



OFFICE OF INSPECTOR GENERAL

Federal Housing Finance Agency

400 7th Street, S.W., Washington DC 20024

June 29, 2021

Colleagues,

I have proudly served as Inspector General for FHFA for nearly seven years. With the departure of Director Calabria, I believe President Biden should have the opportunity to fill both the FHFA Director and IG positions with his own nominees. For that reason, I am writing to let you know that I have made the decision to leave this position, effective July 30, 2021. When I joined FHFA-OIG, I had no intention of staying for seven years but found that OIG is a place where one's service can make a real difference in protecting the interests of American taxpayers.

I want to take this opportunity to reflect on the accomplishments of this Office during those years.

Over the past seven years, our annual work plans have been risk-based, and we have focused our resources on programs and operations that pose the greatest financial, governance, and/or reputational risk to FHFA and the entities it supervises—in order to best leverage our resources. To enhance our oversight, we developed and implemented other structural changes, which include:

- Creating two additional operational divisions to increase oversight: the Office of Compliance and Special Projects and the Office of Risk Analysis. [L] [SEP]
- Eliminating “guess” work and editorial opinions from findings and recommendations, and following the facts, as found during the inquiry, assessed against an objective standard. [L] [SEP]
- Requiring projects undertaken by report-writing divisions to be tightly scoped, adhere to established timelines, and be completed and published within a six to eight month period because of the volatile nature of housing finance – resulting in shorter, timelier, and more numerous reports and no cancelled work product. [L] [SEP]
- Reorganizing the Office of Audits to provide concentrated audit attention on the greatest risks to FHFA and its regulated entities. New nationally-recognized audit leadership was recruited, and that leadership identified auditors across the government with the necessary skill sets in cyber audits and audits of bank examinations as well as auditors with significant experience conducting audits of financial institutions. The reorganization was a success. Since October 1, 2015, the

Office of Audit has published 70 audits, including cyber audits and audits of FHFA's examinations of its regulated entities. No audits have been cancelled since I joined FHFA-OIG. In addition, the Office of Audit authored a number of management advisories and participated in the drafting of several management alerts. It eliminated its prior use of contractors for audit work other than FISMA and the Privacy Act, at a savings of millions of dollars, and is currently staffed with 17 auditors (less than half of its size under prior leadership). The average cost per audit has declined dramatically (more than 69%).

- Completed an assessment of the professional skills and experience of employees compared to the needs of the organization and reassignment of employees across the organization to better match their skills and experience to the needs of FHFA-OIG.
- Preparing and issuing every month a compendium of the status of all open recommendations from our written reports to maintain the focus on opportunities for improvement that our recommendations identify.

The senior staff and I assessed the fact-finding process used by our report writing divisions and made enhancements designed to increase the rigor, and fairness, of the fact-finding process. Those enhancements include:

- Requiring written document requests be propounded to FHFA to hold FHFA accountable for producing the requested materials.
- Establishing a database to facilitate identification and retrieval of materials.
- Promoting greater discipline in document review and analysis.
- Training to enhance interview skills.
- Eliminating the prior practice of sending very rough drafts of audits and evaluations to FHFA and allowing the agency to revise the drafts.
- Implementing internal controls across FHFA-OIG to ensure that any written work issued is legally sufficient and fully supported, and that findings and recommendations are grounded in facts.
- Installing stringent controls on spending, cancelling wasteful contracts totaling millions of dollars for work now performed by FHFA-OIG employees, and eliminating unnecessary purchases.

The commitment to follow the facts, without fear or favor, report findings supported by sufficient evidence in accordance with professional standards, and recommend specific actions to address identified shortcomings, which I made during my confirmation hearing, has produced more than 200 reports with blunt, no-nonsense findings and conclusions, many of which have been critical of FHFA operations. Our recommendations during my tenure identified more than \$893 million in questioned costs. And our criminal and civil

investigations produced billions in civil settlements and hundreds of millions in criminal fines, forfeitures, and restitutions.

Over the past seven years, FHFA-OIG has won numerous CIGIE awards: for example, two in 2017, two in 2018, three in 2019, and two more in 2020. One of the 2019 awards was the “Government Ethics Award for Excellence” for our administrative inquiry into misconduct by the former FHFA Director. Two of those reports led to the resignation of the CEO of Fannie Mae, and another led to bi-partisan legislation to cap pay raises for executives at Fannie Mae and Freddie Mac.

Over the past seven years, I have placed great emphasis on the hiring and promotion of qualified candidates to ensure that FHFA-OIG reflects the diversity of the public it serves. When I joined FHFA-OIG, which had only been operating for four years, I was surprised to learn that its senior leadership team of 13 individuals consisted of 12 men (11 of whom were white and one who was Hispanic) and one African-American woman. Most members of this team had been hired or promoted into their positions without a competitive process and without regard to federal laws and executive orders. To address the wholesale lack of diversity, I both hired and promoted highly qualified and high performing diverse career federal employees into senior leadership team, with a diversity of minds, ideas and approaches. (Our 13 person senior staff now is composed of 7 white men, 3 white women, 1 Asian woman, and 2 persons of color.) Our professionals, working together in teams, now are able to, and do, assess problems from multiple perspectives and propose recommendations that are stronger, well-rounded and optimized.

These changes, across all areas of operation of FHFA-OIG, dramatically improved our culture. Attrition across FHFA-OIG has plummeted. In the three fiscal years prior to my arrival, total non-retirement departures averaged 12.66 employees per year. Over the last five fiscal years, total non-retirement departures averaged 4 per year – a decrease of 68%.

Although the pandemic forced us to close our physical offices in March 2020, we were telework-ready and able to continue our mission of conducting oversight to improve the effectiveness and efficiency of FHFA’s programs and operations and to prevent and detect fraud, waste and abuse. Investments in our information infrastructure, advance planning, and the dedication of our support staff enabled us to transition, seamlessly, to telework collaboratively and securely. And as our country begins to emerge from this pandemic, FHFA-OIG has not missed a beat in fulfilling its mission.

Virtually all of our work takes place out of the limelight and under the public radar. For the entire time I have served as Inspector General, I have been struck, and often inspired, by the intelligence, skills and unwavering dedication of the professionals in this Office. Many of you have devoted much, if not all, of your careers to the service of our great country. You have dedicated yourselves to a cause, and an effort, much larger than any one person. You are driven by the highest ideals of public service; by an unrelenting drive to excel at what you do; and by a mission that you have made your professional calling. You deserve tremendous credit not only for your achievements, but also for your dedication to the mission of this OIG and your willingness to make the personal sacrifices inherent in our

June 29, 2021

Page 4 of 4

work.

I encourage you to take pride, as I do, in what we have accomplished together over the past years. I hope you will continue to harness your energy, motivation, and desire to serve your country to advance the critical mission of FHFA-OIG.

My best to each of you,

Laura