



441 G St. N.W.
Washington, DC 20548

April 23, 2026

The Honorable William J. Pulte
Director, Federal Housing Finance Agency

Federal Housing Finance Agency: Improvements Needed in Controls over Financial Statement Review Process

Dear Director Pulte:

On January 23, 2026, we issued our auditor’s report on the results of our audits of the fiscal year 2025 financial statements of the Federal Housing Finance Agency (FHFA) and of FHFA’s internal control over financial reporting relevant to its financial statements as of September 30, 2025.¹ As we reported in connection with our audits, although certain controls could be improved, FHFA maintained, in all material respects, effective internal control over financial reporting as of September 30, 2025. Those controls provided reasonable assurance that FHFA would prevent, or detect and correct, material misstatements of the agency’s consolidated financial statements on a timely basis.

However, we identified a deficiency in FHFA’s controls over its review of its financial statements for conformity with U.S. generally accepted accounting principles that represents a new significant deficiency in FHFA’s internal control over financial reporting.² We are making one new recommendation to address this deficiency.

This report also presents the results of our follow-up on the status of FHFA’s corrective actions to address nine recommendations related to internal control over financial reporting deficiencies identified in our prior reports that remained open as of September 30, 2024.³ FHFA completed corrective actions to address seven of the nine recommendations and was in the process of taking corrective actions for the remaining two recommendations. In conjunction with the recommendations it addressed, FHFA resolved the significant deficiency in controls over its

¹GAO, *Financial Audit: Federal Housing Finance Agency’s FY 2025 Financial Statements*, [GAO-26-108276](#) (Washington, D.C.: Jan. 23, 2026).

²A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

³GAO, *Federal Housing Finance Agency: Improvements Needed in Certain Internal Controls over Financial Reporting*, [GAO-25-107981](#) (Washington, D.C.: Apr. 30, 2025).

review of accounts payable accruals that we reported as a result of our 2024 audits.⁴ This report is intended for FHFA management's use.

Objectives, Scope, and Methodology

The objectives of this report are to describe (1) the significant deficiency in FHFA's internal control over financial reporting that we identified during our fiscal year 2025 audits, along with the related recommendation to address this deficiency, and (2) the status of FHFA's corrective actions to address recommendations related to internal control over financial reporting deficiencies identified in our prior reports that remained open as of September 30, 2024.

As part of our fiscal year 2025 audits, we reviewed FHFA policies and procedures; interviewed FHFA management and staff; observed controls in operation; and tested controls to determine whether FHFA effectively designed, implemented, and operated these controls. During our work, we communicated our findings to management. A full discussion of our scope and methodology is included in our auditor's report on FHFA's fiscal year 2025 consolidated financial statements.⁵

We performed our fiscal year 2025 audits in accordance with U.S. generally accepted government auditing standards. We believe that our audits provide a reasonable basis for our finding and recommendation in this report.

Significant Deficiency in Internal Control over Financial Statement Review Process

FHFA is responsible for preparing and presenting its financial statements in accordance with U.S. generally accepted accounting principles. Federal accounting standards govern the reporting of costs on federal entity financial statements.⁶ FHFA's financial statements comprise the balance sheet; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year; and the related notes to the financial statements.

During fiscal year 2025, FHFA implemented initiatives to significantly reduce its workforce. These efforts resulted in a significant increase in related costs compared to prior years, including an increase in voluntary separation incentive payments and costs associated with the new deferred resignation program.⁷

Condition. During the preparation of its draft fiscal year 2025 financial statements, FHFA did not properly consider the reporting effects of the significant increase in workforce reduction

⁴GAO, *Financial Audit: Federal Housing Finance Agency's FY 2024 and 2023 Financial Statements*, [GAO-25-107454](#) (Washington, D.C.: Nov. 15, 2024).

⁵[GAO-26-108276](#).

⁶The Federal Accounting Standards Advisory Board (FASAB) develops and promulgates accounting standards and principles for financial reporting in the federal government. FASAB standards (i.e., Statements of Federal Financial Accounting Standards) and principles are recognized as U.S. generally accepted accounting principles for federal entities.

⁷FHFA made voluntary separation incentive payments to employees who were eligible to retire from federal service and voluntarily separated from FHFA by June 30, 2025, or the date they first became eligible to retire between July 1, 2025, and September 30, 2025. In addition to this initiative, the deferred resignation program was a new voluntary, government-wide program offered to eligible federal employees to voluntarily resign from their position as of September 30, 2025. FHFA placed employees who accepted this offer on administrative leave and continued to provide pay and benefits to them until they resigned from FHFA.

costs. As in prior years, FHFA's financial statement review procedures guided the presentation of costs on its draft fiscal year 2025 financial statements. FHFA did not separately report workforce reduction costs in its draft financial statements, in accordance with federal accounting standards. After we brought this to the attention of FHFA officials, FHFA corrected its final fiscal year 2025 financial statements.

Criteria. FHFA's financial statement review procedures state that FHFA follows federal accounting standards regarding accounting transactions and disclosures. These standards require that certain costs, such as those related to workforce reduction, be separately reported in the financial statements, if material.⁸ Additionally, *Standards for Internal Control in the Federal Government* states that management should design control activities to achieve objectives and respond to risks.⁹ This includes control activities to reasonably assure that financial information is properly reported when there are significant changes in the magnitude or types of transactions.

Cause. FHFA's financial statement review procedures do not include specific guidance for financial reporting personnel to consider the potential effect of significant changes in the magnitude or types of transactions, such as voluntary separation incentive payments and the deferred resignation program, on the presentation of FHFA's financial statements.

Effect. Without specific guidance in its financial statement review procedures to consider the potential effect of significant changes in the magnitude or types of transactions, FHFA increases the risk that misstatements in its financial statements will not be prevented, or detected and corrected, on a timely basis.

Recommendation for Executive Action. The Director of FHFA should update FHFA's financial statement review procedures to include specific guidance for financial reporting personnel to consider the potential effect of significant changes in the magnitude or types of transactions on the presentation of information in FHFA's financial statements. (Recommendation 1)

⁸Statement of Federal Financial Accounting Standards 4, *Managerial Cost Accounting Standards and Concepts*.

⁹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).

Status of Corrective Actions FHFA Took to Address Recommendations from Prior Reports

Our fiscal year 2025 audits included following up on the status of FHFA’s corrective actions to address recommendations related to internal control over financial reporting deficiencies identified in our prior reports that remained open as of September 30, 2024. These recommendations related to personnel and payroll information, information systems access, accounts payable accruals, and lease reporting. FHFA completed corrective actions to address seven of the nine recommendations and was in the process of taking corrective actions for the remaining two recommendations. See table 1 for a summary of the status of corrective actions to address these recommendations as of September 30, 2025.

Table 1: Status of the Federal Housing Finance Agency’s (FHFA) Corrective Actions to Address Recommendations Related to Internal Control over Financial Reporting Deficiencies Identified in Prior Reports

No.	GAO source report and recommendation number	Recommendation and corrective actions taken as of September 30, 2025	Fiscal year initially identified	Status
1	GAO-23-106487 , #23-01	<p>The Director of FHFA should ensure that the appropriate management officials undertake a detailed review of existing personnel records to identify and correct errors.</p> <p>Actions taken: In September 2024, FHFA completed its review of existing personnel records and determined that it corrected or otherwise addressed the issues identified. During fiscal year 2025, FHFA conducted an internal review and determined that its record review reasonably assured the accuracy of benefits information in existing employee records.</p>	2022	Closed
2	GAO-23-106487 , #23-02	<p>The Director of FHFA should ensure that the appropriate management officials develop and implement a process to monitor controls over the recording of benefits information for employees with prior federal service to reasonably assure that these controls are operating as designed.</p> <p>Actions taken: In March 2023, FHFA implemented documented procedures for its human resources staff to review the personnel files of new employees with prior federal service within 30 days of receipt to ensure that the employee's benefits information is accurately recorded in FHFA's records. During fiscal year 2025, FHFA conducted an internal review and determined that the procedures were implemented as intended.</p>	2022	Closed

No.	GAO source report and recommendation number	Recommendation and corrective actions taken as of September 30, 2025	Fiscal year initially identified	Status
3	GAO-23-106487 , #23-03	The Director of FHFA should ensure that the appropriate management officials develop a process to periodically verify that gross cost information in FHFA's financial statements is supported by detailed employee time charges. Actions taken: In May 2024, FHFA documented procedures to clarify its biweekly payroll procedures for resolving coding errors and to include periodic verification of employee time charges. During fiscal year 2025, FHFA conducted an internal review and determined the procedures were implemented as intended.	2022	Closed
4	GAO-24-107219 , #24-02	The Director of FHFA should direct the appropriate management officials to update existing policy for obtaining Federal Personnel and Payroll System (FPPS) access to clearly describe (1) the process and procedures that staff should follow to request access, (2) the nature and extent of access rights appropriate for each employee's position, and (3) the documentation FHFA should maintain as evidence that the designated approving official granted the access. Actions taken: In September 2024 and May 2025, FHFA updated its procedures for requesting and documenting management approval of FPPS access. However, our fiscal year 2025 audit continued to find instances where FHFA's method for documenting management's approval before granting employees access to FPPS was not in accordance with its procedures.	2023	Open
5	GAO-24-107219 , #24-03	The Director of FHFA should direct the appropriate management officials to develop monitoring procedures to reasonably assure that FHFA personnel follow existing procedures to timely remove information systems access for separated employees. Actions taken: In June 2025, FHFA (1) updated its documented procedures to include a biweekly review of separations to reasonably assure that it removes system access for separated employees and (2) provided evidence that it performed this monitoring during fiscal year 2025.	2023	Closed

No.	GAO source report and recommendation number	Recommendation and corrective actions taken as of September 30, 2025	Fiscal year initially identified	Status
6	GAO-25-107981 , #25-01	The Director of FHFA should update FHFA's documented procedures to provide sufficiently clear guidance for determining year-end accounts payable accruals, including clearly defining roles and responsibilities. Actions taken: In June 2025, FHFA updated its documented procedures to include sufficiently clear guidance for determining its year-end accounts payable accruals. Specifically, FHFA's desktop procedures include step-by-step instructions for staff to estimate the accounts payable accrual. In addition, FHFA's accounting manual documents each accounting staff member's responsibility for the accrual estimate with a reference to the desktop procedures.	2024	Closed
7	GAO-25-107981 , #25-02	The Director of FHFA should update FHFA's documented procedures to provide sufficiently detailed guidance for supervisory review of year-end accounts payable accruals. Actions taken: In fiscal year 2025, FHFA updated its procedures for determining its year-end accounts payable accruals, including the requirement for supervisory review of the accounts payable accrual amount. However, the documented procedures do not contain sufficiently detailed guidance for the supervisor to identify potential errors.	2024	Open
8	GAO-25-107981 , #25-03	The Director of FHFA should develop and document policies and procedures requiring the accounting office to coordinate with applicable FHFA business units to reasonably assure that the accounting office has the necessary information to meet financial accounting or reporting requirements. Actions taken: In June 2025, FHFA updated its accounting manual to include requirements for regular communications between its accounting office and business units to share information that may affect financial accounting and reporting.	2024	Closed

No.	GAO source report and recommendation number	Recommendation and corrective actions taken as of September 30, 2025	Fiscal year initially identified	Status
9	GAO-25-107981 , #25-04	The Director of FHFA should update FHFA's documented procedures to provide sufficiently detailed guidance for documentation requirements to support FHFA's lease valuations.	2024	Closed
<p>Actions taken:</p> <p>In June 2025, FHFA updated its accounting manual to include sufficiently detailed guidance for documenting lease valuations. Specifically, the guidance requires the appropriate accounting personnel to review and approve financial changes related to lease terms to identify and recognize complete and accurate right-to-use lease asset and liability calculations, review and approve amortization schedules, assess relevant reporting requirements, and ensure that all contractual information is included in lease calculations.</p>				

Source: GAO. | GAO-26-108895

Agency Comments and Our Evaluation

We provided a draft of this report to FHFA for comment. In its comments, reproduced in the enclosure, FHFA disagreed that there is a deficiency that requires revising its existing financial statement review procedures. FHFA stated that its existing procedures are designed to ensure compliance with federal guidance and standards and to appropriately consider the potential effect of changes in transactions and balances. However, FHFA's existing procedures are not sufficient to reasonably assure significant changes in the magnitude or types of transactions will be appropriately considered in the future. We maintain that our recommendation would reduce FHFA's risk of misstating its financial statements.

FHFA also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the Secretary of the Treasury, the Secretary of Housing and Urban Development, the Chairman of the Securities and Exchange Commission, the Director of the Office of Management and Budget, appropriate congressional committees, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at sitwilliamsa@gao.gov. Contact points for our Offices of Congressional Relations and Media Relations may be found on the last page of this report. Ted Hu (Assistant Director), Cherry Vasquez, Ricky Cavazos, and Melissa Bentley made key contributions to this report.

Sincerely,

//SIGNED//

Anne Sit-Williams
Director, Financial Management and Assurance

Enclosure

Enclosure I: Comments from the Federal Housing Finance Agency



Federal Housing Finance Agency

Constitution Center
400 7th Street, S.W.
Washington, D.C. 20219
Telephone: (202) 649-3800
Facsimile: (202) 649-1071
www.fhfa.gov

April 9, 2026

Ms. Anne Sit-Williams
Director, Financial Management and Assurance
U. S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

Dear Ms. Sit-Williams:

Thank you for the opportunity to review and respond to the U.S. Government Accountability Office (GAO) report, *Improvements Needed in Controls over Financial Statement Review Process*. I appreciate GAO's work during the fiscal year (FY) 2025 financial statements audit and am pleased GAO found that U.S. Federal Housing's (Federal Housing Finance Agency or FHFA) FY 2025 financial statements were fairly presented in all material respects and that the Agency had effective internal control over financial reporting.

FHFA recognizes GAO's authority as the independent auditor of the Agency to issue findings and recommendations and acknowledges Agency management is responsible for evaluating these findings and recommendations and determining what, if any, corrective actions are necessary.¹ Furthermore, per the March 10, 2026 revision to the Office of Management and Budget (OMB) Circular A-123, "OMB is responsible for establishing the guidelines that the head of each Executive Branch agency must follow to implement and comply with FMFIA."

Recommendation 1: *The Director of FHFA should update FHFA's financial statement review procedures to include specific guidance for financial reporting personnel to consider the potential effect of significant changes in the magnitude or types of transactions on the presentation of information in FHFA's financial statements.*

Management Response: FHFA's existing financial statement review procedures are designed to ensure compliance with federal guidance and standards and to appropriately consider the potential effect of changes in transactions and balances. FHFA currently applies a comprehensive and well-established framework for financial reporting and presentation that is fully aligned with authoritative federal guidance, including Federal Accounting Standards Advisory Board (FASAB) standards, OMB Circular A-136, *Financial Reporting Requirements*, and U.S.


¹ Revised Office of Management and Budget (OMB) Circular A-50, *Audit, Inspection, or Evaluation Follow-Up*

Standard General Ledger (USSGL) guidance issued by the Department of the Treasury. These sources collectively provide the governing requirements for recognition, classification, and presentation of financial information in federal financial statements. The Agency does not agree that a deficiency exists that requires revision to its existing financial statement review procedures.

I acknowledge the dedication and professionalism of the GAO staff who conducted the financial statement audit. If there are questions related to our response, please contact Kristin Salzer, Controller at kristin.salzer@fhfa.gov.

Sincerely,

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Edom Aweke
Chief Financial Officer

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