

Federal Housing Finance Agency  
Office of Inspector General



# Compendium of Open Recommendations

April 1, 2016

## TABLE OF CONTENTS .....

ABBREVIATIONS .....	3
INTRODUCTION .....	4
The Process by which OIG Formulates Recommendations .....	4
Tracking of OIG Recommendations .....	5
Validation Testing .....	5
OPEN RECOMMENDATIONS .....	7
Supervision .....	7
Exercise of Conservator Authorities .....	10
Conservator Initiatives .....	12
Counterparties .....	14
Information Technology .....	15
FHFA Internal Operations .....	18
Federal Home Loan Banks .....	18
CLOSED UNIMPLEMENTED RECOMMENDATIONS .....	19

## ABBREVIATIONS .....

CSP	Common Securitization Platform
DBR	Division of Federal Home Loan Bank Regulation
DER	Division of Enterprise Regulation
FHFA	Federal Housing Finance Agency
MRA	Matter Requiring Attention
OIG	Federal Housing Finance Agency Office of Inspector General
SAI	Servicing Alignment Initiative

## INTRODUCTION .....

Since the Federal Housing Finance Agency Office of Inspector General (OIG) began operations in October 2010, we have made more than 300 recommendations<sup>1</sup> to improve efficiency and effectiveness and reduce fraud, waste, and abuse at the Federal Housing Finance Agency (FHFA or Agency) and at the government-sponsored enterprises for which the Agency acts as conservator and regulator, Fannie Mae and Freddie Mac (the Enterprises), and at the Federal Home Loan Banks for which the Agency acts as regulator. As required under the Inspector General Act of 1978, as amended, we provide information on open and closed recommendations in each semiannual report to the Congress.<sup>2</sup>

To maintain the focus on opportunities for improvement that our recommendations identify, OIG will publish a quarterly report setting forth all open recommendations from our audits, evaluations and other studies.<sup>3</sup> For additional information on any recommendation, please click on the hyperlinked report number to access its underlying report. This compendium is comprehensive as of April 1, 2016.

Because FHFA serves a unique role as both conservator and regulator of the Enterprises, OIG's responsibilities necessarily include oversight of FHFA's actions in both of these roles, in order to determine whether the Agency is fulfilling its statutory duties and responsibilities and safeguarding the taxpayers' resources. Our oversight role also reaches the Enterprises--recipients of \$187.5 billion in taxpayer monies-- to ensure that they are satisfying their obligations under the authority delegated to them in the conservatorships, and third parties (such as lenders and servicers). Through oversight, transparent reporting of results, and robust enforcement, OIG seeks to be a voice for, and protect the interest of, those who have funded Treasury's investment in the Enterprises—the American taxpayers.

### The Process by which OIG Formulates Recommendations

Our recommendations, like those of other inspectors general, are primarily made in written reports issued by our Offices of Audits, Evaluations, and Compliance. We report the facts, as found, and recommend actions to address any shortcomings we identify in FHFA's exercise of its statutory duties and responsibilities or by one or both Enterprises, in connection with their execution of responsibilities delegated to them by FHFA, as conservator. Each

---

<sup>1</sup> Includes public and non-public recommendations.

<sup>2</sup> OIG's semiannual reports are available at [www.fhfa.ig.gov/Reports/Semiannual](http://www.fhfa.ig.gov/Reports/Semiannual).

<sup>3</sup> This report does not include recommendations under consideration for work that is in progress.

recommendation proposes a course of action to correct the shortcoming that our work has identified.

FHFA is provided an opportunity to review each report and recommendation prior to publication and provide a written response, which is included in OIG's final published report. FHFA's written response states whether it agrees with OIG's recommendation and, if so, the Agency's proposed action(s) to implement the recommendation.

## Tracking of OIG Recommendations

FHFA's determinations whether to agree with OIG's recommendations are included in our published reports. Once FHFA has accepted an OIG recommendation, it reports to us on its efforts to implement the "corrective action" that is intended to respond to the recommendation. When FHFA believes that its implementation efforts are well underway or that implementation is complete, FHFA provides that information to us, along with corroborating documents, and we rely on those materials in determining whether to close recommendations. If the Agency rejects a recommendation or conclusively refuses to implement an acceptable corrective action, then we will close the recommendation and report it separately in this compendium.

## Validation Testing

OIG typically relies on materials and representations from the Agency to close its recommendations and may close some recommendations based on the Agency's representations as to the corrective actions it has taken. Accordingly, we are not able to assess, at the time of closure, whether the implementation actions by FHFA meet the letter and spirit of the agreed-upon recommendation, nor can we determine, at closure, the longer-term impact of the recommendation. To better assess both the implementation and impact of OIG recommendations, we concluded that validation testing is needed. Such testing, and disclosure of results of that testing, provides greater accountability and adds value to FHFA and the American taxpayers it serves.

Because our Offices of Audits and Evaluations historically had not conducted extensive corrective action verification testing, we created the Office of Compliance and Special Projects. The primary operational role of that office is to examine closed recommendations to assess independently FHFA's implementation of the corrective actions it represented to OIG that it intended to take, as well as the impact of those actions, and to publish reports of its validation testing in "compliance reviews." These compliance reviews enable our stakeholders to assess the impact of OIG's recommendations, as well as the efficacy of the Agency's implementation of those recommendations. Compliance reviews enhance OIG's

ability to stimulate positive change in critical areas and promote economy, efficiency, and effectiveness at FHFA.

Any open recommendations contained in published compliance reviews are included in this compendium.

# OPEN RECOMMENDATIONS .....

## Supervision

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Capacity</b>	<ul style="list-style-type: none"> <li>Review implementation of the 2013 Enterprise examination plans and document the extent to which resource limitations, among other things, may have impeded their timely and thorough execution.</li> </ul>	Improved supervision	<i>Update on FHFA's Efforts to Strengthen its Capacity to Examine the Enterprises.</i> <a href="#">EVL-2014-002</a> . December 19, 2013.
	<ul style="list-style-type: none"> <li>Develop a process that links annual Enterprise examination plans with core team resource requirements.</li> </ul>		
	<ul style="list-style-type: none"> <li>Establish a strategy to ensure that the necessary resources are in place to ensure timely and effective Enterprise examination oversight.</li> </ul>		
<b>Commission Program</b>	<ul style="list-style-type: none"> <li>FHFA should determine the causes of the shortfalls in the Housing Finance Examiner 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.</li> </ul>	Improved quality	<i>OIG's Compliance Review of FHFA's Implementation of Its Housing Finance Examiner Commission Program.</i> <a href="#">COM-2015-001</a> . July 29, 2015.
<b>Quality Control</b>	<ul style="list-style-type: none"> <li>Ensure that the Division of Enterprise Regulation's (DER's) recently adopted procedures for quality control reviews meet the requirements of Supervision Directive 2013-01 and require DER to document in detail the results and findings of each quality control review in examination workpapers, including any shortcomings found during the quality control review.</li> </ul>	Improved quality	<i>Intermittent Efforts Over Almost Four Years to Develop a Quality Control Review Process Deprived FHFA of Assurance of the Adequacy and Quality of Enterprise Examinations.</i> <a href="#">EVL-2015-007</a> . September 30, 2015.

Topic Area	Recommendation	Expected Impact	Report
Risk Assessments	<ul style="list-style-type: none"> <li>Evaluate the effectiveness of the new quality control procedures, as implemented, one year after adoption.</li> </ul>		
	<ul style="list-style-type: none"> <li>Implement detailed risk assessment guidance that provides minimum requirements for risk assessments that facilitate comparable analyses for each Enterprise’s risk positions, including common criteria for determining whether risk levels are high, medium, or low, year over year.</li> </ul>	Improved understanding of risk	<i>Utility of FHFA’s Semi-Annual Risk Assessments Would Be Enhanced Through Adoption of Clear Standards and Defined Measures of Risk Levels.</i> <a href="#">EVL-2016-001</a> . January 4, 2016.
	<ul style="list-style-type: none"> <li>Implement detailed risk assessment guidance that provides standard requirements for format and the documentation necessary to support conclusions in order to facilitate comparisons between Enterprises and reduce variability among DER’s risk assessments for each Enterprise and between the Enterprises.</li> </ul>		
Remediation of Deficiencies	<ul style="list-style-type: none"> <li>Direct DER to train its examiners-in-charge and exam managers in the preparation of semi-annual risk assessments, using enhanced risk assessment guidance consistent with Recommendations 1 and 2.</li> </ul>		
	<ul style="list-style-type: none"> <li>Review FHFA’s existing requirements, guidance, and processes regarding matters requiring attention (MRAs) against the requirements, guidance, and processes adopted by the Office of the Comptroller of the Currency, Federal Reserve, 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</li> </ul>	Improved remediation of deficiencies	<i>FHFA’s Examiners Did Not Meet Requirements and Guidance for Oversight of an Enterprise’s Remediation of Serious Deficiencies.</i> <a href="#">EVL-2016-004</a> . March 29, 2016.

Topic Area	Recommendation	Expected Impact	Report
	<p>remediation efforts, and required documentation for examiner oversight of MRA remediation.</p> <ul style="list-style-type: none"> <li data-bbox="402 338 943 512">• Based on the results of the review in recommendation 1, assess whether any of the existing requirements, guidance, and processes adopted by FHFA should be enhanced, and make such enhancements.</li> <li data-bbox="402 520 943 978">• Because DER and the Division of Federal Home Loan Bank Regulation (DBR) examiners are bound to follow FHFA’s requirements and guidance, compare the processes followed by DBR for the form, content, and issuance of an MRA, standards for a proposed remediation plan, approval authority for a proposed remediation plan, and real time assessments at regular intervals of the effectiveness and timeliness of MRA remediation efforts to the processes followed by DER.</li> <li data-bbox="402 987 943 1161">• Based on the results of the review in recommendation 3, assess whether guidance issued and processes followed by either DER or DBR should be enhanced, and make such enhancements.</li> <li data-bbox="402 1169 943 1379">• Provide mandatory training for all FHFA examiners on FHFA requirements, guidance, and processes and DER and DBR guidance for MRA issuance, review and approval of proposed remediation plans, and oversight of MRA remediation.</li> <li data-bbox="402 1388 943 1598">• Evaluate the results of quality control reviews conducted by DER and DBR to identify and address gaps and weaknesses involving MRA issuance, review and approval of proposed remediation plans, and oversight of MRA remediation.</li> <li data-bbox="402 1606 943 1780">• Revise 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.</li> </ul>	<p>Improved Board oversight</p>	<p><i>FHFA’s Supervisory Standards for Communication of Serious Deficiencies to Enterprise Boards and for Board Oversight of Management’s</i></p>

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
			<i>Remediation Efforts are Inadequate.</i> <a href="#">EVL-2016-005.</a> March 31, 2016.
	<ul style="list-style-type: none"> <li>• Revise 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.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Revise supervision guidance to require DER to identify all open MRAs in the annual, written report of examination and the expected timetable to complete outstanding remediation activities.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Include in this year's report of examination, to be issued to each Enterprise for 2015 supervisory activities, all open MRAs and the expected timetable to complete outstanding remediation activities for each open MRA.</li> </ul>		

## Exercise of Conservator Authorities

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Annual Budgets</b>	<ul style="list-style-type: none"> <li>• Direct each Enterprise to submit its proposed operating budget and supporting materials for the next fiscal year so that FHFA has sufficient time before the fiscal year begins to adequately analyze the proposals.</li> </ul>	Improved oversight	<i>FHFA's Exercise of Its Conservatorship Powers to Review and Approve the Enterprises' Annual Operating Budgets Has Not Achieved FHFA's Stated Purpose.</i> <a href="#">EVL-2015-006.</a> September 30, 2015.
	<ul style="list-style-type: none"> <li>• Revise the existing budget review process and staff the process with employees who have the qualifications and experience needed for critical financial assessments of the proposed Enterprise budgets to permit FHFA to determine whether each Enterprise's</li> </ul>		

Topic Area	Recommendation	Expected Impact	Report
	<p>budget aligns with FHFA’s strategic direction and its safety and soundness priorities.</p> <ul style="list-style-type: none"> <li>• Set a date certain during the first quarter of 2016 by which FHFA will take final action on each proposed annual operating budget for 2016 and approve the budget by that date.</li> <li>• Set a date certain, prior to January 31 of each subsequent fiscal year, by which FHFA will take final action on each proposed annual operating budget and approve the budget by that date.</li> </ul>		
<p><b>Appointment of Chief Audit Executive</b></p>	<ul style="list-style-type: none"> <li>• Conduct a comprehensive evaluation of the Audit Committee’s effectiveness, which should include: whether all members of the Committee are independent from management; whether the Committee’s responsibilities are clearly articulated; whether each Committee member understands what is expected of him/her under the Committee’s Charter and regulatory requirements; whether the Committee’s interactions with Fannie Mae’s financial executives, Internal Audit, and the external audit firm are robust and occur regularly; whether the Committee raises critical questions with management and the Chief Audit Executive, including questions that indicate the Committee’s understanding of key accounting policies and judgments and that challenge management’s judgments and conclusions; whether the Committee has been responsive to issues raised by the external auditor; and whether the Committee periodically assesses the list of top risks and determines responsibility for management of each risk.</li> </ul>	<p>Improved effectiveness of Enterprise board committees</p>	<p><i>FHFA’s Oversight of Governance Risks Associated with Fannie Mae’s Selection and Appointment of a New Chief Audit Executive.</i>  <a href="#">EVL-2015-004.</a>  March 11, 2015.</p>

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Underwriting Standards</b>	<ul style="list-style-type: none"> <li>The Division of Housing Mission and Goals should formally establish a policy for its review process of underwriting standards and variances, including escalation of unresolved issues reflecting potential lack of agreement.</li> </ul>	Improved oversight	<p><i>FHFA's Oversight of Fannie Mae's Single-Family Underwriting Standards.</i>  <a href="#">AUD-2012-003</a>.  March 22, 2012.  See also <i>Compliance Review of FHFA's Implementation of Its Procedures for Overseeing the Enterprises' Single-Family Mortgage Underwriting Standards and Variances.</i>  <a href="#">COM-2016-001</a>.  December 17, 2015.</p>

## Conservator Initiatives

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Servicing Alignment Initiative</b>	<ul style="list-style-type: none"> <li>Establish an ongoing process to evaluate servicers' Servicing Alignment Initiative compliance and the effectiveness of the Enterprises' remediation efforts.</li> </ul>	Improved servicing compliance and minimized losses	<p><i>FHFA's Oversight of the Servicing Alignment Initiative.</i>  <a href="#">EVL-2014-003</a>.  February 12, 2014.</p>
	<ul style="list-style-type: none"> <li>Direct the Enterprises to provide routinely their internal reports and reviews for the Division of Housing Mission and Goals' assessment.</li> </ul>		
	<ul style="list-style-type: none"> <li>Regularly review Servicing Alignment Initiative-related guidelines for enhancements or revisions, as necessary, based on servicers' actual versus expected performance.</li> </ul>		
<b>Representation and Warranty Framework</b>	<ul style="list-style-type: none"> <li>Assess the current state of the Enterprises' critical risk assessment tools, representations and warranties tracking systems, and any other systems, processes, or infrastructure to determine whether the Enterprises</li> </ul>	Improved initiative management	<p><i>FHFA's Representation and Warranty Framework.</i>  <a href="#">AUD-2014-016</a>.  September 17, 2014.</p>

Topic Area	Recommendation	Expected Impact	Report
<b>Common Securitization Platform</b>	<p>are in a position to minimize financial risk that may result from the new framework. The results of this assessment should document any areas of identified risk, planned actions, and corresponding timelines to mitigate each area of identified risk. Further, this assessment should provide an estimate of when each Enterprise will be reasonably equipped to work safely and soundly within the new framework.</p>		
	<ul style="list-style-type: none"> <li>Establish standards requiring that modifications or suspensions of Scorecard targets must be documented in writing.</li> </ul>	Improved initiative management	<i>Review of FHFA's Tracking and Rating of the 2013 Scorecard Objective for the New Representation and Warranty Framework Reveals Opportunities to Strengthen the Process.</i> <a href="#">AUD-2016-002</a> . March 28, 2016.
	<ul style="list-style-type: none"> <li>Require that FHFA comments and ratings on quarterly rating sheets be dated.</li> </ul>		
	<ul style="list-style-type: none"> <li>Establish standards to address missed or partially missed quarterly targets, including requiring that every quarterly rating sheet record when any target was missed and the reset target date.</li> </ul>		
	<ul style="list-style-type: none"> <li>Because information in the report could be used to exploit vulnerabilities and circumvent countermeasures, the recommendations have not been released publicly.</li> </ul>	Improved fraud prevention	<i>Reducing Risk and Preventing Fraud in the New Securitization Infrastructure.</i> <a href="#">EVL-2013-010</a> . August 22, 2013.
<ul style="list-style-type: none"> <li>Establish schedules and timeframes for completing key components of the project, as well as an overall completion date as appropriate.</li> </ul>	Improved initiative management	<i>Status of the Development of the Common Securitization Platform.</i> <a href="#">EVL-2014-008</a> . May 21, 2014.	

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
	<ul style="list-style-type: none"> <li>Establish cost estimates for varying stages of the initiative, as well as an overall cost estimate.</li> </ul>		

## Counterparties

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Appraisers</b>	<ul style="list-style-type: none"> <li>Ensure the portal warning messages distinguish between inactive appraisers and unverified appraisers, as of the date the appraisal is performed.</li> </ul>	Improved compliance	<i>FHFA's Oversight of the Enterprises' Use of Appraisal Data Before They Buy Single-Family Mortgages.</i> <a href="#">AUD-2014-008.</a> February 6, 2014.
	<ul style="list-style-type: none"> <li>Ensure that the portal tests whether appraisers are licensed and active at the time the appraisal is performed.</li> </ul>		
	<ul style="list-style-type: none"> <li>Change the message type, for messages relating to appraiser license status, from automatic override to manual override or fatal, which will require lenders to take action to address the message prior to delivering the loan. This action can be taken once the system logic is fixed and the historical records are available to determine the status of an appraiser's license at the time the appraisal work is performed, and the states are updating in real-time.</li> </ul>		
<b>Servicers</b>	<ul style="list-style-type: none"> <li>Analyze Fannie Mae's actions and remediation plans in response to recommendations 1 and 2 to determine whether Fannie Mae has taken necessary steps to ensure that servicers are held accountable for servicing violations and credit losses are minimized. FHFA should also require modification by Fannie Mae of its remediation plans, as appropriate.</li> </ul>	Improved oversight	<i>FHFA Oversight of Fannie Mae's Collection of Funds from Servicers that Closed Short Sales Below the Authorized Prices.</i> <a href="#">AUD-2014-015.</a> August 7, 2014.

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
	<ul style="list-style-type: none"> <li>Quantify and aggregate its overpayments to servicers regularly.</li> </ul>	Improved financial management	<i>Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses.</i> <a href="#">EVL-2013-012</a> . September 18, 2013.
	<ul style="list-style-type: none"> <li>Implement a plan to reduce these overpayments by (i) identifying their root causes, (ii) creating reduction targets, and (iii) holding managers accountable.</li> </ul>		
	<ul style="list-style-type: none"> <li>Report its findings and progress to FHFA periodically.</li> </ul>		

## Information Technology

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>OIG</b>	<ul style="list-style-type: none"> <li>Because information in the report could be abused to circumvent OIG's internal controls, the recommendations have not been released publicly.</li> </ul>	Improved information security	<i>Kearney &amp; Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2015.</i> <a href="#">AUD-2015-003</a> . September 9, 2015.
<b>FHFA</b>	<ul style="list-style-type: none"> <li>Because information in the report could be abused to circumvent FHFA's internal controls, the recommendations have not been released publicly.</li> </ul>	Improved information security	<i>Kearney &amp; Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2015.</i> <a href="#">AUD-2015-002</a> . September 9, 2015.

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>OIG</b>	<ul style="list-style-type: none"> <li>Because information in the report could be abused to circumvent OIG's internal controls, the recommendations have not been released publicly.</li> </ul>	Improved information security	<i>Kearney &amp; Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency Office of Inspector General's Information Security Program—2014. <a href="#">AUD-2014-021</a>. September 30, 2014.</i>
<b>FHFA</b>	<ul style="list-style-type: none"> <li>Because information in the report could be abused to circumvent FHFA's internal controls, the recommendations have not been released publicly.</li> </ul>	Improved information security	<i>Kearney &amp; Company, P.C.'s Independent Evaluation of the Federal Housing Finance Agency's Information Security Program—2014. <a href="#">AUD-2014-019</a>. September 26, 2014.</i>
<b>IT Examinations</b>	<ul style="list-style-type: none"> <li>Update the Information Technology Risk Management Program Module to direct examiners to assess the design of the Federal Home Loan Banks' vulnerability scans and penetration tests when assessing the operational effectiveness of such controls.</li> </ul>	Improved risk management	<i>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. <a href="#">AUD-2016-001</a>. February 29, 2016.</i>
	<ul style="list-style-type: none"> <li>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.</li> </ul>		
	<ul style="list-style-type: none"> <li>Take formal and timely action to compare existing regulatory guidance to appropriate elements of the NIST framework and identify gaps between existing regulatory guidance and appropriate elements of the NIST framework.</li> </ul>	Improved risk management	<i>FHFA Should Map Its Supervisory Standards for Cyber Risk Management to Appropriate Elements of the NIST Framework. <a href="#">EVL-2016-003</a>. March 28, 2016.</i>

Topic Area	Recommendation	Expected Impact	Report
Risk Oversight	<ul style="list-style-type: none"> <li>Determine the priority in which to address the gaps.</li> </ul>		
	<ul style="list-style-type: none"> <li>Address the gaps, as prioritized, to reflect and incorporate appropriate elements of the NIST framework.</li> </ul>		
	<ul style="list-style-type: none"> <li>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.</li> </ul>		
	<ul style="list-style-type: none"> <li>Direct the Fannie Mae Board to enhance Fannie Mae’s existing cyber risk management policies to:               <ul style="list-style-type: none"> <li>Require a baseline Enterprise-wide cyber risk assessment with subsequent periodic updates;</li> <li>Describe information to be reported to the Board and committees;</li> <li>Include a cyber risk framework and cyber risk appetite.</li> </ul> </li> </ul>	Improved risk management	<i>Corporate Governance: Cyber Risk Oversight by the Fannie Mae Board of Directors Highlights the Need for FHFA’s Closer Attention to Governance Issues.</i> <a href="#">EVL-2016-006</a> . March 31, 2016.
	<ul style="list-style-type: none"> <li>Instruct the Fannie Mae Board to establish and communicate a desired target state of cyber risk management for Fannie Mae that identifies and prioritizes which risks to avoid, accept, mitigate, or transfer through insurance.</li> </ul>		
	<ul style="list-style-type: none"> <li>Direct the Fannie Mae Board to oversee management’s efforts to leverage industry standards to:               <ul style="list-style-type: none"> <li>Protect against and detect existing threats;</li> <li>Remain informed on emerging risks;</li> <li>Enable timely response and recovery in the event of a breach; and</li> <li>Achieve the desired target state of cyber risk management identified in Recommendation 2 within a time period agreed upon by the Board.</li> </ul> </li> </ul>		

## FHFA Internal Operations

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Workforce</b>	<ul style="list-style-type: none"> <li>• Test the new human resource system to ensure that it will provide data sufficient to enable the Agency to perform comprehensive analyses of workforce issues.</li> </ul>	Improved opportunities and oversight	<i>Women and Minorities in FHFA's Workforce.</i> <a href="#">EVL-2015-003</a> . January 13, 2015.
	<ul style="list-style-type: none"> <li>• Regularly analyze Agency workforce data and assess trends in hiring, awards, and promotions.</li> </ul>		
	<ul style="list-style-type: none"> <li>• Research opportunities to partner with inner-city and other high schools, where feasible, to ensure compliance with the Housing and Economic Recovery Act.</li> </ul>		

## Federal Home Loan Banks

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Unsecured Credit</b>	<ul style="list-style-type: none"> <li>• To strengthen the regulatory framework around the extension of unsecured credit by the Federal Home Loan Banks, FHFA-OIG recommends, as a component of future rulemakings, that FHFA consider the utility of:               <ul style="list-style-type: none"> <li>○ Establishing maximum overall exposure limits;</li> <li>○ Lowering the existing individual counterparty limits; and</li> <li>○ Ensuring that the unsecured exposure limits are consistent with the Federal Home Loan Bank System's housing mission.</li> </ul> </li> </ul>	Improved compliance	<i>FHFA's Oversight of the Federal Home Loan Banks' Unsecured Credit Risk Management Practices.</i> <a href="#">EVL-2012-005</a> . June 28, 2012.

## CLOSED UNIMPLEMENTED RECOMMENDATIONS .....

The Inspector General Act of 1978 does not authorize any federal inspector general to compel its respective agency to adopt new policies or processes or take personnel actions to correct shortcomings found in their audits, evaluations, and investigations. Rather, the Act empowers inspectors general to recommend remedial actions to correct such shortcomings, and the affected agency determines whether or not to accept the recommendations.

From time to time, FHFA will reject a recommendation made by OIG or, having agreed to the recommendation, may fail to follow through on corrective action. In such circumstances we engage with the Agency and attempt to reach resolution on acceptable corrective action. When this process has been exhausted and the Agency indicates its intention to permanently reject a recommendation, the recommendation is closed.

We believe it is important to be transparent and distinguish between recommendations that have been closed in light of appropriate movement toward implementation and recommendations that have been closed in light of FHFA’s refusal to take any action. For those recommendations closed due to rejection by FHFA, we continue to stand by our findings and believe that the Agency should have undertaken the recommended actions.

The recommendations listed below represent those that have been closed following FHFA’s rejection and were not implemented.

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Property Inspectors</b>	<ul style="list-style-type: none"> <li>Establish uniform pre-foreclosure inspection quality standards and quality control processes for inspectors.</li> </ul>	Improved quality	<i>FHFA Oversight of Enterprise Controls Over Pre-Foreclosure Property Inspections.</i> <a href="#">AUD-2014-012</a> . March 25, 2014.
<b>Seller/Serviceers</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	Improved oversight	<i>FHFA Oversight of Enterprise Handling of Aged Repurchase Demands.</i> <a href="#">AUD-2014-009</a> . February 12, 2014.

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Examination Records</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	Improved framework management	<i>FHFA's Representation and Warranty Framework.</i> <a href="#">AUD-2014-016</a> . September 17, 2014.
	<ul style="list-style-type: none"> <li>OIG recommends that FHFA 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.</li> </ul>	Improved compliance	<i>FHFA's Oversight of Risks Associated with the Enterprises Relying on Counterparties to Comply with Selling and Servicing Guidelines.</i> <a href="#">AUD-2014-018</a> . September 26, 2014.
	<ul style="list-style-type: none"> <li>Publish Fannie Mae's reduction targets and overpayment findings.</li> </ul>	Improved transparency	<i>Evaluation of Fannie Mae's Servicer Reimbursement Operations for Delinquency Expenses.</i> <a href="#">EVL-2013-012</a> . September 18, 2013.
	<ul style="list-style-type: none"> <li>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.</li> </ul>	Improved efficiency	<i>Evaluation of the Division of Enterprise Regulation's 2013 Examination Records: Successes and Opportunities.</i> <a href="#">EVL-2015-001</a> . October 6, 2014.

<i>Topic Area</i>	<i>Recommendation</i>	<i>Expected Impact</i>	<i>Report</i>
<b>Executive Compensation</b>	<ul style="list-style-type: none"> <li>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.</li> <li>Develop a policy under which FHFA 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.</li> </ul>	Improved oversight	<i>Compliance Review of FHFA's Oversight of Enterprise Executive Compensation Based on Corporate Scorecard Performance.</i> <a href="#">COM-2016-002</a> . March 17, 2016.

## ADDITIONAL INFORMATION AND COPIES.....

For additional copies of this report:

- Call: 202-730-0880
- Fax: 202-318-0239
- Visit: [www.fhfoig.gov](http://www.fhfoig.gov)

To report potential fraud, waste, abuse, mismanagement, or any other kind of criminal or noncriminal misconduct relative to FHFA's programs or operations:

- Call: 1-800-793-7724
- Fax: 202-318-0358
- Visit: [www.fhfoig.gov/ReportFraud](http://www.fhfoig.gov/ReportFraud)
- Write:

FHFA Office of Inspector General  
Attn: Office of Investigations – Hotline  
400 Seventh Street SW  
Washington, DC 20219