facilitate a comprehensive review by the Executive Compensation Branch; the Executive Compensation Branch tests and verifies the information in the Enterprises’ proposals, perhaps on a randomized basis; and the Executive Compensation Branch follows up with the Enterprises to resolve any proposals that do not appear to be reasonable and justified.</p>	<p>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA should develop a policy under which it is required to notify OIG within 10 days of its decision not to fully implement, substantially alter, or abandon a corrective action that served as the basis for OIG’s decision to close a recommendation.</p>	<p>Compliance Review of FHFA’s Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance (COM-2016-002, March 17, 2016)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should establish an ongoing process to evaluate servicers’ Servicing Alignment Initiative compliance and the effectiveness of the Enterprises’ remediation efforts.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals’ assessment.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Conservatorship: FHFA’s Division of Housing Mission and Goals Deputy Director should regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers’ actual versus expected performance.</p>	<p>FHFA’s Oversight of the Servicing Alignment Initiative (EVL-2014-003, February 12, 2014)</p>
<p>Supervision: In the current examination cycle, FHFA should assess Fannie Mae’s business resiliency practices and capabilities and formally determine whether they meet or fail to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should develop examination guidance that establishes criteria and expectations for determining, on an annual basis, whether a regulated entity meets or fails to meet Prudential Management and Operations Standard 8, Principle 11.</p>	<p>For Nine Years, FHFA Has Failed to Take Timely and Decisive Supervisory Action to Bring Fannie Mae into Compliance with its Prudential Standard to Ensure Business Resiliency (EVL-2021-002, March 22, 2021)</p>
<p>Supervision: FHFA should establish measurable objectives and risk tolerances for the Enterprises’ 97% LTV mortgage programs, such as those for acquisition volume and delinquency rates, so that management can better identify, analyze, and respond to risks related to achieving the programs’ objectives.</p>	<p>Weaknesses in FHFA’s Monitoring of the Enterprises’ 97% LTV Mortgage Programs May Hinder FHFA’s Ability to Timely Identify, Analyze, and Respond to Risks Related to Achieving the Programs’ Objectives (AUD-2020-014, September 29, 2020)</p>
<p>Supervision: FHFA should periodically conclude, based upon sufficient examination work, on the overall effectiveness of the Internal Audit functions at Fannie Mae and Freddie Mac.</p>	<p>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work (EVL-2018-002, March 28, 2018)</p>
<p>Supervision: FHFA should direct that examiners can use Internal Audit work to assess the adequacy of MRA remediation only if FHFA has concluded that the Internal Audit function is effective overall.</p>	<p>FHFA Requires the Enterprises’ Internal Audit Functions to Validate Remediation of Serious Deficiencies but Provides No Guidance and Imposes No Preconditions on Examiners’ Use of that Validation Work (EVL-2018-002, March 28, 2018)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Supervision: FHFA should direct DER to develop detailed guidance and promulgate that guidance to each Enterprise's board of directors that explains:</p> <ul style="list-style-type: none"> The purpose for DER's annual presentation to each Enterprise board of directors on the ROE results, conclusions, and supervisory concerns and the opportunity for directors to ask questions and discuss ROE examination conclusions and supervisory concerns at that presentation; and The requirement that each Enterprise board of directors submit a written response to the annual ROE to DER and the expected level of detail regarding ongoing and contemplated remediation in that written response. 	<p>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should direct the Enterprises' boards to amend their charters to require review by each director of each annual ROE and review and approval of the written response to DER in response to each annual ROE.</p>	<p>FHFA Failed to Consistently Deliver Timely Reports of Examination to the Enterprise Boards and Obtain Written Responses from the Boards Regarding Remediation of Supervisory Concerns Identified in those Reports (EVL-2016-009, July 14, 2016)</p>
<p>Supervision: FHFA should ensure that the underlying remediation documents, including the Procedures Document, are readily available by direct link or other means, through DER's MRA tracking system(s).</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require DER to track interim milestones and to independently assess and document the timeliness and adequacy of Enterprise remediation of MRAs on a regular basis.</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should require the Enterprises to provide, in their remediation plans, the target date in which their internal audit departments expect to validate management's remediation of MRAs, and require examiners to enter that date into a dedicated field in the MRA tracking system.</p>	<p>FHFA's Inconsistent Practices in Assessing Enterprise Remediation of Serious Deficiencies and Weaknesses in its Tracking Systems Limit the Effectiveness of FHFA's Supervision of the Enterprises (EVL-2016-007, July 14, 2016)</p>
<p>Supervision: FHFA should direct DER to revise its guidance to require ROEs to focus the boards' attention of the most critical and time-sensitive supervisory concerns through (1) the prioritization of examination findings and conclusions and (2) identification of deficiencies and MRAs in the ROE and discussion of their root causes.</p>	<p>FHFA's Failure to Consistently Identify Specific Deficiencies and Their Root Causes in Its Reports of Examination Constrains the Ability of the Enterprise Boards to Exercise Effective Oversight of Management's Remediation of Supervisory Concerns (EVL-2016-008, July 14, 2016)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each plan submitted by Enterprise management to remediate an MRA with associated timetables and the response by DER.</p>	<p>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should revise its supervision guidance to require DER to provide the Chair of the Audit Committee of an Enterprise Board with each conclusion letter setting forth an MRA.</p>	<p>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s Remediation Efforts are Inadequate (EVL-2016-005, March 31, 2016)</p>
<p>Supervision: FHFA should review FHFA’s existing requirements, guidance, and processes regarding MRAs against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and other federal financial regulators including, but not limited to, content of an MRA; standards for proposed remediation plans; approval authority for proposed remediation plans; real-time assessments at regular intervals of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; final assessment of the effectiveness and timeliness of an Enterprise’s MRA remediation efforts; and required documentation for examiner oversight of MRA remediation.</p>	<p>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: Based on the results of the review in recommendation 1, FHFA should assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.</p>	<p>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies (EVL-2016-004, March 29, 2016)</p>
<p>Supervision: DER should adopt a comprehensive examination workpaper index and standardize electronic workpaper folder structures and naming conventions between the two Core Teams. In addition, FHFA and DER should upgrade recordkeeping practices as necessary to enhance the identification and retrieval of critical workpapers.</p>	<p>Evaluation of the Division of Enterprise Regulation’s 2013 Examination Records: Successes and Opportunities (EVL-2015-001, October 6, 2014)</p>
<p>Counterparties and Third Parties: FHFA should direct Fannie Mae and Freddie Mac to assess the cost/benefit of a risk-based approach to requiring their sellers and servicers to provide independent, third-party attestation reports on compliance with Enterprise origination and servicing guidance.</p>	<p>FHFA’s Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines (AUD-2014-018, September 26, 2014)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Counterparties and Third Parties: FHFA should perform a comprehensive analysis to assess whether financial risks associated with the new representation and warranty framework, including with regard to sunset periods, are appropriately balanced between the Enterprises and sellers. This analysis should be based on consistent transactional data across both Enterprises, identify potential costs and benefits to the Enterprises, and document consideration of the Agency’s objectives.</p>	<p>FHFA’s Representation and Warranty Framework (AUD-2014-016, September 17, 2014)</p>
<p>Counterparties and Third Parties: FHFA should direct the Enterprises to establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.</p>	<p>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections (AUD-2014-012, March 25, 2014)</p>
<p>Counterparties and Third Parties: FHFA should promptly quantify the potential benefit of implementing a repurchase late fee program at Fannie Mae, and then determine whether the potential cost of from \$500,000 to \$5.4 million still outweighs the potential benefit.</p>	<p>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands (AUD-2014-009, February 12, 2014)</p>
<p>Counterparties and Third Parties: FHFA should direct Fannie Mae to obtain a refund from servicers for improperly reimbursed property inspection claims, resulting in estimated funds put to better use of \$5,015,505.</p>	<p>FHFA Oversight of Fannie Mae’s Reimbursement Process for Pre-Foreclosure Property Inspections (AUD-2014-005, January 15, 2014)</p>
<p>Counterparties and Third Parties: FHFA should publish Fannie Mae’s reduction targets and overpayment findings.</p>	<p>Evaluation of Fannie Mae’s Servicer Reimbursement Operations for Delinquency Expenses (EVL-2013-012, September 18, 2013)</p>
<p>Information Technology: Because information in this report could be used to circumvent FHFA’s internal controls, it has not been released publicly. (2 recommendations)</p>	<p>Audit of the Federal Housing Finance Agency’s Information Security Program Fiscal Year 2019 (AUD-2020-001, October 25, 2019)</p>
<p>Agency Operations/Internal Controls: FHFA should assess the \$80,985 in costs that we questioned in this report, as well as any additional costs related to disincentives that may have been triggered after our review period. FHFA should take action to recover these costs, as appropriate, and enforce disincentive clauses going forward.</p>	<p>Management Advisory: FHFA Failed to Enforce a Provision of an IT Services Contract, Resulting in More than \$80,000 in Questioned Costs (OIG-2020-001, March 3, 2020)</p>
<p>Agency Operations/Internal Controls: FHFA should determine the feasibility for automatically disabling inactive application accounts Correspondence Tracking System and Merit Central/Job Performance Plan at a frequency that fits the business needs and update applicable system policies and procedures, as necessary.</p>	<p>Audit of the Federal Housing Finance Agency’s 2019 Privacy Program (AUD-2019-009, August 28, 2019)</p>

Closed, Rejected Recommendation	Report Title and Date
<p>Agency Operations/Internal Controls: FHFA should implement a control at the application layer to ensure inactive application accounts for Correspondence Tracking System and Merit Central/Job Performance Plan are disabled in accordance with the determined system frequency. If the application does not accommodate automatic disabling of inactive accounts, then consider implementing manual compensating controls (i.e., manually reviewing and disabling dormant accounts) to help mitigate the risk.</p>	<p>Audit of the Federal Housing Finance Agency’s 2019 Privacy Program (AUD-2019-009, August 28, 2019)</p>
<p>Agency Operations/Internal Controls: FHFA should determine and pay the vendor the interest penalties owed under the Prompt Payment Act regulations for the late payments of the leased seasonal decorations received by FHFA for the 2015, 2016, and 2017 holiday seasons.</p>	<p>Audit of FHFA’s Fiscal Year 2017 Government Purchase Card Program Found Several Deficiencies with Leased Holiday Decorations, and the Need for Greater Attention by Cardholders and Approving Officials to Program Requirements (AUD-2018-011, September 6, 2018)</p>

Investigative Activity

OIG’s investigative mission is to prevent and detect fraud, waste, and abuse in the programs and operations of FHFA and its regulated entities. OIG’s Office of Investigations (OI) executes its mission by investigating allegations of significant criminal and civil wrongdoing that affect the Agency and its regulated entities. OI’s investigations are conducted in strict accordance with professional guidelines established by the Attorney General of the United States and CIGIE’s *Quality Standards for Investigations*.

OI is comprised of highly trained law enforcement officers, investigative counsels, analysts, and attorney advisors. We maximize the impact of our criminal and civil law enforcement efforts by working closely with federal, state, and local law enforcement agencies nationwide.

Significant Cases

Following are summaries of some of the most significant criminal prosecutions from the six-month reporting period from October 1, 2020, through March 31, 2021.

Business Owner Admitted to Role in Decade-Long \$80 Million Multifamily Property Fraud Scheme, New Jersey

On March 18, 2021, Seth Levine admitted to orchestrating a long-running bank fraud scheme that led to large-scale losses for financial institutions. Levine pleaded guilty to conspiracy to commit bank fraud and securities fraud.

The outstanding balance of the fraudulently obtained mortgages on the multifamily properties was more than \$150 million, including 40 mortgages held by Freddie Mac with an outstanding loan balance of approximately \$103 million. The scheme resulted in losses to victim financial institutions of at least \$65 million. While defrauding the financial institutions, Levine also carried out a \$15 million securities fraud scheme to defraud private investors in the multifamily properties by making materially false statements and promises about the condition of the properties and the use of investor funds.

Business Owner Pleaded Guilty in Real Estate Fraud Scheme, California

On March 2, 2021, Patrick Soria pleaded guilty to conspiracy to commit wire fraud for his role in a real estate fraud scheme.

According to his plea agreement, Soria owned and operated a business using various company names. Soria and others would market properties for sale as though one of the Soria-controlled business entities held title to the properties when, in fact, neither Soria nor a Soria-controlled business entity had any ownership interest in the properties. Rather, Soria and others had filed fraudulent documents on the title to the properties to create the false appearance that Soria-controlled business entities held title.

Soria also marketed loan relief and modification services to owner-borrower victims. Soria and others would communicate to owner-borrower victims that an attempt would be made with their lender to renegotiate their mortgage and if renegotiation was not possible, Soria and one of his business entities would take over the loans from the victims' lenders. After the victims would execute paperwork provided by Soria and others, mortgage payments would be made to Soria-controlled business entities. Soria, his business entities, or conspirators had no lawful interest in these mortgage loans or the right to collect mortgage payments.

Soria targeted over 2,000 victims as a result of this scheme. Losses to the Enterprises are in excess of \$1 million.

Nine Charged and Three Pleaded Guilty in Foreclosure Rescue Scheme, California

During this reporting period, three individuals pleaded guilty to charges including identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, and conspiracy for their roles in a foreclosure rescue fraud scheme. These three defendants, along with six others, were charged in October 2020 in a 136-count indictment.

Court documents revealed those who pleaded guilty conspired to defraud lenders and homeowners of possession of residential properties. As part of the scheme, the group targeted distressed homeowners claiming they could stop the foreclosure of their home if they made monthly

payments to the participants in the scheme. Instead, they delayed foreclosures and eviction actions by filing fraudulent bankruptcy documents, false court documents, and false fractional interest grant deeds. These documents were purportedly sent to the servicers of mortgage loans, which would stop the foreclosure by invoking the bankruptcy “automatic stay.” Many homeowners lost their homes to foreclosure despite paying this group hundreds of dollars a month over the course of many years.

The fraud scheme resulted in approximately \$6 million in loss, including losses to the Enterprises.

Criminal Investigative Results

Below are individuals sentenced, convicted, and charged during the reporting period, grouped by fraud category.

Individuals Sentenced

Short Sale Schemes			
Defendant	Role	Most Recent Action	District
Ana Cummings	Conspirator	Sentenced to 27 months in prison, two years supervised release, and ordered to pay \$1,342,928 in restitution, joint and several.	Southern District of Florida
Jared Marble	Conspirator	Sentenced to 16 months in prison, two years supervised release, and ordered to pay \$371,818 in restitution, joint and several.	Southern District of Florida
Rene Pazmino	Conspirator	Sentenced to 18 months in prison, two years supervised release, and ordered to pay \$347,403 in restitution, joint and several.	Southern District of Florida
Diana Pazmino-Robinson	Conspirator	Sentenced to 22 months in prison, two years supervised release, and ordered to pay \$1,201,531 in restitution, joint and several.	Southern District of Florida
Grace Pazmino	Conspirator	Sentenced to 27 months in prison, two years supervised release, and ordered to pay \$1,342,928 in restitution, joint and several.	Southern District of Florida

Valentin Pazmino	Conspirator	Sentenced to 27 months in prison, two years supervised release, and ordered to pay \$1,173,249 in restitution, joint and several.	Southern District of Florida
Linda Cagwin	Title Agent	Sentenced to five years of probation and ordered to pay \$139,243 in restitution, joint and several.	Middle District of Florida
Brannon Rue	Real Estate Agent	Sentenced to time served, five years supervised release including twelve months home confinement, and ordered to pay \$145,228 in restitution.	Middle District of Florida

Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions

Defendant	Role	Most Recent Action	District
Daniel Whitehurst	Real Estate Developer/Straw Purchaser	Sentenced to one day, time served, two years supervised release, ordered to pay \$72,500 in restitution, and forfeit his interest in the subject real property.	District of Maryland
Mary Halsey	Former President and Chief Executive Officer	Sentenced to two years in prison, five years supervised release, ordered to pay \$145,000 in restitution, and forfeit her interest in the subject real property.	District of Maryland
Michael Olmeda DeJesus	Participant	Sentenced to 15 months in prison, five years supervised release, and ordered to pay \$93,666 in restitution, joint and several.	Middle District of Florida
Tana Gyenis	Participant	Sentenced to 75 months in prison, five years supervised release, and ordered to pay \$263,898 in restitution, joint and several.	Middle District of Florida
Carlos Martinez	Participant	Sentenced to 28 months in prison, five years supervised release, and ordered to pay \$5,261 in restitution, joint and several.	Middle District of Florida
Peter Dahl	Former Chief Executive Officer	Sentenced to a year and a day in prison, two years supervised release, and ordered to pay \$190,500 in restitution.	District of Minnesota

Troy Gregory	Bank Executive and Loan Officer	Sentenced to 60 months in prison, three years supervised release, and ordered to pay \$4,731,208 in restitution.	District of Kansas
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Adverse Possession, Distressed Property, and Bankruptcy Fraud Schemes

Defendant	Role	Most Recent Action	District
Christopher Grooms	Real Estate Investor	Sentenced to 33 months in prison, four years supervised release, and ordered to pay \$1,645,267 in restitution along with a forfeiture money judgment for \$2,937,881.	Southern District of Georgia
Shara Surabi	Participant	Sentenced to three years of probation.	Central District of California
Claudia Islas	Participant	Sentenced to one day, time served, three years supervised release including six months home confinement, and ordered to pay \$5,306,858 in restitution, joint and several.	Central District of California
Camerino Islas	Participant	Sentenced to one day, time served, three years supervised release including six months home confinement, and ordered to pay \$5,306,858 in restitution, joint and several.	Central District of California
Juan Velasquez	Participant	Sentenced to one day, time served, three years supervised release, and ordered to pay \$5,306,858 in restitution, joint and several.	Central District of California

Loan Origination Schemes

Defendant	Role	Most Recent Action	District
Maurice Lawson	Employment Verifier	Sentenced to three years of probation including 180 days home confinement, and ordered to pay \$58,282 in restitution, joint and several.	Northern District of Georgia
Donald Fontenot	Employment Verifier	Sentenced to three months in prison, three years supervised release including 90 days of home confinement, and ordered to pay \$80,271 in restitution, joint and several.	Northern District of Georgia
Ryan Bailey	Loan Originator	Sentenced to three months in prison, six months of home confinement, three years supervised release, and ordered to pay \$5,348,200 in restitution, \$4,839,750 joint and several.	Northern District of Illinois
Saoud Rihan	Participant	Sentenced to time served, three years supervised release including twelve months home confinement, and ordered to pay \$373,003 in restitution.	District of New Jersey

Condo Conversion and Builder Bailout Schemes

Defendant	Role	Most Recent Action	District
Asif Aslam	Mortgage Broker	Sentenced to one day, time served, and ordered to pay \$10 million in restitution, joint and several.	Northern District of Illinois
Kimberly Dierking	Closer	Sentenced to one day, time served, and two years of supervised release including twelve months home confinement.	Northern District of Illinois

Fraud Affecting the FHLBanks or FHLBank Member Institutions, as a Result of (or Related to) the CARES Act PPP

Defendant	Role	Most Recent Action	District
Benjamin Hayford	Project Manager	Sentenced to 24 months in prison and five years of supervised release.	Northern District of Oklahoma

Loan Modification Schemes

Defendant	Role	Most Recent Action	District
Sara Cordry	Business Owner	Sentenced to one year of probation and ordered to pay \$1,084,409 in restitution.	District of Kansas

Residential Mortgage-Backed Securities Schemes

Defendant	Role	Most Recent Action	District
Michael Gramins	Former Executive Director	Sentenced to two years of probation, including six months home confinement.	District of Connecticut

Individuals Convicted

Loan Origination Schemes

Defendant	Role	Most Recent Action	District
Fawziyyah Connor	Document Fabricator	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Todd Taylor	Employment Verifier	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Renee Little	Employment Verifier	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Anthony Richard	Real Estate Agency Owner	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Jerod Little	Employment Verifier	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia

Robert Kelske	Real Estate Broker	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Paige McDaniel	Employment Verifier	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Stephanie Hogan	Document Fabricator	Pleaded guilty to conspiracy to commit bank fraud and wire fraud.	Northern District of Georgia
Maurice Bethea	Participant	Pleaded guilty to conspiracy to commit bank fraud and securities fraud.	District of New Jersey
Shonda Coleman	Participant	Pleaded guilty to bank fraud.	District of New Jersey
Robert Goodrich	Participant	Pleaded guilty to bank fraud.	District of New Jersey
Dennys Tapia	Participant	Pleaded guilty to conspiracy to commit bank fraud.	District of New Jersey
Joseph Gonzalez	Participant	Pleaded guilty to conspiracy to commit bank fraud.	District of New Jersey

Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions

Defendant	Role	Most Recent Action	District
Diamond Hamilton	Participant	Pleaded guilty to bank fraud and aggravated identity theft.	Middle District of Florida
Kristen Schofield	Participant	Pleaded guilty to conspiracy to commit bank fraud.	Middle District of Florida
Aleaha Fastrum	Participant	Pleaded guilty to conspiracy to commit bank fraud.	Middle District of Florida
Brian Twilley	Former Bank Board Member	Pleaded guilty to making a false statement on a loan or credit application.	District of Maryland
Douglas Mayfield	Business Owner	Pleaded guilty to conspiracy to commit bank fraud.	Northern District of Oklahoma

Loan Modification Schemes

Defendant	Role	Most Recent Action	District
Emmanuel Lopez	Participant	Pleaded guilty to identity theft.	California Attorney General's Office
Gladys Velasquez	Participant	Pleaded guilty to grand theft of personal property, grand theft from an elder or dependent adult, and grand theft of real property.	California Attorney General's Office
Leticia Mora	Participant	Pleaded guilty to conspiracy and identity theft.	California Attorney General's Office
Patrick Soria	Business Owner	Pleaded guilty to conspiracy to commit wire fraud.	Central District of California
Marcus Mullings, Jr.	CEO/Acquisition Director	Pleaded guilty to conspiracy to commit mail and wire fraud.	Southern District of Ohio

Fraud Affecting the FHLBanks or FHLBank Member Institutions, as a Result of (or Related to) the CARES Act PPP

Defendant	Role	Most Recent Action	District
Shashank Rai	Engineer	Pleaded guilty to making false statements to a bank.	Eastern District of Texas
Mukund Mohan	Business Owner	Pleaded guilty to wire fraud and money laundering.	Western District of Washington

Short Sale Schemes

Defendant	Role	Most Recent Action	District
Kareem Jeter	Business Owner	Pleaded guilty to conspiracy to commit bank fraud.	District of New Jersey

Multifamily Schemes

Defendant	Role	Most Recent Action	District
Seth Levine	Business Owner	Pleaded guilty to conspiracy to commit bank fraud, and securities fraud.	District of New Jersey

Individuals Charged

Fraud Affecting the FHLBanks or FHLBank Member Institutions, as a Result of (or Related to) the CARES Act PPP			
Defendant	Role	Most Recent Action	District
Manuk Grigoryan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and aggravated identity theft.	Central District of California
Edvard Paronyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, and wire fraud.	Central District of California
Vahe Dadyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and money laundering.	Central District of California
Arman Hayrapetyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and aggravated identity theft.	Central District of California
Richard Ayvazyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, money laundering, and aggravated identity theft.	Central District of California
Artur Ayvazyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and aggravated identity theft.	Central District of California
Marietta Terabelian	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and aggravated identity theft.	Central District of California

Tamara Dadyan	Participant	Charged by indictment with conspiracy to commit wire fraud and bank fraud, conspiracy to commit money laundering, bank fraud, wire fraud, and aggravated identity theft.	Central District of California
Larry Jordan	Business Owner	Charged by indictment with conspiracy to commit wire fraud and bank fraud, bank fraud, and engaging in monetary transactions with criminally derived property.	Western District of New York
Sutukh El	Business Owner	Charged by indictment with conspiracy to commit wire fraud and bank fraud, bank fraud, and engaging in monetary transactions with criminally derived property.	Western District of New York
Hunter VanPelt	Business Owner	Charged by information with bank fraud.	Northern District of Georgia
Pardeep Basra	Participant	Charged by indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Rifat Bajwa	Participant	Charged by indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Mayer Misak	Participant	Charged by indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Mauricio Navia	Participant	Charged by indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Richard Reuth	Participant	Charged by indictment with conspiracy to commit wire fraud and wire fraud.	Southern District of Texas
Siddiq Azeemuddin	Participant	Charged by indictment with conspiracy to commit wire fraud, wire fraud, and money laundering.	Southern District of Texas
Amir Aqeel	Participant	Charged by indictment with conspiracy to commit wire fraud, wire fraud, and money laundering.	Southern District of Texas
Lee Price III	Entrepreneur	Charged by indictment with wire fraud and engaging in unlawful monetary transactions.	Southern District of Texas
Lola Kasali	Business Owner	Charged by indictment with making false statements to a financial institution and bank fraud.	Southern District of Texas

Fraud Affecting the Enterprises, the FHLBanks, or FHLBank Member Institutions

Defendant	Role	Most Recent Action	District
James Crotty	Former Bank VP	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois
Boguslaw Kasprowicz	Real Estate Developer	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, embezzlement, and filing false personal and corporate tax returns.	Northern District of Illinois
Mirosław Krejza	Real Estate Developer	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and embezzlement.	Northern District of Illinois
Marek Matczuk	Contractor	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and embezzlement.	Northern District of Illinois
Robert Kowalski	Attorney/Business Owner	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, embezzlement, failure to file income tax returns, filing false personal and corporate returns, bankruptcy fraud, and concealment of assets.	Northern District of Illinois
Jan Kowalski	Attorney	Charged by indictment with bankruptcy fraud and concealment of assets.	Northern District of Illinois
Rosallie Corvite	Former Bank CFO	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois
Jane Iriondo (Tran)	Former Corporate Secretary	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois
Alicia Mandujano	Former Loan Officer	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois

Cathy Torres	Former Loan Officer	Charged by indictment with conspiracy to commit embezzlement and falsify bank records, and falsifying bank records.	Northern District of Illinois
Rosson Hamilton	Participant	Charged by indictment with bank fraud and aggravated identity theft.	Middle District of Florida
Angela Hernandez	Participant	Charged by information with conspiracy to commit bank fraud.	Middle District of Florida
Daniel Soto	Participant	Charged by indictment with bank fraud and aggravated identity theft.	Middle District of Florida
Jamine Jordan	Participant	Charged by indictment with conspiracy to commit bank fraud.	Middle District of Florida

Loan Modification Schemes

Defendant	Role	Most Recent Action	District
Eduardo Toro	Participant	Charged by indictment with procuring or offering a false or forged instrument, identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, conspiracy, and aggravated white-collar crime.	California Attorney General's Office
Ana Toro	Participant	Charged by indictment with procuring or offering a false or forged instrument, identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, conspiracy, and aggravated white-collar crime.	California Attorney General's Office
Veronica Romero	Participant	Charged by indictment with procuring or offering a false or forged instrument, identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, conspiracy, and aggravated white-collar crime.	California Attorney General's Office

Veronica Toro	Participant	Charged by indictment with procuring or offering a false or forged instrument, identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, conspiracy, and aggravated white-collar crime.	California Attorney General's Office
Filiverto Gomez	Participant	Charged by indictment with procuring or offering a false or forged instrument, identity theft, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, conspiracy, and aggravated white-collar crime.	California Attorney General's Office
Maria Gil	Participant	Charged by indictment with procuring or offering a false or forged instrument, grand theft of personal property, grand theft from an elder or dependent adult, grand theft of real property, and aggravated white-collar crime.	California Attorney General's Office

Multifamily Schemes

Defendant	Role	Most Recent Action	District
Robert Morgan	Chief Executive Officer	Charged by indictment with conspiracy to commit wire fraud and bank fraud, wire fraud, bank fraud, and conspiracy to commit wire fraud.	Western District of New York
Todd Morgan	Project Manager	Charged by indictment with conspiracy to commit wire fraud and bank fraud, wire fraud, bank fraud, and conspiracy to commit wire fraud.	Western District of New York
Frank Giacobbe	Business Owner	Charged by indictment with conspiracy to commit wire fraud and bank fraud, wire fraud, and bank fraud.	Western District of New York
Michael Tremiti	Director of Finance	Charged by indictment with conspiracy to commit wire fraud and bank fraud, wire fraud, and bank fraud.	Western District of New York

Loan Origination Schemes			
Defendant	Role	Most Recent Action	District
Richard Pigg	Former Bank VP	Charged by indictment with bank fraud, mail fraud, and arson.	Southern District of Illinois
William Yarussi	Licensed Settlement Agent	Charged by information with conspiracy to commit bank fraud.	Western District of Pennsylvania

OIG Summary of Investigative Statistics, Including Matters Referred to Prosecutive Authorities

Reports, Referrals to Federal, State, and Local Prosecuting Authorities, Prosecutions and Convictions, October 1, 2020, - March 31, 2021*	
Investigative Reports**	25
Criminal Referrals to DOJ	65
Criminal Referrals to State and Local Prosecuting Authorities	10
Indictments and Informations during the Reporting Period that Resulted from Referrals to Prosecutors during Prior Reporting Periods	45
Total Indictments and Informations during the Reporting Period Resulting from OIG Referrals	74
Convictions / Pleas	34
Sentencings	30

*All criminal charges and successive actions (pleas/convictions/sentencings) are supported with documents filed with the corresponding federal or state court, including non-public (sealed) documents. All referrals made to DOJ and to state prosecutors are captured within each investigative file; these actions are tabulated via a statistical report run in OIG's case management system. Criminal referrals on this chart include both individuals and entities.

**For the purposes of this table, an investigative report is defined as the Report of Investigation finalized at the conclusion of an investigation, prior to case closure.

Investigative Outcomes to Date

Investigative Results from October 1, 2010, through March 31, 2021	
Criminal Convictions resulting from OIG investigations (excluding convictions resulting in a pre-trial diversion program)	818
Criminal Sentences: Years of Confinement	Over 1,848
Criminal Orders of Restitution, Forfeitures, Seizures, Fines, and Special Assessments	\$5.38 billion
Civil Recoveries resulting from OIG investigations: Settlements, Fines, and Penalties	\$66.69 billion

Investigations into Allegations of Employee Misconduct and Whistleblower Retaliation

Pursuant to the IG Act, Sections 5(a)(19), (20), (22)(B), and 5(e), OIG is required to report certain information regarding (1) investigations involving senior government employees (SGEs) and (2) government officials found to have engaged in whistleblower retaliation. In this section, OIG also reports on the results of hotline complaints and administrative inquiries involving the above.

Sections 5(a)(19) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation it conducted involving an SGE when allegations of misconduct were substantiated. OIG has no reportable information for this period.

Sections 5(a)(20) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on any instance of whistleblower retaliation, including information about an official found to have engaged in retaliation. OIG does not have any reportable information for this period.

Sections 5(a)(22)(B) and 5(e)(1) of the IG Act require that OIG report—to the extent that public disclosure of the information is not prohibited by law (e.g., the Privacy Act of 1974)—on each investigation involving an SGE that is closed and was not disclosed to the public. During this reporting period, OIG completed an administrative inquiry into anonymous allegations that an SGE at FHFA hired two employees into permanent positions without following appropriate hiring practices and in violation of law. OIG determined that the positions were excepted from the competitive service and the hirings did not violate applicable personnel rules.

Closed, Undisclosed Audits and Evaluations

Pursuant to § 5(a)(22)(A) of the IG Act, OIG must report on evaluations and audits that were closed and not disclosed to the public. During this reporting period, OIG did not close any evaluation or audit without disclosing the existence of the report to the public. OIG issued several reports during this reporting period that contained information that is privileged, confidential, or could be used to circumvent FHFA's or OIG's internal controls, and, accordingly, OIG has not publicly disclosed such contents. We have provided unredacted reports to FHFA and to our Congressional oversight committees.

Peer Reviews

OIG Peer Review Results

Peer Review Results	Date Reported
Office of Audits: The most recent peer review was conducted by the Library of Congress OIG. OIG received an external peer review rating of pass, the highest rating an audit organization can receive.	September 11, 2019
Office of Evaluations and Office of Compliance & Special Projects: The most recent peer review was conducted by a CIGIE external peer review team led by the U.S. Department of Housing and Urban Development (HUD) OIG. The review team recognized several of our practices as "best practices." The team also determined that our policies and procedures met the seven standards addressed in that review: quality control, planning, data collection and analysis, evidence, records maintenance, reporting, and follow-up. The team concluded that the six reports it tested met the standards, but one evaluation report did not comply with internal policies and procedures for planning.	September 10, 2019
Office of Investigations: The most recent peer review of our investigative function was conducted by the United States Nuclear Regulatory Commission (NRC) OIG. NRC-OIG issued an Opinion Letter and a Letter of Observations detailing the results of its review. In the Opinion Letter, NRC-OIG reported that OIG's system of internal safeguards and management procedures for our investigative function is in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. In the Letter of Observations, NRC-OIG recognized OIG for employing five "best practices" in its investigative operations.	July 12, 2017

Outstanding Recommendations from Any Peer Review of OIG

OIG has no outstanding recommendations from any peer reviews.

Peer Reviews Conducted by OIG and Outstanding Recommendations

Peer Review Conducted	Date Concluded	Outstanding Recommendations
Office of Investigations: OI conducted a peer review of the U.S. Department of the Treasury OIG's investigative function.	January 12, 2021	OIG found that the system of internal safeguards and management procedures for the Treasury-OIG investigative function in effect for FY 2020 was in compliance with the CIGIE quality standards and the applicable Attorney General's Guidelines. There are no outstanding recommendations.

Outreach

Public and Private Partnerships, Outreach, and Communications

OIG prioritizes outreach and engagement to communicate its mission and work to members of Congress and to the public and to actively participate in government-wide oversight community activities. We continue to forge public and private partnerships to prevent fraud, encourage transparency, and ensure accountability, responsibility, and ethical leadership.

Highlights of our efforts during this reporting period include the following:

Congress

To fulfill its mission, OIG works closely with Congress and is committed to keeping it fully apprised of our oversight of FHFA. During this semiannual reporting period, OIG provided information to, and discussed OIG work with, congressional staff as requested.

Hotline

The OIG hotline serves as a vehicle through which employees of the Agency, the Enterprises, the FHLBanks, and members of the public can report suspected fraud, waste, abuse, mismanagement, or misconduct in Agency programs and operations. Potential criminal violations are investigated by OI, and civil or administrative matters are referred to the appropriate senior career executive in an OIG operating division for review. During this reporting period, 505 discrete contacts to the hotline were made, involving tips, complaints, and referrals (TCRs), and 110 separate TCRs were logged by the hotline.

For more information about OIG's hotline, including OIG contact information, see <https://www.fhfaig.gov/ReportFraud>.

Close Coordination with Other Oversight Organizations

During the reporting period, OIG maintained active participation in coordinated oversight activities involving the following organizations:

Council of Inspectors General on Integrity and Efficiency (CIGIE)

OIG actively participates in several CIGIE committees and working groups, including the Audit Committee, the Inspection and Evaluation Committee, and the Investigations Committee.

Council of Inspectors General on Financial Oversight (CIGFO)

CIGFO was created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to oversee FSOC, which is charged with identifying risks to the financial stability of the United States, promoting market discipline, and responding to emerging risks to the stability of the U.S. financial system.

The FHFA IG is a statutory member of CIGFO, along with the IGs of Treasury, Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange Commission, and others. By statute, CIGFO may convene working groups to evaluate the effectiveness and internal operations of FSOC.

Additionally, in accordance with the act, CIGFO issues an annual report to FSOC and to Congress that includes (1) a section by each member IG that highlights the concerns and recommendations of the IG based on ongoing and completed work, with a focus on issues that may apply to the broader financial sector; and (2) a summary of the general observations by the Council with a focus on measures that should be taken to improve financial oversight.

CIGFO's annual report for 2020, issued in July 2020, is available on its [website](#) and [Oversight.gov](#).

Law Enforcement Outreach

Federal Bureau of Investigation (FBI) Cybercrimes Task Force

The FBI's Washington, D.C., field office spearheads a cybercrimes task force, and OIG assigns special agents to assist with task force law enforcement activities. This multiagency task force focuses on investigating cybercrimes. OIG makes these assignments to help combat such crimes and to work in partnership with multiple federal agencies. This concerted effort helps prosecute cybercriminals and stop cyberattacks made against institutions maintaining PII, trade secrets, and financial data.

Public Awareness of OIG's Law Enforcement Mission

During this reporting period, OIG delivered 22 fraud awareness briefings to diverse audiences to raise awareness of its law enforcement mission and of fraud schemes targeting FHFA programs.

Public-Private Partnerships

Housing finance professionals are on the frontlines and often have a real-time understanding of

emerging threats and misconduct. We speak with officials at the Enterprises and the FHLBanks regularly to benefit from their insights. We also make presentations to academic and industry groups. Recent presentations include: the Palm Beach County Economic Crimes/Intelligence Working Group (FL); the BSA/M & T Bank Task Force (MD); the Wisconsin Bankruptcy Fraud Working Group; the South Florida Organized Financial Task Force; the Idaho White Collar Crime Group; the Real Estate Fraud Task Force (CA); the Illinois Fraud Working Group; the District of Nevada Bankruptcy Fraud Working Group; the Palm Beach County Elder Abuse Task Force (FL); and the CARES Act Fraud Working Group.

Coordination Among Law Enforcement Agencies

OIG has developed ongoing and close working relationships with other law enforcement agencies, including: DOJ and U.S. Attorneys' offices; FBI; HUD-OIG; FDIC-OIG; Internal Revenue Service – Criminal Investigation; Small Business Administration OIG; the U.S. Trustee Program (nationwide); Financial Crimes Enforcement Network (FinCEN); state attorneys general; and other federal, state, and local law enforcement agencies nationwide.

Other Inspector General Requirements

FHFA's Refusal to Provide Information

OIG does not have any reportable information for this period.

Attempts to Interfere with OIG Independence

OIG does not have any reportable information for this period.

Federal Financial Management Improvement Act of 1996

For the six-month reporting period ended March 31, 2021, § 5(a)(13) of the IG Act did not apply to the Agency or OIG.

Review of Legislation and Regulations

OIG, through its Office of Counsel, stays up-to-date on all applicable proposed legislation that is publicly available or disseminated by the CIGIE Legislation Committee. When appropriate, OIG comments on enacted law or proposed legislative matters relating to FHFA's programs and activities. OIG's Office of Counsel also reviews all proposed regulations pertaining to FHFA and provides comments when deemed appropriate.

Index of Information Required by the Inspector General Act

The IG Act provides that OIG shall, not later than April 30 and October 31 of each year, prepare semiannual reports summarizing our activities during the immediately preceding six-month periods ending March 31 and September 30.

Below is a table directing the reader to the pages of this report on which various information required by the IG Act is provided.

Source/Requirement	Pages
Section 4(a)(2) – Review of legislation and regulations.	50
Section 5(a)(1) – A description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of FHFA.	6-13
Section 5(a)(2) – A description of the recommendations for corrective action made by OIG with respect to significant problems, abuses, or deficiencies.	8-13
Section 5(a)(3) – An identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed.	15-31
Section 5(a)(4) – A summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	31-46
Section 5(a)(5) – A summary of each report made to the Director of FHFA about information or assistance requested and unreasonably refused or not provided.	N/A
Section 5(a)(6) – A listing, subdivided according to subject matter, of each audit and evaluation report issued by OIG during the reporting period and for each report, where applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use.	13-14
Section 5(a)(7) – A summary of each particularly significant report.	8-13
Section 5(a)(8) – Statistical tables showing the total number of audit and evaluation reports and the total dollar value of questioned and unsupported costs.	5, 14
Section 5(a)(9) – Statistical tables showing the total number of audit and evaluation reports and the dollar value of recommendations that funds be put to better use by management.	5, 14
Section 5(a)(10)(A) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of the reporting period.	14
Section 5(a)(10)(B) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which no FHFA comment was returned within 60 days of providing the report to the Agency.	14

Source/Requirement	Pages
Section 5(a)(10)(C) – A summary of each audit and evaluation report issued before the commencement of the reporting period for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations.	15-31
Section 5(a)(11) – A description and explanation of the reasons for any significant revised management decision made during the reporting period.	14
Section 5(a)(12) – Information concerning any significant management decision with which the Inspector General is in disagreement.	14-15
Section 5(a)(13) – The information described under section 804(b) of the Federal Financial Management Improvement Act of 1996.	50
Section 5(a)(14) – An appendix containing the results of any peer review conducted by another IG; or the date of the last peer review if no peer review was conducted during the reporting period.	47
Section 5(a)(15) – A list of any outstanding recommendations from any peer review conducted by another IG that have not been fully implemented.	47
Section 5(a)(16) – A list of any peer reviews of another IG during the reporting period.	48
Section 5(a)(17) – Statistical tables showing, for the reporting period, the total number of: investigative reports issued; persons referred to DOJ for criminal prosecution; persons referred to State and local prosecuting authorities for criminal prosecution; and indictments and criminal informations that resulted from any prior referral to prosecuting authorities.	45
Section 5(a)(18) – A description of the metrics used for developing the data for the statistical tables under paragraph (17).	45
Section 5(a)(19) – A report on each investigation conducted by OIG involving a senior Government employee where allegations of misconduct were substantiated, including the name of the official if already made public by OIG, a detailed description of the facts and circumstances of the investigation, and the status and disposition of the matter.	46
Section 5(a)(20) – A detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences FHFA imposed to hold that official accountable.	46
Section 5(a)(21) – A detailed description of any attempt by FHFA to interfere with the independence of OIG, including with budget constraints designed to limit OIG’s capabilities, and incidents where FHFA has resisted or objected to OIG oversight activities or restricted or significantly delayed access to information.	50
Section 5(a)(22)(A) – Detailed descriptions of the particular circumstances of each evaluation and audit conducted by OIG that is closed and was not disclosed to the public.	47
Section 5(a)(22)(B) – Detailed descriptions of the particular circumstances of each investigation conducted by OIG involving a senior Government employee that is closed and was not disclosed to the public.	46



FEDERAL HOUSING FINANCE AGENCY OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO THE CONGRESS

October 1, 2020, through March 31, 2021

Federal Housing Finance Agency
Office of Inspector General
400 Seventh Street, SW
Washington, DC 20219
Main (202) 730-0880
Hotline (800) 793-7724
www.fhfaog.gov