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Description of document: National Credit Union Administration (NCUA) Reports of Investigation for two Inspector General (OIG) cases: 14-AI-R4-01 and 14-AI-R4-04, 2014

Requested date: 06-January-2017

Released date: 22-February-2017

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Source of document: FOIA Request  
National Credit Union Administration  
Office of the Inspector General  
1775 Duke Street  
Alexandria, VA, 22314  
Fax: 703.518.6349  
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February 22, 2017

**SENT BY E-MAIL**

RE: Your FOIA Request #OIGFOIA-2017-02

This is in response to your letter dated January 6, 2017, requesting information under the Freedom of Information Act (FOIA), 5 U.S.C. § 552. Specifically, you requested the Reports of Investigation for the two following cases, respectively: Case Number 14-AI-R4-01 and Case Number 14-AI-R4-04.

I have provided herewith 47 pages responsive to your request. Information redacted from these pages qualifies for protection under subsections (b)(6) and (b)(7)(C) of the FOIA. Subsection (b)(6) permits agencies to withhold information the disclosure of which would constitute an unwarranted invasion of personal privacy. Subsection (b)(7)(C) protects information compiled for law enforcement purposes if its release could reasonably be expected to constitute an unwarranted invasion of personal privacy.

Moreover, I have withheld nine (9) pages responsive to your request. Information in these pages qualifies for protection under subsection (b)(8) of the FOIA. Exemption 8 applies to information “contained in or related to examination, operating or condition reports prepared by, on behalf of, or for use of an agency responsible for the regulation or supervision of financial institutions.”

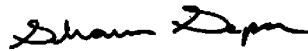
Should you consider any or all of the determinations set forth above a denial of your request, you have the right to appeal those determinations. An appeal may be in writing and filed within 30 days from the receipt of this initial determination. If you file an appeal, please note “FOIA-APPEAL” in the letter and on the envelope and address your appeal to:

February 22, 2017

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National Credit Union Administration  
Office of General Counsel-**FOIA APPEAL**  
1775 Duke Street  
Alexandria, Virginia 22314-3428

Sincerely,

A handwritten signature in black ink, appearing to read "Sharon Separ".

Sharon Separ  
Counsel to the Inspector General/  
Assistant IG for Investigations

Enclosure

cc: FOIA Officer



National Credit Union Administration

Office of Inspector General

## REPORT OF INVESTIGATION



Case Number 14-AI-R4-01

(b) (6)  
(b) (7) (c)





National Credit Union Administration

Office of Inspector General

**TO:** Executive Director Mark A. Treichel  
Regional Director C. Keith Morton, Region IV  
Director Cheryl Eyre, Office of Human Resources

**FROM:** Inspector General James W. Hagen

**SUBJECT:** Report of Investigation (Case #14-AI-R4-01)

**DATE:** July 7, 2014

Attached for your review and appropriate action is the Office of Inspector General Report of Investigation of possible misconduct (unprofessional conduct) by [REDACTED] (b)(6)  
Supervisory Examiner, National Credit Union Administration, Alexandria, VA. No portion of (b)(7)(C)  
this report may be photocopied, duplicated or disseminated without the express permission of the  
Inspector General or Director of Investigations.

Please notify this office within 45 days of management's decision regarding disciplinary action  
in this matter. All investigative reports must be returned to the OIG at the completion of any  
agency action. If you have any questions or we may be of assistance, please contact me or

[REDACTED]

(b)(6);(b)(7)(C)



NATIONAL CREDIT UNION ADMINISTRATION  
Office of Inspector General  
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-R4-01

CASE TITLE: [REDACTED] (b)(6); (b)(7)(C)

CASE STATUS: Closed - Pending

VIOLATIONS: Misconduct: Unprofessional Conduct

PREDICATION:

On January 30, 2014, the National Credit Union Administration (NCUA) Office of Inspector General (OIG) received an email complaint from [REDACTED], regarding NCUA Supervisory Examiner [REDACTED]. [REDACTED] alleged specifically that [REDACTED] demanded, in an adversarial and hostile manner, that [REDACTED] client, [REDACTED], Vice President, [REDACTED], provide [REDACTED] with a list of all of [REDACTED] credit union clients in [REDACTED], so that [REDACTED] could contact them and tell them to stop purchasing [REDACTED]. [REDACTED] stated that [REDACTED] had already instructed two credit unions ([REDACTED] and [REDACTED] Credit Union) to stop using [REDACTED].

A second allegation stemmed from the investigative interviews of witnesses who stated that [REDACTED] inappropriately shared sensitive information about one credit union with staff members at a second credit union.

[REDACTED] is a contractual vendor of [REDACTED] for credit unions.

DISTRIBUTION:

Mark A. Treichel  
Executive Director

CASE AGENT:

[REDACTED]  
Director of Investigations

APPROVED:

Sharon Separ  
Assistant Inspector General  
for Investigations

[REDACTED]  
(Signature)

[REDACTED]  
(Signature)

This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.

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### SYNOPSIS:

Investigation revealed that during a visit to [REDACTED], [REDACTED] in September [REDACTED] met with [REDACTED] Examiner (Region [REDACTED], NCUA, [REDACTED] because [REDACTED] had reported a recent embezzlement by a [REDACTED] employee. During the visit, [REDACTED] asked [REDACTED] staff members for all dormant account records so that [REDACTED] could review them. Credit union officials informed [REDACTED] that the reports were not retrievable through the credit union's [REDACTED] furnished by [REDACTED]. At this point, [REDACTED] went into the office of [REDACTED] Compliance Officer, [REDACTED] and initiated a telephone call with [REDACTED]. According to [REDACTED] stated that the [REDACTED] used [REDACTED] could not provide the dormant account reports [REDACTED] requested. [REDACTED] told the Reporting Agent (RA) that [REDACTED] replied that [REDACTED] was not going to take "no" for an answer. [REDACTED] persisted with [REDACTED] demand until [REDACTED] produced the requested reports.

[REDACTED] told the RA that the telephone call with [REDACTED] was very "heated." [REDACTED] explained that the while the [REDACTED] system is capable of generating dormant activity reports, and that it is [REDACTED] policy to advise all credit union clients to activate dormant activity reports, not all customers—including [REDACTED]—elect that functionality. [REDACTED] related that [REDACTED] attempted to explain to [REDACTED] that, consequently, the dormant account reports were not easily re-produced and it would take some time. [REDACTED] stated that upon hearing this, [REDACTED] demanded a list of all [REDACTED] customers in [REDACTED] in order to advise them to stop purchasing [REDACTED] programs and support. [REDACTED] staff members corroborated the heated exchange between [REDACTED] and [REDACTED] and [REDACTED] request for [REDACTED] customer list during the telephone call.

During [REDACTED] interview, [REDACTED] insisted that [REDACTED] is always polite and professional in [REDACTED] dealings with credit union staff. [REDACTED] further stated that [REDACTED] was polite to [REDACTED] during their telephone conversation. Moreover, [REDACTED] stated that [REDACTED] did not ask [REDACTED] for a list of [REDACTED] customer base in [REDACTED].

However, [REDACTED] staff members who were interviewed characterized [REDACTED] behavior as "out of line" and stated that [REDACTED] treated [REDACTED] staff in an unprofessional manner. [REDACTED] Manager, [REDACTED] stated that [REDACTED] does not want to have any future dealings with [REDACTED] and fears retaliation for voicing [REDACTED] complaint.

During a visit to [REDACTED], [REDACTED], in January [REDACTED] met with [REDACTED] Examiner (Region 4), NCUA, [REDACTED] to observe him during a joint conference. [REDACTED] related to the RA that [REDACTED] asked [REDACTED] what [REDACTED] company [REDACTED] used. [REDACTED] told [REDACTED] that the credit union used [REDACTED] stated that [REDACTED] did not inform anyone at [REDACTED] of recent issues with [REDACTED] or advise them not to continue to contract with [REDACTED]. However, [REDACTED] staff and board members who were

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interviewed stated that [REDACTED] did in fact discuss with them [REDACTED] complaints about [REDACTED] and the incident at [REDACTED].

### SUBJECT(S) INFORMATION:

[REDACTED], Supervisory Examiner, NCUA (Region 4), [REDACTED] is a current NCUA employee.

### DETAILS:

#### **Allegation 1: [REDACTED] Intentionally Undermined [REDACTED] Business Standing and Reputation.**

On January 30, 2014, the NCUA OIG received a letter from [REDACTED] alleging that [REDACTED] threatened to advise [REDACTED] credit union customers to stop purchasing [REDACTED] software, thereby undermining and harming [REDACTED] business standing and reputation.

#### **Allegation 1 Findings:**

On February 18, 2014, the RA interviewed [REDACTED] stated that in September 2013, [REDACTED] received a telephone phone call from [REDACTED]. [REDACTED] stated that during the phone call, [REDACTED] was hostile. [REDACTED] stated that [REDACTED] requested a report of [REDACTED] dormant accounts. [REDACTED] explained that the report could not be readily produced, given the [REDACTED] had purchased and used, and it would, therefore, take some time. [REDACTED] stated that upon hearing this, [REDACTED] demanded a list of all [REDACTED] customers in [REDACTED] in order to advise them to stop purchasing [REDACTED] programs. As background, [REDACTED] explained that [REDACTED] did not initially request that the [REDACTED] it purchased should capture this type of data. [REDACTED] stated that he told [REDACTED] could provide the requested report the following day. [REDACTED] stated that [REDACTED] learned later that [REDACTED] told [REDACTED] that they needed to change their [REDACTED] program immediately to replace [REDACTED] program. [REDACTED] stated [REDACTED] flew out to meet with [REDACTED] in order to assure them that [REDACTED] could meet their needs and "smooth over" their concerns. [REDACTED] stated [REDACTED] also expressed willingness to meet with NCUA examiners in order to explain [REDACTED] programs.

[REDACTED] stated that in January 2014, [REDACTED] contacted [REDACTED] regarding comments [REDACTED] made during a recent board meeting. [REDACTED] stated that [REDACTED] reportedly told [REDACTED] board members that [REDACTED] was a terrible system and that other credit unions had issues with its [REDACTED] programs. [REDACTED] stated that [REDACTED] also informed the [REDACTED] board members that [REDACTED] would provide names of different vendors to replace [REDACTED] stated [REDACTED] is very concerned with the potential damage [REDACTED] has caused to [REDACTED] as a result of [REDACTED] interactions with area credit unions. Through [REDACTED] counsel, [REDACTED] stated that as a NCUA Supervisory

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Examiner, [REDACTED] speaks from a position of authority. [REDACTED] added that [REDACTED] has been in business for over [REDACTED] years and [REDACTED] actions have unjustifiably called into question its reputation and credibility.

On May 21, 2014, the RA interviewed [REDACTED]. Prior to the interview [REDACTED] was advised of [REDACTED] Garrity Rights (Exhibit 1). [REDACTED] stated that because [REDACTED] was concerned that [REDACTED] internal controls were weak, [REDACTED] requested the dormant account reports. [REDACTED] stated that [REDACTED] told [REDACTED] that [REDACTED] could not produce these reports. [REDACTED] directed [REDACTED] to call [REDACTED], and a conversation on speakerphone ensued among [REDACTED] [REDACTED] stated that [REDACTED] learned that [REDACTED] offered credit unions the option to produce these reports, but because [REDACTED] did not initially request it, it was not included under its contract. [REDACTED] stated that [REDACTED] remained professional during this conversation and that if [REDACTED] was misinterpreted as speaking loudly, it was because they were on speakerphone. [REDACTED] stated that [REDACTED] did not ask [REDACTED] for [REDACTED] customer list because [REDACTED] can pull that information via the call reports in AIRES.

On April 17, 2014, the RA interviewed [REDACTED] stated that in [REDACTED], an employee at [REDACTED] branch was found to have embezzled money from the credit union's dormant accounts. [REDACTED] stated that [REDACTED] immediately contacted the police and NCUA. [REDACTED] stated that [REDACTED] also contacted all [REDACTED] members via email and requested that they verify their account balances.

[REDACTED] related further that in September [REDACTED] came to [REDACTED] to conduct a mini-exam, as a result of the embezzlement. [REDACTED] stated that [REDACTED] was not happy with some IT issues (Internet Protocol addresses) that [REDACTED] found during the exam. [REDACTED] related that [REDACTED] further expressed [REDACTED] dislike of [REDACTED] because it did not provide dormant account reports as part of its service to [REDACTED]. [REDACTED] explained that [REDACTED] did not normally request these reports from [REDACTED]. However, [REDACTED] explained, they were available as part of their data processing service. [REDACTED] stated that [REDACTED] told her [REDACTED] should change to another data processing company and [REDACTED] would provide the names of some potential replacements. [REDACTED] stated that a change of data processing support would cost approximately \$500,000.00 and would be a board, not [REDACTED] decision. [REDACTED] explained that [REDACTED] has contracted with [REDACTED] for over [REDACTED] years and has been very satisfied with its products and service. [REDACTED] stated that [REDACTED] demanded a daily dormant account report be produced and included in the board minutes. [REDACTED] stated that the board did not want this report included in the minutes.

[REDACTED] also related that [REDACTED] had told [REDACTED] about a telephone call among [REDACTED], and [REDACTED] in [REDACTED] office. According to [REDACTED] told [REDACTED] that [REDACTED] called [REDACTED] back after the call to apologize for [REDACTED] rude behavior.

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█████ stated that during this same timeframe, █████ requested, with no accompanying explanation, all █████ personnel records. █████ stated █████ did not comply with this request because they contain confidential information and raise privacy issues. █████ stated that █████ contacted █████ attorney who agreed with █████ refusal.

█████ characterized █████ as doing things that seemed out of the ordinary with regard to usual examiner requests/actions. █████ stated that █████ had initially threatened █████ with a CAMEL 4 rating. However, █████ informed █████ that █████ would provide █████ with the names of auditors to conduct an independent audit and, if █████ subsequently retained one of the independent auditors, █████ could attain a CAMEL 3 rating. █████ stated that █████ hired one of the independent auditors as directed. █████ stated that this independent audit cost █████ approximately █████. █████ stated that until the current CAMEL rating, █████ CAMEL rating had historically been a 1 or 2.

█████ further characterized █████ behavior as "totally out of line" and stated that █████ has never been treated that way by NCUA examiners. █████ stated █████ does not want to see █████ again. █████ also stated that the current examiner █████ assigned to █████ is likewise unpleasant to work with. █████ related that █████ expressed dissatisfaction with the █████ branch and recommended its closure. █████ stated that █████ subsequently closed the branch and lost several members and businesses as a result. █████ characterized █████ as having a "big ego" and needing to prove █████. █████ stated that █████ refused to allow certain groups to join █████ because of the credit union's CAMEL 3 rating. █████ stated █████ was frustrated because these new groups would have replaced some of the accounts lost as a result of the █████ branch closing. █████ stated further that █████ did not appreciate the way █████ conducts █████ while at the credit union and asked if █████ could request a different examiner. █████ also expressed concern that NCUA might retaliate against █████ or █████ because █████ cooperated with the investigator in this matter.

On April 17, 2014, the RA interviewed █████. █████ stated that in █████, a █████ employee at the █████ branch embezzled funds from the credit union's dormant accounts. █████ stated █████ notified NCUA immediately after learning of the embezzlement. █████ stated that █████ first met █████ in September █████, shortly after the embezzlement, when █████ visited the credit union with █████. █████ stated that █████ came into █████ office and demanded the dormant account reports. █████ told █████ that █████ did not have the reports and would call their █████ company █████ to determine if these reports were available. █████ stated █████ initiated a call to █████. █████ related that █████ put █████ on the speakerphone during the conversation so that █████ could participate. █████ asked █████ for the dormant account reports, indicating that the reports should be readily available. █████ stated that █████ attempted to explain that the reports would take time to produce. █████ explained that █████ did not ask for the dormant account reports as part of their contract with █████. However, █████ explained, production of the reports was an

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available feature of the system. [REDACTED] stated that [REDACTED] expressed [REDACTED] dissatisfaction with [REDACTED] response and was very rude to [REDACTED]. [REDACTED] stated that [REDACTED] asked [REDACTED] for [REDACTED] customer list in order to inform them that [REDACTED] does not comply with NCUA regulations and is not able to produce certain reports needed for NCUA exams. [REDACTED] stated the entire phone conversation was "heated" and that [REDACTED] behaved unprofessionally. [REDACTED] stated that [REDACTED] was embarrassed by the way [REDACTED] interacted with [REDACTED] and called [REDACTED] back to apologize after [REDACTED] left [REDACTED] office. [REDACTED] stated that [REDACTED] implied that [REDACTED] was an inadequate [REDACTED] company. [REDACTED] stated that during the exit conference, [REDACTED] told [REDACTED] they were a CAMEL 4 rating. [REDACTED] added, however, that if they [REDACTED] hired an outside auditor to come in and perform an independent audit, NCUA could upgrade their CAMEL rating to a 3.

On May 21, 2014, the RA interviewed [REDACTED] regarding alleged misconduct by [REDACTED] during a recent examination. Prior to the interview, [REDACTED] was advised of [REDACTED] Garrity rights (Exhibit 2). [REDACTED] stated that [REDACTED] has been an NCUA employee from February [REDACTED] to present. [REDACTED] stated that [REDACTED] is currently assigned to Region 4 [REDACTED]. In [REDACTED] [REDACTED] stated that [REDACTED] notified [REDACTED] of a fraud involving the credit union's dormant accounts. [REDACTED] related that [REDACTED] informed [REDACTED] that [REDACTED] Manager of the [REDACTED] branch of [REDACTED] had stolen approximately [REDACTED] from [REDACTED] dormant accounts. [REDACTED] stated that [REDACTED] advised [REDACTED] to contact the police to file a report and to conduct a 100% positive member verification to determine if any other member accounts may have been compromised. Additionally, [REDACTED] advised [REDACTED] that [REDACTED] needed to have a fraud audit performed.

In [REDACTED] [REDACTED] related that [REDACTED] met with [REDACTED] and other [REDACTED] staff members at [REDACTED]. [REDACTED] stated that [REDACTED] was hesitant to file a police report due to media exposure. [REDACTED] explained that it would facilitate NCUA issuing a prohibition order against [REDACTED] if [REDACTED] filed the report. [REDACTED] stated that [REDACTED] met with [REDACTED] at [REDACTED] a couple days after [REDACTED] arrived. [REDACTED] stated that [REDACTED] requested the historical data reports for the dormant accounts dating back from the time [REDACTED] was hired. [REDACTED] stated that [REDACTED] told [REDACTED] and [REDACTED] that the reports were not available. [REDACTED] stated that at this point [REDACTED] asked [REDACTED] whether [REDACTED] was going to deal with this issue, emphasizing that it was unacceptable for [REDACTED] not to. [REDACTED] stated that [REDACTED] told [REDACTED] that [REDACTED] was involved in another issue and would take care of this afterwards. [REDACTED] stated that this obviously was not acceptable to [REDACTED] as [REDACTED] grabbed the dormant account paperwork and said [REDACTED] would take care of it. [REDACTED] indicated that [REDACTED] did not seem to be happy with the way [REDACTED] was performing [REDACTED] job. [REDACTED] stated that [REDACTED] went into [REDACTED] office and initiated a telephone call with [REDACTED]. [REDACTED] described the phone call (on speakerphone) between [REDACTED] on behalf of [REDACTED] as "heated" and related that it did not appear to be going well. [REDACTED] believes the call lasted approximately two (2) hours. [REDACTED] stated that [REDACTED] was clearly upset by the situation. [REDACTED] opined that [REDACTED] was rude and abrasive during the telephone call with [REDACTED]. After the phone call [REDACTED] stated that [REDACTED] told [REDACTED] that [REDACTED] needed to be more

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persistent in getting the credit union to comply with [REDACTED] requests.

[REDACTED] stated that [REDACTED] was eventually able to provide the requested documentation (past dormant account information). [REDACTED] explained that [REDACTED] had to manually obtain it from back up historical data records which took time to complete. [REDACTED] recalled that [REDACTED] made the comment that [REDACTED] was not a good [REDACTED] company.

[REDACTED] related that the atmosphere at [REDACTED] after this incident was tense. [REDACTED] stated that during a meeting with the [REDACTED] board members, [REDACTED] threatened [REDACTED] with a CAMEL Rating 4. [REDACTED] stated that [REDACTED] and [REDACTED] recommended that [REDACTED] have an outside auditor come in and conduct a fraud audit due to the theft incident. [REDACTED] stated that [REDACTED] explained to the board members that this would assist [REDACTED] in their bond claim with the Credit Union National Association (CUNA). [REDACTED] stated that [REDACTED] gave [REDACTED] a list of approximately three (3) to four (4) auditors to consider and contact. [REDACTED] stated that [REDACTED] did not know any of the individuals on the list personally and made no recommendations. [REDACTED] stated that in [REDACTED] opinion, the manner in which [REDACTED] presented the independent auditor issue to the board members sounded like a threat. However, because the board agreed with [REDACTED] and [REDACTED] recommendation that they hire an independent auditor, they decided to give [REDACTED] a CAMEL 3 rating.

[REDACTED] stated that [REDACTED] demeanor at [REDACTED] set a negative tone with the credit union staff and the board members. [REDACTED] stated that [REDACTED] conducted an exam at [REDACTED] in May [REDACTED] and they received a CAMEL 2 rating. [REDACTED] stated that [REDACTED] felt the most recent CAMEL 3 rating was unjust and heavy-handed. [REDACTED] opined that if [REDACTED] had challenged [REDACTED] about the CAMEL 3 rating, then [REDACTED] would have questioned [REDACTED] judgment and it would have created more stress. [REDACTED] opined further that [REDACTED] and [REDACTED] board members realized that [REDACTED] was not the source of the tension and are very satisfied with [REDACTED] as an examiner.

[REDACTED] stated that soon after the [REDACTED] incident at [REDACTED] her relationship with [REDACTED] changed dramatically. [REDACTED] stated that [REDACTED] continually micromanaged [REDACTED] questioned [REDACTED] regarding every assignment, and was never satisfied with [REDACTED] work. [REDACTED] stated that [REDACTED] joined the union (NTEU) because [REDACTED] feared [REDACTED] would attempt to fire [REDACTED]. [REDACTED] stated that it was very stressful. [REDACTED] stated that [REDACTED] heard similar complaints regarding [REDACTED] from other examiners assigned to [REDACTED]. [REDACTED] stated that in [REDACTED] provided [REDACTED] with [REDACTED] mid-year performance appraisal and it included very positive comments. Nevertheless, [REDACTED] was surprised when received the lowest performance appraisal to date on the final appraisal.

[REDACTED] stated [REDACTED] has been reassigned to another Supervisory Examiner [REDACTED] since January [REDACTED]. [REDACTED] provided a statement (Exhibit 3).

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### Allegation 2: [REDACTED] Inappropriately Shared Sensitive Credit Union Information

During a visit to [REDACTED] allegedly disclosed sensitive information about another credit union [REDACTED].

#### Allegation 2 Findings:

On April 16, 2014, the RA interviewed [REDACTED] Manager/Treasurer [REDACTED] regarding possible misconduct by [REDACTED]. [REDACTED] stated that [REDACTED] first met [REDACTED] during a joint conference in January [REDACTED]. [REDACTED] stated that during the joint conference, NCUA Examiner [REDACTED] discussed areas of concern contained in a prior Document of Resolution (DOR). [REDACTED] stated that one of the issues dealt with delinquent loan reports. [REDACTED] related that [REDACTED] suggested that [REDACTED] contact [REDACTED] company to have these reports generated. When [REDACTED] asked who [REDACTED] used for their [REDACTED] [REDACTED] replied that [REDACTED]. [REDACTED] stated that [REDACTED] then responded that it was [REDACTED] "personal opinion" that [REDACTED] may not be the best [REDACTED] company for [REDACTED] and that they could discuss it after the meeting. [REDACTED] stated this raised some concerns with the board members.

[REDACTED] also stated that [REDACTED] asked [REDACTED] to provide [REDACTED] with a list of other [REDACTED] companies used by area credit unions (Exhibit 4). [REDACTED] stated that [REDACTED] had been an [REDACTED] customer for over 20 years, and saw no reason to change [REDACTED] companies. [REDACTED] stated that as the joint conference was concluding, they asked [REDACTED] about [REDACTED] earlier comments with regard to [REDACTED]. [REDACTED] stated that [REDACTED] discussed some security issues that [REDACTED] had experienced with [REDACTED]. [REDACTED] related that [REDACTED] told them about the theft at [REDACTED] from its dormant accounts and other security issues the credit union had. [REDACTED] stated that [REDACTED] contacted [REDACTED] with regard to this information.

On April 16, 2014, the RA interviewed [REDACTED] Board Member, [REDACTED]. [REDACTED] stated that during the [REDACTED] joint conference in January [REDACTED] started the meeting discussing security issues. [REDACTED] stated [REDACTED] mentioned problems that another federal credit union in [REDACTED] had as a result of using [REDACTED] and support. [REDACTED] stated that this raised concerns with the [REDACTED] board members. [REDACTED] stated that [REDACTED] went on to relate that the [REDACTED] system was not providing dormant account reports to the credit union and, as a result, fraudulent activity went undetected. [REDACTED] stated that [REDACTED] made it clear that [REDACTED] may not be the best [REDACTED] vendor and that there are better vendors out there. [REDACTED] stated that [REDACTED] provided a list of other vendors to [REDACTED] after the meeting. [REDACTED] stated [REDACTED] thought [REDACTED] might have had a bad experience with [REDACTED].

On May 21, 2014, the RA interviewed [REDACTED]. Prior to the interview, [REDACTED] was advised of [REDACTED] Garrity rights (Exhibit 5). [REDACTED] stated that [REDACTED] has worked for NCUA from July [REDACTED] to present. [REDACTED] stated that [REDACTED] has been on several exams since starting at NCUA. [REDACTED] stated that

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# REPORT OF INVESTIGATION

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in December [REDACTED] conducted [REDACTED] first exam as the Examiner in Charge (EIC) at [REDACTED] stated that [REDACTED] and [REDACTED] attended the joint conference in January [REDACTED] [REDACTED] stated that [REDACTED] helped [REDACTED] maintain the flow of the discussion. [REDACTED] did not recall anyone at the conference (including [REDACTED] mentioning [REDACTED] [REDACTED] stated that during a past exam, [REDACTED] was asked to fix [REDACTED] for delinquent accounts and it was corrected. The RA asked [REDACTED] why he provided [REDACTED] with a list of [REDACTED] in an email (Exhibit 4). [REDACTED] stated that [REDACTED] did not remember sending the email. However, [REDACTED] believes [REDACTED] may have requested it. [REDACTED] stated [REDACTED] did not remember how [REDACTED] generated the names of the specific companies on the list he compiled. The RA asked [REDACTED] if [REDACTED] had overheard [REDACTED] disclosing to credit union staff and board members any information about [REDACTED] or any other credit union having issues with [REDACTED]. [REDACTED] stated that [REDACTED] did not.

During [REDACTED] May 21, [REDACTED], interview [REDACTED] stated that [REDACTED] went to [REDACTED] to observe a new examiner ([REDACTED] during a joint conference. [REDACTED] stated that during a discussion with the [REDACTED] board, [REDACTED] asked what [REDACTED] company they used. [REDACTED] responded that it used [REDACTED] [REDACTED] stated that [REDACTED] made the suggestion that [REDACTED] contact other credit unions to determine what reports those credit unions were running in order to be better prepared for future exams. The RA asked [REDACTED] if [REDACTED] mentioned to [REDACTED] the recent issues between [REDACTED] regarding the recent theft. [REDACTED] stated that [REDACTED] did not mention anything about [REDACTED]. [REDACTED] stated that during [REDACTED] time at [REDACTED] was professional and polite. [REDACTED] provided a statement and supporting documents (Exhibit 6).

## Conclusions:

### Allegation 1:

The investigation found that [REDACTED] advised [REDACTED] to consider alternative [REDACTED] vendors for their [REDACTED] functions. However, the investigation could not substantiate unequivocally that, even though [REDACTED] asked [REDACTED] for a list of [REDACTED] credit union customers, [REDACTED] either intended or carried out [REDACTED] threat to advise them to discontinue their contracts with [REDACTED]. Consequently, the investigation could not support a finding that [REDACTED] intentionally undermined [REDACTED] professional standing among its credit union customers on a state-wide basis.

The investigation did reveal that both [REDACTED] staff and [REDACTED] perceived [REDACTED] conduct toward them as hostile and inappropriate. Overall, several witnesses characterized [REDACTED] conduct at [REDACTED] as less than professional.

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## REPORT OF INVESTIGATION

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### Allegation 2:

The investigation could not substantiate whether, at a joint conference at [REDACTED] disclosed sensitive information regarding [REDACTED] security weaknesses to [REDACTED] management and board members.

In reviewing the circumstances surrounding [REDACTED] unprofessional conduct toward [REDACTED] staff and [REDACTED], and determining whether disciplinary action is warranted, due consideration should be given to the "Douglas" factors.<sup>2</sup> The "Douglas" factors are the pertinent mitigating and aggravating factors that must be considered by the responsible agency official(s) before proposing or deciding on a particular disciplinary measure or penalty.

### EXHIBITS:

- 1 Copy of Garrity Advisement for [REDACTED], 5/21/14
- 2 Copy of Garrity Advisement for [REDACTED], 5/21/14
- 3 Copy of [REDACTED] Statement, 6/9/14
- 4 Copy of [REDACTED] Email – data processing companies, 1/10/14
- 5 Copy of [REDACTED] Advisement for [REDACTED], 5/21/14
- 6 Copy of [REDACTED] Statement and supporting documentation, 5/30/14

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<sup>2</sup> See, Douglas v. Veterans Administration, 5 MSPR 280, 5 MSPB 313 (1981).

## REPORT OF INVESTIGATION

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### Exhibit 1



██████████ - Garrity.pdf

### Exhibit 2



Garrity - ██████████.pdf

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### Exhibit 3



Statement -  
██████████.docx

### Exhibit 4



██████████ Email.pdf

### Exhibit 5



██████████ Garrity.pdf

### Exhibit 6



Statement.pdf





**NATIONAL CREDIT UNION ADMINISTRATION**  
**Office of Inspector General**  
**Investigations Division**

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**GARRITY ADVISEMENT**  
**(ACKNOWLEDGEMENT OF RIGHTS)**

I, [REDACTED], have been advised by Special Agent [REDACTED] who has identified himself/herself to me as a Special Agent of the National Credit Union Administration, Office of Inspector General, that he/she is conducting an investigation into a matter affecting my official duties.

In connection with this, I have been advised that:

I have the right to remain silent if my answers may result in a criminal charge being brought against me.

Anything I say or do may be used as evidence in administrative proceedings, civil proceedings, or any future criminal proceeding involving me.

If I refuse to answer the questions posed to me on the grounds that the answers may tend to incriminate me, I cannot be discharged solely for remaining silent.

I understand this interview is strictly voluntary and I may leave at any time.

---

**ACKNOWLEDGMENT**

I have read the Acknowledgement of Rights or had them read to me and I understand my rights as set forth above.

Date: 5/21/19 Time: 1:30 PM

Signature: [REDACTED]

Printed Name: [REDACTED]

Investigator: [REDACTED]

Witness: \_\_\_\_\_

---

This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.



**NATIONAL CREDIT UNION ADMINISTRATION  
Office of Inspector General  
Investigations Division**

**GARRITY ADVISEMENT  
(ACKNOWLEDGEMENT OF RIGHTS)**

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If I refuse to answer the questions posed to me on the grounds that the answers may tend to incriminate me, I cannot be discharged solely for remaining silent.

I understand this interview is strictly voluntary and I may leave at any time.

**ACKNOWLEDGMENT**

I have read the Acknowledgement of Rights or had them read to me and I understand my rights as set forth above.

Date: 5/21/14 Time: 10:27

Signature: [REDACTED]

Printed Name: [REDACTED]

Investigator: [REDACTED]

Witness: [REDACTED]

This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.

To [REDACTED]

My statement is as follows:

I was asked to conduct a follow-up exam on [REDACTED] to encourage the CEO to file a police report for a fraud committed by the [REDACTED] branch manager, [REDACTED] as well as to obtain a fraud audit by an independent fraud auditor. When notified by the CEO, [REDACTED] was hesitant to file a policy report because all police activity is reported in the local newspaper in [REDACTED]. Understandably, [REDACTED] was worried members would withdraw their funds and close their account. However, in order to issue a prohibition order, I needed a police report and conviction against [REDACTED].

---

I went onsite to review what corrective action were taken to identify all of the missing money, and to review internal controls to identify any additional areas where money could have been taken. I was also there to convince the manager that they should get a fraud audit and file a policy report. When I contacted my SE to inform [REDACTED] of the fraud, [REDACTED] immediately asked if I identified in the prior exam if they were monitoring for activity on dormant accounts. I told [REDACTED] I wrote them up (gave them an examiner's finding) as they did not monitor for activity on dormant accounts. When [REDACTED] continued to press me about this subject, I informed [REDACTED] that they did begin pulling these reports while I was onsite. This was the case, however, [REDACTED] asked me if I required them to pull the reports going backward, I could not remember and said I had. When I reviewed my exam, I noted that they were unable to do this, and I reviewed the report from the day they looked at it until the day I left. Which was only a few days. Additionally, [REDACTED] told me over the phone the CU will be downgraded to a 4. The lack of internal controls was a justification for a 4. [REDACTED] also asked me if I agreed. I wasn't sure what to say, so I agreed. However, when I was onsite in April of [REDACTED], I understood they had some internal control issues; but I believed their CAMEL as a 2 overall. I didn't think it was material enough, or systemic enough to warrant a 3, specifically because of how well they were performing.

When I arrived onsite, the manager filed a police report; but had not hired a fraud auditor. [REDACTED] believed the CU could handle this and did not want to spend the extra money. I mentioned it would give more credibility to the claim as well as assist the police department in their review and case against [REDACTED], since it was an independent party conducting the review. During the week, until Wednesday when my SE arrived, I was able to have pleasant conversation with the CEO and conduct my exam without any hostility or arguments.

On Wednesday, my SE [REDACTED] arrived on site, [REDACTED] drove up from [REDACTED]. Once [REDACTED] arrived, [REDACTED] wanted to meet with the CEO [REDACTED]. We held a meeting, and [REDACTED] was pleasant in the first meeting and was nice with the CEO. After a while, [REDACTED] wanted to talk with the CEO alone and to see how things went. I have no idea what transpired in that meeting, and I do not remember how long they were talking. But I do remember, when [REDACTED] walked back into the room, [REDACTED] closed the door and looked at me; [REDACTED] said, "That [REDACTED] is full of crap. There is something going on here". This same day, we were discussing some of the internal control features of the CU's [REDACTED]. During this conversation, we found out that the CU doesn't have the teller accounts locked down to where no one else could use the employee's teller ID. [REDACTED] lost it at this point, [REDACTED] looked at the manager and told

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█████ that was unacceptable. █████ the CEO, indicated it would cost the CU a lot of money. When we were in the room alone █████ again told me it was unacceptable to lack internal controls because of the budget. █████ then asked me if I knew this, I said no. █████ told me this was unacceptable.

We also met with the Board of Directors (BOD) on Wednesday. █████ pretty much conducted all of the meeting. We stressed that the DOR was going to focus on getting the following items completed:

1 - Engage an independent audit firm to perform a fraud audit relating to the recent theft in your █████ branch.

---

2 - By █████, submit to your district examiner a copy of the engagement letter for the fraud audit.

- As a reminder, once you notify your bond company of a fraud, you are required to submit a sworn proof of loss within 180 days of notification to your bond company. You notified your bond company on █████, the deadline for submission of a sworn proof of loss is █████

3 - Obtain an outside independent party to perform a 100 percent positive member account verification, with an effective date of █████.

4 - By September 6th, forward a copy of the engagement letter, for your member account verification.

5 - By December 31st, █████, complete the member account verification. Forward copies of the results to your district examiner.

6 - Review, strengthen, and implement stronger internal controls over daily operations, lending and branch operations. Refer to the internal controls deficiencies noted in the examiner's findings sections of this report and the prior examination for corrective actions.

Forward all reports to your district examiner for follow up. Submit the reports to fax number █████ or email the reports to █████

█████ informed the BOD that █████ was originally thinking of downgrading the CU to a 4 overall, however, since the BOD were so willing and on board with the required DOR items, █████ thought a 3 overall, was more appropriate. The BOD just sat there and listened to █████

On Thursday, before the final Joint Conference (JC), I was looking at employee and volunteer payment histories for the last year, to make sure no other employee was bumping due dates or somehow not making their required payments. When █████ came in and gave me the activity on dormant account reports going back to April, when the report was turned on in the █████ told me that they couldn't go back further because the report wasn't turned on. They would have had to restore every day's data, print that report, and continue on with this process. This is a very time consuming process. I said, OK, I'll finish this and then look at the reports; and we'll see if we can figure something out. When █████ left the room █████ looked at me and asked if I was going to handle this. I said I was currently in the middle of another area and I would go figure it out when I am done. █████ told me this was unacceptable, and grabbed the report and headed towards █████ office; two doors over.

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When I completed the area I was looking at, I went to [REDACTED] office to see what was happening and to find out if we were going to get activity on dormant account reports prior to the report was turned on. [REDACTED] was bent over [REDACTED] desk, with [REDACTED] head resting on [REDACTED] hand, and there was a really loud conversation between [REDACTED] and whomever was on the phone. [REDACTED] was sitting back and looking really uneasy. The conversation was loud, and [REDACTED] was very abrasive to the [REDACTED] on the phone. I walked into the conversation close to the conclusion. I don't remember what the conversation entailed, and I don't remember if it made a ton of sense, since I walked in at the conclusion. When we left, and walked back into our room, I remember [REDACTED] looking at me and saying, "See, everything can be handled if you are firm and don't back down". The whole day, it seemed like I was being lectured and accused of not doing my job correctly. It was very stressful and tense.

---

At the meeting that night, it was just management and us. [REDACTED] continued to lead the entire conversation. [REDACTED] informed the MGMT team that she originally was pretty convinced the CU was a 4 overall, but considering how agreeable the BOD were to completed the required DOR items, [REDACTED] was content with a 3 overall. We reviewed the Examiner's Findings (EF), and discussed the EF's with MGMT. They were a bit argumentative, but overall understood. The body language of the MGMT team was very hostile. But no one truly argued too much.

The following day (Friday), we did a surprise cash count in [REDACTED]. Nothing really happened at this meeting.

Since this follow-up there have been no incidents or hostility between myself and the credit union management team.

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[REDACTED]  
From: [REDACTED]  
Sent: Friday, January 10, 2014 9:16 AM  
To: [REDACTED]  
Cc: [REDACTED]  
Subject: [REDACTED]

Hello [REDACTED] and [REDACTED]

In reviewing similarly sized credit unions, several different data processors are used.

[REDACTED]  
[REDACTED] uses [REDACTED] - CEO [REDACTED]

[REDACTED] uses [REDACTED] - CEO [REDACTED]

[REDACTED] uses [REDACTED] - CEO [REDACTED]

Hopefully they can give you an idea on costs, servicing, and their opinion on the processor in general.

Thanks,

[REDACTED]  
[REDACTED]  
Field Examiner  
Region 4 - [REDACTED]  
National Credit Union Administration  
[REDACTED]

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**NATIONAL CREDIT UNION ADMINISTRATION**  
**Office of Inspector General**  
**Investigations Division**

**GARRITY ADVISEMENT**  
**(ACKNOWLEDGEMENT OF RIGHTS)**

I, [REDACTED], have been advised by Special Agent [REDACTED], who has identified himself/herself to me as a Special Agent of the National Credit Union Administration, Office of Inspector General, that he/she is conducting an investigation into a matter affecting my official duties.

In connection with this, I have been advised that:

I have the right to remain silent if my answers may result in a criminal charge being brought against me.

Anything I say or do may be used as evidence in administrative proceedings, civil proceedings, or any future criminal proceeding involving me.

If I refuse to answer the questions posed to me on the grounds that the answers may tend to incriminate me, I cannot be discharged solely for remaining silent.

I understand this interview is strictly voluntary and I may leave at any time.

**ACKNOWLEDGMENT**

I have read the Acknowledgement of Rights or had them read to me and I understand my rights as set forth above.

Date: 5-21-14 Time: 9:37am

Signature: [REDACTED]

Printed Name: [REDACTED]

Investigator: [REDACTED]

Witness: [REDACTED]

This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.



NATIONAL CREDIT UNION ADMINISTRATION  
REGION IV

IV/SEJ/CPL:cpl

VIA E MAIL

TO: [REDACTED]  
Office of the Inspector General

FROM: Supervisory Examiner [REDACTED]

SUBJ: Response regarding [REDACTED] inquiry

DATE: May 30, 2014

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[REDACTED] per your request at the end of our interview last Wednesday, May 21, 2014, I am providing you with commentary regarding the issues we spoke about.

Background of my initial contact with [REDACTED]

During [REDACTED] I supervised both FCU and FISCUs within the state of [REDACTED]. [REDACTED] was a credit union within my group. One of my district examiners at that time, [REDACTED], performed the [REDACTED]. On [REDACTED], [REDACTED] notified me via email that a fraud had occurred at the [REDACTED] branch office. I asked [REDACTED] to perform an onsite contact the next week to review the fraud and internal controls within the credit union.

This was the first fraud [REDACTED] had dealt with during [REDACTED] NCUA career. [REDACTED] was relatively new as [REDACTED] was promoted to a CU-11 in February [REDACTED]. I planned to visit the credit union during [REDACTED] week onsite to assist [REDACTED] get a better feel for the depth of the internal control weaknesses present within [REDACTED] and ultimately minimize risk to the NCUSIF. I arrived onsite on Wednesday August 21, [REDACTED].

Nature of Concerns at [REDACTED]

The nature of our concerns going into the [REDACTED] contact was weak internal controls – and specifically lack of review or dormant accounts. [REDACTED] cited this in [REDACTED] scope of the [REDACTED] examination (noted below from the Scope document of the AIRE upload).



[REDACTED]  
**From:** [REDACTED]  
**Sent:** Monday, December 30, [REDACTED] 5:44 PM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

Great dialogue.

In case you haven't already, I would recommend making a folder for each of your CUs in your outlook (or outside) so that you can keep the correspondence organized. This would also be good information to enter into RATE too.

[REDACTED]  
**Supervisory Examiner**

**National Credit Union Administration**  
[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, December 30, [REDACTED] 11:48 AM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

Good to hear all of the progress you've made in a short time. Thank you for the updates.

Definitely focus on the timely completion of the budget and strat plan. Will this be approved by the BoD through email, etc. upon hopeful completion today?

Thanks,

[REDACTED]  
[REDACTED]  
**Field Examiner**  
**Region 4 - [REDACTED]**  
**National Credit Union Administration**  
[REDACTED]

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**From:** [REDACTED] (mailto:[REDACTED])  
**Sent:** Monday, December 30, [REDACTED] 10:27 AM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

Not a problem. It is still on the computer up front, we will just need to upload it to your computer.

Just to give you an update. The policies have been approved. The loan policy has been partially updated (still needs a couple of things added) and then it will be reapproved. [REDACTED] and I haven't been in the office together much in the last couple of weeks. [REDACTED] will be back next Monday and I hope to have it completely updated by the BOD meeting. Also [REDACTED] and I have been working on the Budget and Strat Plan and I think we will be finishing it today.

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**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Monday, December 30, [REDACTED] 10:04 AM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

[REDACTED] please also have ready the AIREs loan and share download for me to upload to my computer. [REDACTED] was working with this, but unfortunately, [REDACTED] computer hard drive died, and we need a copy of the L&S to be able to complete the exam.

**Field Examiner**  
**Region 4 -** [REDACTED]  
**National Credit Union Administration**

**Office:** [REDACTED] | **Cell:** [REDACTED] | **Fax:** [REDACTED]  
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**From:** [REDACTED]  
**Sent:** Friday, December 20, [REDACTED] 10:47 AM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

Ok, I will plan on attending then to conduct a joint conference. Please add me to the agenda. I'll start the meeting off, will speak for 5-15 minutes, and then will excuse myself so the rest of the meeting can be completed. I will likely have either my supervisor or another NCUA employee attending with me.

Thanks,

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**Field Examiner**  
**Region 5 -** [REDACTED]  
**National Credit Union Administration**

**Office:** [REDACTED] | **Cell:** [REDACTED] | **Fax:** [REDACTED]  
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**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Thursday, December 19, [REDACTED] 2:31 PM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

The next meeting is Thursday, January 9<sup>th</sup> at 11:00 a.m.

**From:** [REDACTED] [mailto:[REDACTED]]  
**Sent:** Thursday, December 19, [REDACTED] 11:27 AM  
**To:** [REDACTED]  
**Subject:** RE: BOD Meeting today

Checking back in.

When is your next Board meeting? I've been instructed to hold a joint conference with the Board, hopefully at your next meeting. I/we are working on finalizing the entire exam report, which will be provided ahead of the JC when we get it scheduled.

Thanks,

Field Examiner  
Region 5 -  
National Credit Union Administration

Office: | Cell: | Fax: |  
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From: [redacted]  
Sent: Thursday, December 12, 2013 1:38 PM  
To: [redacted]  
Subject: RE: BOD Meeting today

thank you for the update.

Did the meeting go a little more smoothly today than in the past?

Glad to hear that you were able to get so much accomplished in such a short period! Nice work!

We got our final district assignments for [redacted], and if nothing changes, it looks like I will see you guys again next year.

I'm hoping to have the finalized overview report to you by next Monday. The only thing it will contain really that we haven't already discussed in detail would be the CAMEL rating. As we briefly discussed though, I don't anticipate it changing right now.

Please do continue to keep me (us) updated.

Thanks,

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Field Examiner  
Region 5 -  
National Credit Union Administration

Office: | Cell: | Fax: |  
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From: [redacted] [mailto:[redacted]]  
Sent: Thursday, December 12, 2013 1:23 PM  
To: [redacted]  
Subject: BOD Meeting today

At today's meeting:

We adopted the DOR.

██████ was voted in as Chairman and ██████ was voted in as Vice Chairman. (The NCUA website has been updated.)

We approved a loan special – First 12 approved loans will be receive .25% off of their approved rate.

We voted to make an ALLL transfer.

They have agreed to approve the policies by 12/20/██████

██████ and I are still in the process of updating the Loan Policy. We have added the Paid Ahead Loans portion and the Workout Loan Policy portion. We are still working on the Foreclosure/OREO portion.

I have presented the Disaster Recovery information to ██████.

I have added the Cash Over/Short to the BOD Packet.

I contacted ██████ and found out how to stop interest accrual on loans over 90 days delinquent. I corrected the 2 that we had.

██████ and I will be working on the Strat Plan and Budget.

Will continue to keep you updated.

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██████

**\*\* Statement from ██████ c. \*\***

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**\*\* End of statement \*\***

**\*\* Statement from ██████ \*\***

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**\*\* End of statement \*\***

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**\*\* End of statement \*\***

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**From:** OSCUI Mail  
**Sent:** Tuesday, November 19, 3:21 PM  
**To:** All NCUA Staff; All SSA Mailboxes  
**Subject:** Pre-employment Background Checks "A Must"

Here's the latest issue of FOCUS, OSCUI's monthly e-newsletter for credit unions. Note: Nominations are being accepted for Consulting services. Feel free to forward to credit unions that may be interested.


Office of Small Credit Union Initiatives (OSCUI)  
National Credit Union Administration  
1775 Duke Street, Alexandria, VA 22314  
(O) 703-518-6610 (F) 703-518-6680  
Website: [www.ncua.gov/oscui](http://www.ncua.gov/oscui)


[Sign up for OSCUI's monthly e-newsletter.](#)

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(b)(6)  
(b)(7)(C)

**From:** National Credit Union Administration - OSCUI [<mailto:partners@ncua.gov>]  
**Sent:** Tuesday, November 19, 3:01 PM  
**To:** [REDACTED]  
**Subject:** Pre-employment background checks "a must"





November [REDACTED]

FOCUS is the monthly e-Newsletter of the Office of Small Credit Union Initiatives (OSCUI). It focuses on helping small credit unions achieve success by providing news and highlighting opportunities. [Click here](#) to subscribe to FOCUS.

**Featured this Month** (click on a heading to go to the article.)

Headliner: [Pre-employment background checks "a must"](#)

OSCUI in the news: [Recent citations about our Office and services](#)

Consulting: [Last call for Consulting requests](#)

Partnerships & Outreach: [Consumer protection resources for CUs](#)

Training: [November may be cold, but OSCUI training is HOT!](#)

## Pre-employment background checks "a must"

By Sheila Parocal, EDS

*A Los Angeles Times newspaper article told of a thief who was sentenced for embezzling over \$1.8 million from Southern California businesses over a period of 14 years. He did so by answering employment ads for bookkeepers. An accomplice would then provide a glowing recommendation to anyone who called the "reference" number listed on his application. A pre-employment background check would have alerted a potential employer to his false professional claims and actual criminal record.*

Do you really know your manager, staff and volunteers? If you don't conduct a pre-employment background check, you can't

truly answer "yes" to this question. Conducting such a check allows you to verify the freely volunteered information provided by an applicant on their resume or job application.

"Deterring Employee Fraud" was the topic of OSCUI's November 2013 webinar featuring guest speakers from CUNA Mutual Group and Your Credit Union Partner. In three weeks, an archive of the live webinar will be posted to our website. The U.S. Small Business Administration (SBA) also offers guidance on this topic in an article, "6 Tips for Preventing Employee Theft and Fraud in the Workplace." The SBA website includes other related resources such as a Guide to Pre-Employment Background Checks.

[Click here to read the entire article.](#)



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## OSCUI in the news

### **NCUA Approves E-Filing Regulatory Rule CUNA**

"All but a few dozen credit unions already file their financial reports electronically, and for those that do not have the capacity, our **Office of Small Credit Union Initiatives** is ready to assist. The change will save time and money, remove unnecessary paperwork and enable NCUA to report industry-wide data more quickly," NCUA Chair Debbie Matz said.

### **NCUA Again Offering Consulting Services Credit Union Times**

Credit unions with total assets under \$50 million, a charter under 10 years old or a low-income designation are all eligible for the service from the **Office of Small Credit Union Initiatives**.

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## Last call for Consulting requests

**The deadline for credit union nominations for the next Consulting cycle is November 30 at 5 p.m. [Eastern].** The cycle will run from January through June 2014. Credit unions with assets below \$50 million and/or holding a low-income designation are eligible. Take advantage of this opportunity for free consulting services by an Economic Development Specialist (EDS) and complete a nomination form for your credit union.

Demand for the upcoming cycle has been strong. We have already received many nominations. During December, we will review the nominations select credit unions for enrollment. Shortly afterward, we will notify credit unions of their selection and introduce them to their EDS consultant. Our selection criteria and process were explained in the Consulting column of the May 2013 issue of this e-newsletter.

Once again it's, "last call for nominations!"

### **Recent feedback about our Consulting service**

*I am currently onsite at Austin FCU performing their exam. I just wanted to let you know that both the staff and board members have had wonderful things to say about [EDS] Sherita Jones. They really appreciated her help and said she did an excellent job.*

Jennifer Allen, Credit Union Examiner, NCUA Region IV

**Click here to learn more about OSCUI's Consulting Program or email us**



at [oscuiConsulting@ncua.gov](mailto:oscuiConsulting@ncua.gov).

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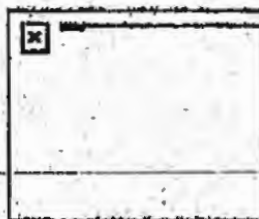
## Congratulations!

OSCUI salutes these low-income and small credit unions on their recent achievements.



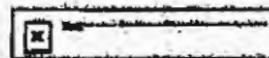
### **Bill Bynum, Hope CU**

Both the credit union and its CEO were awarded the 6th annual John P. McNulty Prize by The Aspen Institute. According to The Aspen Institute's announcement, "The \$100,000 prize recognizes the spirit of innovation and excellence of private sector leaders who use entrepreneurship to address important global social issues." (Photo, courtesy of The Aspen Institute/Dan Bayer) [Link](#)



### **38 CUs Receive CDFI Fund Awards**

These credit unions were awarded more than \$26 million in aggregate by the Community Development Financial Institutions Fund through its 2013 funding rounds. This represents an increase in the number and amount of 2012 awards to credit unions. The awards were made under the CDFI and NACA Programs.



### **New Horizons FCU**

This credit union was awarded \$75,000 as an Assets for Independence (AFI) grantee. AFI, administered by the U.S. Department of Health and Human Services, is the federal government asset-building program through individual development accounts. [Link](#)

## Consumer protection resources for CUs

NCUA recently released a three-part video, "Consumer Protection Update," and posted supporting content on its consumer website, [MyCreditUnion.gov](http://MyCreditUnion.gov). The video and online materials explain new rules on international remittances and mortgage lending required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Developed by NCUA's Office of Consumer Protection, these materials should help credit union officials to better understand and follow the new rules. [Click here to view the official media release.](#)

[MyCreditUnion.gov](http://MyCreditUnion.gov) is NCUA's consumer-oriented website. It includes financial tools and resources, tips for protecting against fraud and identify theft, and other information by age groups. Feel free to pass these free resources on to your members.

Is there an article you'd like us to consider for FOCUS? Email your

**suggestion to Partnerships & Outreach at [Partners@ncua.gov](mailto:Partners@ncua.gov).**

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## **☐ November may be cold, but OSCUI training is HOT!**

### **Webinar: Succession Planning**

December 17: Before we let you go for the year, we have one more webinar. John Dock, an Economic Development Specialist with OSCUI, will host the webinar with guest speakers Holly Herman, Management Consultant with Achieving Skills, and Julie Kappenman, Director of Association Compliance Services with Mountain West Credit Union Association. Don't miss this one. Use this link to register.

Our webinars are archived for on-demand viewing three weeks following the live event. The most recent posting is the Member Business Lending, Part II webinar. Use this link to access all of our webinars.

### **Our newest video Common Sense Consulting Service**

We've heard from many participants about the benefits their credit union received from enrolling in OSCUI's free Consulting Program. Now you can hear firsthand accounts from credit unions as they discuss their experience with the program. You'll also hear from our Economic Development Specialists as they explain their work assisting small and low-income credit unions. Click this link to watch the short video, "OSCUI's Common Sense Consulting Service."

### **Supervisory Committee video a huge hit**

Our Supervisory Committee training modules have logged more than 10,000 views as of the writing of this e-newsletter! Big thanks to those of you who've demonstrated your commitment to continuing education by making it a priority to learn about the primary duties of a credit union's Supervisory Committee.

The video features six, short modules:

- Supervisory Committee Training Overview
- Monitoring Management Activities
- Annual Audit
- Verification of Member Accounts
- Handling Member Complaints
- Resources

Because each module is less than 10 minutes, you may access them at any time without feeling overwhelmed with information. Here's the link.

In response to your requests to make the modules available in another format,

we've converted this series to DVD. Email us at [oscuTraining@ncua.gov](mailto:oscuTraining@ncua.gov) for a copy. The online version will remain available.

### **Recent feedback about our Training service**

*I've received the e-mail and other information you've sent regarding Supervisory Committee Training. I really appreciate it. I will be asking my colleagues to watch the video or have a group training. This will be very helpful to us.*

Rosario Marfori, Sunkist Employees FCU

*The training modules are great. My supervisory committee has watched four to date. They clearly define the duties, requirements and provide listings for resources. I highly recommend them for all supervisory committee members and as a 'must watch' for new committee members!*

Tandie Kenser, Garland County Educators' FCU

**Let us know what you think about the services we offer or your suggestions for other services. Email OSCUI's Training Division at [oscuTraining@ncua.gov](mailto:oscuTraining@ncua.gov). We'd love to hear from you!**

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## **Happening in OSCUI**

### **Welcome**

We are pleased to welcome two staff members to NCUA and OSCUI, both work in NCUA's Central Office.

**Jason Penn** is our Grant and Loan Administrator. Jason previously served as a Grants Administrator with the U.S. Department of Labor, Bureau of Labor Statistics. Jason's educational background is in finance. In his spare time, he trains for a half marathon.



**Matt Traille** is our Management Analyst. Most recently Matt worked for the U.S. Department of State with the U.S. Embassy in Prague, Czech Republic. Previously, he was a vice president at Wells Fargo where he worked in a number of operational capacities. Matt and his wife, Jenny, have two children.

### **Outreach**

**Director Myers:** During the month of October, OSCUI Director William Myers made presentations to management at NCUA Regional Offices I, III, IV and V; and the Metropolitan Area Credit Union Management Association on the topic of mergers. Director Myers also attended meetings with staff of the House Financial Services Committee and a credit union delegation from



Kenya.

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## **Announcements**

### **OSCUI Partners**

**The Community Development Financial Institutions Fund has a number of opportunities for CDFI credit unions:**

1. **Capacity Building Initiative Series for Native CDFIs:** "The Leadership Journey II: Continuing Native CDFI Growth and Excellence," is a comprehensive program of targeted training and technical assistance. NeighborWorks® America will provide the training, assisted by the Seven Sisters Community Development Group. **The application deadline is November 20, 2013, 11:59 p.m. [Eastern].** The CDFI Fund will cover the costs of training, technical assistance, travel and hotel accommodations for the CDFIs selected. [Link](#)
2. **"The Role of Market Research in Scaling Microfinance":** This is the last in a series of five "Scaling Up Microfinance" webinars. **This free webinar will take place November 21, 2013, 1 p.m. [Eastern].** The webinar will address how to access and deploy tools and resources to define and size target markets, assess needs, and generate customer insights. [Click here to register.](#) An archive of the series is available, [link.](#)
3. **CDFI funds now available:** Applications are being accepted for the 2014 funding rounds of the CDFI Program and Native American CDFI Assistance (NACA) Program. Through these programs, the CDFI Fund makes awards to certified CDFIs that provide financial products and services to low-income communities. **The application deadline is December 23, 2013, 12:00 p.m. [Eastern].** [Link](#)

### **Other**

**1:1 Fund has a new website:** The 1:1 Fund is a platform of CFED that supports the college dreams of low-income children through a matched savings program. CFED is a poverty alleviation organization that works at the local, state and federal levels.

**Save Your Refund 2014:** The nonprofit Doorways to Dreams Fund is sponsoring a nationwide sweepstakes to encourage saving at tax time. Beginning with the 2014 tax season, filers age 18 and over who are due a federal tax refund and save a portion of that refund using IRS Form 8888, can enter the promotion to win weekly prizes and a grand prize of \$25,000. [Link](#)

(Except where prohibited, you may pass this information on to your members.)

**7th Annual Financial Literacy Symposium:** The New Jersey Coalition for Financial Education will host this conference December 5, 2013 in Mercerville, NJ. [Link](#)

**New Markets Tax Credit Coalition's 2013 Annual Conference:** Will be held December 12 - 13 in Washington, DC. The NMTC was designed to increase the flow of capital to businesses and low income communities by providing tax incentives to private investors. The NMTC Coalition is a national membership organization that advocates on behalf of the NMTC program. [Link](#)

**9th Annual Educator Conference:** The Michigan Jump\$tart Coalition will sponsor this financial education conference December 11, 2013 in Detroit. [Link](#)

**"A Just Economy: Ideas, Action, Impact":** Is the theme of the 2014 National Community Reinvestment Coalition's (NCRC) Annual Conference. The conference will be held March 12-15, 2014 in Washington, DC. The conference will include workshops and sessions on housing, access to credit and capital, fair lending, business development, community organizing and workforce and community development. [Link](#)

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Pamela L. Williams  
Editor

NATIONAL CREDIT UNION ADMINISTRATION  
The Office of Small Credit Union Initiatives  
1775 Duke Street, Alexandria, VA 22314



Website: [www.ncua.gov/oscu](http://www.ncua.gov/oscu)  
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National Credit Union Administration - OSCUI | National Credit Union Administ | Office of Small Credit Union Initiatives | 1775 Duke Street | Alexandria | VA | 22312

[REDACTED]

---

From: [REDACTED]  
Sent: Thursday, August 15, [REDACTED] 2:09 PM  
To: [REDACTED]  
Subject: RE: [REDACTED]

Hi [REDACTED]

I quick checked with [REDACTED] to be sure, but we don't need to be involved at the RO just yet. Forward us the prohibition docs once you have them finished and we'll begin processing. Thanks for the heads up!

---

From: [REDACTED]  
Sent: Thursday, August 15, [REDACTED] 9:43 AM  
To: [REDACTED]  
Subject: Fwd: [REDACTED]

Hi [REDACTED] - [REDACTED] will be following up with the CU. I sent [REDACTED] draft prohibition docs. Do I need to notify DOS of this? We expect the prohibition to be completed by 9-30. We don't quite have all of the story yet and I would like [REDACTED] to go back onsite to review their other internal control weaknesses.

Sent from my iPhone

Begin forwarded message:

(b)(6)  
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From: [REDACTED]  
Date: August 14, [REDACTED] 1:54:16 PM PDT  
To: [REDACTED]  
Subject: [REDACTED]

[REDACTED]

I just received a notice that [REDACTED] FCU discovered fraud from their [REDACTED] branch manager.

[REDACTED] was stealing money the following ways:

- [REDACTED] was taking money out of dormant accounts.
  - One of the reasons this was identified was because I did an EF for them not monitoring transactions on dormant account. It showed quickly on their reports, and there was no support for the withdrawal. This was independently brought to MGMT's attention, and more review was performed.
- [REDACTED] granted a loan to [REDACTED] Unsure of the dollar amount. It was required to be paid back, and per conversation with MGMT the loan was paid back.
- [REDACTED] was withdrawing money straight from members accounts. MGMT indicated they believe this was a direct result of them requiring [REDACTED] to repay the loan.

The CU has taken the following actions:

- They have filed a claim with their bond company (verbal). I'm going to ask [REDACTED] to send me copies of [REDACTED] notice and whatever [REDACTED] received from the bond company for [REDACTED] to fill out. I want to make sure [REDACTED] is filing timely, and actually filing.

- They have already filed a SAR. I'm requesting a listing from FinCEN for verification, and I'm independently asking her to send a secure copy of this report to ensure they are taking the appropriate steps.
- Terminated the employee, and are continuing to investigate for the full amount stolen. Per my conversation on the phone, [REDACTED] is up to [REDACTED] total theft.

Is there anything else we need to be doing? I asked [REDACTED] and [REDACTED] said that's all we can do is to make sure [REDACTED] doing this timely.

Just wanted to let you know and figure out the next step. I'm also kind of happy I required them to monitor their dormant accounts more. That makes me happy that I helped them identify this theft. Maybe I helped mitigate a larger loss.

Anyway, I hope your training is going well!

---

[REDACTED]  
District Examiner | Region 5 - [REDACTED]  
National Credit Union Administration

(O) [REDACTED] | (E) [REDACTED]  
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(b) (6)  
(b) (7) (c)



National Credit Union Administration

Office of Inspector General

## REPORT OF INVESTIGATION

[REDACTED]

Case Number 14-AI-R4-04

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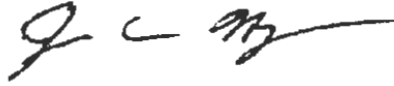




## National Credit Union Administration

### Office of Inspector General

**TO:** Mark A. Treichel, Executive Director  
C. Keith Morton, Regional Director (Region 4)

**FROM:** James W. Hagen,   
Inspector General

**SUBJ:** Report of Investigation (Case # 14-AI-R4-04)

**DATE:** October 22, 2014

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation (ROI) detailing findings of administrative misconduct (misuse of official position; failure to obtain approval for outside employment; failure to report outside employment on Confidential Financial Disclosure Report) on the part of Region IV Examiner [REDACTED]. No portion of this ROI may be photocopied, duplicated, or disseminated without the express permission of the Inspector General, the Assistant Inspector General for Investigations, or the OIG Director of Investigations.

Please notify this office within 45 days of management's decision regarding disciplinary action in this matter. All investigative reports must be returned to the OIG at the completion of any agency action. If you have any questions or we may be of assistance, please contact me or [REDACTED]

Attachment

(b) (6)  
(b) (7) (C)



**NATIONAL CREDIT UNION ADMINISTRATION**  
**Office of Inspector General**  
**Office of Investigations**

**REPORT OF INVESTIGATION**

**CASE NUMBER:** 14-AI-R4-04

**CASE TITLE:** [REDACTED]

**CASE STATUS:** Closed – Pending

**VIOLATIONS:** 5 CFR § 2635.702—*Use of Public Office for Private Gain*

5 CFR § 2635.101(b)(14)—*Standards of Ethical Conduct for Employees Of the Executive Branch: Basic Obligation of Public Service*

5 CFR Part 9601—*Supplemental Standards of Ethical Conduct For Employees of the National Credit Union Administration (Outside Employment and Activities)*

NCUA Instruction No. 1235.10—*Implementation of Supplemental Ethics Regulation: 5 CFR § 9601 (Outside Employment and Activities) (June 10, 2013)*

5 CFR § 2634.907(a) and c(1)—*Confidential Financial Disclosure Reports (Report Contents)*

(b)(6)  
(b)(7)(C)

**PREDICATION:**

On June 26, 2014, Tracy Bombarger, Assistant Regional Director – Operations (ARDO), Region 4, National Credit Union Administration (NCUA), Austin, TX, contacted the Reporting Agent (RA) regarding possible misconduct by [REDACTED] Examiner (Region 4), NCUA, [REDACTED] [REDACTED] stated that the [REDACTED] TX

**DISTRIBUTION:**

Mark A. Treichel  
Executive Director

**CASE AGENT:**

[REDACTED]  
[REDACTED]  
(Signature)

**APPROVED:**

Sharon Separ  
Asst. Inspector General for  
Investigations  
[Signature]  
(Signature)

This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.

## REPORT OF INVESTIGATION

Case Number: 14-AI-R4-04

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manager contacted [REDACTED] and related that, during a recent examination at the credit union [REDACTED] asked several [REDACTED] staff members for personal contact information, including phone numbers and email addresses, without initially explaining why [REDACTED] needed them. Subsequently, [REDACTED] handed out business cards for [REDACTED] personal business [REDACTED]. The business cards identify [REDACTED] position at [REDACTED] as Director. Bombarger stated that [REDACTED] did not seek prior approval to engage in outside employment, as required by NCUA regulations. Bombarger stated further that [REDACTED] staff members reported to the credit union president that [REDACTED] overtures made them uncomfortable.

### SYNOPSIS:

Investigation revealed that during an NCUA examination at [REDACTED] in June 2014, [REDACTED] met with several [REDACTED] staff members as part of the examination process. [REDACTED] subsequently solicited their personal contact information and provided them with a business card that identified [REDACTED] as a Director at [REDACTED]. Several [REDACTED] employees from whom [REDACTED] solicited information subsequently informed [REDACTED] President [REDACTED] of [REDACTED] actions, expressing concern about the request to provide personal information and the impropriety of [REDACTED] overtures. [REDACTED] employees later told the Reporting Agent (RA) that [REDACTED] approached them during official business hours, typically in or around the credit union's lunchroom. They related that [REDACTED] initially engaged in small talk, and then turned the conversation to [REDACTED] business [REDACTED]. They stated further that [REDACTED] also requested their personal phone numbers and/or email addresses for future contact.

[REDACTED] Member Services Representative, [REDACTED], told the RA that [REDACTED] believed [REDACTED] was recruiting credit union employees for possible positions with [REDACTED]. While [REDACTED] admitted to the RA that [REDACTED] requested personal contact information from [REDACTED] employees, [REDACTED] stated that [REDACTED] did so after work hours and separate from time spent working on the examination. In response to the RA's question whether [REDACTED] had engaged in this activity at other credit unions where [REDACTED] performed examinations, [REDACTED] indicated [REDACTED] may have left a business card at [REDACTED] TX. The RA followed up at [REDACTED] and learned that [REDACTED] had not distributed [REDACTED] business cards to [REDACTED] employees.

The investigation found that [REDACTED] solicitation of [REDACTED] employees, in connection with [REDACTED] outside employment, during a period of time when [REDACTED] was conducting an on-site examination at [REDACTED]

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

(b)(6); (b)(7)(C)

## REPORT OF INVESTIGATION

Case Number: 14-AI-R4-04

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the credit union, during official business hours, and on credit union premises, was a misuse of [REDACTED] official federal position.

The investigation revealed further that [REDACTED] failed to obtain approval for outside employment for [REDACTED] business activities at [REDACTED] as required by NCUA Instruction No. 1235.10. During [REDACTED] interview, [REDACTED] confirmed that [REDACTED] did not seek this approval because, based on [REDACTED] understanding of the NCUA Office of General Counsel's (OGC) ethics presentation, which [REDACTED] attended at the agency's April 2014 national conference in Jacksonville, FL, [REDACTED] did not believe [REDACTED] work with [REDACTED] met the necessary requirements. Consequently, [REDACTED] stated, [REDACTED] neither sought nor received approval for [REDACTED] work at [REDACTED]. NCUA Deputy Ethics Officials [REDACTED] and [REDACTED] OGC, told the RA that [REDACTED] employment with [REDACTED] met the criteria for obtaining approval of outside employment and activities, as set forth in the agency's Instruction and supplemental regulation.

Additionally, the investigation showed that [REDACTED] failed to report [REDACTED] employment with [REDACTED] as an outside position on her Confidential Financial Disclosure Report form (OGE Form 450) for 2013.<sup>2</sup> Again, the RA consulted with [REDACTED] and [REDACTED] who stated that [REDACTED] should have reported this position in Part 3 of the 2013 OGE Form 450, which [REDACTED] filed on January 21, 2014.

### SUBJECT(S) INFORMATION:

[REDACTED], Examiner, NCUA (Region 4), [REDACTED] TX. [REDACTED] is a current NCUA employee.

### DETAILS:

#### **Allegation 1:**

[REDACTED] improperly solicited credit union employees during a period of time when [REDACTED] was conducting an examination on-site at the credit union, during official business hours, and on credit union premises.

#### **Findings:**

On June 30, 2014, the RA interviewed [REDACTED] Supervisory Examiner (Region 4), NCUA, regarding possible misconduct by [REDACTED] [REDACTED] stated that [REDACTED] is currently [REDACTED] immediate supervisor. [REDACTED] stated that [REDACTED] contacted [REDACTED] regarding an incident at [REDACTED] that involved [REDACTED]. According to [REDACTED], when [REDACTED] returned from a trip, various staff members told

<sup>2</sup> At the time of her investigation on September 15, 2014, [REDACTED] indicated that [REDACTED] had been employed with [REDACTED] for approximately one year. Consequently, only the OGE Form 450 [REDACTED] filed on January 21, 2014, is at issue herein.

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## REPORT OF INVESTIGATION

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that during the NCUA examination, requested personal information from them. According to employees also stated that distributed business cards identifying as a Director for. further told that staff members were very uncomfortable with these particular interactions with. also opined that actions were a conflict of interest because was conducting an examination at the credit union at the time solicited information from employees. Finally, expressed concerns about possible retaliation if found out about phone call to.

On July 22, 2014, the RA interviewed several staff members at with regard to the allegations that requested their personal contact information, including phone numbers and email addresses, and handed out business cards. Some of the interviewees told the RA that requests made them uncomfortable; they also questioned whether their refusal to provide with their information could influence the examination results. The RA asked staff members if made follow-up contacts after the examination was completed. Member Services, stated that left a voicemail stating that wanted to follow up on their previous conversation at the credit union. stated that did not return the phone call.

On September 15, 2014, the RA interviewed Examiner (Region 4), NCUA. stated that assisted at the examination in June 2014. stated that did not recall any issues between staff members and. stated that dealing with management could be challenging at times. related further that did not observe any interactions between staff and with regard to outside business. The RA asked if observed handing out business cards for. stated that had not. added that while spoke to her about changing from current company to. stated did not view it as a potential sales inquiry.

On September 15, 2014, the RA interviewed. Prior to the interview, the RA advised of Garrity Rights (Exhibit 1). The RA asked if was engaged in non-federal, outside employment. stated that was not. explained that was a multi-level, home-based business similar to Mary Kay and Avon. stated that currently has approximately twenty (2) individuals who operate under as independent sales consultants. explained further that does not receive regular compensation, because does not earn income unless consultants make sales. stated that based on the ethics presentation attended at the 2014 NCUA national conference in Jacksonville, FL did not consider association with as outside employment and, therefore, did not seek approval.

The RA asked if recently conducted an examination at. stated that did the examination there in June 2014. The RA asked if distributed business cards from with name and title as Director. stated that distributed a few business cards to

(b) (6); (b) (7) (C)

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██████████ staff members at the end of the business day, after the examination was over. The RA asked ██████████ if ██████████ requested personal contact information from ██████████ staff members. ██████████ admitted that ██████████ had, in order to make follow-up contacts in the future. ██████████ stated that ██████████ subsequently attempted to contact some ██████████ staff members, using the personal contact information they provided ██████████ but no one returned ██████████ calls. ██████████ stated that after ██████████ had distributed the cards, ██████████ thought that this might not have been the best thing to do because ██████████ intentions could have been misconstrued. ██████████ stated that at this point, ██████████ decided not to attempt further contacts with ██████████ staff members unless they contacted ██████████ first. ██████████ stated that ██████████ did not approach any of the managers at ██████████ with regard to ██████████ business, because ██████████ thought that with an examination ongoing, it might have been misinterpreted.

5 CFR § 2635.702—*Use of Public Office for Private Gain* provides that: “[a]n employee shall not use his public office for his own private gain, for the endorsement of any product, service or enterprise . . .” ██████████ solicitation of business from ██████████ employees during the period when ██████████ was conducting an official NCUA examination at the credit union was an inappropriate misuse of ██████████ official position.

Moreover, in soliciting credit union employees for her outside business, ██████████ violated 5 CFR § 2635.101(b)(14)—*Basic Obligation of Public Service*, which provides as follows:

Employees shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards set forth in this part. Whether particular circumstances create an appearance that the law or these standards have been violated shall be determined from the perspective of a reasonable person with knowledge of the relevant facts. [...]

At the very least, ██████████ actions raise the appearance that some ██████████ employees might have felt coerced to provide ██████████ with the personal information ██████████ sought from them, as well as respond affirmatively to ██████████ solicitation attempts, because ██████████ held a position of authority as an NCUA examiner.

### **Allegation 2:**

██████████ did not obtain prior approval for ██████████ outside employment with ██████████

### **Findings:**

On June 26, 2014, Bombarger told the RA that ██████████ neither sought nor received approval for outside employment. ██████████ supervisor, ██████████ reiterated that ██████████ did not inform ██████████ of ██████████ outside employment. ██████████ added that ██████████ had no documentation on file memorializing that

(b)(6); (b)(7)(C)

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█████ had obtained approval elsewhere.

As stated above, during █████ September 15, 2014, interview █████ stated that █████ did not consider █████ affiliation with █████ as outside employment. █████ explained that █████ was a multi-level, home-based business similar to Mary Kay and Avon. █████ stated that █████ currently has approximately twenty (20) individuals who operate under █████ as independent sales consultants. █████ explained further that █████ does not receive regular compensation, because █████ does not earn income unless █████ consultants make sales. █████ stated that based on the ethics presentation █████ attended at the 2014 NCUA national conference in Jacksonville, FL, █████ did not consider █████ association with █████ as outside employment and, therefore, did not seek approval from NCUA

On October 2, 2014, during an interview with █████, the RA asked █████ if █████ outside employment at █████ required prior written approval from █████ direct supervisor, as required by NCUA Instruction 1235.10<sup>3</sup>. █████ stated that according to the Instruction and the regulation, █████ outside employment required prior approval. The RA informed █████ that █████ reported that based on the 2014 NCUA national conference ethics presentation █████ understood that █████ employment as a Director at █████ did not meet the criteria requiring approval. █████ (who presented the section dealing with outside employment at the conference) disagreed, stating that the presentation covered situations where outside employment does not draw a consistent income but nevertheless meets the Instruction and the regulation's requirement for prior approval.

In neither seeking nor receiving approval to engage in outside employment █████ violated NCUA Instruction No. 1235.10 and NCUA Supplemental Standards of Ethical Conduct for NCUA Employees, 5 CFR § 9601.

### **Allegation 3:**

█████ failed to report █████ employment with █████ as an Outside Position on her 2013 OGE Form 450.

### **Findings:**

On July 1, 2014, the RA asked █████ to provide █████ 2013 OGE Form 450. The Form showed that █████ failed to report █████ outside employment with █████ as required in Part 3.<sup>4</sup>

<sup>3</sup> NCUA Instruction 1235.10, ¶ 2 requires "all NCUA employees to obtain prior written approval before engaging in any outside employment and activities that are not listed as exempt with the Regulation [5 CFR § 9601]. None of the exemptions set forth in ¶ 5 of the Instruction apply to Daly's employment relationship with Ignite.

<sup>4</sup> OGE 450 Part 3: Outside Positions, provides the following guidance:

(b) (6); (b) (7) (C)

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### CONCLUSION

In reviewing the circumstances surrounding [REDACTED] violations and determining whether or not disciplinary action is warranted, due consideration should be given to the "Douglas" factors.<sup>5</sup> The "Douglas" factors are the pertinent mitigating and aggravating factors that must be considered by the responsible agency official(s) before proposing or deciding on a particular disciplinary measure or penalty.

#### **Exhibit(s):**

- 1 Copy of [REDACTED] Garrity Advisement, 09/15/14

(b) (6)  
(b) (7) (C)

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#### **Report for yourself:**

All positions outside the U.S. Government held at any time during the reporting period, whether or not you were compensated and whether or not you currently hold that position. Positions include an officer, director, employee, trustee, general partner, proprietor, representative, executor, or consultant of any of the following: Corporation, partnership, trust, or other business entity . . .

<sup>5</sup> See Douglas v. Veteran's Administration, 5 MSPR 280, 5 MSPB 313 (1981).



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## EXHIBITS:

### Exhibit 1





**NATIONAL CREDIT UNION ADMINISTRATION  
Office of Inspector General  
Investigations Division**

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**GARRITY ADVISEMENT**  
**(ACKNOWLEDGEMENT OF RIGHTS)**

I, [REDACTED], have been advised by Special Agent [REDACTED], who has identified himself/herself to me as a Special Agent of the National Credit Union Administration, Office of Inspector General, that he/she is conducting an investigation into a matter affecting my official duties.

In connection with this, I have been advised that:

I have the right to remain silent if my answers may result in a criminal charge being brought against me.

Anything I say or do may be used as evidence in administrative proceedings, civil proceedings, or any future criminal proceeding involving me.

If I refuse to answer the questions posed to me on the grounds that the answers may tend to incriminate me, I cannot be discharged solely for remaining silent.

I understand this interview is strictly voluntary and I may leave at any time.

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**ACKNOWLEDGMENT**

I have read the Acknowledgement of Rights or had them read to me and I understand my rights as set forth above.

Date: 15 Sep 2014 Time: 9:55 am

Signature: [REDACTED]

Printed Name: [REDACTED]

Investigator: [REDACTED]

Witness: [REDACTED]

(b) (6)  
(b) (7) (C)

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This report is furnished on an official need to know basis and must be protected from dissemination which may compromise the best interests of the National Credit Union Administration Office of Inspector General. This report shall not be released or disseminated to other parties without prior consultation with the Office of Inspector General. UNAUTHORIZED RELEASE MAY RESULT IN CRIMINAL PROSECUTION.