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Description of document:	Final reports and closing memos for Department of the Treasury Office of the Inspector General (OIG) Office of the Comptroller of the Currency (OCC) closed investigations, 2012-2013
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From: "Delmar, Richard K."

Date: Dec 20, 2013 10:06:05 AM

Subject: Your FOIA request to Treasury OIG for closed OCC investigations

responding to your request for final reports and closing memos on our 2012-13 OCC investigations. Your request is docketed in the Department's Office of Disclosure Services as request # 2013-11-113.

This is the first of four emails transmitting PDFs of responsive documents. Redactions of names and other identifying information have been made pursuant to FOIA Exemption 7C. Additionally, one report within the responsive class involves a grand jury case, and it is being withheld pursuant to FOIA Exemption 3.

If you disagree with this resolution of your FOIA request, you can appeal the matter pursuant to 5 U.S.C. section 552(a)(6)(A)(i). Pursuant to the Department's FOIA appeal process set forth in 31 C.F.R. section 1.5(i), an appeal must be submitted within 35 days from the date of this response to your request, signed by you and addressed to: Freedom of Information Act Appeal, DO, Disclosure Services, Department of the Treasury, Washington, D.C. 20020. The appeal should reasonably describe your basis for believing that Treasury OIG possesses records to which access has been wrongly denied, that the redactions are not appropriate, or that we have otherwise violated applicable FOIA law or policy.

Rich Delmar
Counsel to the Inspector General
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OCT 08 2013

OFFICE OF
INSPECTOR GENERAL

**MEMORANDUM FOR LAURA L. MCAULIFFE, SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

FROM: Jason J. Metrick
Special Agent in Charge (Acting)

SUBJECT: JPMorgan Chase Bank, N.A.

Case number: BANK-13-0272-I

The U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) received a referral from the Office of the Comptroller of the Currency (OCC) regarding a possible attempt by JPMorgan Chase Bank, N.A. (JPMC) to obstruct the bank examination process. In 2009, the OCC had requested the investigative reports and notes related to its relationship with Bernard L. Madoff Investment Securities, LLC. JPMC declined to provide the notes of its internal interviews of over 90 JPMC employees following Madoff's arrest in December 2008. JPMC's counsel claimed the interview notes were protected under the attorney-client privilege and work product immunity.

On May 2, 2013, TOIG issued an Inspector General (IG) subpoena for the records. After non-compliance with the IG subpoena, TOIG requested that the U.S. Department of Justice (DOJ), Civil Division enforce the subpoena on JPMC. On September 12, 2013, the DOJ Civil Division advised TOIG that they were denying the request for enforcement of the subpoena.

On September 19, 2013, TOIG Counsel met with OCC's Counsel regarding DOJ's decision and OCC agreed that TOIG could not undertake and further actions regarding the matter.

As a result we are closing this matter accordingly. If you have questions or if you develop information that may indicate a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 927-6636.

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Office of Inspector General – Investigations
Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

Bank Examiner
Office of the Comptroller of the
Currency

Case Type:

Criminal
Administrative ☒
Civil

Investigation Initiated: December 22, 2011

Conducted by:

Special Agent

Investigation Completed: JUN 06 2012

Approved by: John L. Phillips
Special Agent in Charge

Origin: OCC

Case #: OCC-12-0498-I

Summary

On December 22, 2011, the United States Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), received information from [redacted] Office of the Comptroller of the Currency (OCC), regarding a stolen OCC-issued laptop. [redacted] reported the laptop was issued to OCC Bank Examiner [redacted] and was stolen at Union Station in Chicago, IL.

The investigation substantiated that [redacted] left his OCC-issued laptop, badge, and credentials unattended in Union Station, and all items were stolen by an unknown subject. [redacted] filed a report with the Chicago Police Department (PD) on December 22, 2011.

On December 28, 2011, OCC was contacted by an unknown subject stating he purchased the OCC laptop from another unknown subject for \$200.00. TOIG used the contact information provided by the purchaser of the OCC laptop and obtained an Inspector General (IG) subpoena for T-Mobile telephone number [redacted] which had been registered to [redacted]. TOIG contacted [redacted] and her [redacted] regarding the stolen OCC laptop, but neither could provide any information about the stolen laptop.

All investigative leads have been exhausted regarding the stolen OCC items and the unknown subject that stole the items.

Basis and Scope of the Investigation

This case was initiated on December 22, 2011, based upon a referral from [REDACTED] Office of the Comptroller of the Currency (OCC) informing TOIG of a stolen OCC issued laptop.

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Technical Support Agent, OCC Technical Support
- [REDACTED]
- [REDACTED] Bank Examiner, OCC
- [REDACTED] Bank Teller, Urban Partnership Bank
- [REDACTED] Public Service Administrator, Department of Child and Family Services, DCFS
- [REDACTED] Manager, Gary Comer Youth Center (GCYC)
- [REDACTED] Manager, GCYC
- [REDACTED] Security Director, GCYC
- [REDACTED]
- [REDACTED] Global Security and Investigations, JP Morgan Chase (JPMC)

In addition, TOIG reviewed pertinent documents, including:

- JPMC Bank Account Information for [REDACTED]
- CLEAR Report for [REDACTED]
- NCIC Report for [REDACTED]
- CLEAR Report for [REDACTED]
- NCIC Report for [REDACTED]
- TCIS Results for [REDACTED]
- JPMC Bank Account Information for [REDACTED]
- Subscriber Information Included in IG Subpoena results for T-Mobile telephone number [REDACTED]
- [REDACTED]
- Chicago Police Report Number [REDACTED] dated December 22, 2011

Investigative Activity

On January 4, 2012, TOIG interviewed [REDACTED], Technical Support Agent, OCC Technical Support, regarding a telephone call she helded from an individual who identified himself as [REDACTED] Chicago, IL. [REDACTED] stated he purchased the laptop for \$200.00 from an unknown individual. [REDACTED] contacted OCC Technical Support in response to a message he encountered when attempting to use the purchased laptop. [REDACTED] told [REDACTED] he was not aware the laptop was stolen government property. [REDACTED] provided Evans a T-Mobile cell phone number [REDACTED] where he could be reached. (Exhibits 1 & 2)

On January 9, 2012, TOIG obtained an Inspector General (IG) subpoena for T-Mobile telephone number [REDACTED]. T-Mobile records showed the number was registered to [REDACTED]. According to T-Mobile records, the account was currently suspended for [REDACTED].

default of payments. TOIG attempted to call the number and found that the number was no longer in service. (Exhibit 3)

On January 9, 2012, TOIG performed several database queries for [REDACTED] in the Chicago area. Database records indicated that [REDACTED] possibly lived at [REDACTED] or [REDACTED]. [REDACTED] was also listed as a resident of the [REDACTED] address. (Exhibit 4)

On January 10, 2012, TOIG telephonically interviewed [REDACTED], who stated she is the [REDACTED] of [REDACTED]. [REDACTED] said [REDACTED] was in school and was currently in her third year as a senior. [REDACTED] said a psychologist diagnosed [REDACTED] as bipolar with Attention Deficit Hyperactivity Disorder (ADHD). In addition, [REDACTED] said [REDACTED] has the mental capacity of an eight-or nine-year old child. [REDACTED] said [REDACTED] has had her identity stolen several times recently by several individuals. [REDACTED] said an unknown male tricked [REDACTED] into signing paperwork concerning the purchase of a vehicle, possibly a Cadillac. [REDACTED] said a female named [REDACTED] stole [REDACTED]'s identity and received benefits intended for [REDACTED] from the Social Security Administration (SSA). [REDACTED] believed [REDACTED] worked at a bank in the area of [REDACTED] Street or [REDACTED] Street in Chicago, IL. [REDACTED] could not provide details of the method [REDACTED] used to steal [REDACTED]'s identity. [REDACTED] believed [REDACTED] lived on [REDACTED] Street or [REDACTED] Street in the area of the bank where she works. [REDACTED] said [REDACTED] has never received SSA benefits. (Exhibit 5)

On January 10, 2012, TOIG conducted several database queries for [REDACTED] on [REDACTED] Street or [REDACTED] Street in Chicago, IL. TOIG identified an individual named [REDACTED], not [REDACTED], living at [REDACTED] Street, Apartment [REDACTED] Chicago, IL in 2010 and 2011. Using the Financial Management Service's Treasury Check Information System (TCIS), TOIG identified several U.S. Treasury checks issued to [REDACTED] with an address on [REDACTED], Chicago, IL. (Exhibit 6)

On February 23, 2012, TOIG interviewed [REDACTED] Global Security and Investigation, JPMC. Milford said JPMC account number [REDACTED] is owned solely by [REDACTED], and lists her address at [REDACTED] Chicago, IL. [REDACTED] informed TOIG that U.S. Treasury checks made payable to [REDACTED] had been deposited into [REDACTED]'s account at JPMC. [REDACTED]'s JPMC account was opened on March 24, 2008, and is currently open and active. [REDACTED] said U.S. Treasury check number [REDACTED] made payable to [REDACTED] of [REDACTED] Chicago, IL, was deposited into JPMC bank account number [REDACTED] on June 9, 2011. [REDACTED] said bank account number [REDACTED] belongs to [REDACTED], and lists [REDACTED] as a co-signer on the account. The account is currently closed. (Exhibit 7)

On February 28, 2012, [REDACTED] provided TOIG with a copy of Chicago Police Department report number [REDACTED] dated December 22, 2011. In the police report, [REDACTED]'s OCC-issued laptop, Treasury photo identification and his smart pass were all reported as lost, not stolen. The report stated that [REDACTED] left the items in an unattended backpack on a bench in Union Station in Chicago, IL. The Chicago PD classified the items as lost and the stolen items were never entered into the National Crime Information Center (NCIC). (Exhibit 8)

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On March 13, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated he was eating dinner in Union Station around 6:00 PM on December 21, 2011, when his backpack was stolen. [REDACTED] said he went to dispose of trash approximately ten feet from his table, and became distracted for approximately five minutes while speaking to a fellow commuter. When [REDACTED] returned to the table where he had been eating dinner, his backpack with his belongings were gone. [REDACTED]'s backpack contained his OCC-issued laptop, badge, credentials, and Personal Identity Verification (PIV) card. [REDACTED] reported the incident to his supervisor and the Chicago PD. [REDACTED] reported the incident to the Chicago PD as a theft, and does not know why it was classified as lost property in the Chicago PD report. (Exhibit 9)

On March 14, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that she first met [REDACTED] around November 2010. [REDACTED] said she met [REDACTED] at Gary Comer Youth Center (GCYC), where her [REDACTED] and [REDACTED] were friends. [REDACTED] stated [REDACTED] came to live with her in approximately November 2010 at the request of [REDACTED]'s [REDACTED]. According to [REDACTED], [REDACTED] had been thrown out of her house and needed somewhere to live. [REDACTED] advised that [REDACTED] lived with her for approximately one month. [REDACTED] began living with [REDACTED] for a second time in approximately May 2011, and stayed until late August 2011. [REDACTED] stated she had paid for [REDACTED] to attend summer school to assist [REDACTED] in graduating from high school. [REDACTED] advised she found out that [REDACTED] was not attending classes and informed her she could no longer reside with [REDACTED]. [REDACTED] said she assisted [REDACTED] with setting up a JPMC bank account in November 2010 so that [REDACTED] could receive disability payments. [REDACTED] stated [REDACTED] received her first disability payment around June 2011. [REDACTED] said she used [REDACTED]'s money to provide [REDACTED] with food and clothing while she lived with [REDACTED]. [REDACTED] stated she closed the JPMC account in November 2011 because [REDACTED] no longer needed the account. (Exhibit 10)

On March 16, 2012, TOIG interviewed [REDACTED] a second time due to discrepancies in previous interviews where [REDACTED] omitted reporting time periods where [REDACTED] lived with [REDACTED]. [REDACTED] said [REDACTED] had helped [REDACTED] receive disability payments when [REDACTED] was living with [REDACTED]. [REDACTED] said [REDACTED] had met [REDACTED] while attending classes at GCYC. [REDACTED] stated [REDACTED] began receiving disability payments around June 2011. [REDACTED] said [REDACTED]'s disability payments were deposited onto an unknown card sometime in August 2011. (Exhibit 11)

On March 15, 2012, TOIG interviewed [REDACTED] and [REDACTED], employees of GCYC. [REDACTED] said she knew [REDACTED] and [REDACTED] and [REDACTED] and [REDACTED] associated with [REDACTED] on occasion. [REDACTED] said [REDACTED] her younger [REDACTED] and [REDACTED] the other [REDACTED] all have a history of running away from home for extended periods of time. [REDACTED] said [REDACTED] and [REDACTED] engaged in a verbal exchange with [REDACTED] approximately one year ago. [REDACTED] was unaware of the circumstances surrounding the confrontation, but knows both sides were very upset. [REDACTED] said [REDACTED] had to be escorted from the property. [REDACTED] acknowledged that he had witnessed the confrontation between the [REDACTED] and [REDACTED], and believes the argument was over money issues between the [REDACTED] and [REDACTED]. [REDACTED] asked [REDACTED] to leave after the argument, and barred her from the GCYC property. [REDACTED] said the testimonies of [REDACTED] and [REDACTED] are not reliable, and believes both women are not credible. (Exhibits 12, 13 & 14)

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On March 15, 2012, TOIG interviewed [REDACTED] at [REDACTED] regarding [REDACTED]. The address was identified in an IG subpoena for T-Mobile telephone number [REDACTED] and listed [REDACTED] as a resident. [REDACTED] only knows [REDACTED] as an acquaintance of [REDACTED]. [REDACTED] said [REDACTED] might have been [REDACTED]'s girlfriend. [REDACTED] said [REDACTED] used to live in a separate apartment at the address, but moved out in December 2011. [REDACTED] was unable to provide TOIG with [REDACTED]'s current address. [REDACTED] did not remember [REDACTED] driving a Cadillac. A CLEAR database search identified [REDACTED] as living at the address. (Exhibit 15)

Referrals

N/A

Judicial Action

N/A

Findings

The investigation substantiated that [REDACTED] left his OCC-issued laptop, badge, and credentials in a backpack and unattended in Union Station in Chicago, IL. [REDACTED] became distracted and returned to his table to find his backpack and OCC-issued items missing. [REDACTED] reported the incident to his chain of command and the Chicago PD within a reasonable amount of time.

Based on the findings of our investigation, it appears that the following pertinent regulation(s) were violated and can be applied to the case:

- 31 CFR 205 (b) (c) - Care of Documents and Data. Employees are required to care for documents according to Federal law and regulation, and Department procedure. The term documents includes, but is not limited to, any writing, recording, computer tape or disk, blueprint, photograph, or other physical object on which information is recorded.
- 5 CFR 2635.101 (9) - Basic Obligation of Public Service. Employees shall protect and conserve Federal property and shall not use it for other than authorized activities.

With regards to [REDACTED] stealing [REDACTED]'s Social Security benefits, the allegations were unsubstantiated. TOIG found discrepancies in testimony of both [REDACTED] and [REDACTED].

All investigative leads have been exhausted regarding the stolen OCC items and the unknown subject that stole the items.

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Distribution

[REDACTED] Senior Advisor, OCC

Signatures

Case Agent:

Signature [REDACTED]

6/5/2012
Date

Supervisor:

Signature John L. Phillips

6-5-12
Date

Report of Investigation

Case Name [REDACTED]

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Exhibits

Number Description

1. Original Allegation, Correspondence, dated December 22, 2011.
2. Memorandum of Activity, Interview of [REDACTED], dated January 4, 2012.
3. Memorandum of Activity, T-Mobile Subpoena Results, dated January 9, 2012.
4. Memorandum of Activity, Database Results for [REDACTED] dated January 9, 2012.
5. Memorandum of Activity, Interview of [REDACTED], dated January 10, 2012.
6. Memorandum of Activity, Database Results for [REDACTED], dated January 10, 2012.
7. Memorandum of Activity, Interview of [REDACTED] dated February 22, 2012.
8. Copy of the Chicago Police Department Report Number [REDACTED]
9. Memorandum of Activity, Interview of [REDACTED] dated March 13, 2012.
10. Memorandum of Activity, Interview of [REDACTED], dated March 14, 2012.
11. Memorandum of Activity, Interview of [REDACTED] dated March 15, 2012.
12. Memorandum of Activity, Interview of [REDACTED], dated March 15, 2012.
13. Memorandum of Activity, Interview of [REDACTED], dated March 15, 2012.
14. Memorandum of Activity, Interview of [REDACTED] dated March 15, 2012.
15. Memorandum of Activity, Interview of [REDACTED] dated March 15, 2012.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] Misuse of
Credentials
(Treasury Employee)

Case #: OCC-12-1383-I

Case Type: Criminal _____
Administrative X
Civil _____

Investigation Initiated: April 23, 2012

Investigation Completed:

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Comptroller of the
Currency (OCC)

Approved by: John L. Phillips
Special Agent In Charge

Summary

On April 3, 2012, the Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), was contacted via OIG Intake by [REDACTED] OCC, regarding the following complaint reported to her by a third party that [REDACTED] inappropriately displayed his OCC badge in a private family estate legal matter. (Exhibit 1)

The allegation stems from [REDACTED]'s visit to the property of [REDACTED]'s uncle, [REDACTED] to inventory property related to the estate of [REDACTED] Grandmother, [REDACTED] [REDACTED] is a beneficiary of his Grandmother's estate. [REDACTED] is a national bank examiner serving as Assistant Deputy Comptroller in the OCC's [REDACTED] field office.

Based on conflicting statements of the complainant and witness, and interview of the subject, TOIG could not substantiate the allegation that [REDACTED] misused his OCC issued badge or credentials to intimidate, harass or influence.

Our investigation determined the allegations could not be substantiated.

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Basis and Scope of the Investigation

On April 3, 2012, TOIG hotline received a complaint by [REDACTED] Attorney representing [REDACTED], reporting that [REDACTED] inappropriately displayed his OCC badge in a private family estate legal matter. [REDACTED] is a national bank examiner serving as Assistant Deputy Comptroller in the OCC's [REDACTED] field office.

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED], Complainant
- [REDACTED], Deputy Assistant Comptroller, OCC
- [REDACTED] Witness

In addition, TOIG reviewed pertinent documents, including:

- Written complaint from [REDACTED] Attorney representing [REDACTED]

Investigative Activity

On June 4, 2012, TOIG interviewed [REDACTED]. [REDACTED] In reference to a complaint received indicating [REDACTED] OCC, misused his OCC badge and credentials.

[REDACTED] said that [REDACTED] is representing his [REDACTED] mother's estate. [REDACTED] is a beneficiary of his [REDACTED] grandmother, [REDACTED] estate. [REDACTED] father and mother are also beneficiaries of [REDACTED] estate.

[REDACTED] said that [REDACTED] has been contesting the estate for seven years saying that his mother's estate has never been allowed to see what was in the barn on [REDACTED] property. [REDACTED] property is directly adjacent to [REDACTED] home and property. [REDACTED] was given access by the court to view the property owned by [REDACTED] estate, more specifically the barn. In May 2012, [REDACTED] had an appointment to look inside the barn. [REDACTED] said that [REDACTED] showed up early for the appointment and when [REDACTED] went out to meet him, [REDACTED] pulled out his badge. [REDACTED] stated that neither he nor [REDACTED] said anything at that point. A couple minutes later, when [REDACTED] asked to see the barn, [REDACTED] said that he thought [REDACTED] was wasting his time because everything in the barn was his dad's. Again, [REDACTED] pulled out his badge. [REDACTED] said that nothing was said at that time. [REDACTED] advised he didn't know what [REDACTED] was doing at that point, but it didn't seem like he had any other reason to pull out the badge except for making a point for [REDACTED] to see it.

[REDACTED] said that [REDACTED] began taking pictures of the property and then left. [REDACTED] said that a few minutes later [REDACTED] came back and started taking pictures of [REDACTED] property. Upon seeing this, [REDACTED] and his mother went out to see what [REDACTED] was doing. They

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Informed him that that property was not part of the estate. [redacted] responded that he had the right to take the pictures. [redacted] advised he told [redacted] that he was going to call the State Police, to which [redacted] responded, "Ha, State, I'm Federal" and pulled out his badge and said, "call whoever you want, I'm taking pictures and recording". [redacted] said that his mother then asked [redacted] who he worked for and [redacted] said "Treasury". [redacted] said that [redacted] never said that he was on official business.

[redacted] said that if [redacted] was trying to intimidate them, it worked. [redacted] told his mother right after [redacted] left that they... "for sure were going to be audited now." (Exhibit 2)

On August 1, 2012, TOIG interviewed [redacted] Assistant Deputy Comptroller, OCC, [redacted] relating to an allegation that [redacted] misused his OCC issued credentials.

[redacted] said that he is a beneficiary of the estate of his Grandmother, [redacted] as is his uncle, [redacted]. [redacted] said that there has been growing "anger" between the beneficiaries because a lack of movement to liquidate the estate by [redacted]. [redacted] owns the property directly adjacent to his Grandmother's property. [redacted] said that as part of the estate liquidation, he was allowed, by court order in March 2012, to have access to his Grandmother's property to do an accounting of all the property regarding the estate.

After receiving permission by the court to view the property [redacted] said he made arrangements with [redacted] to visit the property. In May 2012, [redacted] said he went to the property to account for all the estate property. [redacted] said that he arrived at the farm and parked in front of the barn. [redacted] said that [redacted], [redacted] a cousin, came out of his house and told [redacted] that he couldn't take pictures. [redacted] said that at that point he conference called his wife and his attorney. [redacted] advised after the call [redacted] finally agreed to let him take pictures. [redacted] said that he entered the barn to begin taking pictures but the camera he had would not take good pictures in the dark. [redacted] went back to his car to get his other camera. [redacted] said that because his camera was in his backpack, he dumped his backpack contents onto his front car seat to find the camera. While dumping everything out, [redacted] said that his OCC credentials fell onto the ground. Bailey said that [redacted] plucked his credentials off the ground and asked, "Do you still work for the Fed?" and handed his credentials back to [redacted]. [redacted] responded that he did.

[redacted] went back into the barn to continue his accounting. [redacted] said that all of his Grandmother's equipment was gone. [redacted] said that he then went back to his car to leave. As [redacted] was driving away he noticed that a couple of his Grandmother's tractors were in [redacted] driveway. [redacted] said that he got out of his car, not on his uncle's property, and began taking pictures of the tractors. [redacted] said that [redacted] and his wife, [redacted] Agent Note: [redacted] reported that [redacted] was [redacted] a wife, but [redacted] is actually [redacted] mother), came out of their home and started cursing at [redacted] and telling him that he can't take pictures. [redacted] said they were verbally abusive and [redacted] said she would call the Sheriff's Department, then the

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State Police. [REDACTED] said that he responded, "I don't care who you call". [REDACTED] explained that he actually would have liked them to call the authorities because he believed it would have defused their anger.

[REDACTED] said that he has no idea why [REDACTED] would have said that [REDACTED]'s credentials were shown numerous times and that he never said, "I don't care who you call, call the locals, I'm a Fed." [REDACTED] said that he did not intend to intimidate, harass or influence [REDACTED] based on his Federal Government position. [REDACTED] denied ever showing his credentials. [REDACTED] said that he has been very careful the entire time to not send an email to [REDACTED] Attorney, [REDACTED] from his work email because of the perception. [REDACTED] said that he just wants the estate matter, "to get to a resolution".

[REDACTED] provided a sworn written statement addressing the above. (Exhibit 3)

On September 12, 2012, TOIG reinterviewed [REDACTED] [REDACTED] was asked if he could describe the badge that he alleges was shown to him by [REDACTED]. [REDACTED] said that "It was gold". When asked if he could describe it a little more, [REDACTED] said he could not see it very well, he only saw that it was gold and could not tell if there was any other identification attached to the badge. [REDACTED] said that [REDACTED] seemed to flip open his wallet and he saw the badge. [REDACTED] said that the other side of the wallet was not black but didn't see anything there. (Exhibit 4)

On September 12, 2012, TOIG interviewed [REDACTED] who was present when [REDACTED] allegedly showed his badge. [REDACTED] was asked to recount the timeline of what happened the day of [REDACTED]'s showing his credentials/badge. [REDACTED] said that her memory was not very good and she has a hard time remembering back that far. [REDACTED] said that [REDACTED] Nephew, was taking pictures of [REDACTED]'s property, which is next door to her property, to account for property that is included in the [REDACTED]'s Estate, in which [REDACTED] is a beneficiary. [REDACTED] said that she does not know what happened while [REDACTED] and her son, [REDACTED] were next door at the property. [REDACTED] said that after [REDACTED] accounted for the property next door, he stopped by her mailbox and was taking pictures of her property. [REDACTED] said that both she and [REDACTED] went outside and told [REDACTED] that he had no business taking pictures of her property. [REDACTED] said that she was going to call the police. [REDACTED] said that [REDACTED] pulled out his wallet and said "I'm federal", in which she responded you're a "federal asshole". [REDACTED] said that [REDACTED] flipped open his wallet and showed his credentials. [REDACTED] said she doesn't remember seeing a badge. [REDACTED] said that she was approximately 15 feet away from [REDACTED] at the time. [REDACTED] said that [REDACTED] never said he was there on official business and never threatened them. [REDACTED] was asked if there was any estate property on her property at the time [REDACTED] was taking pictures and [REDACTED] said that [REDACTED] was questioning the tractors that were in her driveway.

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██████████ said that she never called the police and ██████████ got in the car and left without further incident. She said she has only seen him in court since that incident and he does not speak to them. ██████████ supplied a sworn written statement. (Exhibit 5)

Referrals

None

Judicial Action

None

Findings

TOIG's investigation of the misuse of OCC badge and credentials in violation of 31 CFR 0.213 - General conduct prejudicial to the Government and 5 CFR 2635.704 - Use of Government Property led to differing accounts by witnesses and uncorroborated statements, therefore TOIG finds the allegations unsubstantiated.

Distribution

██████████ Senior Advisor, Office of the Comptroller of the Currency.

Report of Investigation

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Signatures

Case Agent

10/1/12

Date

Supervisor:

10/1/12

Date

John L. Phillips

Report of Investigation

OCIO-12-1383-I

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Exhibits

1. Complaint document, Letter from Attorney [REDACTED] dated March 30, 2012.
2. Memorandum of Activity, Interview of [REDACTED], dated June 4, 2012.
3. Memorandum of Activity, Interview of [REDACTED] dated August 1, 2012.
4. Memorandum of Activity, Interview of [REDACTED], dated September 12, 2012.
5. Memorandum of Activity, Interview of [REDACTED] dated September 12, 2012.



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] Unprofessional
Conduct by Examiners
(Treasury Employee)

Case #: OCC-12-1404-I

Case Type: Criminal
Administrative ☒
Civil ☐

Investigation Initiated: May 24, 2012

Conducted by: [REDACTED]
Special Agent

Investigation Completed:

Origin: [REDACTED] Senior Advisor
Office of the Comptroller of the Currency

Approved by: John L. Phillips
Special Agent in Charge

Summary

On April 3, 2012, the United States Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) initiated an investigation based on information received from [REDACTED] Senior Advisor, Office of the Comptroller of the Currency (OCC). Specifically, [REDACTED] forwarded allegations that [REDACTED] National Bank Examiner (NBE), may have disseminated confidential bank information and [REDACTED] Associate NBE, may have received improper gratuities from First National Bank of [REDACTED]. Additionally, [REDACTED] forwarded allegations that the examiners were imposing predetermined goals for downgrades of banks, as opposed to downgrades based on capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk (CAMELS) criteria during the [REDACTED] Bank and Trust 2010 examination. (Exhibit 1)

The investigation revealed that the allegation [REDACTED] disseminated confidential bank information was unsubstantiated. The thumb drive that [REDACTED] returned to [REDACTED] Bank did contain a file, "IT ROE Comment - FNB [REDACTED].doc". However, the document is protected by Pointsec Media Encryption (PME). Its contents are encrypted until the appropriate credentials (account name and password) are provided to the PME program. Therefore, unless unapproved parties possessed the appropriate credentials, they could not have accessed the file's contents. The inclusion of the file on the [REDACTED] Bank thumb drive was unintentional.

Investigation determined the allegation that [REDACTED] received improper gratuities from First National Bank of [REDACTED] was unsubstantiated. Investigation found no proof that [REDACTED] ever attended a race at [REDACTED] International Superspeedway as a guest of First National Bank of [REDACTED].

Report of Investigation

Unprofessional Conduct by Examiners

Case # OCC-12-1404-I

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Investigation determined that the allegation OCC examiners were imposing predetermined goals for downgrade of banks was unsubstantiated. TOIG found no proof that OCC employees were encouraged to use or were using anything other than the approved guidelines when rating Bank and Trust.

Basis and Scope of the Investigation

During the course of the investigation, relevant interviews were conducted with:

- [REDACTED] President and CEO, [REDACTED] Bank and Trust [REDACTED]
- [REDACTED] Chief Risk Officer, [REDACTED]
- [REDACTED] Senior Vice President and Commercial Lending Officer, [REDACTED]
- [REDACTED] IT Officer, [REDACTED]
- [REDACTED], President, First National Bank of [REDACTED]
- [REDACTED] Vice President, [REDACTED]
- [REDACTED], Executive Vice President and Senior Lending Officer, [REDACTED]
- [REDACTED] Senior Vice President, [REDACTED] Bank [REDACTED]
- [REDACTED] Senior Vice President, [REDACTED]
- [REDACTED] Vice President, [REDACTED]
- [REDACTED] Senior Vice President, [REDACTED]
- [REDACTED] National Bank Examiner, OCC
- [REDACTED] Associate National Bank Examiner, OCC
- [REDACTED] National Bank Examiner, OCC

In addition, TOIG reviewed pertinent documents, including:

- Documents provided by [REDACTED] Bank and Trust
- OCC's policy regarding bank exams

Investigative Activity

On August 14, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that that the 2010 OCC examination was a tumultuous one. He stated that he felt the results of the exam were determined well before the exam took place and that the exam was simply a means to get to the OCC's predetermined outcome.

[REDACTED] stated for the 2011 examination [REDACTED] Bank provided the OCC examiners with two thumb drives containing the information OCC requested to complete the exam. The thumb drives were returned by [REDACTED] at the exam exit interview on January 17, 2012.

[REDACTED] advised when his Chief Risk Officer [REDACTED] went to erase the thumb drives so they could be reused she noticed one of the drives contained a file that appeared to be for the First National Bank of [REDACTED] (Exhibit 2)

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Case # OCC-12-1404-I

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On August 14, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that she gave two thumb drives to [REDACTED] on February 28, 2011. [REDACTED] explained that at the conclusion of the exam [REDACTED] Bank did not receive the thumb drives back from [REDACTED] or the OCC. On January 17, 2012, [REDACTED] Bank had their exit interview for the 2011 exam with the OCC. [REDACTED] stated that [REDACTED] brought the thumb drives to this meeting and gave them back to her. [REDACTED] stated she kept the drives in her office and a few days after the exit interview she went to delete the information from the thumb drives so they could be used again. [REDACTED] deleted all of the files from the first thumb drive with no issues. When she went to delete the second thumb drive she noticed a file that contained the name "[REDACTED] ROE". (Exhibit 3)

On August 14, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that during the 2010 OCC exam he worked with [REDACTED] reviewing outstanding loans. One of the loans examined was the [REDACTED] Properties account. [REDACTED] said she was going to downgrade the account. [REDACTED] stated that he did not believe this was justified and he and [REDACTED] went back and forth debating the justification for downgrading the account. [REDACTED] advised that after a long exchange [REDACTED] stated that, I have to pick something (or one), do you want me to continue to dig? [REDACTED] could not remember the exact quote because of the time that has passed. [REDACTED] stated that [REDACTED] went on to tell him that this account would be a good one for them to downgrade because it could easily be upgraded in the future. [REDACTED] stated that ultimately they were able to keep the [REDACTED] Properties account from being downgraded. (Exhibit 4)

On August 14, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that during the 2010 OCC examination [REDACTED] asked him for recommendations on places to eat and go out while in [REDACTED]. [REDACTED] stated that initially he did not think anything of the request. [REDACTED] thought it was a normal question for someone to ask of a local when visiting a new area. [REDACTED] stated that one morning shortly after [REDACTED] request he was approached by [REDACTED] Bank CEO [REDACTED] and asked about attempting to fraternize with [REDACTED]. [REDACTED] explained to [REDACTED] that he had only provided recommendations to [REDACTED] for local hang outs but did not try to go with her and never met with her outside of the examination. [REDACTED] stated that [REDACTED] advised him of OCC Examiner In Charge (EIC) [REDACTED]'s claim that he was hitting on [REDACTED]. [REDACTED] stated he again denied the claims. [REDACTED] stated when [REDACTED] went back to [REDACTED] regarding the information provided by [REDACTED] told him he was only joking. (Exhibit 5)

On August 28, 2012, TOIG interviewed [REDACTED]. [REDACTED] advised that no one from [REDACTED] took OCC examiner [REDACTED] to [REDACTED] International Speedway at any time during the 2011 OCC examination. [REDACTED] recalled [REDACTED] talking about going to the race but stated he was unaware of anyone from [REDACTED] that might have gone with [REDACTED] or paid for her ticket to the race. [REDACTED] explained that [REDACTED] does not have any bank owned vehicles at the raceway and the bank does not have a relationship with the raceway that allows [REDACTED] to provide any gratuities or amenities to customers or anyone else that are not available to the general public. (Exhibit 6)

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Unprofessional Conduct by Examiners

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On August 28, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that no one from [REDACTED] took OCC examiner [REDACTED] to the [REDACTED] Superspeedway at any time during the 2011 OCC examination. [REDACTED] explained that one of the properties examined during the examination was in the vicinity of the racetrack and he had offered to drive OCC examiners to the property but they did not go to the racetrack and he could not recall if [REDACTED] was in his vehicle. (Exhibit 7)

On September 10, 2012, TOIG interviewed [REDACTED]. [REDACTED] advised that he took part in a meeting at [REDACTED] Bank in [REDACTED]. According to [REDACTED], one of the individuals at the meeting stated that OCC employee [REDACTED] was taken to the [REDACTED] International Speedway by members of [REDACTED] for a race and was given VIP treatment. [REDACTED] could not recall exactly who made the statement but he remembered [REDACTED], [REDACTED], and [REDACTED] all being part of the discussion. (Exhibit 8)

On September 19, 2012, TOIG interviewed [REDACTED]. [REDACTED] recalled the meeting with [REDACTED] of [REDACTED] Bank. However, [REDACTED] stated that he did not recognize the name [REDACTED]. [REDACTED] stated that he was unaware of [REDACTED] going to the [REDACTED] International Speedway or receiving any other gratuities from [REDACTED]. (Exhibit 9)

On September 19, 2012, TOIG interviewed [REDACTED]. [REDACTED] recalled the meeting with [REDACTED] of [REDACTED] Bank. However, [REDACTED] stated that he did not recognize the name [REDACTED]. [REDACTED] believed the OCC examiners he worked with came from the [REDACTED] Office and because of this he was unaware of [REDACTED]. [REDACTED] stated that he never heard of [REDACTED] going to the [REDACTED] International Speedway or receiving any other gratuities from [REDACTED]. (Exhibit 10)

On September 19, 2012, TOIG interviewed [REDACTED]. [REDACTED] recalled the meeting with [REDACTED] of [REDACTED] Bank. However, [REDACTED] stated that he did not recognize the name [REDACTED]. [REDACTED] stated that he was unaware of [REDACTED] going to the [REDACTED] International Speedway or receiving any other gratuities from [REDACTED]. (Exhibit 11)

On September 19, 2012, TOIG interviewed [REDACTED]. [REDACTED] could not recall the meeting with [REDACTED] of [REDACTED] Bank. [REDACTED] stated that he did not recognize the name [REDACTED]. [REDACTED] stated that he was unaware of [REDACTED] going to the [REDACTED] International Speedway or receiving any other gratuities from [REDACTED]. (Exhibit 12)

On October 4, 2012, TOIG interviewed [REDACTED]. [REDACTED] was advised that there was a file containing [REDACTED]'s IT Report of Examination on the thumb drive he returned to [REDACTED] Bank. [REDACTED] stated he was unaware and did not know how it got there. [REDACTED] advised that as the Examiner in Charge, ultimately he was responsible for the digital media provided by the banks. (Exhibit 13)

Report of Investigation

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On October 4, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated that she has never been to the [REDACTED] International Speedway. [REDACTED] stated that she has never received a gratuity from [REDACTED] or any other bank. [REDACTED] stated that the OCC does not have a quota system. [REDACTED] explained that she has never been instructed to rate banks on any criteria other than the ones outlined by OCC policy and CAMELS components. (Exhibit 14)

On October 4, 2012, TOIG interviewed [REDACTED]. [REDACTED] stated she has never been instructed to rate banks on any criteria other than the ones outlined by OCC policy and CAMELS components. [REDACTED] stated that the OCC does not have a quota system. (Exhibit 15)

A TOIG cyber examination of the thumb drive returned to [REDACTED] Bank and the government computer used by [REDACTED] showed that the thumb contained a file, "IT ROE Comment - FNB [REDACTED].doc". However, the document is protected by PME. Its contents are encrypted until the appropriate credentials (account name and password) are provided to the PME program. Therefore, unless unapproved parties possessed the appropriate credentials, they could not have accessed the file's contents. (Exhibit 16)

Referrals

On September 25, 2012, TOIG presented the investigation to Assistant United States Attorney [REDACTED], Northern District of [REDACTED], and it was declined for criminal prosecution. (Exhibit 17)

Judicial Action

N/A

Findings

The investigation revealed that the allegation [REDACTED] disseminated confidential bank information was unsubstantiated. The thumb drive that [REDACTED] returned to [REDACTED] Bank did contain a file, "IT ROE Comment - FNB [REDACTED].doc". However, the document is protected by PME. Its contents are encrypted until the appropriate credentials (account name and password) are provided to the PME program. Therefore, unless unapproved parties possessed the appropriate credentials, they could not have accessed the file's contents.

Investigation determined the allegation that [REDACTED] received improper gratuities from First National Bank of [REDACTED] was unsubstantiated. Investigation found no proof that [REDACTED] ever attended a race at [REDACTED] International Superspeedway as a guest of First National Bank of [REDACTED].

Report of Investigation

Unprofessional Conduct by Examiners

Case # OCC-12-1404-I

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Investigation determined that the allegation OCC examiners were imposing predetermined goals for downgrade of banks was unsubstantiated. TOIG found no proof that OCC employees were encouraged to use or were using anything other than the approved guidelines when rating [REDACTED] Bank and Trust.

Distribution

[REDACTED] Senior Advisor, Office of the Comptroller of the Currency

Signatures

Case Agent:

Signature [REDACTED]

2/27/13
Date

Supervisor:

Signature  John L. Phillips

3/12/13
Date

Report of Investigation

Unprofessional Conduct by Examiners

Case # OCC-12-1404-I

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Exhibits

1. Lead Information from OCC, dated April 3, 2012.
2. Memorandum of Activity, Interview of [REDACTED] dated August 16, 2012.
3. Memorandum of Activity, Interview of [REDACTED] dated August 16, 2012.
4. Memorandum of Activity, Interview of [REDACTED] dated August 16, 2012.
5. Memorandum of Activity, Interview of [REDACTED] dated August 16, 2012.
6. Memorandum of Activity, Interview of [REDACTED] dated September 8, 2012.
7. Memorandum of Activity, Interview of [REDACTED] dated September 5, 2012.
8. Memorandum of Activity, Interview of [REDACTED] dated September 21, 2012.
9. Memorandum of Activity, Interview of [REDACTED] dated September 25, 2012.
10. Memorandum of Activity, Interview of [REDACTED] dated September 25, 2012.
11. Memorandum of Activity, Interview of [REDACTED] dated September 25, 2012.
12. Memorandum of Activity, Interview of [REDACTED] dated September 25, 2012.
13. Memorandum of Activity, Interview of [REDACTED] dated October 24, 2012.
14. Memorandum of Activity, Interview of [REDACTED] dated October 24, 2012.
15. Memorandum of Activity, Interview of [REDACTED] dated October 24, 2012.
16. Memorandum of Activity, Cyber Examination, dated February 22, 2013.
17. Memorandum of Activity, Criminal Referral – Declination, dated October 24, 2012.



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]
National Bank Examiner
NB 06

Case #: OCC-13-0002-I

Case Type: Criminal _____
Administrative x
Civil _____

Conducted by: [REDACTED]
Special Agent

Investigation Initiated: October 5, 2012

Investigation Completed:

Approved by: John L. Phillips,
Special Agent in Charge

Origin: Office of the Comptroller of the
Currency

Summary

On October 5, 2012, Office of the Comptroller of the Currency (OCC) Senior Counsel [REDACTED] contacted the Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) to report the possible misuse of a government travel card account by OCC Bank Examiner [REDACTED] (Exhibit 1)

According to the allegation, [REDACTED] used her travel charge card while not in a travel status to make gasoline purchases on thirty one occasions as well as making ATM withdrawals while not in a travel status.

The investigation determined that the allegations are substantiated. OCC provided a travel schedule for [REDACTED] as well as credit card statements. The purchases were made numerous days prior to or after [REDACTED] traveled. [REDACTED] admitted to inadvertently using the travel card for gas purchases. [REDACTED] also claims that some of the purchases were in conjunction with travel; which contradicts a comparison of her travel schedule and credit card statements.

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Report of Investigation

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Basis and Scope of the Investigation

This investigation was initiated on October 5, 2012, based upon information that OCC Senior Advisor [REDACTED] provided.

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Bank Examiner, OCC
- [REDACTED] Acting Director of Operations Risk Policy, OCC

Investigative Activity

On December 5, TOIG interviewed [REDACTED] regarding the allegation she misused her government travel credit card. [REDACTED] stated that she is frequently in travel status which amounts to approximately 50% of her time and covers the entire Continental United States. [REDACTED] was made aware of issues with her travel card usage when she was approached by her supervisor, [REDACTED]. [REDACTED] advised [REDACTED] that her travel card was 30 days past due. [REDACTED] explained that due to her frequent travel, an issue arose where she cancelled two hotel reservations at the last minute causing no-show fees to be applied. [REDACTED] was not aware of the outstanding balance which caused her card balance not to be paid in full causing a late payment notice.

[REDACTED] explained that the gas purchases were related to travel; when traveling via Privately Owned Vehicle (POV) for official travel, use of the travel card for gas purchases is permissible. [REDACTED] stated that she did purchase gas while not in a travel status, albeit inadvertently. [REDACTED] claimed that her travel card was co-mingled with her personal credit cards.

[REDACTED] further advised that [REDACTED] provided a "sleeve" in which to place the travel card which clearly identifies the travel card. (Exhibit 2)

On January 7, 2013, TOIG interviewed [REDACTED] Acting Director of the Operations, Risk Policy, OCC. [REDACTED] advised that in her position as Acting Director, she was responsible for approving travel vouchers for her subordinates. [REDACTED] noticed that on [REDACTED]'s vouchers, [REDACTED] was reimbursed for some expenses that most employees have their credit card paid directly. According to [REDACTED], this is not a violation of policy, it was merely an out of the ordinary arrangement. [REDACTED] had stated to [REDACTED] that she does this so that she can stay ahead of the billing and make payments in advance of charges on her credit card. In July, 2012, [REDACTED] received notification that [REDACTED]'s balance was 30 days past due. [REDACTED] advised [REDACTED] who stated that she would attend to it immediately, which she did. [REDACTED] recalled [REDACTED]'s explanation as to why she has reimbursements made to her personally and realized that [REDACTED]'s account should not have been past due. [REDACTED] began to examine the

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documentation received with the past due notice which included a statement of usage. [REDACTED] noticed numerous gas purchases and compared the purchases to [REDACTED]'s travel schedule and determined that the purchases did not correspond with any travel. [REDACTED] also identified gas purchases while in travel status while [REDACTED] claimed taxi fares. [REDACTED] presented the information to [REDACTED] who stated that the use was inadvertent and that her travel card was used instead of her personal credit card. (Exhibit 3 & 4)

[REDACTED] further stated that on August 22, 2012, she met with [REDACTED] and provided her with a "sleeve" for her travel card in order to assist [REDACTED] with distinguishing it from her other credit cards. Subsequent to [REDACTED] providing the sleeve, [REDACTED] used her travel card three additional times while not in a travel status for gas purchases.

[REDACTED] stated that [REDACTED] does not have a history of this type of behavior. [REDACTED] has had one previous past due notice approximately 3-4 years ago. (Exhibit 5)

On February 14, 2013, [REDACTED] provided TO(G) a copy of OCC's "Overview of OMB Requirements", which indicates that all new travel charge cardholders must be trained prior to appointment and all travel charge card holders must take refresher training at a minimum of every three years. The presentation further states that the travel charge card can only be used for official travel expenses. The presentation further advises that the travel charge card holder must personally pay for "no show" charges at hotels. It is the travel charge cardholder's responsibility to cancel reservations in accordance with the hotel's policy. (Exhibit 6)

[REDACTED] completed the required training on June 7, 2012 at 12:55 EST. (Exhibit 7)

Referrals

N/A

Judicial Action

N/A

Findings

The investigation determined that the allegations are substantiated. [REDACTED] does not deny using the travel charge card for gas purchases, although claims some were made in conjunction with official travel. According to the OCC Federal Travel Regulation Supplement, (page 10, 301-2.7) states that "You are in travel status from the time you leave your residence or regular place of business to go to a temporary duty (TDY) assignment until the time that you return to your residence or regular place of business. The TDY location must be outside a 30 mile radius

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Report of Investigation

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from your office (50 mile radius in Washington, D.C.) and more than 50 driving miles from your residence." Documentation of [REDACTED] travel schedule provided by OCC indicates that the charges incurred were made out of travel status. (Exhibit 8)

Based on the finding of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policies were violated or could be applied to the case:

- 5 C.F.R. 2635.101-Basic obligation of public service
- OCC Federal Travel Regulations Supplement dated November 2012

Distribution:

[REDACTED] Senior Advisor, Office of the Comptroller of the Currency

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Signatures

Case Agent:



4-19-13
Date

Supervisor:


John L. Phillips

4/26/13
Date

Exhibits

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Report of Investigation

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Exhibits

1. Initial Complaint document from OCC, dated September 29, 2012.
2. Memorandum of Activity, Interview of [REDACTED] dated December 5, 2012.
3. Travel Schedule for [REDACTED] provided by OCC.
4. Excel spreadsheet identifying travel card charges made by [REDACTED] while not in travel status.
5. Memorandum of Activity, Interview of [REDACTED] dated January 7, 2013.
6. Government Travel Charge Card 2012 Training provided by OCC.
7. Certificate of Completion of Travel Charge Card Training for [REDACTED] dated June 7, 2012.
8. OCC Federal Travel Regulation Supplement dated November, 2012.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220



OFFICE OF
INSPECTOR GENERAL

NOV 08 2013

MEMORANDUM TO FILE

FROM:

Jason Matrick
Special Agent in Charge (Acting)

SUBJECT:

[REDACTED] Corporation and the [REDACTED]
[REDACTED] Inc. / [REDACTED]

OIG File Number OCC-13-0296-I

On February 28, 2013, the United States Attorney's Office, Southern District of Iowa, contacted the U.S. Department of Treasury, Office of Inspector General (TOIG), regarding the [REDACTED] Corporation [REDACTED] and the [REDACTED] Inc. These shops were in Iowa and Georgia, and operated by [REDACTED]. The companies made loans to customers and secured the loans by liens to the customers' automobiles and real estate. In 2004, [REDACTED] obtained loans and a line of credit from [REDACTED] for \$8.4 million. In March 2009, he defaulted on the line of credit and still owes [REDACTED] over \$800,000. [REDACTED] believes [REDACTED] and his associates used fraudulent documents to provide loans to their customers which resulted in his ability to repay [REDACTED].

TOIG has reviewed numerous documents provided by [REDACTED] but was informed by [REDACTED] management that many of the documents requested by TOIG have been purged by [REDACTED]. TOIG has also attempted to discuss matters regarding this case with Assistant U.S. Attorneys for the Southern District of Iowa, but all attempts have been met with negative results.

Based on the inability to obtain all necessary documents, and the lack of interest by the U.S. Attorney's Office, it is recommended this matter be closed with the approval of this report.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

Assistant National Bank

Examiner

NB-4

EOD 07/08/2007

Office of the Comptroller of
the Currency

Case #: OCC-13-1241-I

Case Type: Criminal
Administrative ☒
Civil

Conducted by:

Investigator

Investigation Initiated: April 22, 2013

Investigation Completed: JUL 01 2013

Approved by: John L. Phillips
Special Agent in Charge

Origin:

Senior Advisor

Office of Comptroller of Currency

Summary

The Department of Treasury, Office of the Inspector General, Office of Investigations (TOIG), received a complaint from the Office of the Comptroller of the Currency (OCC) that between March 2012 and February 2013, [REDACTED], OCC Assistant National Bank Examiner, misused his Government Citibank travel card by making approximately nine unauthorized charges to his individually billed travel credit card in excess of \$400.00 while not in an official travel status. (Exhibit 1)

The investigation determined that the allegation is substantiated. [REDACTED] admitted to knowingly using his Government Citibank travel card for personal use while not in official travel status, however, [REDACTED] claimed that some of the usage was legitimately completed prior to approved official travel but he was unable to complete the travel due to illness or leave and he did not file a voucher.

Report of Investigation

Case Name [REDACTED]

Case # OCC-13-1241-I

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Basis and Scope of the Investigation

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Assistant Deputy Comptroller - Witness
- [REDACTED] Assistant National Bank Examiner - Subject

In addition, TOIG reviewed pertinent documents, including:

- Citibank Credit Card Statements 2/2012-2/2013
- Travel Card Training Certificates
- Travel Voucher Analysis for [REDACTED]
- Correspondence (email) between [REDACTED] and OCC's travel office regarding past due status
- 2010 Travel Card misuse complaint and proposed disciplinary action
- Malone's compensatory time and leave records
- 2012 & 2013 OCC Eastern Oklahoma Field Office Inspection Schedule
- 2010 prior misuse of government travel card disciplinary action notice

Investigative Activity

A TOIG document review of [REDACTED]'s Government Citibank travel card statements dated November 3, 2012 to April 3, 2013, revealed that [REDACTED] made approximately five unauthorized purchases on his Government Citibank travel card in the amount of \$313.32 while not in official travel status. (Exhibit 2) A TOIG review of [REDACTED]'s travel vouchers dated March 24, 2012 to February 23, 2013 revealed four additional unauthorized uses of his travel card totaling \$139.48 as well as his failure to file a travel voucher to justify the expenses. (Exhibit 3)

In an interview with TOIG, [REDACTED] Assistant Deputy Comptroller, said he first became aware of [REDACTED]'s misuse of his government issued travel card when he received an email from OCC's financial group that there was an issue and [REDACTED]'s payment was three months past due. [REDACTED] conducted an audit of [REDACTED]'s travel card vouchers and requested copies of his travel card statements from OCC in Washington, D.C. [REDACTED] said while conducting his review he received a fourth delinquency notice for payment on [REDACTED]'s account. Upon receipt of [REDACTED]'s documents, [REDACTED] noticed that [REDACTED] would take cash advances on the weekends that may have been in anticipation of official travel, however there were four instances when [REDACTED] took cash advances and then never filed a travel voucher to justify the travel card usage. [REDACTED] also noted that [REDACTED]'s charges exceeded his voucher claims and there were excessive cash advances taken on the card while in travel status. [REDACTED] said it is possible that [REDACTED] may have taken cash advances in anticipation of traveling and then became ill and was not able to attend the travel. [REDACTED] provided [REDACTED]'s leave usage (Exhibit 4) and itinerary's for bank visits (Exhibit 5) for the past few years. [REDACTED] said that this is [REDACTED]'s second offense of misuse of his travel card; however, [REDACTED] was not his supervisor when the last incident occurred (Exhibit 6).

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In an interview with TOIG, (Exhibit 7) [REDACTED] stated he is currently an Assistant Bank Examiner in the [REDACTED] Office and in his position he is required to travel for work. [REDACTED] said he has taken the required training in order to be issued a government credit card and acknowledged personal use of a government credit card is not permitted.

[REDACTED] said he knowingly used his issued government credit card for his personal use while not in official travel status. [REDACTED] explained that he was experiencing financial difficulties and he improperly used the card. [REDACTED] also said there were times when he anticipated being in a travel status, but due to his medical issues, ended up not traveling for work and he had taken cash advances prior to becoming ill. [REDACTED] has since repaid his outstanding balance.

A TOIG review of [REDACTED]'s leave records revealed that [REDACTED] had in fact taken leave after obtaining a cash advance in anticipation of travel during three of the nine instances of suspected credit card misuse. The other six instances [REDACTED] cannot account for.

Referrals

NA

Judicial Action

NA

Findings

The investigation determined that the allegation is substantiated. It was discovered that [REDACTED] knowingly used his Government Citibank travel card six times while not in official travel status and failed to pay his Official Travel Card bill in a timely manner.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policy(ies) were violated or could be applied to the case:

- 5 C.F.R., 2635.101(b) (12) - Basic Obligation of Public Service. Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those such as Federal, State, or local taxes that are imposed by law.
- 31 CFR § 0.213 - General conduct prejudicial to the Government. Employees shall not engage in criminal, infamous, dishonest, or notoriously disgraceful conduct, or any other conduct prejudicial to the Government

Distribution

[REDACTED] Senior Advisor, OCC

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Signatures

Case Agent:

[REDACTED]
Signature

7/1/13
Date

Supervisor:

[REDACTED]
Signature

7/1/13
Date

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Exhibits:

1. Original Complaint from [REDACTED] Senior Advisor, OCC.
2. Copies of [REDACTED]'s Travel Card statements from 8/2011-2/2013 and email from OCC financial team dated March 20, 2013.
3. [REDACTED] Travel Voucher Analysis.
4. Leave Audit Report for [REDACTED] FY 11, FY 12 and FY 13.
5. OCC [REDACTED] Field Office 2012 Schedule 10-40 & 2013 Schedule 10-20.
6. Memorandum of prior disciplinary action for credit card misuse dated April 21, 2010.
7. Memorandum of interview of [REDACTED] dated May 14, 2013.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]
Rockville, MD

Case #: Bank-11-1027-I

Case Type: Criminal ☒
Administrative ☐
Civil ☐

Investigation Initiated: May 17, 2011

Investigation Completed: JAN 14 2013

Conducted by: [REDACTED]
Special Agent

Origin: Office of Thrift Supervision

Approved by: John L. Phillips
Special Agent in Charge

Summary

On May 17, 2011, the Office of Thrift Supervision (OTS) referred a complaint concerning [REDACTED] of Rockville, MD. The complaint alleged that during three separate bank examinations between 2009 and 2010, bank examiners noted a number of instances where the bank's employees provided inconsistent information and records. The information appeared to have been modified to reflect the discussion of topics that were not in the previous versions that had been provided to the OTS. In addition, OTS examiners were told that bank employees were instructed to limit discussions with examiners and all information requested by examiners was allegedly reviewed by the bank president prior to being presented to the OTS.

An investigation was opened to review the complaints of obstruction of bank financial examinations. In the course of the preliminary inquiry, the investigation also looked at certain transactions that were made to improve the bank's financial position and were deemed suspicious by the OTS. A criminal referral was made to the U.S. Attorney's Offices in Maryland and Washington, DC. Both offices declined to prosecute the officers of the bank.

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Basis and Scope of the Investigation

During the course of the investigation, Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) conducted relevant interviews with:

- OTS (OCC) bank examiners
- [REDACTED] Bank officers and employees
- Third party financial companies
- Real estate attorneys
- Independent auditors

In addition, TOIG reviewed pertinent documents, including:

- OTS Reports of Examination
- Real estate contracts, title closing and settlement documents
- Auditing reports
- Correspondence and emails
- Financial wire transfers and accounts

Investigative Activity

On May 17, 2011, the OTS referred a complaint concerning [REDACTED] Bank of Rockville, MD. The complaint alleged that during three separate bank examinations between 2009 and 2010, bank examiners noted a number of instances where the bank's employees provided inconsistent information and records. The information appeared to have been modified to reflect the discussion of topics that were not in the previous versions that had provided to the OTS. In addition, OTS examiners were told that bank employees were instructed to limit discussions with examiners and all information requested by examiners was allegedly reviewed by the bank president prior to being presented to the OTS. (Exhibit 1)

On June 28, 2011, the TOIG met with prosecutors from the U.S. Attorney's Office (USAO), Greenbelt, MD, and examiners from the former OTS. (Note: the OTS merged with the Office of the Comptroller of the Currency (OCC) in July 2011.) The OTS examiners described the history of bank examinations of [REDACTED] Bank. The OTS described recurring issues with the treatment and classification of certain assets, delinquency of loans, and provisions from cease and desist orders from the OTS to the bank. (Exhibit 2)

The bank had been given declining CAMEL (capital adequacy, asset quality, management, earnings, and liquidity) ratings and was placed into the problem bank category. Bank examiners had noticed problems with the proper classification of assets and the accounting became sloppy. Delinquent loan records were manipulated and had the effect of downgrading or impacting the quality of the bank's assets.

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Examiners produced documents from the 2010 bank examination that showed certain loans that were delinquent and had had their dates altered in the bank's mortgage loan trial balance. A former controller at the bank had given bank examiners a spreadsheet showing late payments that the bank had received and had categorized them as having been "misapplied" versus being properly and accurately classified and posted on the date they were received.

The bank examiners described incidents wherein employees were afraid to talk with examiners or were ordered by the bank's Chief Executive Officer (CEO), [REDACTED], not to talk to bank examiners. The USAO's said it would require further investigation before the office was to open a criminal matter on the conduct by the bank's officers.

Subsequently, interviews were conducted of former officers in the bank. The resulting investigation determined that the allegations of obstruction of financial bank examinations would be difficult to charge criminally and the TOIG looked into some of the suspicious transactions that the examiners had identified. (Exhibits 3 through 9).

One of the transactions involved an asset swap of 22 real estate owned (REO) properties to [REDACTED] Mortgage Resolution. The sale occurred on December 31, 2010 and resulted in a loss to the bank of \$644,000. On the same date, [REDACTED] Bank purchased a pool of 416 home equity loans from the same entity, [REDACTED] Mortgage Resolution, for \$31.8 million. The home equity loans were considered high risk by the OTS and the increase in home equity loans by [REDACTED] Bank constituted a material deviation from the bank's approved business plan and a violation of a 2008 Cease & Desist Order.

On October 4, 2011, TOIG interviewed [REDACTED] General Counsel for [REDACTED] Realty Corporation, regarding the transaction. [REDACTED] was shown the confirmation documents showing the December 31, 2010 transaction wherein [REDACTED] Mortgage sold the home equity loans to [REDACTED] Bank. He acknowledged that his signature was on the confirmation document. (Exhibit 10)

[REDACTED] was also shown the names of the sellers listed on the confirmation - [REDACTED] and [REDACTED]. He did not recognize the sellers' names. But he added that he had been called back to the office on December 31, 2010 and directed by the president of [REDACTED] to sign the document. He said there were no other officers present to sign the documents so he signed it. [REDACTED] said [REDACTED] probably knew [REDACTED] CEO, and made the deal with him. But [REDACTED] told investigators that he could not recall the specifics of the sale.

On October 20, 2011, [REDACTED] attorney for [REDACTED] was interviewed by the TOIG regarding the December 31, 2010 transaction between [REDACTED] Bank and [REDACTED] Mortgage Resolution. [REDACTED] described the swap as a "very interesting transaction" and said that

[REDACTED]'s counsel, [REDACTED] was called in on New Year's Eve, 2010, to sign the closing documents for the deal and did not know a lot about the transaction. (Exhibit 11)

[REDACTED] suggested that [REDACTED], a broker with [REDACTED] Advisors of Atlanta, GA, may have solicited [REDACTED] to do the deal and found [REDACTED] to purchase [REDACTED] Bank's real estate. [REDACTED] said [REDACTED] had set up a way of doing the swap between the two companies. In the end, [REDACTED] Mortgage Resolution ended up with the titles to the real estate for which they paid three million dollars for, and received ten million dollars by selling it on the same day to another buyer. Irwin showed the TOIG an e-mail from [REDACTED] to [REDACTED] showing a profit of \$1,233,686 earned by [REDACTED] Mortgage Resolution for making the transaction.

[REDACTED] identified other individuals who may have consulted [REDACTED] or [REDACTED] Bank in the deal and provided agents with documents related to the closing.

On October 25, 2011, [REDACTED] was interviewed regarding his company's purchase of 24 real estate properties from [REDACTED] Mortgage Resolution, LLC. [REDACTED] was an investment advisor and that his company, [REDACTED] and Associates, L.P., invested in real estate, energy and corporate debt. [REDACTED] said his company bought the foreclosed properties and that he was introduced to [REDACTED] Mortgage Resolution through another broker or contact. At the time [REDACTED] could not recall specifically the broker's name. [REDACTED] provided names of the individuals who were involved in the purchase. (Exhibit 12)

On October 25, 2011, [REDACTED] was interviewed regarding his involvement in the deal and he told the TOIG that he could not recall who was at the closing for the [REDACTED] swap. His company served as the agent for the title company, [REDACTED] Title Company, and was authorized to sign commitments and bind [REDACTED] to those commitments. As such, his company handled the settlement and disbursed the funds in the transaction. (Exhibit 13)

[REDACTED] said he was not told why there was a rush to close the deal before December 31, 2010, but suspected it was for tax reasons. He added that the deal was very complicated because many properties were involved in the transaction. Several of the properties were foreclosures and had not been completed when the closing occurred. [REDACTED] said there was no discussion about the origins or specifics of the deal and there was no discussion of any buy back provisions.

On October 25, 2011, [REDACTED] was interviewed and told the TOIG that he had known [REDACTED] for a long time and that he performed advisory work for [REDACTED] Bank and [REDACTED] Mortgage Resolution approximately a year and a half ago. The work involved due diligence work for a prospective buyer. As far as he could tell, the transaction that he helped to broker between [REDACTED] Bank and [REDACTED] was legitimate. He said he knew [REDACTED] Bank to be a real estate lender that followed a "different business model". (Exhibit 14)

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[REDACTED] was re-interviewed on October 26, 2011 and told the TOIG that [REDACTED] of [REDACTED] Capital, LLC, had originally contacted him about buying some properties. [REDACTED] said that his company bought distressed properties from banks and then turned around and sold them. [REDACTED] was another broker who introduced [REDACTED] to [REDACTED] Mortgage and once the introduction was done, [REDACTED] got out of the way and let the principals work out the deal. [REDACTED] said he did not recall dealing directly with [REDACTED] or [REDACTED]. [REDACTED] an attorney with [REDACTED] Bank, also called him about the deal. [REDACTED] said [REDACTED] angered him because he pushed [REDACTED] too hard to do the deal. [REDACTED] said he later dealt more with [REDACTED] an attorney with the real estate law firm [REDACTED]. He added that [REDACTED], an attorney with [REDACTED] LLC may have also been involved in the purchase negotiations and document review. (Exhibit 15)

[REDACTED] said he alone made the offer price of \$ 3.288 million to [REDACTED] Mortgage for the 24 properties. Asked how he determined the offer price, [REDACTED] explained he had hired contractors to go out to each of the 23 locations and do local "broker priced opinions" (BPO's). Asked why there were two sets of closings on December 31, 2010, [REDACTED] said he sensed that the seller of the properties was trying to get the assets off its books by December 31. He said he had felt some desperation on the part of the seller [REDACTED] Bank). He noted during the document reviews of the properties that the other party, [REDACTED] Mortgage, would disappear for hours which he attributed to them attending to other year-end business. [REDACTED] said he received no inducements to purchase the properties.

[REDACTED] was re-interviewed on October 26, 2011, and told the TOIG that he was in Baltimore, MD on another deal when he was approached by [REDACTED] about selling his bank's ([REDACTED] Bank) bad loans. [REDACTED] explained that at the time, banks were trying to sell off their bad loans and there were few buyers. The prices offered for these assets were much lower than the fair market values that they were appraised at. [REDACTED] told [REDACTED] that he had been approached by a group about selling his loans and purchasing mortgage loans. According to [REDACTED], [REDACTED] asked if he had seen this practice. [REDACTED] thought this was a reasonable deal and that it was a "creative transaction". (Exhibit 16)

[REDACTED] said there were two brokers that brought the loans to [REDACTED] Realty, [REDACTED] and [REDACTED] LLC. For a fee, these companies located first or second mortgage loans for buyers who wished to acquire and sell them. [REDACTED] said this occurred in late fall or early winter 2010. He said the deal did not get done until the end of December because it took a long time to complete the due diligence for the mortgage loans. [REDACTED] said most banks did not perform half of the due diligence that [REDACTED] had performed for this particular transaction. [REDACTED] said bank regulators took a negative view of commercial real estate loans versus residential loans, which paid a higher rate of interest.

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[REDACTED] said that the trade seemed like it was on the level and a lot of [REDACTED] attorneys were involved in reviewing it. [REDACTED] said [REDACTED] had told him that they had received approval from their bank regulators to do the trade.

When asked why [REDACTED] did not sell the REO's directly to [REDACTED] [REDACTED] said the loans could have gone bad in the first year after they were acquired. [REDACTED] added that while it appeared [REDACTED] really got something for nothing in making a million dollars in the deal, [REDACTED] also assumed a lot of risk in taking title to and facing environmental risks with some of the properties it purchased.

[REDACTED] was interviewed a third time on October 27, 2011, after the TOIG had found an e-mail from [REDACTED] to [REDACTED]. In the e-mail, [REDACTED] described the transaction wherein [REDACTED] sold real estate properties to [REDACTED] for \$10.3 million. These same properties would be immediately sold to [REDACTED] an investment company in Minnesota, on the same date. [REDACTED] explained that [REDACTED] could not sell the properties directly to [REDACTED] because it would suffer a six million dollar loss. Instead, the bank sold the properties to [REDACTED] for full price and then bought the home equity loans from the same company for \$32.2 million. In total, [REDACTED] paid approximately \$22.1 million, although [REDACTED] added that he is not sure exactly how much [REDACTED] paid for the loans. He estimated that after legal fees, broker fees, title searches, and other expenses [REDACTED] made approximately \$700,000 to \$800,000. (Exhibit 17)

[REDACTED] was asked about the calculations he depicted in the e-mail from him to [REDACTED] on December 28, 2010. [REDACTED] responded that it was "to be helpful." In the e-mail, [REDACTED] is shown purchasing loans at an eight percent discount from [REDACTED] for \$32.2 million. [REDACTED] was to earn \$8,137 million on the sale of the loans. At the same time [REDACTED] was to purchase the REO's from [REDACTED] for \$10.3 million and then sell these same assets to another company [REDACTED] for \$3.396 million. [REDACTED] would earn \$1.233 million in the deal.

[REDACTED] said he personally did not earn any fees for bringing [REDACTED] and [REDACTED] together on the trade. [REDACTED] explained that [REDACTED] had invested in [REDACTED] company. They had met about five years ago.

[REDACTED] said [REDACTED] LLC and [REDACTED] two real estate investment companies, brokered the trade and may have split the fees they earned in the deal. [REDACTED] did not know who first proposed structuring the transaction. He thinks [REDACTED] and [REDACTED] both put it together. [REDACTED] said the Bank of [REDACTED] had done a similar deal. He said at first he did not understand the structure of the deal when it was first described to him. But after he had met with [REDACTED] and thought about the deal's specifics, he came to understand it better and said any banker would say that it was a good deal for [REDACTED]. He said a lot of banks had been seeking residential loans and needed a mechanism for getting rid of their non-performing loans.

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On November 3, 2011, [REDACTED] was interviewed and told the TOIG that he had an agreement with [REDACTED]'s firm, [REDACTED] and Associates, L.P., to source acquisitions for them. [REDACTED] said he dealt with [REDACTED] in the past and had been referred to [REDACTED] by another officer at [REDACTED]. [REDACTED] said that [REDACTED] did not know either end and had raised concerns about the other party being involved in the sale. (Exhibit 18)

[REDACTED] also said that [REDACTED] had told him that he had utilized [REDACTED] to perform some type of "valuation process" for the sale. According to [REDACTED], [REDACTED] grew uncomfortable with the way that the deal was set up. Originally the bank was to sell its REO properties directly to [REDACTED]. But, according to [REDACTED], [REDACTED] needed another party to do the deal because the bank's auditors required an outside valuation source.

[REDACTED] said that about a week before the closing, [REDACTED] sent an e-mail to [REDACTED] stating he was uncomfortable with the introduction of a third party into the REO sale [REDACTED] LLC). [REDACTED] explained that in the "ninth hour" [REDACTED] introduced [REDACTED] into the deal, changing what originally was supposed to have been a direct purchase by [REDACTED] from [REDACTED]. [REDACTED] explained that he had to do the deal with the third party because of the OTS and that they needed a "valuation process".

Growing suspicious, [REDACTED] said he conducted research of [REDACTED] and checked for regulatory actions on the bank. He said he found it odd that he was dealing directly with the bank's president in the asset sale. [REDACTED] added that "nothing happens at the bank without [REDACTED]'s hands on it."

On November 4, 2011, [REDACTED], a marketing representative at [REDACTED] Real Estate Services, LLC was interviewed and told the TOIG he had known [REDACTED] a vice president at [REDACTED] when he worked for another mortgage company. [REDACTED] worked at another bank, [REDACTED] Savings Bank, and when [REDACTED] and [REDACTED] both went to new jobs, they continued their contact. (Exhibit 19)

[REDACTED] said [REDACTED] would send closing business to him and approached [REDACTED] Real Estate Services right before Christmas 2010. [REDACTED] said he had never done a transaction like the one between [REDACTED] and [REDACTED] LLC. [REDACTED] was new to the closing business. He said he acted as a goopher helping the title closing processors, [REDACTED] and others in the firm.

He said he did not know if another title agent had been involved in the transaction before [REDACTED] brought it to [REDACTED]. His company produced the HUD-1 settlement documents and said [REDACTED] Real Estate Service actually had a small part of the deal. [REDACTED] said [REDACTED] only said that [REDACTED] wanted to get the deal done by the end the year

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(2010).

On November 18, 2011, the TOIG received records from [REDACTED] National Title Insurance Company. An IG subpoena was served on the company for records related to the [REDACTED] National Title's research and closing work performed in the purchase of 24 real estate properties and 416 mortgage loans by [REDACTED] (a.k.a. [REDACTED] Mortgage Resolution, LLC) and [REDACTED] in December 2010. (Exhibit 20)

The returned records showed the closing and documents for the sale of 24 properties. [REDACTED] prepared all of the closing statements, including tax and interest payment calculations. It also obtained title insurance for all the properties and prepared 48 deeds to transfer title of the properties. Each piece of property was deeded from [REDACTED] or [REDACTED] (or subsidiary) to [REDACTED] and then from [REDACTED] to [REDACTED]. Although each deed was separately filed in the land records of the appropriate county of the appropriate state, the deeds for each property were filed at the same time with consecutive folio (page) numbers.

On January 11, 2012, [REDACTED] provided additional information regarding his company's [REDACTED] LLC) purchase of 24 real estate owned (REO) properties from [REDACTED] LLC on December 31, 2010. (Exhibit 21)

Investigators had discovered e-mail communication between [REDACTED] and his staff at [REDACTED]. In which [REDACTED] said he thought [REDACTED] had set up a "straw man" to disguise actual losses on its portfolio. When asked about the e-mail and his internal conversations with his staff, [REDACTED], and [REDACTED], [REDACTED] said he could not recall what the discussions were about. However, on January 10, 2012, [REDACTED] sent TOIG copies of notes he had taken of a conversation he had with [REDACTED] and others on December 27, 2010, regarding the purchase of the REO properties from [REDACTED].

[REDACTED] told the TOIG that [REDACTED] had originally wanted him to agree to purchase the 24 properties and record them on the sales contract papers for five to six million dollars. [REDACTED] actually paid \$3.2 million. [REDACTED] said he objected to doing this. He said [REDACTED] asked him to do this in a telephone conversation they had on or about December 27, 2010. When he told [REDACTED] he could not do this, [REDACTED] asked, "why not?" [REDACTED] said [REDACTED] kept coming back at him with more reasons to try and do the deal with false or incorrect prices rather than with the right way of recording the deal.

[REDACTED] said he thought [REDACTED], [REDACTED], and [REDACTED] were involved in the mechanics of getting the sale of the REO properties completed. [REDACTED] said [REDACTED] was the "maestro" in getting all of the legal documents prepared and keeping everything straight. He said [REDACTED] was smart and tried to get the deal done the way [REDACTED] wanted.

On December 15, 2011, [REDACTED] was interviewed after e-mail correspondence between [REDACTED] and [REDACTED] and Company had been discovered in a subpoena return

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provided by [REDACTED] to the TOIG. [REDACTED] told the TOIG that she worked formerly as a broker at [REDACTED] Partners, Inc. and worked with hedge funds to buy and sell distressed loans and second lien mortgages (HELOC's). (Exhibit 22)

In the matter of [REDACTED], [REDACTED] said she was asked by [REDACTED] a Managing Director at [REDACTED], to locate purchasers for [REDACTED]'s REO properties. [REDACTED] explained it was difficult to find buyers for the bank's REO properties because its asking price was seven to ten points above the prevailing market price for these types of distressed assets.

[REDACTED] described the trade as a three broker trade involving [REDACTED], [REDACTED] and [REDACTED] represented by [REDACTED]. [REDACTED] said she interacted with [REDACTED] and Company and was never in contact with [REDACTED] or [REDACTED].

On December 19, 2011, the TOIG received records from [REDACTED], of [REDACTED] Capital Group, LLC. An IG subpoena had been served on [REDACTED] for records related to the company's brokerage work performed in the purchase of 24 real estate properties and 416 mortgage loans by [REDACTED], LLC) and [REDACTED] in December 2010. (Exhibit 23)

In the subpoena return, [REDACTED] attached a letter explaining his role in the transaction. In the letter [REDACTED] asserted that he acted only as a broker between [REDACTED] and [REDACTED]. He said he did not have any knowledge of the involvement of [REDACTED], LLC in the purchase of [REDACTED]'s real estate owned (REO) properties. [REDACTED] said when he learned that [REDACTED] was to purchase the REO rather than [REDACTED] as was originally agreed, he became uncomfortable with the change to the deal and expressed those concerns to [REDACTED].

[REDACTED] said in his letter that his understanding was that [REDACTED] the principal at [REDACTED] and buyer of the REO, contacted [REDACTED] at [REDACTED]. Once [REDACTED] was comfortable with the insertion of [REDACTED] into the deal, he went forward with completing the purchase of the real estate from [REDACTED].

On December 21, 2011, the TOIG attempted to interview [REDACTED] at his residence in [REDACTED]. [REDACTED] was not home but his wife contacted him and [REDACTED] told her that he was going to come back to speak with the agents. The agents waited for [REDACTED] and after approximately 45 minutes, they were contacted by Department of Justice, Fraud Section Trial Attorney [REDACTED]. [REDACTED] advised the agents that [REDACTED]'s attorney, [REDACTED] had contacted him and offered to meet with [REDACTED] and agents. [REDACTED] advised the agents to postpone attempting to interview [REDACTED] until an interview date and time could be arranged. (Exhibit 24)

On January 8, 2012, the TOIG interviewed the accounting firm that conducted the annual financial accounting audits for the bank. [REDACTED] of [REDACTED] and Company told the

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TOIG that his firm had been asked by [REDACTED] to give an interpretation for treating and reporting the HELOC loans and the sale of REO properties. [REDACTED] said that he and another accountant met with [REDACTED] and the CFO, [REDACTED] in December 2010 about reporting a proposed transaction in the bank's financial statements. [REDACTED] said [REDACTED] contacted him about meeting to discuss "theoretically" the accounting treatment of the proposed deal. (Exhibit 25)

[REDACTED] said the impression he had been given was that the bank had wanted to get the accounting done right and the deal with the other party was with an "unrelated" entity. He said the turnaround on the opinion that the bank requested of [REDACTED] and Company was fast. They met with [REDACTED] and [REDACTED] on December 17 and [REDACTED] issued its letter on December 28, 2010. [REDACTED] said he understood that the bank was in a rush to make the deal in order to placate the bank regulator (OTS).

[REDACTED] added that the bank described the transaction as an arm's length transaction. He would have raised more questions if he had known that a related third party or entity was actually involved. In addition, he said he would have insisted that valuations be completed on the portfolio of loans that the bank was proposing to purchase. [REDACTED] said questions would have been raised about whether [REDACTED] was trying to structure the transaction to hide or not recognize losses on its financial statements.

As to the HELOC loan, [REDACTED] said they would be shown in the bank's loan portfolio within its balance sheet and also on its statement of cash flows.

On January 10, 2012, Department of Justice (DOJ), Fraud Section Trial Attorney [REDACTED] advised the TOIG that he had spoken with [REDACTED]'s attorney, [REDACTED].

[REDACTED] told [REDACTED] that he had could explain the REO - homeowner equity lines of credit loan swap between [REDACTED] and [REDACTED] that occurred on December 31, 2010. [REDACTED] offered to meet with [REDACTED] who told [REDACTED] that he was not ready to meet with him at the time. (The meeting never took place.) (Exhibit 26)

The TOIG made several attempts to secure prosecution of the officers at [REDACTED]. In January, 2012, the DOJ Fraud Section, wrote a prosecution memorandum that was to be utilized to prosecute the matter to the USAO, Southern District (Greenbelt), MD.

On February 2, 2012, Trial Attorney [REDACTED] of the DOJ Fraud Section, advised TOIG that his office was declining formally opening a case on [REDACTED] and recommended presenting the matter to USAO Greenbelt, MD.

On February 8, 2012, [REDACTED] contacted Special Assistant U.S. Attorney (SAUSA) [REDACTED] at USAO/Greenbelt. [REDACTED] told [REDACTED] that it would be difficult to open a case in Greenbelt if the Fraud Section would not open a case.

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1027-1

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On March 2, 2012, Trial Attorney [REDACTED] sent a declination letter to the TOIG. (Exhibit 27)

On March 6 and March 8, 2012, TOIG Special Agent in Charge [REDACTED] contacted [REDACTED] Chief, Criminal Division, DOJ Fraud regarding opening a criminal matter to prosecute the case.

On April 18, 2012, TOIG contacted the USAO/DC to request a case presentation and a presentation was made on May 22. On June 6, 2012, AUSA [REDACTED] of the USAO/DC declined criminal prosecution of [REDACTED] and other bank officers at [REDACTED]. [REDACTED] advised the TOIG that the case would be too difficult to present to a jury to try and, as such, his office declined the matter. (Exhibit 28)

Referrals

The case was referred to the DOJ Fraud Section, the USAO Southern District, Maryland and USAO's Washington, DC. All three offices declined criminal prosecution.

Judicial Action

NA

Findings

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policies were violated or could be applied to the case:

18 U.S.C. 1517 Obstruction of Financial Examination

18 U.S.C. 1344 Bank Fraud

Distribution

[REDACTED] Senior Advisor, Office of the Comptroller of the Currency

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1027-1

Page 12 of 14

Signatures

Case Agent: [REDACTED]

1/2/13
Date

Supervisor:

John L. Phillips

1/2/13
Date

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1027-1

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Exhibits

1. Lead initiation documents from OTS, dated May 17, 2011.
2. Memorandum of Activity, Meeting with USAO, Maryland, dated June 21, 2011.
3. Memorandum of Activity, Interview of [REDACTED] dated June 25, 2011.
4. Memorandum of Activity, Interview of [REDACTED] dated June 28, 2011.
5. Memorandum of Activity, Interview of [REDACTED], dated July 2, 2011.
6. Memorandum of Activity, Interview of [REDACTED] dated July 9, 2011.
7. Memorandum of Activity, Interview of [REDACTED] dated August 14, 2011.
8. Memorandum of Activity, Interview of [REDACTED] dated August 14, 2011.
9. Memorandum of Activity, Interview of [REDACTED] dated August 27, 2011.
10. Memorandum of Activity, Interview of [REDACTED] dated October 5, 2011.
11. Memorandum of Activity, Interview of [REDACTED] dated October 25, 2011.
12. Memorandum of Activity, Interview of [REDACTED] dated October 25, 2011.
13. Memorandum of Activity, Interview of [REDACTED] dated October 25, 2011.
14. Memorandum of Activity, Interview of [REDACTED] dated October 25, 2011.
15. Memorandum of Activity, Re-Interview of [REDACTED] dated October 28, 2011.
16. Memorandum of Activity, Re-Interview of [REDACTED] dated October 30, 2011.
17. Memorandum of Activity, Re-Interview of [REDACTED] dated October 30, 2011.
18. Memorandum of Activity, Interview of [REDACTED] dated November 3, 2011.
19. Memorandum of Activity, Interview of [REDACTED] dated November 6, 2011.

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1027-1

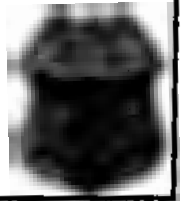
Page 14 of 14

20. Memorandum of Activity, Interview of [REDACTED] dated January 6, 2012.
21. Memorandum of Activity, OIG Subpoena Review of [REDACTED] Title Co.'s research and closing documents, dated November 18, 2011.
22. Memorandum of Activity, Re-Interview of [REDACTED] dated January 13, 2012.
23. Memorandum of Activity, Interview of [REDACTED] dated January 2, 2012
24. Memorandum of Activity, OIG Subpoena Review of [REDACTED] Group, LLC response, dated December 19, 2011.
25. Memorandum of Activity, Attempted Interview of [REDACTED] dated December 21, 2011.
26. Memorandum of Activity, Interview of [REDACTED] & Co., dated January 7, 2012.
27. Memorandum of Activity, Contact by [REDACTED]'s Attorney with DOJ Fraud, dated January 10, 2012.
28. Memorandum of Activity, Declination for Prosecution by DOJ Fraud Section, dated March 2, 2012.
29. Memorandum of Activity, Declination for Prosecution by USAO/ Southern District, MD, dated June 6, 2012.



Office of the Inspector General U.S. Department of the Treasury

Report of Investigation



Case Title: [REDACTED]

Case #: Benk-11-1031-I

Investigation Initiated: June 3, 2011

Case Type: Criminal X
Administrative
Civil

Investigation Completed: JUL 26 2013

Conducted by: [REDACTED]
Special Agent

Origin: Office of Thrift Supervision (Legacy)

Approved by: John L. Phillips
Special Agent in Charge

Summary

On May 19, 2011, the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) received a complaint from the legacy Office of Thrift Supervision (OTS) concerning [REDACTED]. During the course of a comprehensive bank examination, OTS examiners reported that they encountered significant delays in receiving information and documents, [REDACTED] management provided information and documents that were not responsive to the examiners' requests, and information and documents were not provided after repeated requests to complete the examination. [REDACTED] failed on February 24, 2012 and was placed into receivership with the Federal Deposit Insurance Corporation.

The investigation determined that the allegations were unsubstantiated. The U.S. Attorney's Office for the District of [REDACTED] declined criminal prosecution.

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1031-I

Page 2 of 6

Basle and Scope of the Investigation

On May 19, 2011, TOIG received a complaint from legacy OTS concerning [REDACTED]. During the course of a comprehensive bank examination, OTS examiners reported that they encountered significant delays in receiving information and documents, [REDACTED] management provided information and documents that were not responsive to the examiners' requests, and information and documents were not provided after repeated requests to complete the examination. [REDACTED] failed on February 24, 2012 and was placed into receivership with the Federal Deposit Insurance Corporation.

The October 2010 examination identified repeated exceptions concerning the valuation of Real Estate Owned (REO) properties and the recognition of losses on delinquent loans and loans facilitating REO sales. OTS alleged that [REDACTED]'s President, [REDACTED] intentionally slowed the bank examination in order to buy time to raise capital. Specifically, during the May 2011 limited bank examination, OTS discovered that 80 percent of [REDACTED]'s REO was concentrated in California and that all of the California properties were appraised by a single real estate appraiser. OTS alleged that the values of the California REO appraisals were overstated and that there were significant losses which resulted in losses of capital. A comprehensive examination in October 2010 determined that the bank's practices for valuing REO properties required strengthening. Furthermore, OTS determined that bank management was not obtaining new REO appraisals or evaluations in a timely manner as required by regulation and necessary to ensure timely recognition of REO losses. This was cited as a repeat criticism. (Exhibit 1)

[Agent's Note: Real estate owned (REO) is real estate, residential or commercial, in which the debt that is secured by the real estate has been foreclosed upon by the mortgagee (the financial institution lender) and owned by the financial institution. The mortgagor no longer has legal title to the property. It is classified as such on the financial statements of a financial institution. Regardless of the occupancy status, the REO properties incur maintenance and repairs expenses, utilities and property taxes. Financial institutions prefer to hold the mortgage on the real estate instead of the property itself and such assets are viewed negatively by government regulators because they are viewed as non-performing assets on their financial records.]

[Agent's Note: On July 21, 2011, the functions of the OTS were assumed by the Office of the Comptroller of the Currency (OCC), which became the legal successor of the OTS in all matters. Both regulatory agencies were part of Treasury. By act of Congress, the supervision of Federal savings associations and Federally insured state savings associations became a part of the OCC. While the OTS did not exist after July 2011, the name of the agency is invoked in this report to describe actions that took place before and after July 2011.]

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Senior Attorney, OCC

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- [REDACTED] Lead Bank Examiner, OCC
- [REDACTED] Appraiser, OCC
- [REDACTED] Assistant to REO Manager, [REDACTED]
- [REDACTED] REO Manager, [REDACTED]
- [REDACTED] Vice President Quality Control, [REDACTED]
- [REDACTED] Director of Internal Audit, [REDACTED]
- [REDACTED] Examiner In Charge, OCC
- [REDACTED] Bank Examiner, OCC
- [REDACTED] Examiner In Charge, OCC
- [REDACTED] Employee
- [REDACTED] Former Bank Examiner, OCC
- [REDACTED] Bank Examiner, OCC
- [REDACTED], Controller, [REDACTED]
- [REDACTED] Accountant, [REDACTED]
- [REDACTED] Vice President & Chief Information Officer, [REDACTED]
- [REDACTED] Vice President & Chief Loan Officer, [REDACTED]
- [REDACTED] mortgage analyst (contractor), [REDACTED]
- [REDACTED] Senior Advisor, [REDACTED] Company
- [REDACTED] Managing Director, [REDACTED] Consulting
- [REDACTED] Chief Financial Officer, [REDACTED]
- [REDACTED] Loan Default Specialist, [REDACTED]
- [REDACTED] Loss Market and Foreclosure Specialist, [REDACTED]
- [REDACTED] Accountant, [REDACTED]
- [REDACTED] CFO, Chief Accounting Officer/Treasurer, [REDACTED]
- [REDACTED] Accounting Vice President, [REDACTED]

In addition, TOIG reviewed pertinent documents, including:

- Reports of Examination
- Real estate appraisal reports
- Real estate contracts, title closing, and settlement documents
- Auditing reports of FTI Consulting, LLC
- Correspondence and e-mails of bank president Dirk S. Adams

Investigative Activity

A TOIG document review of the May 2011 OTS limited bank examination, found that while the bank had obtained appraisals timely, a sampling of the appraisals for the California held REO did not support the value conclusions that were made by the bank's appraiser. A review of REO appraisal reports raised significant concerns about the reliability of the indicated values. OTS objected to the fact that a single appraiser performed nearly all of the bank's California REO properties. (Exhibits 2 & 3)

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1031-I

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In an interview with TOIG, [REDACTED] stated he sampled 13 of the appraisals that the appraiser performed for [REDACTED] and determined none of them were satisfactory. He further asserted that the appraisals did not conform to uniform standards for appraisals nor to OTS standards, and the calculated appraisal values were deemed unsupported. (Exhibit 4)

In interviews with TOIG, former [REDACTED] employees reported that the REO properties and their valuation and accounting were closely held by three [REDACTED] officers: President [REDACTED], Senior Vice President [REDACTED], and Vice President for Quality Control [REDACTED]. The employees thought the appraisals produced by [REDACTED] were not accurate and that [REDACTED] and [REDACTED] wanted them to appear as valuable as possible. In addition, the employees who were responsible for recording and reporting the REO in the financial reports said they never saw [REDACTED]'s actual appraisal reports. The employees said [REDACTED] performed some type of "internal valuation" for each of the REOs and this information was included on the REO spreadsheet. There seemed to be secrecy surrounding the treatment of the REO and [REDACTED] had the final say on the decision to write down or not write down losses on the REO inventory. (Exhibits 5-10)

In an interview with TOIG, [REDACTED] stated that she had no concerns about appraiser [REDACTED]'s work. She reported to [REDACTED] but did not know to whom [REDACTED] reported. [REDACTED] said she did not see anything illegal or underhanded toward in the bank. (Exhibit 11)

In an interview with TOIG, [REDACTED] stated that every month she received an e-mail from [REDACTED] that had been approved by [REDACTED]. The e-mail contained write-down entries for each property and there was no back up documentation provided, only the borrower names and the amount of the write-downs. (Exhibit 12)

In an interview with TOIG, [REDACTED] said that asset valuations were of particular concern to [REDACTED]. [REDACTED] said the accounting department did not review the appraisals but received the appraisal reports and recorded repairs and improvements that were made and billed to the bank. (Exhibit 13)

In an interview with TOIG, [REDACTED] stated that the staff at [REDACTED] was instructed not to question the valuations utilized for reporting the REO, per [REDACTED]. [REDACTED] made it known to the accounting staff that he would handle the REO personally and [REDACTED] stayed out of it. (Exhibit 14)

Referrals

On May 10, 2012, the investigation was referred to the U.S. Attorney's Office (USAO), District of [REDACTED] for criminal prosecution. (Exhibit 16)

Report of Investigation

Case Name: [REDACTED]

Case # Bank-11-1031-I

Page 5 of 8

On December 18, 2012, Assistant U.S. Attorney (AUSA) [REDACTED] USAO, District of [REDACTED] declined prosecution. (Exhibit 16)

Judicial Action

N/A

Findings

The investigation determined that the allegation was unsubstantiated. The U.S. Attorney's Office for the District of [REDACTED] declined criminal prosecution.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policies were violated or could be applied to the case:

- N/A

Distribution

[REDACTED] Senior Advisor, Office of the Comptroller of the Currency

Signatures

Case Agent:

For [REDACTED]

7/25/13
Date

Supervisor:

7/26/13
Date

Report of Investigation

Case Name: [REDACTED]

Case # Bank 11-1031-1

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Exhibits

1. Lead initiation documents, dated May 17, 2011.
2. Report of Bank Examination, dated October 20, 2010.
3. Memorandum of Activity, Interview of [REDACTED] dated September 19, 2011.
4. Memorandum of Activity, Interview of [REDACTED] dated June 6, 2012.
5. Memorandum of Activity, Interview of [REDACTED] dated June 5, 2012.
6. Memorandum of Activity, Interview of [REDACTED] dated June 5, 2012.
7. Memorandum of Activity, Interview of [REDACTED] dated June 12, 2012.
8. Memorandum of Activity, Interview of [REDACTED] dated November 2, 2012.
9. Memorendum of Activity, Interview of [REDACTED] dated November 2, 2012.
10. Memorandum of Activity, Interview of [REDACTED] dated November 18, 2912.
11. Memorandum of Activity, Interview of [REDACTED] dated June 5, 2012.
12. Memorandum of Activity, Interview of [REDACTED] dated January 9, 2013.
13. Memorandum of Activity, Interview of [REDACTED] dated October 21, 2012.
14. Memorandum of Activity, Interview of [REDACTED] dated November 19, 2912.
15. Memorandum of Activity, Case Presented for Prosecution - Criminal (Accepted), dated June 17, 2012.
16. Memorandum of Activity, Case Presented for Prosecution - Criminal (Declined), dated May 1, 2013.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20330

MAY 26 2011

OFFICE OF
INSPECTOR GENERALMEMORANDUM FOR [REDACTED] SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCY

FROM:

[REDACTED]
Assistant Special Agent in Charge
Mission Support Branch

SUBJECT:

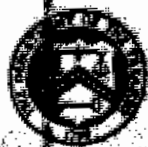
[REDACTED]
Office of the Comptroller of the Currency
Washington, D.C.

Complaint Number: OCC-11-1042-R

This is in response to your notification of the misuse of a government sponsored travel card by the above referenced Office of the Comptroller of the Currency (OCC) employee.

We have reviewed the information provided concerning this employee's pass due balance on her travel card of \$566.10 on April 4, 2011. Based on a review of the information provided, the Office of Investigations will not conduct an investigation at this time. Accordingly, we are referring this matter to you for appropriate action.

Please notify this office within sixty (60) days of the date of this memorandum of any action taken so that we may update our records. Should you require longer than 60 days to complete this action, please coordinate with us to establish an extension in time that works for you. If you have any questions concerning this matter, please feel free to call upon me at (202) 927- [REDACTED]

OFFICE OF
INSPECTOR GENERALDEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20226

AUG 2 2011

MEMORANDUM FOR [REDACTED] SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCY

FROM:

[REDACTED] *[Signature]*
Assistant Special Agent in Charge
Mission Support Branch

SUBJECT: OIG Complaint Number: OCC-11-1242-R

The Department of the Treasury, Office of Inspector General received the enclosed correspondence. As the issues raised appear to concern matters under the jurisdiction of the Office of the Comptroller of the Currency, we are forwarding the correspondence to you for appropriate handling.

Based on a review of the information provided, the Office of Investigations will not conduct an investigation at this time. Accordingly, we are referring this matter to you for appropriate action.

Please notify this office within sixty (60) days of the date of this memorandum of any action taken so that we may update our records. Should you require longer than 60 days to complete this action, please coordinate with us to establish an extension in time that works for you. If you have any questions concerning this matter, please feel free to call upon me at (202) 927-[REDACTED]

Enclosure



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] Bank
Private Entity

Case #: BANK-12-2332-I

Investigation Initiated: October 11, 2012

Case Type: Criminal X
Administrative
Civil

Investigation Completed: NOV 08 2013

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Inspector General
Office of Audit

Approved by: [REDACTED]
Special Agent in Charge
(Acting)

Summary

On May 18, 2012, the Office of the Comptroller of the Currency (OCC) closed [REDACTED] Trust Bank [REDACTED] and appointed the Federal Deposit Insurance Corporation (FDIC) as receiver. The bank had approximately \$51.6 million in assets and \$45.1 million in deposits. As of June 30, 2012, the estimated cost to the Deposit Insurance Fund was \$11.4 million.

On August 2, 2012, the Office of Inspector General, Office of Audit (OA), referred a complaint to the Office of Inspector General, Office of Investigations (TOIG). The complaint alleged questionable activity by senior officials of [REDACTED] Bank ([REDACTED] including its former President and Chief Lending Officer, [REDACTED], and former board member, [REDACTED].

The questionable activity included loans made by [REDACTED] to his [REDACTED] ("[REDACTED]"), and a loan made to [REDACTED], where [REDACTED] had an allegedly undisclosed relationship. [Exhibit 1]

The investigation determined that the allegations of questionable activity were substantiated. However, the investigation did not uncover enough evidence to present the case for prosecution. During the investigation, TOIG reviewed documents from OCC, FDIC, and [REDACTED]. Documents included Reports of Examination (ROE), Memoranda of Interviews, the 90 day report, loan files, internal bank correspondence, and other miscellaneous documents. TOIG also discussed the case with the FDIC counsel assigned to ATB and consulted a trial attorney from the U.S. Department of Justice (DOJ), Criminal Division Fraud Section.

Report of Investigation

Case Name: [REDACTED] Bank

Case # BANK-12-2332-1

Page 2 of 5

Basis and Scope of the Investigation

On August 2, 2012, OA referred a complaint alleging questionable activity by senior officials of [REDACTED] including its former President and Chief Lending Officer and a former board member. The questionable activity included loans made to the son of [REDACTED] president and loans made to [REDACTED] where an ATB board member did not disclose his relationship. [Exhibit 1]

During the course of the investigation, TOIG conducted interviews with:

- [REDACTED] Audit Manager, Office of Inspector General, Office of Audit
- [REDACTED] Attorney, Criminal Division, Fraud Section, DOJ
- [REDACTED] Counsel, Legal Division / Professional Liability Unit, FDIC

In addition, TOIG reviewed pertinent documents, including:

- ROE dated January 5, 2009
- OCC Consent Order #2010-246, dated December 13, 2010
- Office of Audit Failed Bank Review report (Draft) dated August 2012
- [REDACTED] documents regarding the loans made to [REDACTED] and [REDACTED]
- FDIC Memoranda of Interviews and 90 day report
- Internal [REDACTED] memoranda, email correspondence, and other miscellaneous documents

Investigative Activity

On August 2, 2012, TOIG opened an investigation to review the complaint.

The OCC ROE dated January 5, 2009, states that (then) President [REDACTED] actions to bring 12 past due loans current through unauthorized overdraft approvals resulted in a misstated Call Report for the period ending December 31, 2008. The total amount of the loans was approximately \$356,000, and they were spread over seven different borrowers. One of the borrowers was [REDACTED], whose six loans with the bank totaled approximately \$204,000. [Exhibit 2]

On December 13, 2010, [REDACTED] entered into Consent Order 2010-246 with the OCC. Without admitting or denying wrongdoing, [REDACTED] stipulated to prohibition, cease and desist, and civil money penalty orders levied for unsafe or unsound practices and breaches of fiduciary duties relating to his failure to disclose his personal financial interest in loans and other transactions involving customers of [REDACTED]. [REDACTED] is prohibited from a multitude of positions with financial or financial-related institutions, has to pay \$46,000 in restitution to the bank, and a \$5,000 civil money penalty. [Exhibit 3]

Report of Investigation

Case Name: [REDACTED] Bank

Case # BANK-12-2332-I

Page 3 of 5

On September 28, 2012, [REDACTED] pled guilty to one count of selling unregistered securities in a Ponzi scheme and was sentenced to three years of probation, ordered to pay \$350,000 in restitution, and prohibited from selling securities without prior approval from the Alabama Securities Commission (ASC); ASC was the investigating agency.

OA's final Failed Bank Review report (OIG-13-003) cited the primary cause of [REDACTED]'s failure was "...critically deficient management and direction by its board of directors." However, OA concluded that when significant concerns with management and the board were identified by OCC, there were no unusual circumstances surrounding the bank's failure that would necessitate an in-depth review. [Exhibit 4]

On multiple occasions, TOIG consulted with DOJ trial attorney [REDACTED]. [REDACTED] advised TOIG to focus the investigation on the loans to [REDACTED] and a loan to [REDACTED].

Over the course of the investigation, TOIG received documents from FDIC on three occasions. The documents pertained to loans to [REDACTED] and [REDACTED], the FDIC 90-day report, FDIC memoranda of interviews, and internal [REDACTED] correspondence and miscellaneous documents. A TOIG review of all documents did not provide any evidence of intent to defraud. [Exhibits 5 through 13]

Referrals

None.

Judicial Action

N/A

Findings

The investigation determined that the allegations of questionable activity were substantiated. However, the investigation did not uncover enough evidence to present the case for prosecution.

Distribution

Marla A. Freeman, Assistant Inspector General for Audit

Report of Investigation

Case Name: [REDACTED] Bank

Case # BANK-12-2332-I

Page 4 of 5

Signatures

Case Agent: [REDACTED]

11/7/2013
Date

Supervisor: [REDACTED]

11/7/13
Date

Report of Investigation

Case Name: [REDACTED] Bank

Case # BANK-12-2332-1

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Exhibits

1. OA Referral Memorandum dated August 2, 2012.
2. OCC ROE dated January 5, 2009.
3. OCC Consent Order 2010-248 dated December 13, 2010.
4. OA Report OIG-13-003 dated October 15, 2012.
5. FDIC Ninety Day Post-Closing Report, Financial Identification Number 10440, dated August 18, 2012.
6. FDIC Memorandum of Interview of [REDACTED] Cashier/HR Manager, dated May 19, 2012.
7. FDIC Memorandum of Interview of [REDACTED] Vice President/Senior Lender, dated May 19, 2012.
8. FDIC Memorandum of Interview of [REDACTED] Loan Operations Manager, dated May 19, 2012.
9. FDIC Memorandum of Interview of [REDACTED] Secretary for the Board, dated May 18, 2012.
10. FDIC Memorandum of Interview of [REDACTED] Branch Manager, dated May 19, 2012.
11. Memorandum of Activity, Document Review, dated July 5, 2013.
12. Memorandum of Activity, Document Review, dated August 27, 2013.
13. Memorandum of Activity, Document Review, dated November 5, 2013.



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 22 2013

MEMORANDUM TO FILE

OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF THE TREASURY

FROM:

[REDACTED] 7/19/13
Assistant Special Agent in Charge

SUBJECT:

[REDACTED] Bank
[REDACTED]

OIG File Number BANK-12-0423-I

On December 5, 2010, [REDACTED] Assistant United States Attorney (AUSA), United States Attorney's Office (USAO), Middle District of Pennsylvania, Scranton, PA, contacted the TOIG and requested assistance in an investigation involving [REDACTED] [REDACTED] [REDACTED] [REDACTED] is a \$1.1 billion institution and is regulated by the Office of the Comptroller of the Currency (OCC).

On December 7, 2010, TOIG agents met with AUSA [REDACTED] to further discuss the facts of this investigation. Also in attendance were agents from the Federal Deposit Insurance Corporation (FDIC), Office of Inspector General and the Internal Revenue Service, Criminal Investigation Division (IRS-CID). AUSA [REDACTED] advised agents the investigation had two parts. The first part involved the failure to file Suspicious Activity Reports (SAR's), which was to be led by the IRS-CID. Regarding the second part of the investigation, AUSA [REDACTED] advised she was seeking investigative resources to focus on the finances of [REDACTED] AUSA [REDACTED] advised the Securities and Exchange Commission (SEC) would be investigating the allegations of false financial reports (Call Reports, 10K/10Q) being filed with the SEC. AUSA [REDACTED] advised [REDACTED] is operated by the [REDACTED] family, and it is alleged the family is tied to organized crime. AUSA [REDACTED] advised agents this case came to her attention through a local Federal Bureau of Investigation perjury case involving [REDACTED] as well as reading articles involving possible insider bank loans by the [REDACTED] family. AUSA [REDACTED] advised she did not have any evidence of wrongdoing involving these allegations, which is why she was seeking assistance.

On May 3, 2012, TOIG agents interviewed [REDACTED], OCC National Bank Examiner. [REDACTED] was the Examiner in Charge of FNGB since 2009, and had participated in the oversight of [REDACTED] since 1990. [REDACTED] advised there has been suspicious or questionable activity at the bank over the years, but in his opinion nothing he could point to as fraudulent. TOIG also conducted interviews with four other OCC National Bank Examiners who had been involved in the oversight of [REDACTED] since 2008. [REDACTED] and the other examiners were specifically asked about five insider loans; [REDACTED], [REDACTED], [REDACTED], [REDACTED], and [REDACTED]. The examiners advised from their experience the insider bank loans appeared to be consistent with other bank loans, with no apparent favoritism regarding terms and approval. All loans went through the proper approval process. The examiners advised they did have issues with the [REDACTED], [REDACTED], and [REDACTED] loans, which resulted in charge-offs to the bank, but those issues did not involve fraud. The examiners advised in some cases, [REDACTED] had agreed with the borrowers for repayment terms on the loans. The examiners concurred they have always been granted full access to bank records and there have been no obstruction issues associated with the bank.

On June 7, 2012, TOIG requested from the OCC all documents in their possession involving the oversight and regulation of [REDACTED] for the past five years, to include the Reports of Examination. Those documents were received on July 5, 2013, and reviewed during the next several months. OCC personnel were contacted and requested to explain or clarify documents reviewed by TOIG. The review did not uncover any direct evidence of fraud.

On October 15, 2012, the OCC began its most recent examination of [REDACTED]. TOIG requested a copy of the Report of Examination (ROE) when it was completed. On February 21, 2013, TOIG received the ROE from the OCC. The ROE outlined the overall financial condition of the bank and identified several safety and soundness issues associated with [REDACTED] but did not identify or refer to TOIG any suspected fraudulent activity for additional investigation. The ROE was forwarded to the IRS-CID and AUSA [REDACTED] on March 12, 2013. No comment or feedback was received from either office.

On June 7, 2013, IRS-CID SA [REDACTED] advised TOIG her office had closed its investigation involving [REDACTED]. SA [REDACTED] advised her office did not uncover any fraudulent activity within its jurisdiction and had not received any guidance from the USAO in several months preceding its closure.

On June 11, 2013, TOIG contacted AUSA [REDACTED] to ascertain if her office had officially closed its investigation. AUSA [REDACTED] advised she was awaiting the report from the SEC involving its investigation of the financial reports filed by [REDACTED] and would make a determination at that time. TOIG requested AUSA [REDACTED] to advise TOIG of the results of the SEC investigation and the case status at that time.

Over the past several months no additional guidance or direction has been issued by the USAO, to include the authorization of interviews or subpoenas to further determine if any fraudulent conduct has occurred. This investigation will be concluded by the SEC. If additional investigative facts are developed this matter may be reevaluated and reopened. It is recommended this matter be closed at this time with the approval of this memorandum.

Approved: 

7/19/13

[REDACTED]
Acting Assistant Inspector General for Investigations



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] Bank

Investigation Initiated: August 1, 2011

Case Type: Criminal X
Administrative _____
Civil _____

Investigation Completed:

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Inspector General
Office of Audit

Approved by: John L. Phillips
Special Agent in Charge

Case #: BANK-11-1365-I

Summary

On July 18, 2011, the Office of Inspector General, Office of Audit, referred a complaint to the Office of Inspector General, Office of Investigations (TOIG). The complaint alleged that former bank president [REDACTED] did not properly classify loans that were bought from a third party broker, [REDACTED], and that former Vice President [REDACTED] misappropriated \$45,363 through 45 transactions over a period of 3.5 years.

On August 1, 2011, TOIG opened an investigation to review the complaints. TOIG reviewed documents from the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), which included Reports of Examination, Memoranda of Interviews, a 90 day report, and loan files.

TOIG also discussed the case with an OCC Examiner and an FDIC Investigator, and consulted a trial attorney from the U.S. Department of Justice (USDOJ), Criminal Division Fraud Section.

Due to the lack of substantive evidence of criminal activity uncovered during interviews and document review, this investigation is being closed. If additional information or evidence becomes available, TOIG may re-open this matter.

Basis and Scope of the Investigation

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED], Attorney, Office of Enforcement, OCC
- [REDACTED], Former Vice President (VP) of Compliance, [REDACTED] Bank
- [REDACTED], FDIC Investigative Specialist
- [REDACTED], OCC Examiner

In addition, TOIG reviewed pertinent documents, including:

- OCC Report of Examination (ROE) dated September 13, 2010
- OCC ROE dated July 2, 2007
- Treasury Inspector General Office of Audit report dated August 30, 2011
- FDIC Memoranda of Interviews
- Loan files for nineteen loans bought by [REDACTED] Bank from [REDACTED]

Investigative Activity

On July 18, 2011, the Inspector General Office of Audit referred a complaint to TOIG. The complaint alleged that former bank president [REDACTED] did not properly classify loans that were bought from a third party broker, [REDACTED] and that former Vice President [REDACTED] misappropriated \$45,363 through 46 transactions over a period of 3.5 years. [Exhibit 1]

The OCC ROE dated July 2, 2007 states that on March 28, 2006, [REDACTED] misappropriated \$200 and had been placed on administrative leave. Upon further investigation, it was discovered that [REDACTED] misappropriated \$45,363 through 46 transactions over a period approximating 3.5 years. [REDACTED] made restitution to the bank by deeding a 0.24 acre single family lot that was valued at \$51,000 as of May 24, 2006. [ROE is available in IMIS under Lead Initiation, Attachment 3]

The OCC ROE dated September 13, 2010, states that [REDACTED] Bank was operating in an "unsafe and unsound condition" and that the loan portfolio had "severely deteriorated" since 2009. [REDACTED] provided the examination team with a list of loans from a third-party broker that constituted a significant amount of the problem assets. The loans totaled \$9.3 million and the majority were in foreclosure. [ROE is available in IMIS under Lead Initiation, Attachment 2]

The September 13th ROE further states that the largest classified loan relationship of the bank, as of June 30, 2010, was with [REDACTED]. [REDACTED] had eight loans totaling \$2,255,000. The OCC classified all of these loans as substandard (i.e., a distinct possibility that the institution will sustain some loss).

The Office of Inspector General Audit Report OIG-11-095, dated August 30, 2011, cited the causes of [REDACTED] Bank's failure were its high concentration of commercial real estate and land loans, and its failure to adequately identify, measure, monitor, and control credit and concentration risk. However, the Office of Audit concluded that there were no unusual circumstances surrounding [REDACTED] Bank's failure. [Exhibit 2]

On August 19, 2011, FDIC IG advised TOIG that they would not be opening an investigation.

On September 21, 2011, TOIG discussed [REDACTED] Bank with [REDACTED] Attorney, Office of Enforcement, OCC. [REDACTED] said that [REDACTED] was the lead examiner for the [REDACTED] Bank exam dated September 2010. [REDACTED] said that [REDACTED] felt there was obstruction during the bank exam due to bank executives [REDACTED] and [REDACTED] hiding appraisals. If the appraisals had been seen, it would have "materially altered the examination." [Exhibit 3]

[REDACTED] also said that [REDACTED] allegedly received bribes from loan customer [REDACTED]. [REDACTED] said that [REDACTED] claimed that he performed more than \$40,000 worth of grading, paving, and other services for [REDACTED]'s residence with the understanding that the bank would continue to loan him money.

[REDACTED] said that during his investigation, [REDACTED], a third party broker, had nineteen loans approved by [REDACTED] Bank. Of these nineteen loans, thirteen loans were foreclosed or in collection, totaling in the millions of dollars.

Between September 21, 2011, and June 7, 2012, TOIG made multiple attempts to discuss the investigation with [REDACTED], who had left OCC to work for FDIC. [REDACTED] and FDIC management were unresponsive to TOIG requests to meet with [REDACTED].

On June 28, 2012, TOIG consulted with USDOJ trial attorney [REDACTED]. [REDACTED] advised the matter regarding [REDACTED] would likely not have any prosecutorial merit since she had already made restitution to the bank. [REDACTED] further advised that TOIG focus the investigation on the nineteen loans that [REDACTED] Bank purchased from [REDACTED].

On June 29, 2012, TOIG interviewed [REDACTED] former VP of Compliance at [REDACTED] Bank. On or about September 2010, [REDACTED] was conducting a compliance review of [REDACTED]'s loan department. [REDACTED] discovered the nineteen mortgage loans that were brought to [REDACTED] by [REDACTED]. The bank approved and issued these loans from 2006 to 2008. [Exhibit 4]

All of the loans were presented to, and processed by, the former bank president [REDACTED]. [REDACTED] did not know [REDACTED] and had no further information regarding the relationship between [REDACTED] and [REDACTED].

[REDACTED] stated that after [REDACTED] went into FDIC Receivership in May 2011, the FDIC conducted an investigation and "really looked at" the thirteen troubled loans. Additionally, [REDACTED] stated the FDIC interviewed several bank personnel and [REDACTED] further stated that during [REDACTED] foreclosure proceedings against customer [REDACTED] in January 2011, [REDACTED] alleged that he performed contract work for [REDACTED] a personal residence at no charge, with the understanding that [REDACTED] would continue to loan [REDACTED] money. [REDACTED] believes that towards the conclusion of the proceedings, [REDACTED] "backed off" these claims.

Continuing on June 29, 2012, TOIG discussed [REDACTED] Bank with FDIC Investigative Specialist [REDACTED]. [REDACTED] stated that the FDIC originally thought there may have been a pyramid scheme taking place since the loans were for roughly the same amount (sixteen of the nineteen loans were between \$124,000 and \$572,000). However, after interviewing several borrowers FDIC discounted that theory. [Exhibit 6]

On July 2, 2012, TOIG reviewed [REDACTED] County court documents regarding [REDACTED] foreclosure on three of [REDACTED] mortgages (Eighteenth Judicial Circuit Court case number 05-2009-CA-25981). Under deposition, when [REDACTED] was questioned about his Affirmative Defense that he was a victim of fraud perpetrated by [REDACTED] Bank, [REDACTED] stated that he was not aware of any fraudulent statements made by the bank. Additionally, in the Amended Final Judgment of Foreclosure dated January 28, 2011, it was adjudged that [REDACTED] "failed to establish, by a preponderance of the evidence, sufficient facts to support the alleged fraudulent inducement affirmative defense." [Exhibits 6 and 7]

On July 9, 2012, TOIG discussed the 2010 examination of [REDACTED] Bank with OCC Examiner [REDACTED]. [REDACTED] was responsible for examining the asset quality/loan review portion of the examination. [REDACTED] reviewed the loan files for forty-three loans that were designated by [REDACTED] as "Troubled." None of these loans had a current appraisal on file, which is required when a loan is designated as Troubled. When [REDACTED] inquired as to why there weren't appraisals on file, he was told that the appraisals had been ordered, but not yet returned. Since there were no appraisals, [REDACTED] had not performed impairments on the troubled loans. [REDACTED] brought this to the attention of the lead examiner, [REDACTED]. According to [REDACTED], [REDACTED] felt [REDACTED] officers should have mentioned at the outset of the examination that forty-three appraisals on troubled assets had not been returned, as this impacted the forecasted financial statements of the bank. [Exhibit 8]

On July 10, 2012, TOIG reviewed memoranda of interviews provided by FDIC. FDIC Resolutions and Receiverships Investigators conducted several interviews in May 2011. Among the interviewees were [REDACTED] and [REDACTED].

[REDACTED] indicated that loans from [REDACTED] were all handled by former bank president [REDACTED]. [REDACTED] didn't think that the loans went through proper channels, but he was not aware of any wrongdoing. With regard to the [REDACTED] loans, [REDACTED] was aware of an accusation that

[REDACTED] had done work for [REDACTED] as a bribe being given for loans, but [REDACTED] stated that it was later found out that [REDACTED] was paid for the work. [Exhibit 9]

[REDACTED] indicated that [REDACTED] Bank was his first foray in commercial real estate loans after dealing with home mortgages throughout his career. He believed the quality of his underwriting on loans was better than banks in the area, and that clients came to him because he was established in the area. [REDACTED] stated that he dealt directly with [REDACTED], did not have a social or compensatory relationship with [REDACTED], and that [REDACTED] refused to buy loans from [REDACTED] in several instances due to inadequate cash flows. [Exhibit 10]

On February 11, 2013, TOIG completed the review of loan files obtained from FDIC. The requested documents were regarding the nineteen loans bought by [REDACTED] Bank through [REDACTED] and included 15,410 pages. [Exhibit 11]

Documents were received for the following loans:

	Loan #	Loan Name	Amount (Original)	
1	100203370	[REDACTED]	\$ 290,000	
2	100203578	[REDACTED]	\$ 750,000	
3	100203340	[REDACTED]	\$ 400,000	
4	100203224	[REDACTED]	\$ 150,000	
5	100203528	[REDACTED]	\$ 1,100,000	
6	100203354	[REDACTED]	\$ 900,000	
7	100203418	[REDACTED]	\$ 415,000	
8	100203186	[REDACTED]	\$ 855,000	
9	100208038	[REDACTED]	\$ 279,300	
10	100203118	[REDACTED]	\$ 554,400	
11	100203262	[REDACTED]	\$ 175,000	
12	100203500	[REDACTED]	\$ 330,000	
13	100203246	[REDACTED]	\$ 397,000	
14	100102643	[REDACTED]	\$ 500,000	HELOC
15	100202024	[REDACTED]	\$ 572,000	
16	100202506	[REDACTED]	\$ 480,000	
17	100202820	[REDACTED]	\$ 150,000	
18	100202996	[REDACTED]	\$ 179,300	
19	100203360	[REDACTED]	\$ 124,000	
	Exposure		\$ 7,971,000	

Before and during the document review, TOIG consulted with USDOJ Attorney [REDACTED]. [REDACTED] advised to focus on Settlement sheets, common identifiers of borrowers, and borrower financial statements provided to the bank. Of the loans [REDACTED] reviewed, he stated nothing warranted further investigation. TOIG reviewed the remaining files using the same methodology.

Report of Investigation

Case Name: [REDACTED] Bank

Case # BANK-11-1385-I

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- Documents included, but not limited to; settlement sheets; loan applications and valuations; appraisals; court documents to include foreclosure claims, judgments of foreclosure, interrogatories, and affirmative defenses; loan summaries; borrower profiles; and credit histories of the applicants;
- Not every file had each document. For example, income tax filings and credit reports for the applicants appeared in only a handful of the files;
- [REDACTED] Bank used ten different appraisers for these loans. Some properties had multiple appraisals separated by as much as five years to as little as ten months;
- Each loan applicant appeared to be separate from the others in that there were no common social security numbers, mailing addresses, or places of employment;
- Settlement sheets did not show unusually large or unexplainable payouts to third parties;
- Tax returns and asset statements of the applicants did not appear to be inconsistent with their stated professions.

Referrals

None.

Judicial Action

N/A

Findings

Based on the findings of our investigation, it appears that no criminal laws were violated.

Distribution

[REDACTED], Senior Advisor, Office of the Comptroller of the Currency

Signatures

Case Agents:

[REDACTED] _____

3/7/2013
Date

Supervisor:

[REDACTED]
John L. Phillips _____

3/12/13
Date

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Report of Investigation
Case Name: [REDACTED] Bank
Case # BANK-11-1385-I
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Exhibits

1. IG Office of Audit Referral Memorandum, dated July 18, 2011
2. IG Office of Audit report OIG-11-095, dated August 30, 2011
3. Memorandum of Activity, OCC Attorney [REDACTED], dated September 21, 2011
4. Memorandum of Activity, Interview of [REDACTED], dated June 29, 2012
5. Memorandum of Activity, FDIC Investigator [REDACTED], dated June 29, 2012
6. Transcript of Deposition of [REDACTED], dated April 22, 2010
7. Amended Final Judgment of Foreclosure against [REDACTED], dated January 28, 2011
8. Memorandum of Activity, OCC Examiner [REDACTED], dated July 9, 2012
9. FDIC Notes from Interview of [REDACTED], dated May 7, 2011
10. FDIC Notes from Interview of [REDACTED], dated May 10, 2011
11. Memorandum of Activity, Summary of Loan Files, dated February 11, 2013

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 16 2013


OFFICE OF
INSPECTOR GENERALMEMORANDUM FOR [REDACTED] SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCYFROM: John L. Phillips 7/15/13
Special Agent in Charge

SUBJECT: Notification of Preliminary Inquiry Closure

OIG Case Number: BANK-13-0097

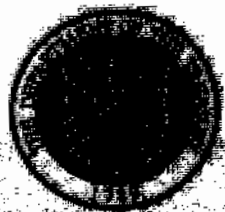
An inquiry was initiated by the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), after receiving information from the Office of the Comptroller of the Currency (OCC) regarding an allegation that [REDACTED] Bank & Trust (Bank), Little Rock, Arkansas, may have obstructed an OCC examination. On September 25, 2012, OCC served the Bank with a Prompt Corrective Action Dismissal Directive for the immediate dismissal of the Bank's Chief Executive Officer (CEO) and President, [REDACTED].

After meeting with the US Attorney's Office, District of Arkansas, Federal Bureau of Investigation, Internal Revenue Service-Criminal Investigation, Special Inspector General for Troubled Asset Relief Program OIG, and Federal Reserve Board OIG, regarding the investigation, TOIG provided documentation and copies of OCC personnel interviews to the respective agencies. Due to the investigative resources dedicated to this matter, TOIG will not actively participate in the investigation, but be supportive of any requests by the investigative agencies.

As a result, TOIG determined that the allegations do not merit additional investigative resources, and the matter is being closed accordingly.

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Office of Inspector General - Investigations
Department of the Treasury



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] Bank and Trust

Case Type: Criminal ☒
Administrative ☐
Civil ☐

Investigation Initiated: October 23, 2012

Conducted by: [REDACTED]
Special Agent

Investigation Completed:

Origin: Maria Freeman, Assistant Inspector General for Audit, OCC

Approved by: John L. Phillips
Special Agent in Charge

Case #: BANK-12-2665-4

Summary

On September 25, 2012, the United States Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), received information from Maria Freeman, Assistant Inspector General for Audit, TOIG, regarding possible violations of law or regulation committed by [REDACTED] Bank and Trust (Charter) in connection to loan participation agreements between [REDACTED] Bank, and [REDACTED] Bank. (Exhibit 1)

The investigation determined the allegations are unsubstantiated. [REDACTED], Problem Bank Specialist (PBS), OCC and [REDACTED], Attorney, OCC reviewed the failure of [REDACTED] and found no indication that violations of criminal law occurred. According to OCC, only violations of bank regulations occurred in the failure of [REDACTED]

Basis and Scope of the Investigation

This case was initiated on October 23, 2012, based upon information from Maria Freeman, Assistant Inspector General for Audit, TOIG, informing the Office of Investigations of possible violations of law or regulation committed by [REDACTED]

During the course of the investigation, TOIG conducted relevant interviews with

- [REDACTED], Attorney, Enforcement and Compliance Division, OCC
- [REDACTED], Problem Bank Specialist, Division of Special Supervision, OCC

Report of Investigation

Case Name [REDACTED] BANK AND TRUST

Case # BANK-12-2005-1

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Investigative Activity

On November 29, 2012, TOIG interviewed [REDACTED] Attorney, Enforcement and Compliance Division, OCC, regarding [REDACTED]. [REDACTED] advised TOIG that the OCC investigation on the failure of [REDACTED] was ongoing. [REDACTED] stated that to date, OCC had found no indication that violations of criminal law were committed by [REDACTED]. [REDACTED] stated that information obtained from OCC subpoenas confirmed that [REDACTED] did not alter loan participation agreements with [REDACTED] Bank and [REDACTED] Bank. According to [REDACTED], violations of Title 12 of the United States Code were found, but nothing to indicate criminal violations. (Exhibit 2)

On December 11, 2012, TOIG interviewed [REDACTED], Problem Bank Specialist (PBS), OCC, regarding possible criminal violations of law committed by [REDACTED]. [REDACTED] worked as the PBS for [REDACTED] leading up to and after [REDACTED]'s failure. [REDACTED] stated that an unknown [REDACTED] employee called [REDACTED] alleging [REDACTED] falsified loan participation documents between [REDACTED] Bank, and [REDACTED] Bank. In the previous interview with [REDACTED] TOIG confirmed that no loan documents were altered by [REDACTED]. [REDACTED] stated he did not find any abnormalities in the review of [REDACTED] documents or indication criminal violations occurred. (Exhibit 3)

During the course of the investigation, TOIG found no indication that [REDACTED] attempted to impede or otherwise subvert OCC's review. OCC employees stated there were no irregularities with [REDACTED]'s compliance in regards to OCC requests for documents.

Referrals

N/A

Judicial Action

N/A

Findings

The investigation determined the allegations are unsubstantiated. No criminal violations of law were found in the review of Charter's failure.

Distribution

[REDACTED] Senior Advisor, OCC

Report of Investigation

Case Name [REDACTED] BANK AND TRUST

Case # BANK-12-2685-1

Page 3 of 4

Signatures

Case Agent:

Signature [REDACTED]

8-Jan-2013

Date

Supervisor:

Signature John L. Phillips

8-11-12

Date

Report of Investigation

Case Name [REDACTED] BANK AND TRUST

Case # BANK-12-2685-1

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Exhibits

Number Description

1. Original Allegation, Correspondence, dated June 1, 2012.
2. Memorandum of Activity, Interview of [REDACTED] dated November 29, 2012.
3. Memorandum of Activity, Interview of [REDACTED] dated December 11, 2012.



OFFICE OF
INSPECTOR GENERAL

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

OCT 08 2013

October 2, 2013

MEMORANDUM FOR FILE

FROM: Jason J. Matrick
Special Agent in Charge (Acting)

SUBJECT: Bank Initiative Project Closure

OIG Project Number: Bank-13-1442-I

During this reporting period, the Office of Inspectors General (OIG) for the Federal Deposit Insurance Fund (FDIC), Federal Reserve Board of Governors (FRB), and Treasury started an initiative to conduct the investigations of failed banks jointly. TOIG has partnered with these agencies to bring to justice individuals who have defrauded the financial institutions within the jurisdiction of the three agencies, which includes circumventing or impeding the regulators examination processes. The joint initiative's collective efforts will be a deterrent to others contemplating criminal activity and help maintain the public's confidence in the nation's financial system.

Our oversight includes Treasury's financial institution regulators—the Office of the Comptroller of the Currency (OCC) and legacy Office of Thrift Supervision (OTS) (OTS was merged with OCC in 2012). In addition our office receives information regarding regulator obstruction from DOJ, various Federal and state regulatory and law enforcement agencies, and other sources.

TOIG opened an investigative case number for Fiscal Year (FY) 2013 to allow agents to utilize for case development and to document agent activities in relation to the initiative. TOIG has received/maintained approximately 20 leads concerning failed or failing banks. Leads conducted to date have yielded no criminal results, but several potential inquiries are being reviewed.

Therefore, with the ending of FY 2013, it is recommended that with the approval of this memorandum, this project be administratively closed.

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Office of Inspector General - Investigations
Department of the Treasury

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20230

OCT 08 2013

OFFICE OF
INSPECTOR GENERALMEMORANDUM FOR LAURA L. MCAULIFFE, SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCYFROM: Jason J. Metrick
Special Agent in Charge (Acting)

SUBJECT: JPMorgan Chase Bank, N.A.

Case number: BANK-13-0272-1

The U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) received a referral from the Office of the Comptroller of the Currency (OCC) regarding a possible attempt by JPMorgan Chase Bank, N.A. (JPMC) to obstruct the bank examination process. In 2008, the OCC had requested the investigative reports and notes related to its relationship with Bernard L. Madoff Investment Securities, LLC. JPMC declined to provide the notes of its internal interviews of over 90 JPMC employees following Madoff's arrest in December 2008. JPMC's counsel claimed the interview notes were protected under the attorney-client privilege and work product immunity.

On May 2, 2013, TOIG issued an Inspector General (IG) subpoena for the records. After non-compliance with the IG subpoena, TOIG requested that the U.S. Department of Justice (DOJ), Civil Division enforce the subpoena on JPMC. On September 12, 2013, the DOJ Civil Division advised TOIG that they were denying the request for enforcement of the subpoena.

On September 19, 2013, TOIG Counsel met with OCC's Counsel regarding DOJ's decision and OCC agreed that TOIG could not undertake and further actions regarding the matter.

As a result we are closing this matter accordingly. If you have questions or if you develop information that may indicate a need for additional or new investigative activity to assist you in resolving this matter, please contact me at (202) 927-6636.

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Office of Inspector General - Investigations
Department of the Treasury



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

(Treasury Employee)
Senior Financial Analyst
NB-1160
Office of the Comptroller of
the Currency

Case #: OCC-11-0982-I**Case Type:** Criminal
Administrative X
Civil**Conducted by:** [REDACTED]
Special Agent**Investigation Initiated:** May 23, 2011**Investigation Completed:** JUL 26 2012**Approved by:** John L. Phillips,
Special Agent in Charge**Origin:** Office of the Comptroller of the
Currency**Summary**

On May 12, 2011, the Office of the Comptroller of the Currency (OCC) contacted the U.S. Department of Treasury, Office of Inspector General (TOIG) regarding an allegation that OCC employee [REDACTED] was in possession of email that was neither addressed to nor copied to her. (Exhibit 1)

The investigation determined that the allegation was substantiated, however the investigation was unable to confirm or deny [REDACTED]'s assertion that the emails were supplied to her anonymously on a CDR that was slipped under her office door. [REDACTED]'s use of the email in support of her and another OCC employee's Equal Employment Opportunity (EEO) complaint without informing OCC management or Information Technology (IT) Security was a violation of OCC information security policy as identified in the OCC 2011 Information Security and Privacy Awareness Training.

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Report of Investigation

Case Name: [REDACTED]

Case # OCC-11-0982-I

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Basic and Scope of the Investigation

This investigation was initiated on May 23, 2011, based upon information that OCC employee [REDACTED] was in possession of email that was neither addressed to nor copied to her.

During the course of the investigation, TOIG conducted the following investigative actions:

- Analyzed the email [REDACTED] submitted in support of her EEO complaint
- Reviewed logon information for [REDACTED]'s computer, Director of Data and Statistical Analysis, Economics Department, OCC

TOIG also conducted the following relevant interviews:

- [REDACTED], IT Specialist, OCC
- [REDACTED], Contractor, OCC
- [REDACTED], IT Specialist, OCC
- [REDACTED], Contractor, OCC
- [REDACTED], Contractor, OCC
- [REDACTED], Data and Statistical Analysis, Economics Department, OCC
- [REDACTED], IT Specialist, Economics Department, OCC
- [REDACTED], Senior Financial Analyst, Economics Department, OCC

Investigative Activity

On July 6, 2011, TOIG reviewed the email that [REDACTED] supplied in support of her EEO complaint and determined that the only person who was either a sender, recipient or copied to was [REDACTED], the [REDACTED] Data and Statistical Analysis in the OCC's Economics Department. (Exhibit 2)

On January 30, 2012, TOIG interviewed [REDACTED], an IT Specialist in the OCC's Security and Compliance group who stated that computers in the Economics Department were not as tightly managed as the other computers in the OCC, due to their specialized computing requirements. In addition, [REDACTED] stated that OCC email was centrally managed and that no one from the Economics Department had access to the email servers. (Exhibit 3)

On January 31, 2012, TOIG completed the analysis of the Windows Security Event Log on [REDACTED]'s OCC-issued computer and determined that the following individuals logged on to [REDACTED]'s computer: [REDACTED], [REDACTED], [REDACTED], [REDACTED] the tsccc account and an account with the user name MXL94903MW#. (Exhibit 4)

On February 2, 2012, TOIG received information from [REDACTED] that identified [REDACTED], [REDACTED] and [REDACTED] as OCC contractors, [REDACTED] was an OCC contractor who recently transitioned to a full time position. The tsccc is a privileged account for use by the OCC Computer Incident

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Response Capability (CIRC) team and was used to perform digital forensic collection on behalf of TOIG. The MXL94903MW\$ account was used by [REDACTED] an OCC contractor until March 28, 2011, the computer that was used by that account was placed in OCC maintenance, which can entail wiping the hard drive. (Exhibit 5)

On February 9, 2012, TOIG interviewed [REDACTED] an IT contractor who provides general IT support to the Economics Group. [REDACTED] provided a sworn statement that he did not access or copy any email or information from [REDACTED]'s computer nor was he asked to do so by anyone. (Exhibit 6)

On February 9, 2012, TOIG interviewed [REDACTED] an IT contractor who provides general IT support to the Economics Group. [REDACTED] provided a sworn statement that he did not access or copy any email or information from [REDACTED]'s computer nor was he asked to do so by anyone. (Exhibit 7)

On February 9, 2012, TOIG interviewed [REDACTED] an IT contractor who provides general IT support to the Economics Group. [REDACTED] provided a sworn statement that he did not access or copy any email or information from [REDACTED]'s computer nor was he asked to do so by anyone. (Exhibit 7)

On February 9, 2012, TOIG interviewed [REDACTED] an IT specialist who provides database administration support to the OCC. [REDACTED] provided a sworn statement that he did not access or copy any email or information from [REDACTED]'s computer nor was he asked to do so by anyone. (Exhibit 8)

On February 9, 2012, TOIG interviewed [REDACTED] an IT contractor who supports the OCC CIRC. [REDACTED] stated that he did not access or copy any email or information from [REDACTED]'s computer nor was he asked to do so by anyone. (Exhibit 9)

On April 9, 2012, TOIG interviewed [REDACTED] the [REDACTED] Data and Statistical Analysis who stated that she did not know who accessed the email pertaining to [REDACTED] EEO complaint on her computer and that she did not supply that email to [REDACTED]. [REDACTED] provided TOIG with a sworn statement that she never supplied email pertaining to [REDACTED]'s hiring or salary decisions to anyone other than the people to whom the emails were addressed or copied and the OCC Office of Counsel. (Exhibit 10)

On April 9, 2012, TOIG attempted to interview [REDACTED] who declined to consent to an interview when advised of her Garrity rights. [REDACTED] also advised TOIG that she was represented by the National Treasury Employees Union (NTEU). (Exhibit 11)

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On April 11, 2012, TOIG interviewed [REDACTED] an IT Specialist in the Economics Department. [REDACTED] provided TOIG with a signed, sworn statement that he had never accessed an OCC computer for personal or union gain and had not taken the emails in question. When asked if he knew who may have taken the email pertaining to [REDACTED]'s hiring and compensation; [REDACTED] declined to answer, citing the confidentiality of his roles as NTEU steward and EEO counselor. (Exhibit 12)

On April 25, 2012, TOIG conducted an administrative interview of [REDACTED] and provided her with a Kalkines rights advisement. [REDACTED] provided TOIG with a written statement that she did not take the emails or access anyone's computer or exceed her access on any computers or servers.

[REDACTED] stated that she could not recall the exact date, but sometime in March 2010, when she returned to her office after lunch she discovered that an unknown person had slipped a CDR under her office door which she routinely closed and locked when she wasn't present. [REDACTED] did not find this unusual since co-workers in the Economics Department routinely slipped CDRs containing data for her to analyze under her door. When [REDACTED] viewed the files on the CDR she discovered they were emails relating to her EEO complaint at the OCC.

[REDACTED] informed her NTEU steward, [REDACTED] of the existence of the emails and [REDACTED] expressed surprise that she had them and told her not to do anything with them. [REDACTED] also provided the CDR to OCC Economics Department employee [REDACTED] because she felt the emails might be relevant to [REDACTED]'s EEO complaint. [REDACTED] returned the CDR after approximately 30 minutes. [REDACTED] then printed out the emails and provided them to [REDACTED] and stated that to the best of her knowledge [REDACTED] also provided the emails to her EEO representative.

[REDACTED] then destroyed the CDR by placing it in a media disposal chute. When asked by TOIG why she destroyed it, [REDACTED] replied that she felt it contained personally identifiable information and should be destroyed to prevent that information from exposure. She did not inform OCC management that someone had provided her with a CDR containing email not addressed to her.

[REDACTED] confirmed that she had received and completed OCC's computer security and privacy training. (Exhibit 13)

On April 26, 2012, TOIG reviewed the 2011 OCC Information Security and Privacy Awareness training which [REDACTED] completed and determined that the training and rules of behavior required that employees inform OCC management and/or OCC IT security when data breaches occur. (Exhibit 14)

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Referrals

On April 17, 2012, TOIG presented the investigation to the United States Attorney's Office for the District of Columbia. Assistant United States Attorney [REDACTED] of the Fraud and Public Corruption Section declined to accept the case citing a lack of prosecutive merit. (Exhibit 15)

Judicial Action

N/A

Findings

The investigation determined that the allegation was substantiated, however the investigation was unable to confirm or deny [REDACTED]'s assertion that the emails were supplied to her anonymously on a CDR that was slipped under her office door. [REDACTED]'s use of the email in support of her and another OCC employee's EEO complaint without informing OCC management or OCC IT Security was a violation of OCC information security policy as identified in the OCC 2011 Information Security and Privacy Awareness Training.

Distribution

Laure L. McAuliffe, Senior Advisor, OCC

Signatures

Case Agent:

[REDACTED] for

7/26/12
Date

Supervisor:

[REDACTED]
John L. Phillips

7/26/12
Date

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Exhibits

1. Initial Complaint document from the OCC, dated May 11, 2011.
2. Memorandum of Activity, Initial Record Review, dated July 6, 2011.
3. Memorandum of Activity, Interview of [REDACTED] dated January 20, 2012.
4. Memorandum of Activity, Cyber, dated January 31, 2012.
5. Memorandum of Activity, Record Review, dated February 2, 2012.
6. Memorandum of Activity, Interview of [REDACTED] dated February 9, 2012.
7. Memorandum of Activity, Interview of [REDACTED] dated February 9, 2012.
8. Memorandum of Activity, Interview of [REDACTED] dated February 9, 2012.
9. Memorandum of Activity, Interview of [REDACTED] dated February 9, 2012.
10. Memorandum of Activity, Interview of [REDACTED] dated April 9, 2012.
11. Memorandum of Activity, Interview of [REDACTED] dated April 9, 2012.
12. Memorandum of Activity, Interview of [REDACTED] dated April 11, 2012.
13. Memorandum of Activity, Interview of [REDACTED] dated April 25, 2012.
14. Memorandum of Activity, Record Review, dated April 28, 2012.
15. Memorandum of Activity, Case Presentation, dated April 17, 2012.



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED] (former)
National Bank Examiner, Office
of Thrift Supervision
TG-14

Case #: OCC-12-0618-I

Case Type: Criminal X
Administrative
Civil

Investigation Initiated: March 6, 2012

Investigation Completed: MAY 16 2013.

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Comptroller of the
Currency

Approved by: John L. Phillips
Special Agent in Charge

Summary

On March 6, 2012, the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), initiated an investigation into an alleged violation of the Post-Employment restrictions against [REDACTED], former National Bank Examiner, Office of Thrift Supervision (OTS). Specifically, [REDACTED] was the Examiner-in-Charge of the OTS examination of [REDACTED] Federal Savings Bank ([REDACTED]), Baltimore, MD, on March 29, 2010. On July 7, 2010, [REDACTED] resigned from OTS and gained employment with [REDACTED]. On November 14, 2011, [REDACTED] allegedly participated in a meeting with representatives of the Office of the Comptroller of the Currency (OCC) and [REDACTED] regarding issues resulting from the examination were extensively discussed. (Exhibit 1)

The investigation determined that the allegation is unsubstantiated. The investigation did not discover any evidence that [REDACTED] violated the post-employment restrictions when he participated in the meeting between [REDACTED] and OCC. The U.S. Attorney's Office, District of Maryland, advised there was not enough evidence against [REDACTED] for continued pursuit of prosecution and closed their case.

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Basis and Scope of the Investigation

As a Federal employee of the executive branch you are subject to certain criminal post-employment restrictions regarding matters that you can work on after leaving government employment. Most restrictions such as the Permanent, Two-Year, and One-Year Representational Bars can be further explained under 18 U.S.C. § 207.

OTS became part of the OCC on July 21, 2011. The OCC currently regulates both national banks and federal savings associations (thrifts). All complaints opened with OTS regarding thrifts prior to July 21, 2011 will continue to be processed following OTS procedures.

[REDACTED] was hired at OTS on August 22, 2007, as a National Bank Examiner. [REDACTED]'s Notification of Personnel Action revealed he resigned from OTS effective July 6, 2010. (Exhibit 2)

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED], Assistant Deputy Comptroller, OCC.
- [REDACTED], National Bank Examiner, OCC.
- [REDACTED], Bank Manager, [REDACTED] Federal Saving Bank.
- [REDACTED], Chief Executive Officer, [REDACTED] Federal Savings Bank
- [REDACTED], (former) Ethics Officer, OTS.
- [REDACTED], (former) National Bank Examiner, OTS.

In addition, TOIG reviewed pertinent documents, including:

- [REDACTED]'s Notification of Personnel Action dated July 29, 2010.
- OTS's Report of Examination, dated March 29, 2010.
- OCC/OTS Supervisory Agreement, dated August 31, 2010.

Investigative Activity

A TOIG document review revealed that [REDACTED] was the OTS Examiner-in-Charge of the Comprehensive Limited Scope Examination completed of [REDACTED] on March 29, 2010. The primary purpose of the examination was to assess the deteriorating asset quality of the bank. The examination focused on Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk (CAMELS). Based on the CAMELS composite rating [REDACTED] was downgraded to a score of three "3." Due to the downgrade the OTS determined that a Supervisory Agreement was needed. The Supervisory Agreement lists areas of concern that [REDACTED] needed to address. (Exhibits 3 & 4)

Agent's Note: An OCC CAMELS rating of "3" mean the risk management practices of [REDACTED] are less than satisfactory. [REDACTED] had significant problems in multiple areas of the bank's operations and needed to be monitored, measured, and controlled by regulators to insure the bank's operations improved.

In an interview with TOIG, [REDACTED] reported that she and [REDACTED], Bank Examiner, OCC, met with [REDACTED] Chief Executive Officer (CEO), and [REDACTED] Bank Manager, [REDACTED] to discuss the bank's relatively low capital position, to include the assessment of the bank's capital planning processes on November 14, 2011. [REDACTED] said to her surprise [REDACTED] was at the meeting. The meeting was held to discuss issues listed in the Supervisory Agreement which derived from the Limited Scope Examination of [REDACTED] completed on March 29, 2010.

[REDACTED] said she would direct her questions to [REDACTED] and [REDACTED] would respond on [REDACTED]'s behalf. [REDACTED] asked [REDACTED] what was [REDACTED]'s role with the bank and [REDACTED] said that [REDACTED] was strictly a consultant and not a management official. [REDACTED] informed [REDACTED] that OCC typically does not discuss bank business with consultants and that it was the responsibility of [REDACTED]'s management to be sufficiently versed in all the bank's dealings.

[REDACTED] said that [REDACTED] was scaling back his involvement in bank affairs to two days a week and was considering retirement at the end of the 2011. [REDACTED] asked [REDACTED] who was going to manage the daily activities of the bank, and [REDACTED] said [REDACTED], and an employee named [REDACTED]. [REDACTED] informed [REDACTED] that a troubled bank like [REDACTED] needed a full-time and dedicated management team.

[REDACTED] said [REDACTED] asked if his OTS post-employment restriction applied to the OCC. [REDACTED] said she told [REDACTED] that the ethics restrictions that govern all former Federal employees are applied the same from agency to agency. [REDACTED] said that [REDACTED] asked if the two year post-employment restriction applied to him, and she said it did. [REDACTED] told [REDACTED] that his participation in that meeting could be a breach of the post-employment restrictions. (Exhibit 5)

In an interview with TOIG, [REDACTED] reported it was determined that the OCC needed to discuss with [REDACTED] the bank's relatively low capital position, to include the assessment of the bank's capital planning processes. [REDACTED] said he contacted [REDACTED] and scheduled a meeting for November 14, 2011.

[REDACTED] said that he and [REDACTED] met with [REDACTED] and [REDACTED]. According to [REDACTED] [REDACTED] would initiate a discussion with [REDACTED] regarding issues listed in the Supervisory Agreement and [REDACTED] would answer on the bank's behalf. [REDACTED] said the topics discussed were wide ranging and encompassed all aspects of the bank's operations (specific loan relationships, market conditions, the bank's impairment analysis process, deposit

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structure). [REDACTED] said [REDACTED] asked [REDACTED] what was [REDACTED]'s role with the bank and [REDACTED] said that [REDACTED] was strictly a consultant.

[REDACTED] said that [REDACTED] informed [REDACTED] that the OCC typically does not discuss bank business with consultants. [REDACTED] informed him and [REDACTED] that he [REDACTED] has scaled back his involvement in bank affairs. [REDACTED] informed [REDACTED] that a troubled bank like [REDACTED] needed a full-time management team.

[REDACTED] said [REDACTED] inquired as to the OCC's view regarding the applicability of the OTS ethics restrictions placed on him. [REDACTED] said that [REDACTED] responded saying the ethics restrictions governs all former Federal employees apply and that OCC abides by those rules. [REDACTED] said that [REDACTED] then asked if the two year post-employment restriction applied to him, and [REDACTED] said it did then commented that his participation in that meeting could be a breach of the post-employment restrictions. (Exhibit 6)

During an interview with TOIG, [REDACTED] said that he met [REDACTED] during the OTS Comprehensive Limited Examination of [REDACTED] on March 29, 2010. [REDACTED] reported that [REDACTED] was the Examiner in-Charge during the examination. According to [REDACTED] he was contacted by [REDACTED] on June 28, 2010, via email in which [REDACTED] informed him that he ([REDACTED]) was resigning from OTS and going to work as a consultant for [REDACTED]. [REDACTED] said that [REDACTED] also mentioned in the email that he would like to offer his services to work as an advisor/consultant for [REDACTED].

[REDACTED] said that after he received the email from [REDACTED] he forwarded it to [REDACTED] for employment considerations. [REDACTED] said on November 14, 2011, he, [REDACTED], and [REDACTED] met with [REDACTED] and [REDACTED] to discuss [REDACTED]'s operations and issues listed in the Supervisory Agreement. According to [REDACTED] [REDACTED] responded to several questions asked by [REDACTED] and [REDACTED] during the meeting; however, he only responded as a consultant and not as a management official. [REDACTED] said that [REDACTED] raised concerns during the meeting regarding [REDACTED]'s participation.

[REDACTED] reported that [REDACTED] informed him, [REDACTED] and [REDACTED] that she believed [REDACTED]'s participation in the meeting violated the Government Post-Employment restrictions for former employees. [REDACTED] said that he, [REDACTED] and [REDACTED] listened to [REDACTED] concerns and then [REDACTED] responded by saying he was not familiar with the Post-Employment restrictions. Lastly, [REDACTED] said that [REDACTED] was not asked to leave the meeting by [REDACTED] or OCC. (Exhibit 7)

In an interview with TOIG, [REDACTED] reported that he met [REDACTED] during the OTS Comprehensive Limited Examination of [REDACTED] Federal Savings on March 29, 2010. According to [REDACTED] he was contacted by [REDACTED] in June 2010 which [REDACTED] offered his services to work as an advisor/consultant for the bank.

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[REDACTED] said that as a result of the March 29, 2010, Comprehensive Limited Examination of [REDACTED] OTS identified several areas of concern that the bank needed to address. Due to the bank's limited resources and expertise, [REDACTED] did not have anyone on staff that could address the concerns listed in the Supervisory Agreement. [REDACTED] then contacted [REDACTED] and negotiated a General Advisory Agreement to consult for the bank. [REDACTED] worked on policy and regulatory issues to include issues listed in the Supervisory Agreement.

[REDACTED] said that he, [REDACTED], and [REDACTED], met [REDACTED] and [REDACTED] regarding [REDACTED]'s operations and issues in the Supervisory Agreement. [REDACTED] said that [REDACTED] did respond to several questions asked by [REDACTED] and [REDACTED]; however, he only responded as a consultant and not as a management official. [REDACTED] also said that he planned to recommend to the [REDACTED] Board of Directors that [REDACTED] be approved to be the Bank's CEO in June 2012, as he planned to take a reduced role in the bank's daily activities. (Exhibit 8)

In an interview with TOIG, [REDACTED] said she was contacted by [REDACTED] shortly after he resigned from OTS to discuss the post-employment restrictions related to him working as a consultant for [REDACTED]. [REDACTED] said that she informed [REDACTED] that he could work for [REDACTED] however, it would be inappropriate for him to represent [REDACTED] in front of OTS on any matters he was directly involved in as an employee with OTS.

[REDACTED] said she informed [REDACTED] that he would be permitted to provide guidance to [REDACTED] from "behind the scenes" and not communicate directly with regulators on such matters he directly work on as an OTS employee. [REDACTED] explained to [REDACTED] the differences between the one-year, two-year and lifetime post-employment restrictions.

[REDACTED] said that she recalled receiving a second telephone call from [REDACTED] shortly after their initial telephone conversation. According to [REDACTED], [REDACTED] informed her that he was being considered for the CEO position at [REDACTED]. [REDACTED] said that she again explained to [REDACTED] the differences between the post-employment restriction bonds and told [REDACTED] that he could take the position; however, he could not represent [REDACTED] in front of Federal regulators on matters which he extensively engaged in during his employment with OTS. (Exhibit 9)

In an interview with TOIG, [REDACTED] reported that he was the Examiner-in-Charge of the OTS Limited Scope Examination of Hull during March 2010. [REDACTED] said that during that examination numerous problematic issues were discovered with [REDACTED]'s financial operations. According to [REDACTED], [REDACTED] had significant issues with problem assets, and not adhering to best accounting practices. [REDACTED] said that [REDACTED] banking practices were considered "Poor." [REDACTED] said that as a result of his examination OTS created a document called a "Supervisory Agreement" which listed all the major concerns with [REDACTED]'s banking operations. According to [REDACTED], he was not the author nor did he assist with drafting the agreement.

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[REDACTED] said that he resigned from OTS on July 7, 2010, to pursue employment with a company named [REDACTED]. [REDACTED] said prior to his resignation from OTS, he sent an email to [REDACTED] soliciting employment on June 28, 2010. [REDACTED] said that he asked [REDACTED] to forward his email to [REDACTED] for employment consideration.

[REDACTED] said shortly after he forwarded the email to [REDACTED] he was contacted by [REDACTED]. According to [REDACTED] he and [REDACTED] discussed his employment request and quickly finalized his consulting agreement with [REDACTED] effective on July 7, 2010. [REDACTED] said as a consultant for Hull he addressed issues related to allowance for loan loss and lease, classification of assets, and troubled debt restructuring. [REDACTED] said he was instructed to address the issues related to the Supervisory Agreement.

[REDACTED] said that approximately two months after he began consulting for [REDACTED] him and [REDACTED] discussed the possibility of him [REDACTED] assuming [REDACTED]'s position as CEO. [REDACTED] said [REDACTED] wanted to reduce his role and responsibility and thought he [REDACTED] would be a good candidate for the position.

[REDACTED] said he contacted [REDACTED] to discuss the legalities of him assuming the CEO position. [REDACTED] said that [REDACTED] informed him that it would be inappropriate for him to represent [REDACTED] in front of OTS on any matters he was directly involved in as an employee with OTS. [REDACTED] said [REDACTED] informed him that he would be permitted to provide guidance from "behind the scenes" and not communicate directly with OTS on such matters. [REDACTED] said [REDACTED] then explained the difference between the post-employment restriction bands.

[REDACTED] was informed by [REDACTED] that OTS wanted to meet with [REDACTED] on November 14, 2011, and [REDACTED] asked him to be present at that meeting. [REDACTED] said that he, [REDACTED] and [REDACTED] met with [REDACTED] and [REDACTED] to discuss [REDACTED]'s management and the bank's relatively low capital position, to include the assessment of the bank's capital planning processes.

[REDACTED] said that during the meeting topics discussed were wide ranging and encompassed all aspects of the bank's operations to include allowance for loan loss and lease, classification of assets, and troubled debt restructuring. [REDACTED] responded to several questions [REDACTED] asked but did not feel that he was representing [REDACTED] in front of OTS on issues he was directly involved in while working for OTS.

[REDACTED] stated that during the meeting [REDACTED] did raise the issue that she had concerns about him responding to questions due to the post-employment restrictions; however, she never asked him to leave the meeting. [REDACTED] said that he felt that his presence and responses to questions at the meeting were appropriate and he did not violate any post-employment restrictions.
(Exhibit 10)

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Referral(s)

On June 27, 2012, TOIG presented the facts of this investigation to Assistant U.S. Attorney (AUSA) [REDACTED], U.S. Attorney's Office, Criminal Division, District of Maryland. AUSA [REDACTED] accepted the case for criminal prosecution. (Exhibit 11)

On March 19, 2013, AUSA [REDACTED] advised he did not have enough evidence against [REDACTED] for continued pursuit of prosecution and closed his case. (Exhibit 12)

Judicial Action

N/A

Findings

The investigation determined that the allegation is unsubstantiated. The investigation did not discover any evidence that [REDACTED] violated the post-employment restrictions when he participated in the meeting between [REDACTED] and OCC. The U.S. Attorney's Office, District of Maryland, advised there was not enough evidence against [REDACTED] for continued pursuit of prosecution and closed their case.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policies were violated or could be applied to the case:

N/A

Distribution

Laura L. McAuliffe, Senior Advisor, OCC.

Signatures

Case Agent:

[REDACTED]

5/10/2013
Date

Supervisor:

[REDACTED]
John L. Phillips

5/15/13
Date

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Exhibits

1. Initial OCC referral from Laura McAuliffe, dated January 24, 2012.
2. Memorandum of Activity regarding [REDACTED]'s Notification of Personnel Action dated July 29, 2010.
3. Memorandum of Activity regarding the OTS [REDACTED] Report of Examination dated February 8, 2012.
4. Memorandum of Activity, regarding the [REDACTED] Supervisory Agreement dated January 30, 2012.
5. Memorandum of Activity, regarding interview of [REDACTED] dated March 9, 2012.
6. Memorandum of Activity, regarding interview of [REDACTED] dated March 9, 2012.
7. Memorandum of Activity, regarding interview of [REDACTED] dated April 18, 2012.
8. Memorandum of Activity, regarding interview of [REDACTED] dated April 18, 2012.
9. Memorandum of Activity, regarding interview of [REDACTED] dated August 14, 2012.
10. Memorandum of Activity, regarding interview of [REDACTED] dated March 13, 2013.
11. Memorandum of Activity, regarding Case Acceptance, dated July 5, 2012.
12. Memorandum of Activity, regarding Case Declination by AUSA, dated March 19, 2013.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]

Examiner-in-Charge
Office of the Comptroller of the
Currency
Washington, DC

Case #: OCC-12-0860-I

Case Type: Criminal
Administrative X
Civil

Investigation Initiated: February 22, 2012

Investigation Completed: - MAY 21 2012

Conducted by: [REDACTED]
Special Agent

Origin: Anonymous

Approved by: John L. Phillips
Special Agent in Charge

Summary

On February 15, 2012, the Department of the Treasury, Office of Inspector General Office of Investigations (TOIG) received an allegation from an anonymous complainant alleging that [REDACTED] Examiner-in-Charge, was involved with a potential ethics violation. Specifically, [REDACTED]'s wife is an employee of [REDACTED]; therefore, [REDACTED] was prohibited from working on [REDACTED]-related matters. However, [REDACTED] was promoted to [REDACTED] National Bank Examiner, a position that has industry-wide policy making authority. (Exhibit 1)

The investigation determined that the allegation is unsubstantiated. TOIG determined that while [REDACTED] was [REDACTED] National Bank Examiner he did not work on any policy matters specific to [REDACTED] and observed a recusal approved by OCC's Office of Counsel, hence taking the appropriate steps necessary to avoid violating the law.

Basis and Scope of the Investigation

TOIG received information from an anonymous complainant alleging that [REDACTED] was involved with a potential ethics violation. [REDACTED]'s wife is an employee of [REDACTED] therefore, [REDACTED] was prohibited from working on [REDACTED]-related matters. However, [REDACTED] was promoted to the position of [REDACTED] National Bank Examiner, a position that has industry-wide policy making authority. Furthermore, the complainant alleged that the OCC failed to follow government ethics rules and notify TOIG of the potential ethics violation.

The applicable ethics violation is 18 U.S.C 208(a)-Acts Affecting a Personal Financial Interest, which states "except as permitted by subsection (b) hereof, whoever, being an officer or employee of the executive branch of the United States Government, or of any independent agency of the United States, a Federal Reserve bank director, officer, or employee, or an officer or employee of the District of Columbia, including a special Government employee, participates personally and substantially as a Government officer or employee, through decision, approval, disapproval, recommendation, the rendering of advice, investigation.....or other particular matter in which, to his knowledge, he, his spouse, minor child, general partner, organization in which he is serving as officer, director, trustee, general partner or employee, or any person or organization with whom he is negotiating or has any arrangement concerning prospective employment, has a financial interest shall be subject to the penalties set forth in section 216 of this title."

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Ethics Counsel, OCC
- [REDACTED] Examiner-In-Charge, OCC
- [REDACTED] (Acting) Comptroller of the Currency, OCC

In addition, TOIG reviewed pertinent documents, including:

- Waiver for [REDACTED] issued by [REDACTED], former Comptroller of the Currency, OCC
- Email correspondence
- OCC's Draft Waiver Request for [REDACTED] addressed to [REDACTED]
- [REDACTED]'s OCC Confidential Financial Disclosure Report for Filing Year 2004-2010

Investigative Activity

In an interview with TOIG, [REDACTED] stated OCC has a Securities Prohibition that states all employees may not have stock in banks; however, OCC has the authority to grant waivers. In addition to following OCC's policy, OCC is required to consult with the Office of Government Ethics (OGE), which states employees can have up to \$25,000 in bank interest and obtain an exemption. Although OCC usually implements the most restrictive policy, [REDACTED] stated there are instances that the most restrictive policy is not implemented. These instances may include a new employee with stock in a state chartered bank, inherited stocks, or stock of a spouse.

Prior to becoming [REDACTED] National Bank Examiner, [REDACTED] disclosed his wife's stock interest in [REDACTED] which is over \$200,000 via OCC Confidential Financial Disclosure Report. [REDACTED] stated that [REDACTED] had an OCC waiver and did not think he needed one from OGE. However, [REDACTED] spoke with her supervisor [REDACTED] and [REDACTED] Chief Counsel, OCC, regarding [REDACTED]'s recusal and waiver. [REDACTED] suggested that [REDACTED] request a waiver from OGE. In September 2011, [REDACTED] sent a waiver request to OGE, which was verbally denied. In October 2011, [REDACTED] was reassigned to Examiner-in-Charge of [REDACTED] (Exhibit 2)

In an interview with TOIG, [REDACTED] stated that since 2004 he has disclosed his wife's employment with [REDACTED] including all financial interests that are part of her compensation package, in his OCC Confidential Financial Disclosure Report. [REDACTED] has always observed a company-wide recusal from [REDACTED] matters. The scope of [REDACTED]'s recusal was determined by OCC Ethics officials.

After [REDACTED] was promoted to [REDACTED] National Bank Examiner in July 2011, he spoke with [REDACTED] regarding the scope of his recusal in relation to his new position. It was determined that the general policy matters that [REDACTED] was working on, although not specific to [REDACTED] may fall within the scope of [REDACTED]'s recusal. As a result, [REDACTED] recused himself from those matters. In October 2011, [REDACTED] approached [REDACTED] after a meeting and stated that their interpretation of his recusal may be incorrect. In October 2011, [REDACTED] stated that a collaborative decision was made by [REDACTED] Senior Deputy Comptroller for [REDACTED] Supervision, OCC; [REDACTED], Senior Deputy Comptroller for [REDACTED] Supervision, OCC; [REDACTED], Senior Deputy Comptroller [REDACTED] National Bank Examiner, OCC; and [REDACTED] to remove [REDACTED] from [REDACTED] National Bank Examiner and reassign him to [REDACTED] Examiner in Charge.

As [REDACTED] National Bank Examiner, [REDACTED] was involved with rulemaking and other activities related to the Dodd-Frank Wall Street Reform and Consumer Protection Act. The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC) comprised of numerous governmental agencies. [REDACTED] supported the Acting Comptroller on FSOC and was the OCC representative on FSOC Deputies subcommittee. [REDACTED] also represented the OCC before Congress on matters related to supervision and certain Dodd-Frank matters and served on certain interagency groups as the OCC representative. [REDACTED] stated that policies and communications that went under his signature were largely conceived and developed before he was the [REDACTED] National Bank Examiner. In addition, most of the policies and communications were jointly issued by OCC, the Federal Reserve, and the Federal Deposit Insurance Corporation. Other communications that went out under [REDACTED]'s name were procedural and not policy related. Other policies were in development while [REDACTED] was [REDACTED] National Examiner, but were not finalized. (Exhibit 3)

In an interview with TOIG, [REDACTED] stated that he was aware that [REDACTED]'s wife had a senior level position and financial interest in [REDACTED] at the time [REDACTED] was promoted to [REDACTED] National Bank Examiner; however, [REDACTED] decided that [REDACTED] would observe the prevailing guidance of a [REDACTED] recusal he already had with OCC. [REDACTED] stated that if [REDACTED] matters were discussed during meetings [REDACTED] would recuse himself and leave. OCC decided that [REDACTED] could work on broad policy matters that may include [REDACTED]. To avoid violating any ethics laws, particularly 18 U.S.C. 208(a), [REDACTED] sought a waiver from the OGE on [REDACTED]'s behalf. OGE subsequently denied the waiver. [REDACTED] stated that OGE had a much broader interpretation of the conflict of interest law. [REDACTED] stated that OCC then removed [REDACTED] from the position. [REDACTED] informed TOIG that he was not aware of any policy that [REDACTED] worked on during his tenure as [REDACTED] National Bank Examiner that may have been specific to [REDACTED] (Exhibit 4)

Referrals

N/A

Judicial Action

N/A

Findings

The investigation determined that the allegation is unsubstantiated. TOIG determined that while [REDACTED] was [REDACTED] National Bank Examiner he did not work on any policy specific to [REDACTED] and observed a recusal approved by OCC's Office of Counsel, hence taking the appropriate steps necessary to avoid violating the law

Based on the findings of our investigation, it appears that the following statutes or regulations and/or policies were violated:

- N/A

Distribution

Laura McAuliffe, Senior Advisor, OCC

Report of Investigation
Case Name: [REDACTED]
Case # OCC-12-0880-1
Page 5 of 8

Signatures

Case Agent:

[REDACTED]
[REDACTED]

5/14/12
Date

Supervisor:

[REDACTED]
John L. Phillips

5-14-12
Date

Exhibits

1. Complaint Referral from Anonymous Complainant, dated February 15, 2012.
2. Memorandum of Activity, interview of [REDACTED] dated February 29, 2012.
3. Memorandum of Activity, interview of [REDACTED] dated March 15, 2012.
4. Memorandum of Activity, interview of [REDACTED] dated March 20, 2012.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: [REDACTED]
Former Bank Examiner
(Treasury Employee)

Case #: OCC-12-1028-I

Case Type: Criminal X
Administrative X
Civil

Investigation Initiated: March 06, 2012

Investigation Completed: MAY 22 2013

Conducted by: [REDACTED]
Special Agent

Origin: Laura McAuliffe
Senior Advisor
Office of the Comptroller
of the Currency

Approved by: John L. Phillips
Special Agent in Charge

Summary

On March 05, 2012, [REDACTED], District Counsel, Office of the Comptroller of the Currency (OCC) notified Laura McAuliffe, Senior Advisor, OCC, that the Bureau of Alcohol, Tobacco and Firearms (BATF) was going to interview and arrest [REDACTED] Bank Examiner, OCC in connection to a criminal investigation.

On March 06, 2012, McAuliffe referred the matter to the Treasury Office of Inspector General, Office of Investigations (TOIG). (Exhibit 1)

The investigation determined that [REDACTED] was charged by the BATF for conspiracy to knowingly and intentionally receive, possess, transport, sell and distribute contraband cigarettes. Subsequently [REDACTED] pled guilty and is awaiting sentencing.

The allegation was substantiated.

Basis and Scope of the Investigation

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Special Agent, ATF

In addition, TOIG reviewed pertinent documents, including:

- Email from [REDACTED] referencing OCC property recovered

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Report of investigation

Case Name: [REDACTED]

Case # OCC-12-1028-I

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- Email from [REDACTED] referencing the initiation to terminate employee [REDACTED]
- Notice of Termination Memorandum referencing employee Mohammed

Investigative Activity

On March 06, 2012, TOIG spoke with [REDACTED], Special Agent with the BATF in regards to a complaint provided by the OCC. The complaint identified [REDACTED] a Bank Examiner with the OCC as the subject of a criminal investigation. The complaint states the BATF called to alert the OCC and TOIG that they intended to interview and arrest [REDACTED]

[REDACTED] stated he interviewed and arrested [REDACTED] the morning of March 06, 2012. [REDACTED] told TOIG, [REDACTED] was arrested based upon a federal warrant issued in Tennessee on November 16, 2011. [REDACTED] is charged with Conspiracy to Possess Contraband (cigarettes). The Tennessee Court case number is 311-cr-00237 and the BATF case number is 776050-11-0041.

[REDACTED] told TOIG he recovered OCC property issued to [REDACTED]. [REDACTED] recovered a laptop computer, printer and credentials which he returned to [REDACTED], Senior Attorney with the OCC. (Exhibit 2)

On March 07, 2012, [REDACTED] sent TOIG an email confirming he recovered the property issued to [REDACTED] from the BATF. (Exhibit 3)

On March 09, 2012, [REDACTED], Director of Labor and Employee Relations, OCC sent TOIG an email and attachment regarding the termination of [REDACTED]. (Exhibit 4)

On April 01, 2013, TOIG contacted BATF, Special Agent [REDACTED] regarding the judicial status of [REDACTED]. [REDACTED] told TOIG, [REDACTED] entered into a plea agreement on or about March 28, 2013.

On April 02, 2013, TOIG conducted investigation research via the Public Access to Court Electronic Records (PACER). PACER research results revealed [REDACTED] was indicted in United States District Court for the Middle District of Tennessee on one count of Title 18 U.S.C. 371, conspiracy to possess contraband cigarettes. PACER research results also revealed [REDACTED] entered a guilty plea for violation of Title 18 U.S.C. 371, conspiracy to knowingly and intentionally receive, possess, transport, sell and distribute contraband cigarettes. (Exhibit 5)

Referrals

N/A

Report of Investigation
Case Name: [REDACTED]
Case # OCC-12-1028-1
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Judicial Action

N/A

Findings

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policy(ies) were violated or could be applied to the case:

- 5 CFR 2635.101 - Basic obligation of Public Service

Distribution

Laure McAuliffe
Senior Advisor
Office of the Comptroller of the Currency

Report of Investigation

Case Name: [REDACTED]

Case # OCC-12-1028-1

Page 4 of 5

Signatures

Case Agent:

[REDACTED]

[REDACTED] Special Agent

05/20/2013
Date

Supervisor:

[REDACTED]

John L. Phillips, Special Agent in Charge

5/21/13
Date

Report of Investigation

Case Name: [REDACTED]

Case # OCC-12-1026-1

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Exhibits

1. Referral email from Leura McAuliffe, dated March 06, 2012 with attached memorandum from Coreen Arnold.
2. Memorandum of Activity, Record/Information Obtained, activity date March 06, 2012.
3. Email from [REDACTED] to TOIG, dated March 07, 2012.
4. Email from [REDACTED] to TOIG, dated March 09, 2012 with attached memorandum referencing the [REDACTED] termination.
5. Memorandum of Activity, Record/Information Obtained, activity date April 01, 2013.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

[REDACTED]

National Bank Examiner
Office of the Comptroller of the
Currency

Case #: OCC-13-0739-I

Case Type: Criminal X
Administrative
Civil

Investigation Initiated: February 12, 2013

Investigation Completed: JUL 01 2013

Conducted by: [REDACTED]
Special Agent

Origin: Office of the Comptroller of the
Currency

Approved by: John L. Phillips
Special Agent in Charge

Summary

On February 11, 2013, the US Department of Treasury, Office of Inspector General (TOIG), was notified by the Office of the Comptroller of the Currency (OCC) that National Bank Examiner (NBE) [REDACTED] had potentially violated the Hatch Act and failed to properly disclose outside activities/potential conflicts of interest on his Confidential Financial Disclosure Report. This referral was generated as a result of [REDACTED] testimony for the defense in the federal corruption trial of former Detroit Mayor Kwame Kilpatrick.

TOIG's investigation confirmed that [REDACTED] served as a member of the Board of Directors of the Kilpatrick Civic Fund beginning in 2001 and continuing through the Fund's dissolution in 2008. [REDACTED] did not report his participation until 2008, when his supervisor requested that he report it. [REDACTED] explained that he considered his membership on the Board, which did not include fund disbursement authority, as political activity and therefore not reportable. No evidence was uncovered to support the allegation that [REDACTED] violated the Hatch Act or violated the law by wiring his personal funds to Kilpatrick.

[REDACTED] stated that at no time did Kilpatrick or anyone associated with him ask that he utilize his position in the OCC to influence a bank or financial institution.

Basis and Scope of the Investigation

On February 11, 2013, TOIG was notified by the OCC that NBE [REDACTED] had potentially violated the Hatch Act and failed to properly disclose outside activities/potential conflicts of interest on his OCC Confidential Financial Disclosure Report. This referral was generated as a result of [REDACTED]'s testimony for the defense in the federal corruption trial of former Detroit Mayor Kwame Kilpatrick. (Exhibit 1)

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] OCC NBE

During the course of the investigation, TOIG reviewed the following pertinent evidence:

- [REDACTED]'s Confidential Financial Disclosure Forms from 2002 – 2013.
- [REDACTED]'s testimony at the federal corruption trial Kwame Kilpatrick.
- Publicly information pertaining to [REDACTED]

Investigative Activity

During the course of investigating [REDACTED]'s background, TOIG learned that in 2002 [REDACTED] had formed a corporation, the [REDACTED] Inc. which was dissolved in 2005. No information was located pertaining to allegations of government employees campaigning for Kwame Kilpatrick. (Exhibit 2)

TOIG reviewed [REDACTED]'s ethics file, which included OCC Confidential Financial Disclosure Reports from 2002 through 2013. Per Laura MoAuliffe (OCC Senior Advisor - OIG/GAO Liaison), ethics files prior to 2002 are not retained.

The Confidential Financial Disclosure Reports contain a certification statement signed by [REDACTED] which states, in part, that the responses on the form are true and complete to the best of his knowledge and belief and that he acknowledges that providing "incomplete, false or inaccurate information" could result in disciplinary action including removal from his position.

Each form included a Part 4: Outside Employment or Business Activity which asked the question: Are you employed (apart from your OCC employment) or engaged in any other compensated or non-compensated business activity? On every form, [REDACTED] answered "NO."

Each form also included a Part 5: Other Conflicts of Interest which reads in part: In the space below, list any other financial interests, relationships, or other circumstances that you believe could create a conflict of interest or the appearance of a conflict of interest with the

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Case Name: [REDACTED]

Case # OCC-07-0739-1

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performance of your OCC duties. [REDACTED] did not list anything on any form in response to this question.

Included in the [REDACTED]'s ethics file was an email string from [REDACTED] on November 18, 2008 to [REDACTED] copying [REDACTED] with the subject: "Disclosure form." That email states that [REDACTED] attached a disclosure form that "you" (apparently the recipient of the email [REDACTED] requested [REDACTED] fill out. The email string continues with an email on November 30, 2008 from [REDACTED] to [REDACTED] stating: "Discussed with [REDACTED] on Wednesday. He has ceased all involvement and believes the group has ceased operations." The final email is on November 30, 2008 from [REDACTED] to [REDACTED] and states: "Ok, I'll add the form to his ethics file. NO further action is needed."

NOTE: [REDACTED] is [REDACTED]'s supervisor and [REDACTED] is his ethics officer.

The next document is a "REQUEST FOR APPROVAL: OUTSIDE EMPLOYMENT AND BUSINESS ACTIVITIES" which [REDACTED] filled out with the following information:

3) What Outside Employment Or Business Activity Do You Propose To Engage In? (Include name of employer or business, title of position, and description of duties.) Board member for a civic organization in Detroit called the Kilpatrick Civic Fund. It was an unpaid position for an organization that was to support groups that the lives of Detroit citizens

4) Does This Activity Create A Conflict Or Potential Conflict With Your OCC Work, A Potential For Disclosure Of Nonpublic OCC Information, Or A Potential Interference With The Effective Performance Of Your Official Duties? Please Explain. No this activity would not pose a conflict or potential conflict with my OCC duties. I have not been involved in any of the financial decisions of the organization it does not borrow money from financial institutions and there is no potential of disclosure of nonpublic information.

5) Are There Actions You Could Take To Reduce Or Eliminate Any Ethics Concerns Raised By This Proposal? If Yes, Explain. I was involved in the organization in the past but it has been decided to stop activities and will no longer function so there will be no potential future conflicts of interest.

The document contained a section for the employee to sign and the supervisor and ethics official to review. All of these sections were left blank and undated. (Exhibits 3 & 4)

TOIG reviewed [REDACTED]'s testimony during the federal corruption trial of Kwame Kilpatrick during which [REDACTED] testified that he had known Kilpatrick for many years, since their days in high school and described himself as a good friend. [REDACTED] stated that he assisted with Kilpatrick's two campaigns for mayor of Detroit by "knocking on doors, those kinds of things."

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[REDACTED] recalled that the Kilpatrick Civic Fund was to separate Kilpatrick's civic activities from his political endeavors and that he was involved with the Kilpatrick Civic Fund from 2001 – 2008 by attending Board of Director's meetings, usually once a year. His fellow Board members included [REDACTED], [REDACTED], Kwame Kilpatrick and his [REDACTED]. [REDACTED] was then asked if he was aware that Kwame Kilpatrick had resigned from the Board of Directors of the Kilpatrick Civic Fund in 2001. [REDACTED] replied that he wasn't aware of any official resignation, but that Kilpatrick's presence at Kilpatrick Civic Fund meetings became "casual," not official.

[REDACTED] testified that he was unaware of the Kilpatrick Fund Articles of Incorporation and after prompting, recalled that an attorney, [REDACTED], attended Kilpatrick Civic Fund board meetings, to "make sure we followed whatever rules needed to be followed."

The questioning then moved to [REDACTED]'s attendance at Kilpatrick's wedding, where he gave Kilpatrick a monetary gift, as was requested on Kilpatrick's wedding invitation.

[REDACTED]'s attention was directed to Kilpatrick Civic Fund board meeting in the dining room of the Manoogian Mansion (the official residence of the mayor of Detroit) in 2008 which he attended as a member of the Board of Directors. [REDACTED] recalled that Kilpatrick's [REDACTED] called the meeting and was present, in addition to himself, [REDACTED], and [REDACTED]. Kwame Kilpatrick came in at the beginning of the meeting, to inform the group that he was leaving (or had left) office and was moving out of the area. After Kwame left the meeting, [REDACTED] suggested that the Kilpatrick Civic Fund support Kwame financially and according to [REDACTED], the attorney, [REDACTED], did not object to the suggestion.

In a sidebar discussion, Assistant United States Attorney (AUSA) [REDACTED] requested permission to ask [REDACTED] about two wire transfers for \$899 he sent to Kilpatrick in November. The judge disallowed the question.

AUSA [REDACTED] then asked [REDACTED] if he knew who controlled the checkbook for the Kilpatrick Civic Fund and if he approved any checks from 2002 – 2007. [REDACTED] replied that at no time did he "direct, order, have say on how monies were spent."

[REDACTED] was then asked if he was aware of that as a 501(c)(4) charitable organization, the Kilpatrick Civic Fund was not to be used to benefit an individual and replied that he [REDACTED] was "unaware of any tax code rules for any kind of corporation." AUSA [REDACTED] listed a number of specific expenses that the Kilpatrick Civic Fund paid for, and in each case [REDACTED] stated he did not personally approve of the expense.

AUSA [REDACTED] then showed [REDACTED] a document filed by the Kilpatrick Civic Foundation with the Internal Revenue Service on July 7, 2009 that listed and was signed by [REDACTED] as second vice chair. [REDACTED] then read the following: "Upon dissolution, any assets remaining

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Case Name: [REDACTED]

Case # OCC-07-0755-1

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after full and complete payment to debtor shall be donated to a 501(c)(4) organization with a similar purpose by majority vote of the board of directors." (Exhibit 5)

TOIG interviewed [REDACTED] who described his relationship with former Detroit mayor Kwame Kilpatrick as that of close personal friends since high school, although he acknowledged that once Kilpatrick became mayor he saw less of him.

[REDACTED] served on the Board of Directors for the Kilpatrick Civic Fund, but did not have check writing privileges nor was he involved in the disbursement of funds. [REDACTED] did not know who actually controlled the Fund's finances, but speculated that they were controlled by Fund board members who worked for Kilpatrick in the mayor's office. [REDACTED] explained that the board met approximately once a year and that a lawyer was present at those meetings to ensure that matters were handled properly.

[REDACTED] stated that he did not report his participation on the Kilpatrick Civic Fund's board because he felt it was political activity and therefore was not required to be reported. He did report his participation in 2008 at the request of his supervisor. When asked about his activities supporting Kilpatrick's mayoral campaigns, [REDACTED] stated that he did knock on doors and ask people to vote for Kilpatrick, but at no time did identify himself as a federal or OCC employee. [REDACTED] stated that at no time did Kilpatrick or anyone associated with him ask that he utilize his position in the OCC to influence a bank or financial institution.

[REDACTED] and his father used their personal funds to send money to Kilpatrick when he (Kilpatrick) called to ask for money. (Exhibit 6)

Referrals

TOIG referred the investigation to the United States Attorney's Office for the Eastern District of Michigan. AUSA [REDACTED] stated that [REDACTED] did not face any criminal exposure for either his testimony or his role on the Kilpatrick Civic Fund board of directors. The only issue AUSA [REDACTED] identified was [REDACTED]'s recollection of the final Kilpatrick Civic Fund meeting in 2008, during which the board of directors authorized a payment to defer Kwame Kilpatrick's moving expenses. [REDACTED] testified that he recalled [REDACTED] (Kwame's [REDACTED]) made the proposal to pay Kwame's moving expenses, but AUSA [REDACTED] stated there was reason to believe that Kwame made the suggestion. Ultimately, AUSA [REDACTED] felt that discrepancy was not material.

Regarding the money orders [REDACTED] wired to Kilpatrick, AUSA [REDACTED] stated that these were not made with Kilpatrick Civic Fund funds and that since they involved [REDACTED]'s personal funds they were not illegal.

AUSA [REDACTED] had no knowledge of any Hatch Act violations by Rayford.

Based on AUSA's [REDACTED]'s comments, this interview was considered to be a declination unless the investigation uncovered additional information. (Exhibit 7)

Judicial Action

The United States Attorney's Office for the Eastern District of Michigan declined to accept the case for prosecution. (Exhibit 7)

Findings

TOIG's investigation confirmed that [REDACTED] served as a member of the Board of Directors of the Kilpatrick Civic Fund beginning in 2001 and continuing through the Fund's dissolution in 2008. [REDACTED] did not report his participation until 2008, when his supervisor requested that he report it. [REDACTED] explained that he considered his membership on the Board, which did not include fund disbursement authority, as political activity and therefore not reportable. No evidence was uncovered to support the allegation that [REDACTED] violated the Hatch Act or violated the law by wiring his personal funds to Kilpatrick.

[REDACTED] stated that at no time did Kilpatrick or anyone associated with him ask that he utilize his position in the OCC to influence a bank or financial institution.

Distribution

Laura McAuliffe, Senior Advisor, OCC

Signatures

Case Agent:

[REDACTED]
[REDACTED]

6/27/13
Date

Supervisor:

[REDACTED]
John L. Phillips

7/1/13
Date

Exhibits

1. OCC Referral Memorandum, dated February 10, 2013.
2. Memorandum of Activity, Background Investigation, dated April 2, 2013.
3. Memorandum of Activity, Ethics File Review 2002 - 2007, dated March 27, 2013.
4. Memorandum of Activity, Ethics File Review 2008 - 2013, dated March 14, 2013.
5. Memorandum of Activity, Trial Testimony Review, dated March 28, 2013.
6. Memorandum of Activity, Interview of [REDACTED] dated April 17, 2013.
7. Memorandum of Activity, Interview of AUA [REDACTED] dated April 5, 2013.



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

Formal

Office of the Comptroller of the
Currency

Case #: OCC-13-1250-I

Case Type:

Criminal

Administrative

☒

Civil

☐

Conducted by:

Special Agent

Investigation Initiated: May 20, 2013

Approved by: John L. Phillips
Special Agent In Charge

Investigation Completed: JUN 13 2013

Origin: Anonymous

Summary

On April 21, 2013, the US Department of Treasury, Office of Inspector General, Office of Investigations (TOIG) received an anonymous complaint regarding [REDACTED], former [REDACTED] Office of the Comptroller of the Currency (OCC) owning securities in the [REDACTED] Corporation in violation of federal ethics regulations and laws (18 USC 208). (Exhibit 1)

The investigation determined that the allegations are substantiated. [REDACTED] did own securities in the [REDACTED] Corporation and should have signed a recusal per OCC ethics regulations. She should also have signed a recusal for [REDACTED] National Bank because she owned shares of [REDACTED] stock. [REDACTED] because of the [REDACTED] Capital Retail Bank, and the [REDACTED] Corporation, for [REDACTED] National Bank, are listed as commercial holding companies, but neither of these organizations was considered a conflict of interest to OCC employees until July 2011, when the OCC began its oversight of them. Prior to that date, the Office of Thrift Supervision (OTS) had oversight over them. [REDACTED] sold the securities in March and April 2012, and listed the divestiture in her Office of Government Ethics (OGE) Form 278 "Executive Branch Personnel Public Financial Disclosure Report."

The ownership of neither was an ethics issue per OGE regulations because the securities consisted of less than \$15,000 each in stock, and \$50,000-\$100,000 in a bond [REDACTED] which was part of a discretionary trust managed by [REDACTED] bank, received by [REDACTED] after her [REDACTED] died. According to the OGE, a Federal employee is only required to list the securities within a

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Case Name: [REDACTED]

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discretionary trust on his/her OGE Form 278 if he/she receives a distribution from the trust. [REDACTED] did receive distributions and did list them on her OGE Form 278. [REDACTED] then sold the securities in March and April 2012, and listed the divestiture on her OGE Form 278.

Although there were no ethics violations per OGE regulations, there were ethics violations per OCC's ethics regulations. According to OCC ethics rules, an employee who owns the aforementioned securities, should obtain a recusal for particular matters regarding the financial institution. If the employee owns \$20,000 or more in securities in one institution, the employee should contact his/her ethics official and obtain an expanded recusal. Because the [REDACTED] bond was greater than \$20,000, [REDACTED] should also have sought advice from her ethics official and signed a recusal for matters involving [REDACTED] Capital Retail Bank. She should have also obtained a recusal for particular matters involving [REDACTED] National Bank. [REDACTED] listed these securities on her 2011 form dated June 12, 2012, as required, but never obtained recusals. [REDACTED] Ethics Counsel, OCC, suggested a recusal for [REDACTED] in June 2012, once she reviewed [REDACTED] OGE Form 278, but a recusal was never signed because [REDACTED] had sold the securities in March and April 2012. It is unclear when [REDACTED] became aware that the discretionary trust held securities in [REDACTED] Corporation and [REDACTED]. It appears that [REDACTED] oversaw no enforcement activities on either organization, but records indicate that she was aware in January 2012, of a large merger between [REDACTED] Capital Retail Bank and [REDACTED] Bank. Although [REDACTED] should have recused herself of any role in [REDACTED] Capital Retail Bank, she sold her securities in this institution before the merger and possible financial gain for [REDACTED].

[REDACTED]'s aforementioned OGE forms were reviewed by ethics officials at the OCC and Treasury, and no conflicts of interest were noted. An OGE official was also contacted and stated that Treasury's ethics program is reviewed periodically, and always performs well. The case was presented to the US Department of Justice, Public Integrity Section, and declined.

Basis and Scope of the Investigation

TOIG received an allegation from an anonymous complainant that [REDACTED], former [REDACTED] [REDACTED] OCC owned securities in the [REDACTED] Corporation in violation of federal ethics regulations and laws (18 USC 208).

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Ethics Counsel, OCC
- [REDACTED] Senior Deputy Comptroller and [REDACTED] OCC
- [REDACTED] General Counsel for Ethics, Treasury
- [REDACTED] Ethics Program Specialist, Treasury
- [REDACTED] Desk Officer, Office of Government Ethics

Report of Investigation

Case Name: [REDACTED]

Case # OCC-13-1250-I

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During the course of the investigation, TOIG reviewed the following pertinent documents:

- Office of Government Ethics (OGE) Forms 278 "Executive Branch Personnel Public Financial Disclosure Report"
- A Comptroller of the Currency Form CC-6026-03 "OCC Confidential Financial Disclosure report for Covered Employees of the Office of the Comptroller of the Currency" signed and dated by [REDACTED] on May 1, 2012 and [REDACTED] on July 16, 2012.
- Memorandum entitled "Ethics Update-Revised Ethics Bulletin on Bank Securities Prohibition" dated August 13, 2012.
- Memorandum from Thomas Curry, Comptroller, entitled "[REDACTED] Retirement from the OCC" dated August 12, 2012.
- Memoranda from [REDACTED], Deputy Comptroller for Licensing, OCC, to [REDACTED] entitled "Licensing Notes" from January 2012.

Investigative Activity

TOIG obtained and reviewed the following documents provided by the OCC:

An OGE Form 278 "Executive Branch Personnel Public Financial Disclosure Report" signed and dated by [REDACTED] on June 12, 2012. The form showed the following securities with financial institutions owned by Williams:

- joint interest checking valuation \$1,001 - \$15,000
- insured joint money market \$1,001-\$15,000
- Insured money market \$1,001-\$15,000
- Insured money market \$1,001-\$15,000
- money market account \$250,000-\$500,000
- Trust - \$500,000-\$1M
- credit card
- Bank credit card
- Co - corporate bond - \$50,000-\$100,000
- Co - corporate bond - \$50,000-\$100,000
- Co - stock- \$1,001-\$15,000
- Corporation stock [REDACTED] National Bank) - \$1,001-\$15,000

The record also reflected that she received some dividends from the [REDACTED] bond on December 6, 2011 in the amount of \$1,001 - \$2,500. She received dividends from her [REDACTED] Corporation stock on September 12, 2011 (less than \$200) and on December 12, 2011 (less than \$200).

An OGE Form 278 "Executive Branch Personnel Public Financial Disclosure Report" signed and dated by [REDACTED] on February 11, 2013. The form also appears to be signed by [REDACTED] Ethics Program Specialist, Treasury, on April 1, 2013, and [REDACTED]

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Case Name: [REDACTED]

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[REDACTED] General Counsel, Treasury, on April 15, 2013. The form listed the same securities as the previous OGE Form 278, but also reflected the following transactions:

Co - trade 4/3/12 settle 4/9/12 - \$50,001-\$100,000

Co - trade 3/15/12 settle 3/20/12 - \$1,001 - \$15,000

Corporation- trade 4/3/12 settle 4/9/12 \$1,001 - \$15,000

A Comptroller of the Currency Form CC-6026-03 "OCC Confidential Financial Disclosure report for Covered Employees of the Office of the Comptroller of the Currency" signed and dated by [REDACTED] on May 1, 2012 and Dickey on July 16, 2012. The form requests information on ownership of securities in banks or savings associations and [REDACTED] responds with a "no." Under "Conflicts of Interest," [REDACTED] lists [REDACTED] Corporation - common stock and [REDACTED] Corporation - bond. She also writes that these two items were held by a trust and sold in 2012.

The documents also contained several ethics e-mails. One such e-mail was from [REDACTED] Senior Deputy Comptroller and [REDACTED], to "all OCC employees" subject "Ethics Update - Revised Ethics Bulletin on Bank Securities Prohibition" dated August 13, 2012. The bulletin reads, in part; "If the value of the employee's securities interest in any single bank, savings association or affiliate (including a commercial holding company that owns a bank or a savings association) approaches \$20,000 or if the aggregate value of the employee's securities in multiple banks, savings associations or affiliates (including commercial holding companies) approaches \$45,000, the employee must contact an ethics officer to obtain guidance on the scope of his recusal. Since additional restrictions from the Office of Government Ethics apply when an employee holds securities in excess of \$25,000, of any one bank or savings association or affiliate, including a commercial holding company, or more than \$50,000 of securities in such entities in the aggregate, the employee would need to observe an expanded recusal that would generally preclude the employee from participating in the development of banking industry policies, regulations, or legislation."

This e-mail was dated the same day as an e-mail from Thomas Curry, Comptroller of the Currency, to "all OCC employees" with the subject as "[REDACTED]' retirement from the OCC" dated August 13, 2012. (Exhibit 2)

TOIG interviewed [REDACTED] Ethics Counsel, OCC. [REDACTED] stated that [REDACTED] was her indirect supervisor. [REDACTED]'s direct supervisor is [REDACTED], Director for Administrative and Internal Law. One of [REDACTED]'s responsibilities is reviewing the Office of Government Ethics (OGE) Form 278 "Executive Branch Personnel Public Financial Disclosure Report" which is due yearly on May 15th for certain employees (for OCC, it is employees in bands 8 and 9.) [REDACTED] examines the form for types of securities owned and the amounts owned to make certain there is no conflict of interest per the OGE regulations. In [REDACTED]'s case, her forms would have been reviewed by [REDACTED] and then sent to the Ethics Office within the Office of General Counsel at the Department of Treasury. [REDACTED] explained that the OGE Form 278 for the Comptroller and

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the Chief Counsel are sent to Treasury for additional review because of their rank within the OCC.

[REDACTED] stated that [REDACTED] did list several securities involving financial institutions on her 2011 and 2012 OGE Form 278a. The forms list several [REDACTED] money market accounts, a [REDACTED] trust and money market, a [REDACTED] Company corporate bond and [REDACTED] stock valued at "\$1,001 - \$15,000." [REDACTED] explained that checking accounts, savings accounts, money markets, and bonds normally have no conflict of interest. Stocks, however, are an equity interest where a change in the organization can directly affect the stock's value. Therefore, an individual is normally limited in the amount he/she can own in an individual stock. In [REDACTED]'s case, she owned less than \$15,000 in [REDACTED] stock so that was not an issue. Her stock in [REDACTED] and [REDACTED] were also of less importance because they were stocks within a discretionary trust she was bequeathed from her mother.

After reviewing [REDACTED]'s 2011 OGE Form 278 which listed the large [REDACTED] bond, and stocks in [REDACTED] and [REDACTED] sent [REDACTED] an e-mail recommending a recusal for [REDACTED] Capital Retail Bank and [REDACTED] National Bank. The recusal would simply be a precaution to prevent perceived conflicts. It was not a requirement because both stocks were listed under \$15,000 and the bond was part of a discretionary trust. [REDACTED] responded that the trust had sold these securities. She also stated that she had informed a representative of the trust not to purchase securities in any financial institutions. [REDACTED] stated that a recusal was not written because the securities had been sold. (Exhibit 3)

TOIG interviewed [REDACTED], Senior Deputy Comptroller and [REDACTED], OCC. He stated that he has been employed with the OCC since May 2012. He was previously with the Federal Deposit Insurance Corporation and Verizon Wireless.

[REDACTED] had no knowledge of [REDACTED] owning securities in [REDACTED] Capital Retail Bank or any other financial institution. [REDACTED] added that [REDACTED] would not have been involved in the "day to day involvement" with any financial institution. She would have only been involved in enforcement matters. He was not aware of any enforcement matters involving [REDACTED] Capital Retail Bank in 2011 or 2012.

TOIG questioned [REDACTED] regarding a memorandum in his name entitled "Ethics Update-Revised Ethics Bulletin on Bank Securities Prohibition" dated August 13, 2012. He stated that he is a member of several subcommittees at the OCC. One is the Human Capital Subcommittee. Members of that subcommittee researched and wrote the memorandum. He believes the first draft was brought before the subcommittee in June 2012. He stated that the memo was drafted to remind employees of the ethics regulations per the OGE. He believes the timing was also because it was the one year anniversary of OCC acquiring many Office of Thrift Supervision employees. [REDACTED] stated that he also assisted with the drafting of the memorandum from Thomas Curry, Comptroller, entitled "[REDACTED] Retirement from the OCC." The fact that

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both memos were released to OCC staff the same day (August 13, 2012) was simply a coincidence. (Exhibit 4)

Agent's Note: [REDACTED] Senior Advisor, was contacted regarding enforcement activities for [REDACTED] Capital Retail Bank and [REDACTED] National Bank. There were no enforcement activities for either Institution in 2011 or 2012.

TOIG interviewed [REDACTED] General Counsel for Ethics, Treasury. Horton stated that she and her office are responsible for reviewing ethics matters for Treasury employees, to include reviewing the OGE Form 278 "Executive Branch Personnel Public Financial Disclosure Report" which is due yearly on May 15th for certain employees (normally grades GS 15 and higher, or anyone designated by the OGE, or the specific agency.) [REDACTED] and her office also review these forms for the senior management of the OCC, to include [REDACTED]. The reviewers examine the form for types of securities owned and the amounts owned to make certain there is no conflict of interest per the OGE regulations. In [REDACTED]'s case, her forms would have been reviewed by [REDACTED], and then sent to [REDACTED]'s office where [REDACTED] and [REDACTED], Ethics Program Specialist, would also review.

TOIG and [REDACTED] then discussed the OGE Form 278a completed by [REDACTED] for 2011 and 2012. The forms list several [REDACTED] money market accounts, a [REDACTED] trust and money market, a [REDACTED] Company corporate bond and [REDACTED] stock valued at "\$1,001 - \$15,000." [REDACTED] stated that although [REDACTED] was required to list the aforementioned securities, owning these was not a conflict of interest per OGE standards. She explained that checking accounts, savings accounts, and money markets have no conflict of interest and are insured by the Federal Deposit Insurance Corporation. Bonds are a debt holding or obligation. An individual would have to own so much that the individual's bonds could somehow effect the company. Stocks, however, are an equity interest where a change in the organization can directly affect the stock's value. Therefore, an individual is normally limited in the amount he/she can own in an individual stock. In [REDACTED]'s case, she owned less than \$15,000 in [REDACTED] so that was not an issue. [REDACTED] also added that [REDACTED] owned this stock for a very short period. [REDACTED] Capital Retail Bank fell under the oversight of the OCC after the OTS merged into the OCC in July 2011. She [REDACTED] also believed through conversations with [REDACTED] and [REDACTED], that [REDACTED] inherited this stock, as well as other securities, after the death of her mother. [REDACTED] sold the [REDACTED] securities in 2012, according to the 2012 form. [REDACTED] later resigned from the OCC, in approximately December 2012.

[REDACTED] stated that she saw nothing on [REDACTED]'s financial disclosure forms that was a conflict of interest per OGE regulations. If she had, she would have contacted [REDACTED] to speak with [REDACTED] regarding a recusal for oversight on organizations with the perceived conflict of interest. (Exhibit 5)

TOIG interviewed [REDACTED], Ethics Program Specialist, Treasury. [REDACTED] stated that she and her office are responsible for reviewing ethics matters for Treasury employees, to include reviewing the OGE Form 278. [REDACTED] performs a technical review on these forms which she described as a "line by line" review of all of the securities listed for securities that would violate OGE's conflict of interest regulations. She then signs the form as the first reviewer and [REDACTED] would be the final signer. These forms are maintained by her office for six years per OGE regulations, and are available to the public.

[REDACTED] stated that she saw nothing on [REDACTED]'s financial disclosure forms that was a conflict of interest per OGE regulations. If she had, she would have informed [REDACTED]. [REDACTED] does not speak with the employees directly because she is not an attorney and will not give advice regarding recusals or divestitures. [REDACTED] added that [REDACTED] has a lengthy background in federal ethics and would not have certified [REDACTED]'s forms had there been any conflict of interest. (Exhibit 6)

TOIG telephonically interviewed [REDACTED], Desk Officer, Office of Government Ethics (OGE). [REDACTED] stated that the OGE Form 278 is due yearly on May 15th for certain employees (normally grades GS 15 and higher, or anyone designated by the OGE, or the specific agency.) The agency ethics personnel review the form and consult with the agency employees whether divestiture or recusals are necessary for any of the holdings listed on the form. OGE only reviews the forms for employees that are presidentially selected and senate confirmed. OGE will also review forms at the request of an agency, if the agency ethics personnel have any questions or concerns. [REDACTED] stated that Treasury is one of the agencies that he "services" by answering questions and providing assistance, if needed. He stated that he often speaks with [REDACTED] and believes she and her staff are very competent with their program and the federal ethics regulations. [REDACTED] added that his office performs periodic program reviews of agency ethics offices, and Treasury performs well. He believes Treasury was last reviewed in 2011. (Exhibit 7)

The anonymous whistleblower provided additional documents to the TOIG. The one memorandum is from [REDACTED], Deputy Comptroller for Licensing, OCC to [REDACTED] with the subject "Licensing Notes" is dated January 13, 2012. The document discusses [REDACTED] Bank and [REDACTED] Incorporated. Specifically, the memo contains the following: [REDACTED] Bank, NA ([REDACTED]) is planning to file a 5.53 Change in Asset Composition application this week. At the end of 2010, the bank announced the sale of \$7.5 billion in deposits to [REDACTED] Capital with the remaining \$3 billion in deposits to be transferred out of the bank within 6 months..."

The whistleblower also provided a memorandum dated January 27, 2012, from [REDACTED] to [REDACTED] with the subject "Licensing Notes." One paragraph discusses [REDACTED] and that it will "change the composition of all of its assets," but does not mention the [REDACTED] Capital Rate Bank.

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Both documents contain handwritten notes which the whistleblower claims belong to [REDACTED] (Exhibit 8)

TOIG reviewed stock shares from the [REDACTED] Corporation website. On June 15, 2011, the timeframe when [REDACTED] owned the [REDACTED] Corporation stock and bond, and when the OCC would have begun the oversight of [REDACTED] Capital Retail Bank, the stock was worth \$18.39 per share.

[REDACTED] sold her stock shares on March 15, 2012, and the value was \$20.16 per share. She sold her [REDACTED] bond on April 3, 2012, at the value of \$19.96 per share.

[REDACTED] Capital Retail Bank was to acquire assets from [REDACTED] Bank in June 2012. On June 1, 2012, [REDACTED] shares were valued at \$18.54. On July 3, 2012, they were valued at \$20.43. (Exhibit 9)

Referrals

TOIG presented the case to [REDACTED], Attorney, US Department of Justice (DOJ), Public Integrity Section (PIS), and the case was declined. (Exhibit 10)

Judicial Action

N/A

Findings

The investigation determined that the allegations are substantiated. [REDACTED] did own securities in the [REDACTED] Corporation and should have signed a recusal per OCC ethics regulations. She should also have signed a recusal for [REDACTED] National Bank because she owned shares of [REDACTED] stock. [REDACTED] because of the [REDACTED] Capital Retail Bank, and the [REDACTED] Corporation, for [REDACTED] National Bank, are listed as commercial holding companies, but neither of these organizations was considered a conflict of interest to OCC employees until July 2011, when the OCC began its oversight of them. Prior to that date, the OTS had oversight over them.

According to OCC ethics rules, an employee who owns the aforementioned securities, should obtain a recusal for particular matters regarding the financial institution. If the employee owns \$20,000 or more in securities in one institution, the employee should contact his/her ethics official and obtain an expanded recusal. Because the [REDACTED] bond was greater than \$20,000, [REDACTED] should also have sought advice from her ethics official and signed a recusal for matters involving [REDACTED] Capital Retail Bank. She should have also obtained a recusal for particular matters involving [REDACTED] National Bank. [REDACTED] listed these securities on her 2011 form dated June 12, 2012, as required, but never obtained recusals. [REDACTED] suggested a recusal for [REDACTED] in June 2012, once she reviewed [REDACTED] OGE Form 278, but a recusal was never signed because

[REDACTED] had sold the securities in March and April 2012. It is unclear when [REDACTED] became aware that the discretionary trust held securities in [REDACTED] Corporation and [REDACTED]. It appears that [REDACTED] oversaw no enforcement activities on either organization, but records indicate that she was aware in January 2012, of a large merger between [REDACTED] Capital Retail Bank and [REDACTED] Bank. Although [REDACTED] should have recused herself of any role in [REDACTED] Capital Retail Bank, she sold her securities in this institution before the merger and possible financial gain for [REDACTED].

[REDACTED]'s aforementioned forms were reviewed by ethics officials at the OCC and Treasury, and no conflicts of interest were noted. An OGE official was also contacted and stated that Treasury's ethics program is reviewed periodically, and always performs well.

Distribution

Laura McAuliffe, Senior Advisor, Office of the Comptroller of the Currency

Signatures

Case Agent:

6/11/13
Date

Supervisor:

6/12/13
Date

John L. Phillips

Report of Investigation

Case Name: [REDACTED]

Case # OCC-13-1250-1

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Exhibits

1. Anonymous complaint, dated April 21, 2013.
2. Memorandum of Activity, Review of documents, dated May 13, 2013.
3. Memorandum of Activity, Interview of [REDACTED], Ethics Counsel, OCC, dated May 16, 2013.
4. Memorandum of Activity, Interview of [REDACTED], Senior Deputy Comptroller and [REDACTED], OCC dated May 30, 2013.
5. Memorandum of Activity, Interview of [REDACTED], [REDACTED] General Counsel for Ethics, Treasury, dated May 15, 2013.
6. Memorandum of Activity, Interview of [REDACTED], Ethics Program Specialist, Treasury, dated May 15, 2013.
7. Memorandum of Activity, Interview of [REDACTED], Desk Officer, Office of Government Ethics, dated May 28, 2013.
8. Memorandum of Activity, record review of memoranda provided by whistleblower, dated June 4, 2013.
9. Memorandum of Activity, record review of [REDACTED] stock data, dated June 6, 2013.
10. Memorandum of Activity, declination of case by the US Department of Justice, Public Integrity Section, dated June 6, 2013.



Office of Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title: Henry McCaslin, JR
(Former Bank President) First
National Bank, Rosedale, MS

Case #: BANK-10-2228-I

Case Type: Criminal X
Case Type: Administrative
Civil

Investigation Initiated: June 14, 2010

Conducted by: [REDACTED]
Special Agent

Investigation Completed: **OCT 22 2012**

Origin: Bank Failure Initiative

Approved by: John L. Phillips
Special Agent in Charge

Summary

On June 14, 2010, the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG), initiated this investigation as part of TOIG's bank failure initiative. The investigation was worked jointly with the Federal Deposit Insurance Corporation (FDIC) OIG and the Federal Bureau of Investigations (FBI). Specifically, due to inappropriate underwriting and credit administration practices for its agriculture loans, The Office of the Comptroller of the Currency (OCC) closed First National Bank (FNB) located in Rosedale, MS and appointed FDIC as receiver on June 4, 2010. FDIC OIG discovered that Henry McCaslin, JR, (former) FNB President, allegedly embezzled bank funds to pay personal expenses, and misled regulators by not revealing the true financial status of bank loans.

The investigation determined that the allegation was substantiated. McCaslin pled guilty to one count of 18 USC 656 - Embezzlement, in the U.S. District Court, Northern District of Mississippi. McCaslin was sentenced to 63 months incarceration; five years supervised release, ordered to pay restitution of \$1,530,000, and ordered to pay a special assessment of \$100.

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Basis and Scope of the Investigation

In 2008, the number of failed financial institutions across the country grew dramatically and threatened our nation's financial system. In 2009, in an effort to strengthen and protect the nation's financial system, the Office of Investigations opened a number of investigations specifically targeting fraudulent activities affecting the nation's banks. Working jointly in most cases with the FDIC OIG, the Federal Reserve Board OIG, the United States Secret Service, and the FBI, these investigations specifically involve the obstruction of OCC's financial institution examinations.

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED], Administrator OCC
- [REDACTED] Non-Employee
- [REDACTED] Non-Employee
- [REDACTED] Non-employee
- [REDACTED] Non-employee

In addition, TOIG reviewed pertinent documents, including:

- Horne Report of Forensic Examination of First National Bank of Rosedale dated February 26, 2010.

Investigative Activity

In an interview with TOIG, FDIC, and the FBI, [REDACTED] explained that he first became involved with the FNB during a bank examination in approximately September 2009. [REDACTED] said that during that examination OCC became aware that the bank was paying for unusual expenses which included cake baking and salaries for individuals whose duties were not clearly defined. McCaslin had been accused of stealing customer funds under the guise of loan fees. [REDACTED] said the complaint was made by McCaslin's [REDACTED].

[REDACTED] reviewed a spreadsheet of loans and noticed two unusual loans to bank employees. [REDACTED] and his staff asked to see the FNB's charge-off ledger and noticed that the name [REDACTED] had been changed to the name [REDACTED]. [REDACTED] said that McCaslin said that the bank employee had made a mistake and was just trying to correct it. After he reviewed the document processing system and underlying documents it was determined that loan proceeds funded numerous cashier checks paid to A&A Muffler and Alignment, Visa, Southpaw Outfitters, Ltd, American Express, and the Oxford University Club which were identified as personal expenses of McCaslin.

In December 2009, the OCC received information from the FNB legal counsel advising that McCaslin had been suspended after he had admitted to the FNB board of director's that he had used bank funds to pay his personal expenses. (Exhibit 1)

Referral

This case was presented for criminal prosecution by FDIC OIG to the United States Attorney's Office, Northern District of Mississippi, prior to TOIG opening its case. (Exhibit 2)

Judicial Action

On March 21, 2012, McCaslin pled guilty to one count of 18, USC 656 – Embezzlement in U.S. District Court, Aberdeen, MS. (Exhibit 3)

On August 30, 2012, McCaslin was sentenced to 63 months incarceration, five years' supervised release, ordered to pay restitution of \$1,530,000, and ordered to pay a special assessment of \$100. (Exhibit 4)

Findings

The investigation determined that the allegation was substantiated. McCaslin pled guilty to one count of 18 USC 656 - Embezzlement, in the U.S. District Court, Northern District of Mississippi. McCaslin was sentenced to 63 months incarceration; five years supervised release, ordered to pay restitution of \$1,530,000, and ordered to pay a special assessment of \$100.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s) and/or policies were violated or could be applied to the case:

- 18 USC 656 - Embezzlement

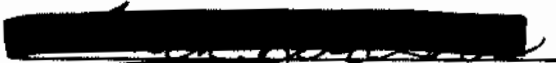
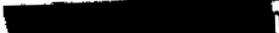
Distribution

N/A

Report of Investigation
Case Name: Henry McCaslin
Case # BANK-10-2228-I
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Signatures

Case Agent:

10/15/2012
Date

Supervisor:


John L. Phillips

10/12/12
Date

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Exhibits

1. Memorandum of Activity, Interview of [REDACTED], dated September 9, 2010.
2. Memorandum of Activity, Case Acceptance by AUSA, dated September 29, 2011.
3. Memorandum of Activity, Plea Hearing, dated March 28, 2012.
4. Memorandum of Activity, Judgment and Commitment Order, dated September 20, 2012.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220OFFICE OF
INSPECTOR GENERAL

December 3, 2012

MEMORANDUM FOR LAURA L. MCAULIFFE, SENIOR ADVISOR
OFFICE OF THE COMPTROLLER OF THE CURRENCY

FROM:

John L. Phillips *[Signature]* 12/4/12
Special Agent in Charge

SUBJECT:

Closure of Investigative Case Support to Operation [REDACTED]

BANK-11-1174-I

A case investigation was initiated by the U.S. Department of the Treasury, Office of Inspector General, Office of Investigations (TOIG) to document case investigative support to the U.S. Attorney's Office (USAO) Minneapolis, MN and the Minnesota Financial Crimes Task Force (MNFCTF) in Operation [REDACTED]. The investigation originated by the U.S. Secret Service (USSS) in November 2009 when information was developed from separate ongoing investigations which indicated that a common group of individuals were involved in a significant criminal enterprise committing a variety of financial crimes in the Minneapolis, MN area and other regions of the U.S.

The offenses investigated in Operation [REDACTED] included conspiracy to commit bank fraud, mortgage fraud, money laundering, identity theft, and mail and wire fraud. In February 2012, two of the leaders of the enterprise were convicted and sentenced to over 22 years each of imprisonment. A total of 28 co-conspirators were prosecuted as a result of the investigation.

The evidence presented at trial proved that the leaders worked with numerous co-conspirators to buy and sell stolen bank-customer information that was ultimately used to open fraudulent bank and credit card accounts, apply for loans and obtain cash. Subsequently, these co-conspirators altered checks for deposit into fraudulent accounts and drafted checks against them. They also acquired cash from fraudulent credit card accounts they had established and used the false credit cards to purchase merchandise. They co-opted home equity lines of credit without the knowledge or consent of the true account holders, using the lines of credit for

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Department of the Treasury

their personal benefit. In addition to recruiting bank employees to assist in the scheme, co-conspirators regularly recruited other individuals to conduct fraudulent financial transaction, often transporting them to various banks around the country to commit their crimes.

The financial institutions victimized included American Express, Associated Bank, Bank of America, Capital One, Guaranty Bank, JP Morgan Chase Bank, TCF Bank, US Bank, Wachovia Bank, Washington Mutual and Wells Fargo Bank.

The TOIG had been requested by the USAO Minneapolis to assist the investigation by contacting bank security officials and request their cooperation with the operation. TOIG worked with the Office of Comptroller of the Currency (OCC) in gaining the banks' cooperation, which included allowing confidential informants to make transactions and interact with employees who were complicit in providing access to financial accounts and funds. Agents from TOIG met with bank security and OCC officials to mitigate and allay concerns expressed by bank officers that their continued cooperation with law enforcement would not affect their regulatory oversight and compliance or their obligation to report of illegal conduct to the Treasury.

TOIG also conducted criminal history checks; database searches and FinCEN financial record checks for 15 additional bank employees and insiders who were identified as participating in the predicate criminal enterprise.

Accordingly, TOIG is closing its investigation into this matter. However, if you have any questions related to this investigation, please feel free to contact me at 202-927-5765.

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Office of Inspector General - Investigations
Department of the Treasury



Office of the Inspector General U.S. Department of the Treasury



Report of Investigation

Case Title:

Retirement Specialist
NB-5
EOD 06/06/00
Office of the Comptroller of
the Currency

Case #: OCC-13-0519-I**Case Type:** Criminal
Administrative ☒
Civil ☐**Conducted by:**

Investigator

Investigation Initiated: January 11, 2013**Investigation Completed:****Origin:** Laura McAuliffe
Senior Advisor
Office of Comptroller of Currency**Approved by:** John L. Phillips
Special Agent in Charge**Summary**

The Department of Treasury, Office of the Inspector General, Office of Investigations (TOIG), received a complaint from the Office of the Comptroller of the Currency (OCC) that between September 2011 and December 2012, [REDACTED] OCC Retirement Specialist, misused her Government Citibank travel card by making over three hundred seventy unauthorized charges to her individually billed travel credit card in excess of \$31,000.00 while not in an official travel status. (Exhibit 1)

The investigation determined that the allegation is substantiated. [REDACTED] admitted to knowingly using her Government Citibank travel card for personal use while not in official travel status.

Basis and Scope of the Investigation

During the course of the investigation, TOIG conducted relevant interviews with:

- [REDACTED] Retirement Programs Manager - Witness
- [REDACTED] Program Analyst - Witness
- [REDACTED] Financial Systems Analyst - Witness
- [REDACTED] Travel Operations Lead - Witness
- [REDACTED] Compensation and Benefits - Witness
- [REDACTED] Retirement Specialist - Subject

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In addition, TOIG reviewed pertinent documents, including:

- Citibank Credit Card Statements 9/2011-2/2013
- Correspondence (emails) between [REDACTED] and OCC's travel office regarding unauthorized charges
- Citibank Card Holder Account Agreement and Travel Card Training Certificate

Investigative Activity

A TOIG document review of [REDACTED]'s Government Citibank travel card statements dated September 3, 2011 to February 1, 2013, revealed that [REDACTED] made approximately three hundred seventy eight unauthorized purchases on her Government Citibank travel card in the amount of \$31,000.00 averaging twenty seven monthly usages of the card while not in official travel status. (Exhibit 2)

In an interview with TOIG, [REDACTED] Program Analyst, Financial Management Division (FMD), OCC said during an audit by FMD of travel vouchers a fraudulent voucher was discovered. FMD management created a working group to handle fraudulent travel vouchers and misuse of government travel cards. [REDACTED] said [REDACTED] Financial Systems Analyst, FMD created a program that flagged accounts for irregularities when making cash withdrawals prior to going on official travel. [REDACTED] said her program compared the number of cash withdrawals and cash advance fees associated with those withdrawals. Travelers are authorized to be reimbursed for those cash advance fees, but she found that if an employee did not claim cash advance fees on their travel voucher, they either were not aware they were allowed to claim the fee or they were using the travel card while not in an official travel status. [REDACTED]'s program flagged any account that had over one hundred percent of the allowable amount of four hundred dollars a week.

[REDACTED] said the accounts that were flagged were compiled based on dollar amounts only and no names were associated with the accounts. [REDACTED] said [REDACTED] Travel Operations, Lead, FMD, researched the accounts and found [REDACTED]'s account had \$25,255.74 in cash withdrawals and fees that were not associated with official government travel. Further review revealed that [REDACTED] had purchased gasoline totaling \$6,329.81 not associated with official travel as well as \$79.35 for lodging not associated with official travel. (Exhibit 3)

In an interview with TOIG, [REDACTED] said he has been [REDACTED]'s Supervisor off and on since 1999. [REDACTED] first became aware of [REDACTED]'s misuse of her government issued travel card when he received an email from OCC's financial group that there was an issue. [REDACTED] spoke with his Supervisor [REDACTED] who advised him that [REDACTED] had been misusing her travel card. [REDACTED] in consultation with HR management suspended [REDACTED]'s travel card and restricted her travel to local venues only or agency essential events.

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[REDACTED] said [REDACTED] attempted to contact him regarding this issue; however, he did not meet with her until after her card had been suspended. During the meeting [REDACTED] admitted to [REDACTED] that she misused her government travel card and confessed to having a gambling problem. [REDACTED] was aware that [REDACTED] and two other employees in the office traveled together on trips to casinos and had talked about their jackpots that they won. [REDACTED] told [REDACTED] that she is attending meetings and seeing a counselor for her gambling addiction and that she has repaid all of the charges on the account. (Exhibit 4)

In an interview with TOIG, [REDACTED] said he has been [REDACTED] Second line Supervisor since 2003. [REDACTED] first became aware of [REDACTED]'s misuse of her government issued travel card when he was notified by his Supervisor [REDACTED]. [REDACTED] was aware of the data from OCC's financial group that there was an issue with [REDACTED]'s credit card account. [REDACTED] said [REDACTED] came to him and told him what she had done. [REDACTED] was very remorseful and apologetic and that she knew what she did was wrong. [REDACTED] offered no explanation as to why she misused her credit card, nor did [REDACTED] ask her for a reason. [REDACTED] in consultation with HR management suspended [REDACTED]'s travel card and restricted her travel to local venues only or agency essential events. [REDACTED] was told that this issue would likely be referred to OIG and he has taken no disciplinary action pending the outcome of the OIG report. [REDACTED] believes [REDACTED]'s problems are caused by her family situation and her gambling problem. [REDACTED] was aware that [REDACTED] and two other employees in the office traveled together on trips to casinos and had talked about their jackpots that they won. [REDACTED] said [REDACTED] is attending meetings and seeing a counselor for her gambling addiction and that she has repaid all of the charges on the account. (Exhibit 5)

In an interview with TOIG [REDACTED] was provided with Beckwith/Garrity rights (OI Form-27) (Exhibit 6) by TOIG, which she acknowledged via signature. The interview was videotaped and transcribed. (Exhibit 7)

[REDACTED] acknowledged that she has taken the required trainings in order to be issued a government credit card and acknowledged that personal use of a government credit card is not permitted.

[REDACTED] stated she knowingly used her issued government credit card for her personal use while not in official travel status. [REDACTED] explained that she was experiencing financial difficulties and she improperly used the card. [REDACTED] has since repaid the entire amount owed on the card to Citibank.

Referrals

NA

Judicial Action

NA

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Findings

The investigation determined that the allegation is substantiated. It was discovered that [REDACTED] knowingly used her Government Citibank travel card while not in official travel status.

- 5 C.F.R., 2635.101(b) (12) - Basic Obligation of Public Service. Employees shall satisfy in good faith their obligations as citizens, including all just financial obligations, especially those such as Federal, State, or local taxes that are imposed by law.
- 31 CFR § 0.213 - General conduct prejudicial to the Government. Employees shall not engage in criminal, infamous, dishonest, or notoriously disgraceful conduct, or any other conduct prejudicial to the Government

Distribution

Laura McAuliffe, Senior Advisor, OCC

Signatures

Case Agent: [REDACTED]

Signature

4/22/13
Date

Supervisor: [REDACTED]

Signature

4/22/13
Date

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Exhibits

1. Original Complaint from Laura McAuliffe, Senior Advisor, OCC.
2. Copies of [REDACTED]'s Travel Card statements from 9/2011-2/2013.
3. Memorandum of Activity of OCC Financial Management Team dated, March 21, 2013.
4. Memorandum of Activity of [REDACTED] dated, March 21, 2013.
5. Memorandum of Activity of [REDACTED] dated, March 27, 2013
6. Copy of [REDACTED]'s, Advice of Rights, Beckwith/Garrity rights (OI Form-27).
7. Copy of [REDACTED]'s transcripts of interview.