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Description of document: Closing documents for six (6) National Credit Union Administration (NCUA) Inspector General (OIG) investigations, 2014-2015

Requested date: 29-January-2018

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Source of document: FOIA Request
National Credit Union Administration
Office of the Inspector General
1775 Duke St.
Alexandria, VA, 22314
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National Credit Union Administration

Office of Inspector General

February 26, 2018

SENT BY EMAIL

SUBJECT: FOIA Request OIGFOIA-2018-05

This responds to your January 29, 2018, request under the Freedom of Information Act (FOIA), 5 U.S.C. § 552, for a “copy of the final report, report of investigation (ROI), closing memo, referral memo, closing letter and referral letter” for each of the following investigations: 14-AI-CO-02, 14-AI-CO-03, 14-CI-CO-05, 14-AI-R3-06, 14-AI-R2-07, and 14-AI-CO-08.

I am providing you all 6 reports that you have requested, 82 pages in all, with redactions. The redacted material is exempt from release under Exemptions (b)(6) and (b)(7)(C) of FOIA, which protect personal privacy interests. For the report of investigation numbered 14-AI-R3-06, I also withheld information under Exemption (b)(8). FOIA Exemption 8 protects information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. *See* 5 U.S.C. § 552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all our requesters and should not be taken as an indication that excluded records do, or do not, exist.

If you are not satisfied with my action on this request, you may file an administrative appeal in writing within 90 days of the date of this letter. If you file an appeal, please note “FOIA APPEAL” in the letter and on the envelope (or in the subject line of email to foia@ncua.gov) and address it to: National Credit Union Administration, Office of General Counsel-FOIA APPEAL, 1775 Duke Street, Alexandria, VA 22314-3428. A copy of your initial request and a copy of this letter should accompany your appeal letter.

For further assistance, you may contact me, the OIG FOIA Public Liaison Sharon Regelman, or the Office of Government Information Services (OGIS). The OIG FOIA Liaison is responsible for assisting in the resolution of FOIA disputes. OGIS, which is part of the National Archives and Records Administration (NARA), offers mediation services to resolve disputes between FOIA requesters and Federal agencies as a non-exclusive alternative to appeals or litigation. You may contact the FOIA Public Liaison at oigmail@ncua.gov or 703-518-6350. You may contact

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OGIS at 8601 Adelphi Road-OGIS, College Park, MD 20740-6001; OGIS@nara.gov; 202-741-5770; 877-684-6448 (toll free); or 202-741-5769 (fax). Seeking assistance from the OIG Public Liaison or OGIS does not affect your right, or extend the deadline, to pursue an appeal.

Sincerely,

MARTA ERCEG

Digitally signed by MARTA ERCEG
DN: c=US, o=U.S. Government, ou=National
Credit Union Administration, cn=MARTA
ERCEG,
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Date: 2018.02.26 19:38:31 -05'00'

Marta Erceg
Counsel to the Inspector General/
Assistant IG for Investigations

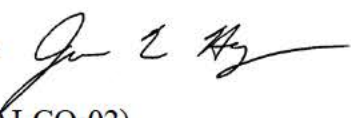
cc: FOIA Officer



National Credit Union Administration

Office of Inspector General

TO: Chairman, Debbie Matz
Vice Chairman, Rick Metzger
Board Member, J. Mark McWatters
Executive Director, Mark A. Treichel
Deputy Executive Director, John Kutchey

FROM: Inspector General James W. Hagen 
SUBJECT: Report of Investigation (Case #14-AI-CO-02)

DATE: September 24, 2014

Attached for your review and appropriate action is the Office of Inspector General Report of Investigation of possible misconduct (unprofessional conduct) by (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) National Credit Union Administration, Alexandria, VA. No portion of 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 Sharon Separ, Counsel to the Inspector General/Assistant Inspector General for Investigations at 703-518-6352.



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION

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



Case Number 14-AI-CO-02





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-CO-02

CASE TITLE: (b) (6), (b) (7)(C)

CASE STATUS: Closed - Pending

VIOLATIONS: Unprofessional Conduct

PREDICATION:

The National Credit Union Administration (NCUA) Office of Inspector General (OIG) initiated the subject investigation on February 4, 2014, as a result of allegations referred to it by (b) (6), (b) (7)(C)

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

(b) (6), (b) (7)(C) The initial referral presented allegations of administrative misconduct against (b) (6), (b) (7)(C) Subsequent interviews with current and former (b) (6), (b) (7)(C) employees enlarged the scope of the case to include allegations of administrative misconduct against (b) (6), (b) (7)(C)

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENTS:

Sharon Separ
Assistant Inspector General
For Investigations


(Signature)

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

Director of Investigations

(b) (6), (b) (7)(C)
(Signature)

APPROVED:

Sharon Separ
Assistant Inspector General
for Investigations


(Signature)

REPORT OF INVESTIGATION

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This Report of Investigation (Case Number 14-AI-CO-02) addresses allegations of administrative misconduct on the part of both (b) (6), (b) (7)(C), respectively. The complainants characterized their specific allegations as including a hostile work environment in (b) (6), (b) (7)(C), harassment, intimidation, and unprofessional conduct. Specifically, this report addresses allegations that (b) (6), (b) (7)(C): (1) inappropriately yelled at and/or spoke in a demeaning manner to (b) (6), (b) (7)(C) employees in front of others (b) (6), (b) (7)(C); (2) inappropriately attempted to marginalize specific (b) (6), (b) (7)(C) employees by pressuring others not to associate with them (b) (6), (b) (7)(C); (3) pressured some (b) (6), (b) (7)(C) employees to leave (b) (6), (b) (7)(C) or the agency entirely (b) (6), (b) (7)(C); and (4) as a result of the foregoing, created a hostile work environment in (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) received markedly lower performance appraisal scores, this investigation did not examine those complaints. NCUA has an Administrative Grievance System (Chapter 16, NCUA Personnel Manual) which provides a forum for the internal review and resolution of such disputes. (b) (6), (b) (7)(C) was the only (b) (6), (b) (7)(C) to file an administrative grievance based on (b) (6), (b) (7)(C) appraisal. Because (b) (6), (b) (7)(C)'s grievance was reviewed and decided through appropriate agency administrative channels, the OIG merely provided, *infra*, a brief description of the interim and final decisions, respectively. For the same reason, that is, because the agency has a formal administrative grievance system to identify, prevent, and make reasonable efforts to correct employment-related dissatisfactions, including the application of performance standards, we did not include this issue as a specific allegation of misconduct against (b) (6), (b) (7)(C).

Moreover, although the majority of (b) (6), (b) (7)(C) employees interviewed raised the specter that contractors in (b) (6), (b) (7)(C) were improperly performing work that was formerly done by full time (FTE) NCUA employees, the OIG also did not include that issue in its investigation. Rather, the OIG Office of Audit plans to conduct a review in 2015 that will look at NCUA's procurement process and include (b) (6), (b) (7)(C)'s contracts and funding. If the audit findings include significant misuse of contract employees, then any ensuing OIG report will discuss such findings.

Discussion

On February 4, 2014, (b) (6), (b) (7)(C) contacted the OIG alleging misconduct by (b) (6), (b) (7)(C). Specifically, (b) (6), (b) (7)(C) alleged that in (b) (6), (b) (7)(C) warned other (b) (6), (b) (7)(C) management employees that their continued association with (b) (6), (b) (7)(C) could be detrimental to their careers. (b) (6), (b) (7)(C) further alleged that (b) (6), (b) (7)(C) exhibited unprofessional behavior toward (b) (6), (b) (7)(C) on several

¹ (b) (6), (b) (7)(C) all complained about significantly lowered performance scores with accompanying negative narratives on their (b) (6), (b) (7)(C) appraisals. (b) (6), (b) (7)(C)

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occasions, by yelling at (b) (6), (b) (7)(C) in front of other (b) (6), (b) (7)(C) employees. (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) fear that bringing to light (b) (6), (b) (7)(C)'s behavior might cause (b) (6), (b) (7)(C).

As a result of (b) (6), (b) (7)(C)'s complaint, the OIG interviewed numerous (b) (6), (b) (7)(C) employees, two (b) (6), (b) (7)(C) contractors, and (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C). We further interviewed the following NCUA employees: John Kutche, Deputy Executive Director (DED), Office of the Executive Director (OED); Denise Hendricks, Deputy Director, Office of Minority & Women Inclusion (OMWI); and Bobbie Artis, Labor Relations Specialist, Office of Human Resources (OHR). We also requested documentation from and received written feedback from Emily Barnes, Executive Coach, of Coaching High Performers to Better Results.

Summary of Findings

The investigation found that (b) (6), (b) (7)(C) engaged in inappropriate professional conduct when (b) (6), (b) (7)(C) yelled at and threatened (b) (6), (b) (7)(C) at a management meeting. With regard to (b) (6), (b) (7)(C), the investigation found that (b) (6), (b) (7)(C) engaged in inappropriate unprofessional conduct when (b) (6), (b) (7)(C) (1) used profanity and yelled at (b) (6), (b) (7)(C) in the hallway within earshot of other (b) (6), (b) (7)(C) employees; and (2) inappropriately attempted to marginalize (b) (6), (b) (7)(C) by pressuring others not to associate with (b) (6), (b) (7)(C).

DETAILS:

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

On February 4, 2014, the OIG interviewed (b) (6), (b) (7)(C) regarding allegations of misconduct against (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that other (b) (6), (b) (7)(C) employees told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) had warned them that if they continued to associate with (b) (6), (b) (7)(C), it could be detrimental to their careers.² (b) (6), (b) (7)(C) stated his belief that (b) (6), (b) (7)(C) made these statements in November-December 2013. In addition, (b) (6), (b) (7)(C) stated that in the hallway near the Help Desk, (b) (6), (b) (7)(C) yelled at (b) (6), (b) (7)(C) and used profanity within earshot of other employees. (b) (6), (b) (7)(C) further expressed fear that bringing this information to the attention of the OIG and/or agency officials might cause (b) (6), (b) (7)(C) ostracize (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) also stated that prior to (b) (6), (b) (7)(C) initial contact with the OIG, (b) (6), (b) (7)(C) filed, (b) (6), (b) (7)(C) an administrative grievance based on the individual element ratings and narratives (b) (6), (b) (7)(C) gave (b) (6), (b) (7)(C) in (b) (6), (b) (7)(C) performance appraisal. (b) (6), (b) (7)(C) performance appraisals for the years (b) (6), (b) (7)(C) indicated that (b) (6), (b) (7)(C) final score for the three years ranged from (b) (6), (b) (7)(C) to (b) (6), (b) (7)(C) all of which fell within the high range of a Highly Successful overall summary rating. On the 2013 appraisal,

² (b) (6), (b) (7)(C) identified these employees as (b) (6), (b) (7)(C), (b) (6), (b) (7)(C), and (b) (6), (b) (7)(C).

³ In 2010, the former (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) rated (b) (6), (b) (7)(C); in 2011, 2012, and 2013, (b) (6), (b) (7)(C) was the rating official.

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however, (b) (6), (b) (7)(C) rated him (b) (6), (b) (7)(C) which falls on the lower end of the Fully Successful range. Because (b) (6), (b) (7)(C) elected to grieve the (b) (6), (b) (7)(C) appraisal through the agency's formal grievance process, and because that process took place concurrently with the OIG's investigation, the OIG did not investigate this matter. Nevertheless, the OIG did consider, in general, the diminished (b) (6), (b) (7)(C) rating as part of (b) (6), (b) (7)(C)'s overall allegations that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) were attempting to force him out of (b) (6), (b) (7)(C) and/or the agency.⁴

Blume

The OIG interviewed (b) (6), (b) (7)(C) on February 24, 2014. (b) (6), (b) (7)(C) reported that on approximately two occasions (June and November 2013), (b) (6), (b) (7)(C) advised that (b) (6), (b) (7)(C) might want to limit (b) (6), (b) (7)(C) associations with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) was not on (b) (6), (b) (7)(C)'s "good" list. With regard to (b) (6), (b) (7)(C) own interactions with (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had not yelled at (b) (6), (b) (7)(C) or used profanity towards (b) (6), (b) (7)(C). However, (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C)'s manner of speaking to (b) (6), (b) (7)(C) as occasionally aggressive.

(b) (6), (b) (7)(C) described the work environment in (b) (6), (b) (7)(C) as "very tense." (b) (6), (b) (7)(C) stated further that it seemed to him that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) had an agenda to get rid of some of the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) elaborated, relating that (b) (6), (b) (7)(C) had sent (b) (6), (b) (7)(C) on a detail to another agency, from which (b) (6), (b) (7)(C) did not return. (b) (6), (b) (7)(C) opined that (b) (6), (b) (7)(C) was next in line on (b) (6), (b) (7)(C) "removal" agenda.

With regard to (b) (6), (b) (7)(C)'s treatment of (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) related that during a (then) recent meeting, (b) (6), (b) (7)(C) "blew up" at (b) (6), (b) (7)(C) in front of (b) (6), (b) (7)(C) peers. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) berated (b) (6), (b) (7)(C) for taking on a job for another agency office which was not (b) (6), (b) (7)(C) responsibility. (b) (6), (b) (7)(C) later explained to (b) (6), (b) (7)(C) reasons for doing so, which (b) (6), (b) (7)(C) believed justified (b) (6), (b) (7)(C) actions, but (b) (6), (b) (7)(C) offered no apology for publicly embarrassing (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related further that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) told some (b) (6), (b) (7)(C) employees (including (b) (6), (b) (7)(C)) that they are not allowed to go to the 7th floor unless they clear it with them first. (b) (6), (b) (7)(C) stated that they gave no explanation for this new policy.

⁴ On (b) (6), (b) (7)(C) 2014, (b) (6), (b) (7)(C) issued a Step 1 Grievance Decision which resulted in a language change in the narrative for one critical element and a score/rating adjustment for another. Had (b) (6), (b) (7)(C) not sought a Step Two Decision from Kutchev, (b) (6), (b) (7)(C)'s change would have, at that point, resulted in a change to the overall total score from (b) (6), (b) (7)(C) to (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) however, sought a Step 2 Grievance Decision. On (b) (6), (b) (7)(C) 2014, Kutchev issued a Step Two Grievance Decision. Kutchev's final decision granted partial relief with regard to the same rating score (b) (6), (b) (7)(C) had agreed to change, resulting in a final revised total score of (b) (6), (b) (7)(C), which falls in the middle of the Fully Successful range. Kutchev also concluded that portions of the performance appraisal narrative did not appropriately reflect (b) (6), (b) (7)(C)'s performance during the rating period, and therefore directed (b) (6), (b) (7)(C) to make some changes under specified elements.

⁵ (b) (6), (b) (7)(C) was offered and took a position at the (b) (6), (b) (7)(C), where (b) (6), (b) (7)(C) served (b) (6), (b) (7)(C) detail.

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(b) (6), (b) (7)(C) stated that for the first time in (b) (6), (b) (7)(C) near (b) (6), (b) (7)(C) NCUA employment history, in (b) (6), (b) (7)(C) received a drastically lowered performance appraisal score. (b) (6), (b) (7)(C) indicated that (b) (6), (b) (7)(C) did not know whether the low rating was connected to (b) (6), (b) (7)(C) association with (b) (6), (b) (7)(C) or some other factor. He explained that (b) (6), (b) (7)(C) prepares (b) (6), (b) (7)(C) appraisal and rating and (b) (6), (b) (7)(C) approves it. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was aware that other (b) (6), (b) (7)(C) employees and (b) (6), (b) (7)(C) had also received, for the first time, significantly lowered appraisal scores in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) remarked that all of these individuals have had some association with (b) (6), (b) (7)(C).

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

The OIG interviewed (b) (6), (b) (7)(C) on February 25, 2014. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has been employed in (b) (6), (b) (7)(C) since (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C). While (b) (6), (b) (7)(C) characterized his relationship with (b) (6), (b) (7)(C) as strictly professional, (b) (6), (b) (7)(C) indicated that (b) (6), (b) (7)(C) has had a professional and social relationship with (b) (6), (b) (7)(C), the latter consisting of going out to lunch together. (b) (6), (b) (7)(C) he related that (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) stated that in December 2013, (b) (6), (b) (7)(C) approached (b) (6), (b) (7)(C) about associating with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) needed to cover (b) (6), (b) (7)(C) due to "guilt by association" (referring to (b) (6), (b) (7)(C) relationship with (b) (6), (b) (7)(C)). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) warned (b) (6), (b) (7)(C) that if (b) (6), (b) (7)(C) is "at odds" with someone, it could be bad for you to associate with that individual. (b) (6), (b) (7)(C) stated that as a result of this discussion with (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) limited (b) (6), (b) (7)(C) interactions with (b) (6), (b) (7)(C) because (b) (6), (b) (7)(C) feared losing (b) (6), (b) (7)(C) job.

(b) (6), (b) (7)(C) related further that (b) (6), (b) (7)(C) a contract employee, (b) (6), (b) (7)(C) s personal staff assistant,⁶ on (b) (6), (b) (7)(C) orders called (b) (6), (b) (7)(C) into a meeting. Present at that meeting were (b) (6), (b) (7)(C), (b) (6), (b) (7)(C), (b) (6), (b) (7)(C), as well as an unspecified (b) (6), (b) (7)(C) contractor and other (b) (6), (b) (7)(C) staff members. (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as "visibly upset" at the meeting. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) opened the meeting by stating that (b) (6), (b) (7)(C) brought Artis/OHR into the meeting because of what (b) (6), (b) (7)(C) intended to say to the group. However, (b) (6), (b) (7)(C) stated, Artis provided no input whatsoever during the meeting. According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) was upset because (b) (6), (b) (7)(C) directors were accepting work assignments from other offices without going through the proper approval channels. (b) (6), (b) (7)(C) specifically pointed to (b) (6), (b) (7)(C) and berated (b) (6), (b) (7)(C) in front of the others. (b) (6), (b) (7)(C)

⁶ (b) (6), (b) (7)(C) official title is (b) (6), (b) (7)(C).

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(b) (6), (b) (7)(C) related further that at a subsequent all-hands meeting, where (b) (6), (b) (7)(C) was not present, (b) (6), (b) (7)(C) commented that the contractors in (b) (6), (b) (7)(C) were better employees than the (b) (6), (b) (7)(C) FTE employees. (b) (6), (b) (7)(C) indicated further that this statement left the (b) (6), (b) (7)(C) employees deflated and demoralized.

At the end of (b) (6), (b) (7)(C) interview, (b) (6), (b) (7)(C) expressed fear that if the information (b) (6), (b) (7)(C) shared with the OIG got back to (b) (6), (b) (7)(C) and/or (b) (6), (b) (7)(C), it might affect (b) (6), (b) (7)(C) employment at NCUA.

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

On March 4, 2014, the OIG interviewed (b) (6), (b) (7)(C) Operations, OCIO. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has been an employee in (b) (6), (b) (7)(C) for (b) (6), (b) (7)(C) years. With regard to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) indicated that (b) (6), (b) (7)(C) pretty much avoids him. (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as (b) (6), (b) (7)(C) towards (b) (6), (b) (7)(C) staff members. (b) (6), (b) (7)(C) further characterized (b) (6), (b) (7)(C)'s behavior as disruptive to (b) (6), (b) (7)(C) operations and, in general, causing a hostile work environment. (b) (6), (b) (7)(C) related an incident that took place in an (b) (6), (b) (7)(C) hallway about a year ago, when (b) (6), (b) (7)(C) witnessed (b) (6), (b) (7)(C) yelling and cursing at (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) noted that several other (b) (6), (b) (7)(C) staff members also witnessed this incident.

(b) (6), (b) (7)(C) noted that the work environment in (b) (6), (b) (7)(C) changed dramatically when (b) (6), (b) (7)(C) was hired. (b) (6), (b) (7)(C) observed that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) treat (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) team members in a demeaning way. (b) (6), (b) (7)(C) expressed that (b) (6), (b) (7)(C) found this behavior confusing, because (b) (6), (b) (7)(C) saw no reason for it. (b) (6), (b) (7)(C) related further that approximately two months prior to the interview, (b) (6), (b) (7)(C) witnessed (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) get into a heated discussion with raised voices in the presence of other (b) (6), (b) (7)(C) employees.

(b) (6), (b) (7)(C) expressed concern with (b) (6), (b) (7)(C) due to all the stress (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) are causing (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) Lanthier stated that the entire (b) (6), (b) (7)(C) staff had noticed the change in (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) as a result of (b) (6), (b) (7)(C) treatment of (b) (6), (b) (7)(C) and that they were, as a result, demoralized.

(b) (6), (b) (7)(C) reiterated the statements the OIG heard from other (b) (6), (b) (7)(C) employees as well as contractors that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) held the (b) (6), (b) (7)(C) contractors in higher regard and treated them better than agency employees. (b) (6), (b) (7)(C) noted that anyone who took the time to look would see that (b) (6), (b) (7)(C) has given certain contractors the privilege of running the day-to-day operations in OCIO. (b) (6), (b) (7)(C) stated that prior to (b) (6), (b) (7)(C)'s hire, the contractors reported to (b) (6), (b) (7)(C); now they report directly to (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C).

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

On March 5, 2014, the OIG interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has been employed at NCUA for (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that the environment in (b) (6), (b) (7)(C) became very negative (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) staff members (b) (6), (b) (7)(C) currently looking to leave (b) (6), (b) (7)(C) and some have already done so (b) (6), (b) (7)(C) attributed this trend to the direction (b) (6), (b) (7)(C) seems to be headed under (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) as well as the adversarial relationship (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) have with many (b) (6), (b) (7)(C) employees. In this regard, (b) (6), (b) (7)(C) recounted a meeting in March 2013, when (b) (6), (b) (7)(C) "got in (b) (6), (b) (7)(C) face" and accused (b) (6), (b) (7)(C) of jumping the chain of command. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) had also told (b) (6), (b) (7)(C) staff that they were not to go to the 7th Floor or speak to anyone outside of (b) (6), (b) (7)(C) without first conferring with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) indicated that neither (b) (6), (b) (7)(C) ever put these types of orders in writing; everything was done word of mouth. (b) (6), (b) (7)(C) stated that there is a trust issue between (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) employees.

(b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) approached (b) (6), (b) (7)(C) and told (b) (6), (b) (7)(C) could get (b) (6), (b) (7)(C) a job in another NCUA office, other than (b) (6), (b) (7)(C). Given (b) (6), (b) (7)(C)'s treatment of (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)'s statement, (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) belief that they were trying to force (b) (6), (b) (7)(C) out of (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) thought (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) may already have spoken to Kutchev about moving her to another NCUA office.

(b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as the primary instigator of problems within (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that if (b) (6), (b) (7)(C) was not happy, no one was. (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) described an August 2013 (b) (6), (b) (7)(C) meeting when (b) (6), (b) (7)(C) was very angry and animated toward (b) (6), (b) (7)(C), and yelled at and threatened certain individuals. (b) (6), (b) (7)(C) also related a situation that took place in the hallway (b) (6), (b) (7)(C) as well as all (b) (6), (b) (7)(C) staff in the immediate vicinity, overheard (b) (6), (b) (7)(C) loudly berating and cursing (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that although they eventually moved (b) (6), (b) (7)(C) everyone could still hear (b) (6), (b) (7)(C). (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) stated that this is one reason that (b) (6), (b) (7)(C) left for employment at another agency.

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With regard to the contractors who (b) (6), (b) (7)(C) brought in, (b) (6), (b) (7)(C) noted that several of the jobs formerly performed by OCIO staff are now done by contractors. (b) (6), (b) (7)(C) stated that certain contractors are running the daily operation within OCIO without apparent supervision or oversight by NCUA employees. (b) (6), (b) (7)(C) noted that the contractors typically run OCIO meetings for (b) (6), (b) (7)(C). Moreover, (b) (6), (b) (7)(C) stated that several OCIO employees have noticed (b) (6), (b) (7)(C) running personal errands for (b) (6), (b) (7)(C) including picking up (b) (6), (b) (7)(C) lunch.

Effective (b) (6), (b) (7)(C) transferred to the NCUA (b) (6), (b) (7)(C)

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

On March 6, 2014, the OIG interviewed (b) (6), (b) (7)(C) contract employee. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was a contractor in OCIO from (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) described (b) (6), (b) (7)(C) primary responsibility as dealing with NCUA's (b) (6), (b) (7)(C) program. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) noticed a marked change in the work environment in (b) (6), (b) (7)(C) when (b) (6), (b) (7)(C) came on board. (b) (6), (b) (7)(C) related that when (b) (6), (b) (7)(C) first met (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) did not like (b) (6), (b) (7)(C); (b) (6), (b) (7)(C) believed that this initial comment set the tone for (b) (6), (b) (7)(C) future interactions with (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as a stressful place to work since (b) (6), (b) (7)(C) was hired, and gave this as one of the major reasons why (b) (6), (b) (7)(C) left. (b) (6), (b) (7)(C) described the relationship between (b) (6), (b) (7)(C) and the workforce as adversarial. (b) (6), (b) (7)(C) recalled a meeting where all (b) (6), (b) (7)(C) staff (agency employees and contractors) was present. At that meeting, (b) (6), (b) (7)(C) stated that the (b) (6), (b) (7)(C) contractors did better work than the OCIO staff. (b) (6), (b) (7)(C) opined that this was a demoralizing statement to make. (b) (6), (b) (7)(C) stated further that it is evident that some of the contractors run the daily operation of (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C) would be lost without their assistance.

Finally, (b) (6), (b) (7)(C) noted that several (b) (6), (b) (7)(C) employees had informed (b) (6), (b) (7)(C), that they (b) (6), (b) (7)(C) were seeking other employment opportunities.

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

On March 6, 2014, the OIG interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated at the outset that (b) (6), (b) (7)(C) was made aware of the hallway confrontation (b) (6), (b) (7)(C) although (b) (6), (b) (7)(C) did not witness it. (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) is now on (b) (6), (b) (7)(C)'s "bad list" due to (b) (6), (b) (7)(C) association (b) (6), (b) (7)(C).

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(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was present when (b) (6), (b) (7)(C) attacked (b) (6), (b) (7)(C) during a staff/management meeting. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) came into the meeting yelling and threatening staff members about having to sign a paper committing that they (staff) would not perform work for other offices without first clearing it with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) staff that they were no longer permitted to go up to the 7th floor or speak to anyone above (b) (6), (b) (7)(C) level. (b) (6), (b) (7)(C) also described another meeting when (b) (6), (b) (7)(C) made a disparaging comment that the (b) (6), (b) (7)(C) contractors did all the work and (b) (6), (b) (7)(C) staff did nothing. (b) (6), (b) (7)(C) indicated that there is a serious trust issue in (b) (6), (b) (7)(C) and that everyone was looking out for themselves in order to survive.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) assigns the (b) (6), (b) (7)(C) contractors work that (b) (6), (b) (7)(C) employees formerly performed. (b) (6), (b) (7)(C) related that at the (b) (6), (b) (7)(C) two contract employees were responsible for handling the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) expressed that this was unusual, due to the contractors' limited (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) sends contractors to the regional field offices to conduct group meetings, despite the fact that regional staff have expressly requested that (b) (6), (b) (7)(C) employees conduct these meetings. (b) (6), (b) (7)(C) explained that (b) (6), (b) (7)(C) employees formerly performed this function. Moreover, (b) (6), (b) (7)(C) related that under (b) (6), (b) (7)(C), the contractors perform the day-to-day operations in (b) (6), (b) (7)(C) and that now (b) (6), (b) (7)(C) staff must answer to the contractors.

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

The OIG interviewed (b) (6), (b) (7)(C) on March 12, 2014. (b) (6), (b) (7)(C) worked for NCUA from (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that there was a change in morale in (b) (6), (b) (7)(C) beginning shortly after (b) (6), (b) (7)(C) was (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) behavior towards (b) (6), (b) (7)(C) staff members as "demeaning" and (b) (6), (b) (7)(C) employees as "unhappy." (b) (6), (b) (7)(C) opined that it was apparent to (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) wanted to get rid of (b) (6), (b) (7)(C) employees who were in place prior to (b) (6), (b) (7)(C) hire. (b) (6), (b) (7)(C) reported that shortly after (b) (6), (b) (7)(C) arrived, (b) (6), (b) (7)(C) asked (b) (6), (b) (7)(C) to consider a detail at another agency in order to broaden (b) (6), (b) (7)(C) perspectives and learn how (b) (6), (b) (7)(C) function at other agencies. (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) surprise at this request. However, (b) (6), (b) (7)(C) related, as (b) (6), (b) (7)(C) began to reach out to (b) (6), (b) (7)(C) at other agencies, (b) (6), (b) (7)(C) concurrently learned that (b) (6), (b) (7)(C) had already—prior to (b) (6), (b) (7)(C) discussion with (b) (6), (b) (7)(C) about considering a detail—sent out email queries to several other agencies soliciting possible detail assignments for (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) stated (b) (6), (b) (7)(C) detail (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) forced (b) (6), (b) (7)(C) out of (b) (6), (b) (7)(C) position at NCUA. (b) (6), (b) (7)(C) related further that (b) (6), (b) (7)(C) had heard that (b) (6), (b) (7)(C) made a comment to certain staff members that (b) (6), (b) (7)(C) would make life miserable for some employees so that they would leave. (b) (6), (b) (7)(C) opined that (b) (6), (b) (7)(C) was in fact doing this, as reflected by the number of (b) (6), (b) (7)(C) staff members who confided in (b) (6), (b) (7)(C) that they plan to leave, (b) (6), (b) (7)(C), or are already in the process of doing so.

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(b) (6), (b) (7)(C) stated that for the first time since (b) (6) started at NCUA, (b) (6) received a drastically lowered score on (b) (6), (b) (7)(C) performance appraisal than on all of (b) (6) previous appraisals. (b) (6) related that the (b) (6), (b) (7)(C) appraisal provided no factual justification for the lowered scores under each element. Additionally, (b) (6) stated that (b) (6) was aware of other (b) (6), (b) (7)(C) managers who had also received, for the first time, significantly lowered performance scores. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) forced (b) (6), (b) (7)(C) to lower the scores for the (b) (6), (b) (7)(C) who he managed. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) that after (b) (6) initially submitted (b) (6), (b) (7)(C) performance appraisal to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) instructed (b) (6), (b) (7)(C) to change it, using stronger, more negative wording. (b) (6), (b) (7)(C) stated that (b) (6) did not grieve the appraisal because (b) (6) feared it would further jeopardize (b) (6) continued employment.

(b) (6), (b) (7)(C) stated that Kutchev is aware of the problems in (b) (6), (b) (7)(C) and, in July 2013, Kutchev recommended mediation to attempt to resolve some of the issues.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has surrounded (b) (6), (b) (7)(C) with contractors with whom (b) (6), (b) (7)(C) worked at prior jobs and that these contractors pretty much run the day-to-day operations in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has stripped the existing (b) (6), (b) (7)(C) of their former authority to oversee these contractors and that they operate with little or no oversight.

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

On March 12, 2014, the OIG interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) explained that (b) (6) has been a contractor (b) (6), (b) (7)(C). At the time of the interview, (b) (6), (b) (7)(C) reported to (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) have a pre-existing relationship from previous employment and (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as having limited (b) (6), (b) (7)(C) experience and not qualified for (b) (6), (b) (7)(C) current position.

(b) (6), (b) (7)(C) stated that while (b) (6), (b) (7)(C) has no direct knowledge of (b) (6), (b) (7)(C) yelling at (b) (6), (b) (7)(C) staff, (b) (6), (b) (7)(C) has heard second hand that (b) (6), (b) (7)(C) has done so. (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) are trying to force out some (b) (6), (b) (7)(C) employees, and that several are currently seeking employment elsewhere. (b) (6), (b) (7)(C) characterized the morale of the (b) (6), (b) (7)(C) staff as very low.

(b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) has told (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) is very unhappy with (b) (6), (b) (7)(C) and complained (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) permits contract employees to run (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) terminated (b) (6), (b) (7)(C) contract work (b) (6), (b) (7)(C).

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Artis

On March 13, 2014, the OIG interviewed Bobby Artis, Labor Relations Specialist, OHR. Artis stated that in June or July 2013, (b) (6), (b) (7)(C) summoned him to (b) (6), (b) (7)(C) for an “emergency” meeting. Artis related that he met with (b) (6), (b) (7)(C) first, and (b) (6), (b) (7)(C) was extremely upset. (b) (6), (b) (7)(C) had called a meeting between (b) (6), (b) (7)(C) and the (b) (6), (b) (7)(C) and requested that he sit in on it. He indicated that he was unclear why (b) (6), (b) (7)(C) wanted him there, as he deals with union employees, not management. Nonetheless, he attended the meeting at (b) (6), (b) (7)(C) request.

Artis stated (b) (6), (b) (7)(C) announced to (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) intended to have each of them sign a statement agreeing to follow certain procedures or “face the consequences.” The procedures related to (b) (6), (b) (7)(C) not doing work for other NCUA offices without first clearing it with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) threatened them and said they would be held accountable for not adhering to (b) (6), (b) (7)(C) policies. According to Artis, (b) (6), (b) (7)(C) singled out (b) (6), (b) (7)(C) at the meeting. He stated that (b) (6), (b) (7)(C) was visibly startled by (b) (6), (b) (7)(C) confronting (b) (6), (b) (7)(C), causing (b) (6), (b) (7)(C) to respond: “Yes, I called you out.”

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

The OIG interviewed (b) (6), (b) (7)(C) on March 18, 2014. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) has been an (b) (6), (b) (7)(C) employee since (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) noticed a marked change in the working environment of (b) (6), (b) (7)(C) after (b) (6), (b) (7)(C)'s arrival. (b) (6), (b) (7)(C) characterized it as (b) (6), (b) (7)(C) and noted that it has changed (b) (6), (b) (7)(C) employees' outlook as to their longevity at the agency. (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) maintains a list identifying who (b) (6), (b) (7)(C) likes and who (b) (6), (b) (7)(C) does not like. (b) (6), (b) (7)(C) stated that a few (b) (6), (b) (7)(C) believe they have been negatively affected by this “list.” In particular, (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) forced (b) (6), (b) (7)(C) to take a detail. (b) (6), (b) (7)(C) stated that in a conversation with (b) (6), (b) (7)(C) about whether (b) (6), (b) (7)(C) would return (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) commented further that (b) (6), (b) (7)(C) stated that who you associate with greatly reflects how you are perceived. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was referring to (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C) intended the comment to be interpreted negatively.

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

(b) (6), (b) (7)(C) related that, on a few occasions, (b) (6), (b) (7)(C) witnessed (b) (6), (b) (7)(C) yelling at (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) has also had heated discussions with (b) (6), (b) (7)(C).

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Finally, (b) (6), (b) (7)(C) stated that contractors have been given the day-to-day authority to run (b) (6), (b) (7)(C). For example, (b) (6), (b) (7)(C) related that contractors regularly supervise (b) (6), (b) (7)(C) employees and/or expect the employees to answer to them.

(b) (6), (b) (7)(C) accepted an employment offer at the (b) (6), (b) (7)(C) last day at NCUA (b) (6), (b) (7)(C).

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

On March 19, 2014, the OIG interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has worked in (b) (6), (b) (7)(C) from (b) (6), (b) (7)(C) to the present. At the time of (b) (6), (b) (7)(C) interview, (b) (6), (b) (7)(C) was serving as (b) (6), (b) (7)(C) while (b) (6), (b) (7)(C) was on detail. (b) (6), (b) (7)(C) stated that the management team in (b) (6), (b) (7)(C) is struggling due to a lack of communication. (b) (6), (b) (7)(C) indicated that (b) (6), (b) (7)(C) has not witnessed any outbursts by (b) (6), (b) (7)(C) or (b) (6), (b) (7)(C). However, (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) has heard from other (b) (6), (b) (7)(C) staff members that they have observed (b) (6), (b) (7)(C)'s outbursts directed at some employees. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) is aware of (b) (6), (b) (7)(C)'s issues with regard to (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) respectively. (b) (6), (b) (7)(C) opined that (b) (6), (b) (7)(C) does not get along with them. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) permits a contractor, (b) (6), (b) (7)(C) to act as the program manager on some (b) (6), (b) (7)(C) projects and that NCUA employees report to him.

Kutchey

On March 19, 2014, the OIG interviewed DED Kutchey. Kutchey stated that he is aware of the personnel issues within (b) (6), (b) (7)(C). Kutchey explained that (b) (6), (b) (7)(C)'s predecessor, (b) (6), (b) (7)(C) had a loose/hands off management style and attempted to befriend (b) (6), (b) (7)(C) employees. Kutchey stated further that the Board had communicated to (b) (6), (b) (7)(C) that with (b) (6), (b) (7)(C)'s departure, it wanted to see changes in how (b) (6), (b) (7)(C) was managed. The Board believed (b) (6), (b) (7)(C) could effect that change. He stated that (b) (6), (b) (7)(C) who came on board approximately (b) (6), (b) (7)(C) ago, has really only had about (b) (6), (b) (7)(C) to get (b) (6), (b) (7)(C) into shape, due to (b) (6), (b) (7)(C). He indicated that he was not aware of any specific complaints against (b) (6), (b) (7)(C).

Kutchey reflected that he did not know if the problems in (b) (6), (b) (7)(C) were a result of growing pains or were attributable to the quality of (b) (6), (b) (7)(C)'s management style. In any event, the last two performance appraisals Kutchey prepared for (b) (6), (b) (7)(C) reflected his concerns with, among other things, the morale problems in (b) (6), (b) (7)(C) and showed that he was monitoring the situation closely.

Kutchey related that after a few (b) (6), (b) (7)(C) staff members contacted him to complain about (b) (6), (b) (7)(C) and he told them he would look into it, they asked him not to. When he did mention to (b) (6), (b) (7)(C) that he had heard some complaints from (b) (6), (b) (7)(C) staff, (b) (6), (b) (7)(C) immediate response was "who said it?" Kutchey reflected that his input to (b) (6), (b) (7)(C) should have been a time for (b) (6), (b) (7)(C) to seek ways to improve

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the situation, and not lay blame. This observation was echoed by the executive coach who worked with (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) in (b) (6), (b) (7)(C). In general, Kutchey was aware that some (b) (6), (b) (7)(C) employees perceived a hostile work environment in (b) (6), (b) (7)(C). He speculated that some of that might be due to bad management and communication issues on (b) (6), (b) (7)(C) part. When he has questioned (b) (6), (b) (7)(C) about (b) (6), (b) (7)(C) treatment of specific employees, (b) (6), (b) (7)(C) consistently provided what seemed to be a good explanation for (b) (6), (b) (7)(C) behavior. He characterized (b) (6), (b) (7)(C) as having the gift of "managing up," in that (b) (6), (b) (7)(C) makes upper management believe in (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) methods.

Kutchey stated that in 2013, he contacted Denise Hendricks, seeking a mediator to work with (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) staff. An all hands meeting between (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) employees took place in December, 2013.

Kutchey stated further that [as of the time of his interview] (b) (6), (b) (7)(C) had not yet produced any substantial projects out of (b) (6), (b) (7)(C) with the exception of two relatively easy ones.

Hendricks

On March 27, 2014, the OIG interviewed Denise Hendricks, Deputy Director, OMWI. Hendricks stated that Kutchey contacted her regarding (b) (6), (b) (7)(C) and the possibility of a hostile work environment issue in that organization. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) arranged for a team-building exercise in (b) (6), (b) (7)(C) that took place in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) indicated that the goal of the exercise was to attempt to alleviate some of the personnel issues (b) (6), (b) (7)(C) was experiencing.

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

On August 4, 2014, the OIG interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) began employment at NCUA in (b) (6), (b) (7)(C) as a (b) (6), (b) (7)(C). In (b) (6), (b) (7)(C) he transferred to (b) (6), (b) (7)(C) as an (b) (6), (b) (7)(C). In this capacity, (b) (6), (b) (7)(C) primary position was as a (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) supervisor was (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that in (b) (6), (b) (7)(C) shortly after (b) (6), (b) (7)(C) began, (b) (6), (b) (7)(C) reorganized (b) (6), (b) (7)(C) moving a few employees to new positions within (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was one of the positions (b) (6), (b) (7)(C) changed. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) was transferred to a (b) (6), (b) (7)(C) position in the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) was (b) (6), (b) (7)(C) new supervisor in this position.

(b) (6), (b) (7)(C) explained that (b) (6), (b) (7)(C) did not want to transfer out of the (b) (6), (b) (7)(C) position. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) expressed (b) (6), (b) (7)(C) desire to stay in that position on a few occasions, but (b) (6), (b) (7)(C) told (b) (6), (b) (7)(C) it was not an option. (b) (6), (b) (7)(C) stated that the union got involved due to friction caused by (b) (6), (b) (7)(C) and other position changes as a result of the reorganization. (b) (6), (b) (7)(C) stated (b) (6), (b) (7)(C) belief that NTEU might have filed a lawsuit against the agency with regard to the reorganization, but (b) (6), (b) (7)(C) was not certain.

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(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) felt out of (b) (6), (b) (7)(C) sphere of expertise in the (b) (6), (b) (7)(C) position. (b) (6), (b) (7)(C) indicated that in neither position did (b) (6), (b) (7)(C) have any problems with (b) (6), (b) (7)(C) or (b) (6), (b) (7)(C) respectively.

(b) (6), (b) (7)(C) reiterated that (b) (6), (b) (7)(C) was unhappy with the (b) (6), (b) (7)(C) reassignment, so (b) (6), (b) (7)(C) started looking for other jobs outside the agency. (b) (6), (b) (7)(C) applied for and accepted a position at (b) (6), (b) (7)(C) in (b) (6), (b) (7)(C). Prior to the actual transfer to the new position, (b) (6), (b) (7)(C) served in a (b) (6), (b) (7)(C) detail at (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that prior to (b) (6), (b) (7)(C) departure from (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) advised (b) (6), (b) (7)(C) to meet with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) did so, and (b) (6), (b) (7)(C) recalled that (b) (6), (b) (7)(C) commented to (b) (6), (b) (7)(C): "I hope it's not because of me that you took the move," referring to the (b) (6), (b) (7)(C) transfer. (b) (6), (b) (7)(C)

Barnes

Acting on Kutchey's recommendation, Hendricks contacted Emily Barnes, of Coaching High Performers to Better Results, in June 2013 to conduct a mediation exercise in (b) (6), (b) (7)(C). After several subsequent discussions with (b) (6), (b) (7)(C) Barnes shifted the strategy to a teambuilding exercise rather than mediation. While Barnes declined to be interviewed in person by the OIG, she agreed to answer specific questions which we drafted and provided her. Barnes related the following in her written responses to the OIG's questions:

Barnes stated that Hendricks initially briefed her on the situation in (b) (6), (b) (7)(C). According to Barnes, Hendricks was concerned that (b) (6), (b) (7)(C) was hearing neither Kutchey nor (b) (6), (b) (7)(C) subordinates and was defensive about constructive criticism. She related that Hendricks asked her to address Kutchey's desire to develop a cohesive team in (b) (6), (b) (7)(C).

However, Barnes related, (b) (6), (b) (7)(C) did not think that mediation would be beneficial, but instead wanted to take time out for (b) (6), (b) (7)(C) staff to examine its strengths, decide what kind of team it wanted to be, determine what brand of leadership it wanted and, finally, walk away with a new mission and vision. (b) (6), (b) (7)(C) reportedly believed that (b) (6), (b) (7)(C) employees were ready to move past their initial suspicion and mistrust of the changes in (b) (6), (b) (7)(C). They agreed that Barnes would conduct a teambuilding exercise rather than mediation.

Barnes stated that in preparation for the all-staff (b) (6), (b) (7)(C) teambuilding exercise, she designed and conducted a preliminary workshop. At (b) (6), (b) (7)(C)'s suggestion the workshop focused on team

⁷ Just prior to the finalization of this Report, the OIG learned from (b) (6), (b) (7)(C) that at the end of the detail, (b) (6), (b) (7)(C) decided not to remain in the (b) (6), (b) (7)(C) position. Because (b) (6), (b) (7)(C) was on extended leave, the OIG was unable to re-interview him. (b) (6), (b) (7)(C) explained that (b) (6), (b) (7)(C) felt the (b) (6), (b) (7)(C) position was not a "good fit," so he contacted Kutchey and asked to return to the (b) (6), (b) (7)(C) in Alexandria, VA. Kutchey authorized an over hire position in (b) (6), (b) (7)(C) for (b) (6), (b) (7)(C) and, when (b) (6), (b) (7)(C) returns from (b) (6), (b) (7)(C) leave of absence, (b) (6), (b) (7)(C) will report back to (b) (6), (b) (7)(C).

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strengthening. The (b) (6), (b) (7)(C) Senior Team members participating included (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C). Barnes stated that her final assessment of the session was that it was productive, the team was collaborative, and all appeared open and direct. At the end of the workshop, Barnes proposed that they anchor the good results by having a follow up session in three months with the same (b) (6), (b) (7)(C) members. The follow-up did not take place.

Barnes stated that she conducted the team building exercise on December (b) (6), (b) (7)(C), 2013. Approximately (b) (6), (b) (7)(C) employees participated, only one of whom—(b) (6), (b) (7)(C)—was a contractor. Barnes described the employees' manner during the workshop as restrained. She indicated that staff participation was low in the morning but improved in the afternoon sessions. In particular, Barnes related that near the end of the workshop, the group was broken up into small subgroups, each of which was working on separate issues, when an animated discussion erupted between (b) (6), (b) (7)(C) and the members of one particular subgroup. That discussion involved how (b) (6), (b) (7)(C) behaved when (b) (6), (b) (7)(C), and how that behavior made them feel. According to Barnes, several misinterpretations surfaced as each person spoke. Barnes stated that because she felt the language being used back and forth could inflame the situation, she coached (b) (6), (b) (7)(C) and the subgroup members in using effective communication skills and words that avoided blame and defensiveness, while still allowing room for full expression of their thoughts and feelings. She described her goal as helping all involved to remain respectful and civil. Despite her efforts, however, she stated that the discussion grew louder, and ultimately spread to include the other subgroups, becoming a whole-group conversation. As more participants began to air their concerns about (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) countered with (b) (6), (b) (7)(C) own perspective. Barnes gave as an example the assertion from some group members that they would like to have a better opportunity to share pertinent information with (b) (6), (b) (7)(C) to assist (b) (6), (b) (7)(C) in making decisions that reflect the big picture, as opposed to (b) (6), (b) (7)(C) limited perspective. For example, staff felt that if they have relevant information to share regarding a particular issue and if (b) (6), (b) (7)(C) does not consider that information, then it could create unnecessary problems down the road. Moreover, other staff members expressed that they wanted (b) (6), (b) (7)(C) to connect with them on a regular basis. Barnes stated that in response, (b) (6), (b) (7)(C) said that (b) (6), (b) (7)(C) was self-reliant when it came to decision-making, and that (b) (6), (b) (7)(C) needed to spend more time acquiring resources for the team, not giving them all of (b) (6), (b) (7)(C) attention. Barnes related that even as the discussion ensued, (b) (6), (b) (7)(C) held (b) (6), (b) (7)(C) ground on those issues. Barnes opined that (b) (6), (b) (7)(C)'s position caused others to withdraw from the discussion because they felt they were neither getting through to (b) (6), (b) (7)(C) nor were they able to get (b) (6), (b) (7)(C) to understand the impact that some of (b) (6), (b) (7)(C) decisions have on the organization as a whole and on them personally.

When asked to describe her final assessment of the teambuilding exercise, Barnes stated that the group was frustrated at the end of the day. She opined that they were just beginning to scratch the surface of their discontent when it was time to end the workshop. She expressed her belief that the group left believing that their leader, (b) (6), (b) (7)(C) did not listen to them or understand their needs. She stated that it left her wanting to coax (b) (6), (b) (7)(C) into demonstrating (b) (6), (b) (7)(C) understanding of

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them and giving them the experience of being heard by [REDACTED]—whether or not [REDACTED] agreed with their positions. Barnes related that she attempted to discuss this with [REDACTED] but to no avail. After several failed attempts to connect with [REDACTED] she finally sent [REDACTED] an email, on March 6, 2014, setting forth her observations and offering some perspectives that might help [REDACTED] to better understand the impact of [REDACTED] actions on [REDACTED] staff. Barnes ended her response to the OIG by noting that she was concerned about the repercussions for [REDACTED] of [REDACTED] inability to hear [REDACTED] staff or attend to their needs.

[REDACTED]

The OIG interviewed [REDACTED] (b) (6), (b) (7)(C) on April 22, 2014. At the outset of the interview, the OIG advised [REDACTED] of [REDACTED] Garrity rights. [REDACTED] stated that [REDACTED] has been employed at NCUA since approximately [REDACTED] (b) (6), (b) (7)(C) [REDACTED] current supervisor is [REDACTED] (b) (6), (b) (7)(C) [REDACTED]

[REDACTED] related that low morale existed in [REDACTED] prior to [REDACTED] (b) (6), (b) (7)(C) arrival. [REDACTED] explained that under [REDACTED] the [REDACTED] staff did not have much structure to their work. For example, [REDACTED] stated that [REDACTED] staff did not follow the chain of command when accepting and undertaking new assignments. [REDACTED] attributed this to the type of longstanding relationships [REDACTED] staff had with employees in other NCUA offices as well as with [REDACTED] (b) (6), (b) (7)(C)

[REDACTED] stated that when [REDACTED] (b) (6), (b) (7)(C) [REDACTED] was not happy with employee performance and wanted to hold them accountable. [REDACTED] became aware that employees had begun to complain about [REDACTED] to the union, to management, and among themselves. [REDACTED] also related that Kutchev began sending [REDACTED] and [REDACTED] “rumor has it” type emails regarding issues in [REDACTED], which [REDACTED] believe stemmed from staff complaints.

[REDACTED] stated that in 2013, [REDACTED] gave the [REDACTED] (b) (6), (b) (7)(C) who reported to [REDACTED] lower appraisal scores than [REDACTED] had in 2012. [REDACTED] explained that for the 2012 appraisals, [REDACTED] did not want to change anything yet, due to [REDACTED] limited knowledge of the organization at that time. For the 2013 cycle, however, [REDACTED] changed the narrative portions for the appraisals and the scores for all [REDACTED] (b) (6), (b) (7)(C) to include areas where improvement was needed. When [REDACTED] sent these to [REDACTED] for [REDACTED] review, [REDACTED] sent them back to [REDACTED] characterizing the narratives as “weak.” [REDACTED] told [REDACTED] that [REDACTED] wanted more realistic appraisals that were reflective of [REDACTED] (b) (6), (b) (7)(C) actual performance during the rating year. [REDACTED] also tweaked the initial scores [REDACTED] accorded under each element, lowering them. [REDACTED] stated that [REDACTED] gave all [REDACTED] (b) (6), (b) (7)(C) a “heads up” that [REDACTED] intended to lower their scores on their 2013 appraisals. [REDACTED] indicated further that at that time, [REDACTED] did not fully understand that at NCUA, performance appraisals were merit based and determined salary increases.

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(b) (6), (b) (7)(C) stated that with regard to (b) (6), (b) (7)(C) (b) (6) had no issues with (b) (6), (b) (7)(C) on a personal level. In response to the reporting agent's question whether (b) (6), (b) (7)(C) had ever yelled at or used profanity in speaking with (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) acknowledged that on one occasion (b) (6), (b) (7)(C) became upset at (b) (6), (b) (7)(C) when (b) (6), (b) (7)(C) failed to do an assigned task. (b) (6), (b) (7)(C) admitted to using profanity during that encounter in an attempt to shock (b) (6), (b) (7)(C) into action. (b) (6), (b) (7)(C) was aware that other (b) (6), (b) (7)(C) employees might have overheard this outburst. (b) (6), (b) (7)(C) stated that this was the first and only time (b) (6), (b) (7)(C) uttered a profanity in dealing with subordinates. (b) (6), (b) (7)(C) acknowledged that it was very unprofessional for (b) (6), (b) (7)(C) to have done so and reflected a lack of judgment on (b) (6), (b) (7)(C) part. (b) (6), (b) (7)(C) stated that he briefed (b) (6), (b) (7)(C) about this encounter afterwards.

The reporting agent asked (b) (6), (b) (7)(C) whether (b) (6), (b) (7)(C) had ever told (b) (6), (b) (7)(C) employees not to associate with (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) told certain employees that management (b) (6), (b) (7)(C) might look down on their association with (b) (6), (b) (7)(C) and that they were in fact observing who associated closely with (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that Kutche approved a detail for (b) (6), (b) (7)(C) to another office within NCUA (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) was pushing for a year-long detail, but Kutche reduced it to 90 days.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was not happy with (b) (6), (b) (7)(C)'s productivity and wanted (b) (6), (b) (7)(C) to step up (b) (6), (b) (7)(C) performance. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) wanted (b) (6), (b) (7)(C) to accept a detail at another agency in order to enhance (b) (6), (b) (7)(C) knowledge of (b) (6), (b) (7)(C) job's requirements. (b) (6), (b) (7)(C) spent (b) (6), (b) (7)(C) days on detail at the (b) (6), (b) (7)(C) and ended up accepting a job there.

With regard to (b) (6), (b) (7)(C) relationship with (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) believes (b) (6), (b) (7)(C) is "turning a corner" in terms of production and customer service. (b) (6), (b) (7)(C) stated (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) job is to support (b) (6), (b) (7)(C) in managing (b) (6), (b) (7)(C) admitted that at times, it is not easy to get along with (b) (6), (b) (7)(C) because (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) manages (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) in turn, manages (b) (6), (b) (7)(C) observed that (b) (6), (b) (7)(C) loses trust in individuals if they "cross (b) (6), (b) (7)(C)" or disagree with (b) (6), (b) (7)(C) decisions. (b) (6), (b) (7)(C) reiterated that (b) (6), (b) (7)(C) supports (b) (6), (b) (7)(C) decisions with regard to OCIO's daily operations.

(b) (6), (b) (7)(C) provided a lengthy written statement to accompany this interview. (Exhibit 1) A significant portion of that statement discussed (b) (6), (b) (7)(C) 2013 performance appraisal. Subsequently, (b) (6), (b) (7)(C) related (b) (6), (b) (7)(C)'s (b) (6), (b) (7)(C)-day detail, which began on (b) (6), (b) (7)(C) 2014, to a period of improved morale in (b) (6), (b) (7)(C). In fact, (b) (6), (b) (7)(C) concluded that (b) (6), (b) (7)(C) "was the one creating the hostile work environment in (b) (6), (b) (7)(C)." In support of this conclusion, (b) (6), (b) (7)(C) prepared a chart documenting problem situations involving eleven (11) of (b) (6), (b) (7)(C) subordinates, which (b) (6), (b) (7)(C) asserted (b) (6), (b) (7)(C) was able to improve or resolve entirely during the period (b) (6), (b) (7)(C) was on detail. In the case of (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) the information (b) (6), (b) (7)(C) documented on the chart contradicts what they told the OIG during this same period (of (b) (6), (b) (7)(C) detail). In the case of (b) (6), (b) (7)(C) the situation (b) (6), (b) (7)(C) documented on the chart was not one that (b) (6), (b) (7)(C) mentioned to the OIG during

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(b) (6), (b) (7)(C) interview. With regard to the eight (8) other (b) (6), (b) (7)(C) employees documented in the chart,⁸ (b) (6), (b) (7)(C) depicted problems unique to each which he attributed to (b) (6), (b) (7)(C) poor management. (b) (6), (b) (7)(C) purported that these problems were quickly resolved once (b) (6), (b) (7)(C) left OCIO and began (b) (6), (b) (7)(C) detail. Some of these purported resolutions (b) (6), (b) (7)(C) (b) (6), (b) (7)(C)

- [With regard to (b) (6), (b) (7)(C) prior relationship with (b) (6), (b) (7)(C)]: “(b) (6), (b) (7)(C) spoke to (b) (6), (b) (7)(C) and learned that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) worked at (b) (6), (b) (7)(C) and the hiring process was fair.”
- [With regard to (b) (6), (b) (7)(C) unhappiness in (b) (6), (b) (7)(C)]: “(b) (6), (b) (7)(C) now understands and relates to (b) (6), (b) (7)(C) direction.”
- [With regard to (b) (6), (b) (7)(C) concern that (b) (6), (b) (7)(C) was upset with (b) (6), (b) (7)(C)]: “I approached (b) (6), (b) (7)(C) and was able to resolve the misunderstanding. I followed up with (b) (6), (b) (7)(C) so (b) (6), (b) (7)(C) would not be concerned.”

Moreover, with regard to the problems involving (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) does not indicate that (b) (6), (b) (7)(C) resolved these situations. Rather, they were still pending as of the time (b) (6), (b) (7)(C) prepared (b) (6), (b) (7)(C) statement.

Because the OIG concluded that these issues fall more properly within the scope of (b) (6), (b) (7)(C) performance as (b) (6), (b) (7)(C) we did not enlarge the scope of the investigation to specifically encompass them. (b) (6), (b) (7)(C) will have the opportunity to document and appropriately support these observations and conclusions in (b) (6), (b) (7)(C) performance appraisal.

Finally, (b) (6), (b) (7)(C) statement addressed (b) (6), (b) (7)(C) own (b) (6), (b) (7)(C) style. In addition to crediting (b) (6), (b) (7)(C) with specific improvements (b) (6), (b) (7)(C) has accomplished within (b) (6), (b) (7)(C) emphasized (b) (6), (b) (7)(C) willingness to listen to staff and (b) (6), (b) (7)(C) open door policy. (b) (6), (b) (7)(C) asserted that if (b) (6), (b) (7)(C) were the one responsible for a hostile work environment in (b) (6), (b) (7)(C), then (b) (6), (b) (7)(C) staff “would not openly share with (b) (6), (b) (7)(C) their feelings of (b) (6), (b) (7)(C) direction, their feeling (b) (6), (b) (7)(C) toward (b) (6), (b) (7)(C)

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

The OIG interviewed (b) (6), (b) (7)(C) on May 13, 2014, and May 19, 2014, respectively. At the outset of each interview, the reporting agent advised (b) (6), (b) (7)(C) of (b) (6), (b) (7)(C) Garrity rights. (b) (6), (b) (7)(C)

⁸ The other eight employees (b) (6), (b) (7)(C) included on the chart were: (b) (6), (b) (7)(C)

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(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) first six (6) months at NCUA probably created some stress due to the changes (b) (6), (b) (7)(C) was implementing in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that prior to becoming (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) manner of conducting business had limited structure. According to (b) (6), (b) (7)(C) the acting (b) (6), (b) (7)(C) had started to implement some structure after taking over when (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) soon realized that (b) (6), (b) (7)(C) employees wanted (b) (6), (b) (7)(C) to adapt to them and did not welcome the new changes. (b) (6), (b) (7)(C) opined that this was a major part of the tension experienced in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) team at that time did not understand the direction (b) (6), (b) (7)(C) wanted to take with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) characterized them as accustomed to getting their way with regard to daily operations of (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated this was a source of friction between (b) (6), (b) (7)(C) and them.

(b) (6), (b) (7)(C) stated that in 2012, within (b) (6), (b) (7)(C) employment at NCUA, Kutchey informed (b) (6), (b) (7)(C) that he had heard rumors of problems within (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) did not take the complaints he described personally; however, (b) (6), (b) (7)(C) did ask him who brought the complaints to his attention in order to fix them. Additionally, (b) (6), (b) (7)(C) stated that the information Kutchey provided (b) (6), (b) (7)(C) was not enough to act upon. (b) (6), (b) (7)(C) opined that (b) (6), (b) (7)(C) knew some of (b) (6), (b) (7)(C) employees had previous relationships with Kutchey and that was why they brought the issues to him, rather than to (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) stated that on November (b) (6), (b) (7)(C), 2013, (b) (6), (b) (7)(C) participated in a very productive team strengthening session with (b) (6), (b) (7)(C) team, led by Barnes. The workshop discussed accountability within (b) (6), (b) (7)(C) and its program areas. (b) (6), (b) (7)(C) stated that it set forth some new challenges for (b) (6), (b) (7)(C) management.

(b) (6), (b) (7)(C) related that on December (b) (6), (b) (7)(C), 2013, the (b) (6), (b) (7)(C) staff participated in an all-hands teambuilding exercise at the (b) (6), (b) (7)(C) Alexandria, VA. One of the issues which (b) (6), (b) (7)(C) wanted to address was the rumor that (b) (6), (b) (7)(C) had informed (b) (6), (b) (7)(C) subordinates that they were not to speak to each other about problems in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated (b) (6), (b) (7)(C) belief that (b) (6), (b) (7)(C) implied to (b) (6), (b) (7)(C) team members that this message originated with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) never related this message to any (b) (6), (b) (7)(C) employee. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was unhappy with this meeting. In particular, (b) (6), (b) (7)(C) complained that the facilitator did not seem to run this workshop as well as the November one.

With regard to (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) did not blame (b) (6), (b) (7)(C) for filing (b) (6), (b) (7)(C) grievance. (b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) as resistant to change and feeling that (b) (6), (b) (7)(C) could not do anything right. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) understands (b) (6), (b) (7)(C) frustration and the stress (b) (6), (b) (7)(C) was experiencing at the possibility of losing (b) (6), (b) (7)(C) job. (b) (6), (b) (7)(C) related (b) (6), (b) (7)(C) asked (b) (6), (b) (7)(C) to mentor (b) (6), (b) (7)(C) and get (b) (6), (b) (7)(C) some training classes, in the belief that this would result in a positive outcome for (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had heard that some people were told not to associate with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) characterized this as petty and "high school" type of behavior. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) originally wanted to detail (b) (6), (b) (7)(C) but (b) (6), (b) (7)(C) did not consider it initially. However, when (b) (6), (b) (7)(C) was on leave (b) (6), (b) (7)(C), she

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and Kutchey discussed a detail for (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was ultimately detailed to (b) (6), (b) (7)(C) from (b) (6), (b) (7)(C) 2014 to (b) (6), (b) (7)(C) 2014. (b) (6), (b) (7)(C) opined that (b) (6), (b) (7)(C) took it personally that (b) (6), (b) (7)(C) sought the detail for (b) (6), (b) (7)(C) because (b) (6), (b) (7)(C) had originally denied (b) (6), (b) (7)(C) request.

(b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) interactions with (b) (6), (b) (7)(C) as professional. However, (b) (6), (b) (7)(C) reported that (b) (6), (b) (7)(C) was uncooperative with regard to (b) (6), (b) (7)(C) work project requests. (b) (6), (b) (7)(C) indicated this was a source of friction between them. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) wanted to detail (b) (6), (b) (7)(C) to another agency in order to enhance (b) (6), (b) (7)(C) skills for (b) (6), (b) (7)(C) current position. (b) (6), (b) (7)(C) initially requested a one (1) year detail. However, it developed into a (b) (6), (b) (7)(C) -day detail. (b) (6), (b) (7)(C) stated that with (b) (6), (b) (7)(C) on detail, it allowed (b) (6), (b) (7)(C) to devote more attention to (b) (6), (b) (7)(C)'s development. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is not forcing people out of (b) (6), (b) (7)(C) because [at the time of the interview] she had twelve (12) vacancies. Rather, (b) (6), (b) (7)(C) is trying to retain personnel.

(b) (6), (b) (7)(C) characterized (b) (6), (b) (7)(C) relationship with (b) (6), (b) (7)(C) as good and indicated that (b) (6), (b) (7)(C) does a good job as (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) respects (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) decisions. (b) (6), (b) (7)(C) acknowledged that (b) (6), (b) (7)(C) pushes a lot of responsibility onto (b) (6), (b) (7)(C) and it probably causes (b) (6), (b) (7)(C) stress. Nevertheless, (b) (6), (b) (7)(C) related, (b) (6), (b) (7)(C) has stepped up and deals with the day to day operations within (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) denied having any knowledge of (b) (6), (b) (7)(C) ever yelling at (b) (6), (b) (7)(C) employees or using profane language. (b) (6), (b) (7)(C) stated that after (b) (6), (b) (7)(C) started (b) (6), (b) (7)(C) became aware of (b) (6), (b) (7)(C) salary issue (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) remedied that inequity.

(b) (6), (b) (7)(C) stated that the 2013 performance appraisals were lower for some (b) (6), (b) (7)(C) team (b) (6), (b) (7)(C) than in prior years. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) had initially written the appraisals with very strong language in the narrative sections. Contrary to what (b) (6), (b) (7)(C) reported to the OIG, (b) (6), (b) (7)(C) stated that after (b) (6), (b) (7)(C) read the narratives, (b) (6), (b) (7)(C) asked (b) (6), (b) (7)(C) to soften them a little. (b) (6), (b) (7)(C) stated that in response to (b) (6), (b) (7)(C) grievance, (b) (6), (b) (7)(C) retained (b) (6), (b) (7)(C) narratives, but changed one of the numerical scores. (b) (6), (b) (7)(C) stated that Kutchey eventually changed the narratives during the grievance review process.

The reporting agent asked (b) (6), (b) (7)(C) about a management meeting where (b) (6), (b) (7)(C) yelled at (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was very upset because (b) (6), (b) (7)(C) was unaware that (b) (6), (b) (7)(C) was providing work products to other agency components. (b) (6), (b) (7)(C) explained that (b) (6), (b) (7)(C) received a phone call from the Office of General Counsel (OGC) regarding work (b) (6), (b) (7)(C) had assisted them on and, because (b) (6), (b) (7)(C) was unaware of the project, was not prepared to answer their questions. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was embarrassed and frustrated by this incident. Consequently, (b) (6), (b) (7)(C) convened a (b) (6), (b) (7)(C) meeting and asked Artis to attend. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) singled (b) (6), (b) (7)(C) out and expressed (b) (6), (b) (7)(C) anger that (b) (6), (b) (7)(C) failed to inform (b) (6), (b) (7)(C) about the OGC work. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) told everyone at the meeting that from now on all work projects would go through (b) (6), (b) (7)(C) office, and all employees would have to sign an agreement to that effect.

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When asked about contractors who currently serve (b) (6), (b) (7)(C) in various capacities, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has begun to open for competition existing contracts in order to better serve (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) explained that with regard to the existing contracts which (b) (6), (b) (7)(C) inherited, (b) (6), (b) (7)(C) was reviewing them to determine whether they were still needed. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is in charge of overseeing most of (b) (6), (b) (7)(C) contracts. (b) (6), (b) (7)(C) indicated that the contractors all report to (b) (6), (b) (7)(C) division directors and that no contractors oversee/supervise employees. In response to the OIG's question whether any current contractors are performing work typically performed by agency staff, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is currently acting in a staff assistant role. (b) (6), (b) (7)(C) admitted that (b) (6), (b) (7)(C) worked with some of the contractors at previous employers and, as a result, (b) (6), (b) (7)(C) trusted their work. (b) (6), (b) (7)(C) stated that when they competed for (b) (6), (b) (7)(C) contracts and (b) (6), (b) (7)(C) received them, (b) (6), (b) (7)(C) was very pleased because (b) (6), (b) (7)(C) knew the type of work and products they would deliver to (b) (6), (b) (7)(C).

When asked to characterize (b) (6), (b) (7)(C) management style, (b) (6), (b) (7)(C) responded that (b) (6), (b) (7)(C) is direct and to the point and does everything by the book. (b) (6), (b) (7)(C) related (b) (6), (b) (7)(C) tries to be motivational in dealing with (b) (6), (b) (7)(C) staff. (b) (6), (b) (7)(C) described (b) (6), (b) (7)(C) as neither vindictive nor someone who holds grudges. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) does not keep a "good" and "bad" list of staff members. (b) (6), (b) (7)(C) indicated at the end of the (b) (6), (b) (7)(C) interview that (b) (6), (b) (7)(C) would provide a statement to the OIG.

After repeated inquiries from the OIG, (b) (6), (b) (7)(C) provided, on August 1, 2014, a 21-page written report, titled: "(b) (6), (b) (7)(C) Response to the 2014 Inquiry from the Office of the Inspector General" (the Report). (Exhibit 2) After the "Introduction," the first section of the Report, "Background," provided information relating to: (1) Information Gathering; (2) Findings; (3) Initial Common Practices; and (4) Initial Common Themes. The second section, "Implementing Change," included three sections: (1) Implemented Changes; (2) Communicating Change; and (3) Methods of Communication. These first two sections set forth the formidable challenges (b) (6), (b) (7)(C) faced when (b) (6), (b) (7)(C) having inherited an organization that was previously managed by (b) (6), (b) (7)(C). Moreover, these sections delineated many of the positive steps (b) (6), (b) (7)(C) had already taken and intends to take yet, to implement change in (b) (6), (b) (7)(C).

In the third section, "Reactions and Responses to Change," the Report took a more negative turn. Here, (b) (6), (b) (7)(C) examined the work habits, performance, and character of (b) (6), (b) (7)(C) employees: (b) (6), (b) (7)(C)

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

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

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- (b) (6), (b) (7)(C)

For each employee, (b) (6), (b) (7)(C) detailed specific problems and situations to support (b) (6), (b) (7)(C) comments and conclusions about each (b) (6), (b) (7)(C) employees. (Report at 9-20) In the “Conclusion” section of the Report, (b) (6), (b) (7)(C) reiterated that “there is not (sic) validity to the accusations of a hostile work environment [(b) (6), (b) (7)(C)].” (Report at 21)

FINDINGS:

Hostile Work Environment

It is well settled that an agency is entitled to expect its employees and managers to conform to certain accepted standards of civil behavior and decorum, and to treat each other with a modicum of courtesy in their daily contacts. Likewise, abusive language and behavior are not acceptable or conducive to a stable working atmosphere. While the majority of the (b) (6), (b) (7)(C) employees interviewed accused (b) (6), (b) (7)(C) (and, in turn (b) (6), (b) (7)(C) accused certain (b) (6), (b) (7)(C) employees) of creating a hostile work environment in (b) (6), (b) (7)(C), that particular allegation is misplaced in the context of the complaints at issue in this investigation. From a legal perspective, a hostile work environment charge is predicated on the government’s mandate to provide a workplace free from *discriminatory* intimidation, ridicule, and insult. Given that definition, “hostile work environment” is inapt here because none of the individuals who provided information to the OIG raised the specter of underlying discrimination.

Nevertheless, the evidence overall showed that as a result of (b) (6), (b) (7)(C) style, and to a lesser extent (b) (6), (b) (7)(C), many (b) (6), (b) (7)(C) employees are dissatisfied and frustrated. The marked turnover in (b) (6), (b) (7)(C) since (b) (6), (b) (7)(C) joined the agency in (b) (6), (b) (7)(C) is traceable to employee complaints that (1) they do not feel heard by (b) (6), (b) (7)(C); (2) (b) (6), (b) (7)(C) leadership is

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marked by a lack of transparency; and (3) that (b) (6), (b) (7)(C) do not care about them personally. It is noteworthy that Barnes validated, as a result of her work with (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) does not hear (b) (6), (b) (7)(C) staff. Moreover, (b) (6), (b) (7)(C) reportedly admitted to (b) (6), (b) (7)(C) employees during the (b) (6), (b) (7)(C) teambuilding exercise that (b) (6), (b) (7)(C) does not feel obliged to share pertinent information with them. Exacerbating these findings was (b) (6), (b) (7)(C) consistent refusal to reflect on (b) (6), (b) (7)(C) own possible shortcomings or misdirection as a new (b) (6), (b) (7)(C) of such a large and challenging office, which might have contributed to or failed to mitigate the problems both (b) (6), (b) (7)(C) and her employees described as existing in (b) (6), (b) (7)(C).

Despite of the inapplicability of a hostile work environment charge, the OIG investigation made the following findings with regard to (b) (6), (b) (7)(C), respectively:

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

1. **Unprofessional conduct:** The evidence developed substantiated that (b) (6), (b) (7)(C) yelled at and threatened (b) (6), (b) (7)(C) at a management meeting.
2. The evidence developed could not substantiate that (b) (6), (b) (7)(C) was complicit in (b) (6), (b) (7)(C) attempts to marginalize (b) (6), (b) (7)(C) by pressuring others not to associate with (b) (6), (b) (7)(C).
3. **No charge:** The evidence developed substantiated that several employees and contractors who left (b) (6), (b) (7)(C) since (b) (6), (b) (7)(C) did so because they felt pressured by (b) (6), (b) (7)(C) to find employment elsewhere and/or because of the adverse working environment they attributed to (b) (6), (b) (7)(C).

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

1. **Unprofessional conduct:** The evidence developed substantiated that (b) (6), (b) (7)(C) yelled at (b) (6), (b) (7)(C) including using profanity, in the hallway within earshot of other (b) (6), (b) (7)(C) employees.
2. **Unprofessional conduct:** The evidence developed substantiated that (b) (6), (b) (7)(C) inappropriately attempted to marginalize (b) (6), (b) (7)(C) by pressuring others not to associate with (b) (6), (b) (7)(C).
3. The evidence developed could not substantiate that (b) (6), (b) (7)(C) pressured some (b) (6), (b) (7)(C) employees to leave (b) (6), (b) (7)(C) or the agency entirely.

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CONCLUSIONS:

Overall, the investigation found evidence to indicate that (b) (6), (b) (7)(C) style and decision making—and to a lesser extent (b) (6), (b) (7)(C)—were causing a lack of morale in (b) (6), (b) (7)(C) resulting in staff turnover and an overall lack of support within (b) (6), (b) (7)(C). Whether the turnover in (b) (6), (b) (7)(C) is a benefit or detriment to the agency is for NCUA management to determine in light of such factors as loss of institutional knowledge and the costs of organizational turnover. Finally, many of the (b) (6), (b) (7)(C) employees interviewed expressed their fear of future reprisals should (b) (6), (b) (7)(C) learn that they had provided information and otherwise cooperated with the OIG in the course of this investigation.

In reviewing the circumstances surrounding (b) (6), (b) (7)(C) unprofessional conduct, respectively, and determining whether disciplinary action is warranted, due consideration should be given to the “Douglas” factors.⁹ The “Douglas” factors are the pertinent mitigating and aggravating factors that responsible agency official(s) must consider before proposing or deciding on a particular disciplinary measure or penalty.

⁹ See Douglas v. Veteran's Administration, 5 MSPR 280, 5 MSPB 313 (1981).

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EXHIBITS:

- 1 Copy of (b) (6), (b) (7)(C) statement
- 2 Copy of L (b) (6), (b) (7)(C) statement

Exhibit 1



Exhibit 1 (b) (6), (b) (7)(C)
Statement.pdf

Exhibit 2




Exhibit 2 (b) (6), (b) (7)(C)
Statement.pdf



National Credit Union Administration

Office of Inspector General

TO: Mark A. Treichel, Executive Director

FROM: James W. Hagen, 
Inspector General

SUBJ: Report of Investigation (Case # 14-AI-CO-03)

DATE: February 23, 2015

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation on (b) (6), (b) (7)(C) National Credit Union Administration, Alexandria, VA. No portion of 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, if any, 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 Sharon Separ, Counsel to the Inspector General/Assistant Inspector General for Investigations at 703-518-6352.



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION

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

Case Number 14-AI-CO-03





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-CO-03
DATE: February 23, 2015
CASE TITLE: (b) (6), (b) (7)(C)
CASE STATUS: Closed – pending
VIOLATIONS: Appearance of Loss of Impartiality
5 CFR § 2635.502(a) - *Personal and business relationships*

On May 19, 2014, Michael McKenna, General Counsel, Office of General Counsel (OGC), National Credit Union Administration (NCUA), Alexandria, VA, contacted the Office of Inspector General (OIG) regarding possible misconduct on the part of (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) NCUA, Alexandria, VA. Specifically, McKenna reported allegations that (b) (6), (b) (7)(C) is directing work once performed by (b) (6), (b) (7)(C) to an outside organization, the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) where (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) is currently employed as a consultant.

SUMMARY OF FINDINGS

This investigation developed no evidence that (b) (6), (b) (7)(C) improperly directed work (b) (6), (b) (7)(C) once performed – specifically (b) (6), (b) (7)(C) assistance – to the (b) (6), (b) (7)(C) where (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) is currently employed. Nor did (b) (6), (b) (7)(C) improperly use (b) (6), (b) (7)(C) position as (b) (6), (b) (7)(C) to award or influence the award of (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) to direct business to the (b) (6), (b) (7)(C)

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENT:

(b) (6), (b) (7)(C)
Director of Investigations

APPROVED:

Sharon Separ
Asst. Inspector General for
Investigations

(b) (6), (b) (7)(C)
(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.

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Likewise, this investigation developed no evidence that (b) (6), (b) (7)(C) improperly collaborated with the (b) (6), (b) (7)(C) regarding the (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) offers to credit unions.

This investigation determined further that (b) (6), (b) (7)(C) did not violate the Federal ethics rules pertaining to impartiality in performing official duties.¹ Nonetheless, evidence established that (b) (6), (b) (7)(C) knew of (b) (6), (b) (7)(C) son's employment at the (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C) son worked on (b) (6), (b) (7)(C) for quite some time before contacting NCUA's Office of General Counsel to seek advice. Moreover, the investigation revealed that most (b) (6), (b) (7)(C) staff doubted (b) (6), (b) (7)(C) impartiality towards the (b) (6), (b) (7)(C) given (b) (6), (b) (7)(C) familial relationship with (b) (6), (b) (7)(C). Accordingly, this investigation determined that (b) (6), (b) (7)(C) as (b) (6), (b) (7)(C) should have raised and addressed the issue of a potential bias in a timelier manner.

As a separate but related matter, we note that in July 2014, NCUA's OGC handled a potential conflict of interest referral, brought to OGC by (b) (6), (b) (7)(C) self, arising out of (b) (6), (b) (7)(C) relationship with (b) (6), (b) (7)(C) son with respect to a (b) (6), (b) (7)(C) that the (b) (6), (b) (7)(C) applied for in (b) (6), (b) (7)(C) the 2014 (b) (6), (b) (7)(C) Program. Because OGC handled that referral independent of the OIG's ongoing investigation, this ROI does not include findings on that specific issue. Rather, we discuss it herein only as background and to necessarily amplify (b) (6), (b) (7)(C) overall relationship with the (b) (6), (b) (7)(C).

FACTS

I. (b) (6), (b) (7)(C)

On November 7, 2014, as part of its investigation, the OIG interviewed (b) (6), (b) (7)(C)² Prior to the interview, (b) (6), (b) (7)(C) was advised of (b) (6), (b) (7)(C) Garrity rights. (Exhibit 1)

a. Background Information on (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) believes that (b) (6), (b) (7)(C) was selected as (b) (6), (b) (7)(C) because of (b) (6), (b) (7)(C) extensive experience: (b) (6), (b) (7)(C)

¹ See *Standards of Ethical Conduct for Employees of the Executive Branch*, 5 C.R.F. § 2635.502(a).

² In connection with (b) (6), (b) (7)(C) interview, (b) (6), (b) (7)(C) provided a document titled "Background for OIG discussion with (b) (6), (b) (7)(C), 11/7/2014" to OIG. This document represented (b) (6), (b) (7)(C) personal statement regarding the allegations against (b) (6), (b) (7)(C).

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(b) (6), (b) (7)(C) remarked that (b) (6), (b) (7)(C) has an extensive network and a vision for what (b) (6), (b) (7)(C) can accomplish within its current budget. As (b) (6), (b) (7)(C) is in regular contact with numerous organizations in the credit union industry. Occasionally, (b) (6), (b) (7)(C) may attend and present at meetings held by these various organizations. Similarly, these organizations may present at (b) (6), (b) (7)(C) meetings. According to (b) (6), (b) (7)(C), it is part of (b) (6), (b) (7)(C) job to keep the credit union community informed on NCUA issues.

With respect to the (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) reported that (b) (6), (b) (7)(C) previously served on the (b) (6), (b) (7)(C) Board for approximately six years prior to joining NCUA. According to (b) (6), (b) (7)(C), the (b) (6), (b) (7)(C) focuses on (b) (6), (b) (7)(C) credit unions and is probably the most closely aligned partner with (b) (6), (b) (7)(C) with respect to assisting individual credit unions. (b) (6), (b) (7)(C) has attended three conferences held by the (b) (6), (b) (7)(C) in the past.

b. (b) (6), (b) (7)(C)

Upon becoming (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) determined that (b) (6), (b) (7)(C) wanted (b) (6), (b) (7)(C) to focus on areas which were somewhat neglected and directly affected the (b) (6), (b) (7)(C) credit union market. According to (b) (6), (b) (7)(C), one such area was consulting. (b) (6), (b) (7)(C) reported that some credit unions could afford to pay consultants to assist with grant writing and other services. (b) (6), (b) (7)(C) further reported that (b) (6), (b) (7)(C) staff were not experts in this area and should focus attention on other fields where they could offer assistance.

For example, (b) (6), (b) (7)(C) stated that prior to (b) (6), (b) (7)(C) arrival at (b) (6), (b) (7)(C) some of the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) in the office were providing assistance with the (b) (6), (b) (7)(C) to credit unions. (b) (6), (b) (7)(C) realized that this work could be handled by the credit unions and thus free up (b) (6), (b) (7)(C) staff to work on other matters. (b) (6), (b) (7)(C) remarked that the (b) (6), (b) (7)(C) is time consuming and tedious. (b) (6), (b) (7)(C) therefore, decided to offer credit unions an (b) (6), (b) (7)(C) to aid in obtaining the designation of (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) set the (b) (6), (b) (7)(C) based on (b) (6), (b) (7)(C) experience seeking (b) (6), (b) (7)(C) as part of (b) (6), (b) (7)(C) personal consulting business prior to joining NCUA. Before announcement of the (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) personally contacted all the vendors and consultancies to inform them of the amount so they could adjust their (b) (6), (b) (7)(C) if so desired. (b) (6), (b) (7)(C) reiterated that it was not cost effective for (b) (6), (b) (7)(C) to provide (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) believed vendors could provide the help credit unions need and, in turn, develop a future client base.

According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) is not privy to what consultant is working with a credit union throughout the (b) (6), (b) (7)(C) process. (b) (6), (b) (7)(C) stated that the (b) (6), (b) (7)(C) is a (b) (6), (b) (7)(C) money is given directly to the credit union (b) (6), (b) (7)(C) the credit union (b) (6), (b) (7)(C) is not required to furnish information regarding the consultant it has hired.

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With respect to the (b) (6), (b) (7)(C) process, (b) (6), (b) (7)(C) stated that the award of a (b) (6), (b) (7)(C) is an internal, automated process. (b) (6), (b) (7)(C) explained the process: (1) a credit union submits its respective information³ online through the website (b) (6), (b) (7)(C) and receives, in turn, an electronically generated score; (2) based on the overall submitter scores, (b) (6), (b) (7)(C) staff rank applications and suggest funding cutoffs based on the total funding available; (3) (b) (6), (b) (7)(C) Deputy Director (b) (6), (b) (7)(C) reviews the rankings and resolves any borderline situations; and (4) (b) (6), (b) (7)(C) conducts a third level of review of the recommended funding list. According to (b) (6), (b) (7)(C) the recommendations to fund the (b) (6), (b) (7)(C) are typically determined prior to (b) (6), (b) (7)(C) review and (b) (6), (b) (7)(C) rarely modifies the recommendations. Additionally, because a credit union is not required to disclose the consultant it will use in order to receive a (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) decisions are not made based on the consultant. In fact, (b) (6), (b) (7)(C) stated that only at the end of a (b) (6), (b) (7)(C) when a credit union submits a request for reimbursement, is a credit union required to provide a payment receipt, which identifies the consultant employed.

c. (b) (6), (b) (7)(C) -

(b) (6), (b) (7)(C) son - (b) (6), (b) (7)(C) - is currently employed as a consultant for the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) believes that (b) (6), (b) (7)(C) employment at the (b) (6), (b) (7)(C) commenced about two years ago. (b) (6), (b) (7)(C) declared that (b) (6), (b) (7)(C) did not get the job at the (b) (6), (b) (7)(C) because of his position as (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) obtained the job on (b) (6), (b) (7)(C) own.

According to (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) deals with business loan analysis and strategic planning. (b) (6), (b) (7)(C) is a member of the (b) (6), (b) (7)(C) team and works on development of back door services through a shared computer system and other initiatives as assigned, including mapping analysis for some (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) stated that on one occasion, (b) (6), (b) (7)(C) met (b) (6), (b) (7)(C) at a (b) (6), (b) (7)(C) conference and they had dinner together. Additionally, (b) (6), (b) (7)(C) visited (b) (6), (b) (7)(C) at NCUA headquarters on two occasions. Both times, (b) (6), (b) (7)(C) introduced (b) (6), (b) (7)(C) to (b) (6), (b) (7)(C) staff, as (b) (6), (b) (7)(C) would do for any visitor to (b) (6), (b) (7)(C) but did nothing out of normal for the visit. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) daughter once visited (b) (6), (b) (7)(C) at NCUA and (b) (6), (b) (7)(C) introduced (b) (6), (b) (7)(C) to (b) (6), (b) (7)(C) staff as well. (b) (6), (b) (7)(C) related that although it is nice to have someone in (b) (6), (b) (7)(C) family who understands (b) (6), (b) (7)(C) work, (b) (6), (b) (7)(C) has never shared privileged information with (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is aware of both (b) (6), (b) (7)(C) family and business boundaries.

According to (b) (6), (b) (7)(C) on July 3, 2014, (b) (6), (b) (7)(C) contacted (b) (6), (b) (7)(C) via email informing (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) website) was not working. (b) (6), (b) (7)(C) stated that from

³ According to (b) (6), (b) (7)(C) a credit union only need provide its charter number, the funding requested, and its contact information. All other information relied upon is drawn from existing NCUA data resources.

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this email (b) (6), (b) (7)(C) realized (b) (6), (b) (7)(C) was involved in (b) (6), (b) (7)(C) applications (b) (6), (b) (7)(C) handles. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) immediately sent an email to OGC, specifically, Hattie Ulan, Deputy Ethics Official, and Regina Metz, Staff Attorney, informing them of a potential conflict of interest.⁴ (Exhibit 2) In the email Myers informed, among other things, that:

- (b) (6), (b) (7)(C) “non-dependent (b) (6), (b) (7)(C) son, (b) (6), (b) (7)(C) is now in the employ (sic) of one of the CU trade associations, (b) (6), (b) (7)(C)
- The (b) (6), (b) (7)(C) “contract[s] to provide services to credit unions. Sometimes those services are paid for by (b) (6), (b) (7)(C) This includes training and (b) (6), (b) (7)(C)
- At the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) handles “(b) (6), (b) (7)(C) application processing for numerous credit unions.”
- “In the current round of funding, we have been told we will receive a (b) (6), (b) (7)(C) application for (b) (6), (b) (7)(C) will provide services to a group of CU.”
- “I do not make decisions on (b) (6), (b) (7)(C) The (b) (6), (b) (7)(C) staff provides the first line review and (b) (6), (b) (7)(C) does the second line approval. I am part of a panel that reviews the (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) reported that (b) (6), (b) (7)(C) did not immediately hear back from Ulan and Metz. (b) (6), (b) (7)(C) further reported that on the following Monday, July 7, 2014, NCUA Executive Director Mark Treichel met with (b) (6), (b) (7)(C) and required that (b) (6), (b) (7)(C) recuse himself from the (b) (6), (b) (7)(C) review and decision process. (b) (6), (b) (7)(C) remarked that no one from (b) (6), (b) (7)(C) sat on the panel during this particular (b) (6), (b) (7)(C) award session; this was to avoid any appearance of a potential conflict of interest. (b) (6), (b) (7)(C) stated that subsequently OGC and the (b) (6), (b) (7)(C) entered into an agreement that addresses any future potential conflict of interest on (b) (6), (b) (7)(C) part with regard to the (b) (6), (b) (7)(C) process.

II. NCUA Staff

As part of this investigation, OIG conducted numerous interviews of NCUA employees, particularly employees who work in (b) (6), (b) (7)(C)

⁴ Although (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) sent an email to OGC on Thursday, July 3, 2014, the email was actually sent on Monday, June 30, 2014.

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On May 20, 2014, Heather Hammes, Examiner, NCUA, was interviewed in connection with this investigation. Hammes stated that she has been employed by NCUA since July 1993. Hammes informed that she acts as the National Treasury Employees Union Chapter 303 President and Steward. Hammes stated that some (b) (6), (b) (7)(C) employees met with her during the 2014 NCUA Regional Conference held in April 2014 in Jacksonville, FL. Among other subjects discussed at the meeting, Hammes reported that (b) (6), (b) (7)(C) employees told her that soon after becoming (b) (6), (b) (7)(C) had ended the practice of (b) (6), (b) (7)(C) providing (b) (6), (b) (7)(C) application assistance to credit unions. According to Hammes, (b) (6), (b) (7)(C) employees stated that their office previously assisted credit unions with (b) (6), (b) (7)(C). Hammes further stated that (b) (6), (b) (7)(C) employees told her that in order to save NCUA money, (b) (6), (b) (7)(C) moved this service outside the agency.

Hammes stated that (b) (6), (b) (7)(C) employees indicated that moving this service outside of NCUA might be directly benefiting (b) (6), (b) (7)(C) son, (b) (6), (b) (7)(C). Hammes related that the (b) (6), (b) (7)(C) employs (b) (6), (b) (7)(C). The (b) (6), (b) (7)(C) among other things, provides (b) (6), (b) (7)(C) processing services to credit unions. Hammes stated that (b) (6), (b) (7)(C) position at the (b) (6), (b) (7)(C) involves working with credit unions that are seeking (b) (6), (b) (7)(C). Hammes opined further that there is a potential conflict of interest for (b) (6), (b) (7)(C) if (b) (6), (b) (7)(C) is directly or indirectly funneling this work towards (b) (6), (b) (7)(C) son's employer.

Lastly, Hammes reported that (b) (6), (b) (7)(C) employees told her that (b) (6), (b) (7)(C) had made a statement to (b) (6), (b) (7)(C) staff at the conference that (b) (6), (b) (7)(C) did not want to harm the consulting industry that assists credit unions with (b) (6), (b) (7)(C). Hammes interpreted this alleged statement as meaning if (b) (6), (b) (7)(C) continued to provide (b) (6), (b) (7)(C) assistance to credit unions, it would divert business that outside consultants might otherwise benefit from.

On May 23, 2014, OIG interviewed (b) (6), (b) (7)(C) regarding this investigation. (b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that when (b) (6), (b) (7)(C) became (b) (6), (b) (7)(C) one change implemented was discontinuance of (b) (6), (b) (7)(C) assistance to credit unions. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) heard that several credit unions had commented negatively about this change. According to (b) (6), (b) (7)(C) these negative comments referred to the fact that credit unions would have to pay consultants to assist them with (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) son – (b) (6), (b) (7)(C) – is employed by the (b) (6), (b) (7)(C) which offers services to (b) (6), (b) (7)(C) credit unions seeking (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) provides a (b) (6), (b) (7)(C) in the amount of \$2,500.00. The (b) (6), (b) (7)(C) charges the exact same amount for its (b) (6), (b) (7)(C) services.

According to (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) did not start working at the (b) (6), (b) (7)(C) until after (b) (6), (b) (7)(C) was hired by NCUA. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) believes this to be a conflict of interest for

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(b) (6), (b) (7)(C) assumed that NCUA senior management is aware of this potential conflict of interest or appearance of a conflict of interest.

Lastly, (b) (6), (b) (7)(C) questioned whether it is more cost effective for NCUA to have consulting agencies or (b) (6), (b) (7)(C) provide (b) (6), (b) (7)(C) assistance to credit unions. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had heard that the (b) (6), (b) (7)(C) was experiencing a backlog of (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C) staff could provide assistance.

On May 29, 2014, OIG interviewed (b) (6), (b) (7)(C) regarding this investigation. (b) (6), (b) (7)(C) has worked for NCUA since (b) (6), (b) (7)(C) stated that as (b) (6), (b) (7)(C) no longer wanted (b) (6), (b) (7)(C) to provide (b) (6), (b) (7)(C) assistance to credit unions; rather, (b) (6), (b) (7)(C) wanted outside consultants to provide those services. Around the same time, according to (b) (6), (b) (7)(C) the (b) (6), (b) (7)(C) announced that it would start assisting credit unions with (b) (6), (b) (7)(C) processing for a fee of \$2,500.00 – the same amount as NCUA's (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) recently heard that the (b) (6), (b) (7)(C) was backlogged with respect to its (b) (6), (b) (7)(C) processing.

(b) (6), (b) (7)(C) speculated whether the NCUA Board knew of (b) (6), (b) (7)(C) past relationship with the (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) is a former Board member) and that (b) (6), (b) (7)(C) son, (b) (6), (b) (7)(C) is currently employed by the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) informed OIG that (b) (6), (b) (7)(C) was on a panel that awards (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) stated that this information could pose a potential conflict of interest for (b) (6), (b) (7)(C).

On July 9, 2014, OIG interviewed (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) (b) (6), (b) (7)(C). According to (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) had been providing (b) (6), (b) (7)(C) assistance to credit unions "without any problems." (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) outsourced the (b) (6), (b) (7)(C) process soon after (b) (6), (b) (7)(C) arrived at (b) (6), (b) (7)(C). Further, in 2014, (b) (6), (b) (7)(C) began offering a (b) (6), (b) (7)(C) in the amount of \$2,500.00. (b) (6), (b) (7)(C) reported that (b) (6), (b) (7)(C) had heard that (b) (6), (b) (7)(C) had a consulting firm that handled (b) (6), (b) (7)(C) processing for credit unions. (b) (6), (b) (7)(C) said she did not know if (b) (6), (b) (7)(C) had steered any (b) (6), (b) (7)(C) to (b) (6), (b) (7)(C) son's firm.

Also on July 9, 2014, OIG interviewed NCUA employee (b) (6), (b) (7)(C) who holds the position of (b) (6), (b) (7)(C) in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) recently had been hired by the (b) (6), (b) (7)(C). The (b) (6), (b) (7)(C) provides (b) (6), (b) (7)(C) processing services to credit unions. According to (b) (6), (b) (7)(C), the (b) (6), (b) (7)(C) and other organizations charge credit unions a fee of \$2,500.00 for (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) voiced concern that because of (b) (6), (b) (7)(C) familial relationship with (b) (6), (b) (7)(C), there is the appearance that (b) (6), (b) (7)(C) is giving preferential treatment to the (b) (6), (b) (7)(C).

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(b) (6), (b) (7)(C) also suggested that there is a potential conflict of interest. (b) (6), (b) (7)(C) reported that the (b) (6), (b) (7)(C) controls “approximately ninety-nine percent” of the new contracts submitted to (b) (6), (b) (7)(C) for (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) reported further that the previous (b) (6), (b) (7)(C) – ensured contracts were equally distributed among various vendors. (b) (6), (b) (7)(C) believes that (b) (6), (b) (7)(C) should recuse (b) (6), (b) (7)(C) from the vendor selection process; however, (b) (6), (b) (7)(C) has failed to do so.

Finally, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) visited (b) (6), (b) (7)(C) on two occasions (in 2013 and 2014). During these visits, (b) (6), (b) (7)(C) introduced (b) (6), (b) (7)(C) son to OSCUI staff. (b) (6), (b) (7)(C) thinks this may have caused uneasy feelings with among the staff. (b) (6), (b) (7)(C) believes that (b) (6), (b) (7)(C) may be sharing information with (b) (6), (b) (7)(C) son about upcoming contracts from (b) (6), (b) (7)(C).

On August 13, 2014, OIG interviewed (b) (6), (b) (7)(C) employee (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) has worked at NCUA since (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) reviews applications and forwards the applications to (b) (6), (b) (7)(C) management for approval or denial based on (b) (6), (b) (7)(C) recommendations. (b) (6), (b) (7)(C) also deals with the (b) (6), (b) (7)(C) program, which has a limited number of allotments to (b) (6), (b) (7)(C) to credit unions. According to (b) (6), (b) (7)(C) NCUA has issued approximately (b) (6), (b) (7)(C) for 2014. Furthermore, (b) (6), (b) (7)(C) stated that the majority of these grants were awarded to credit unions that used the (b) (6), (b) (7)(C) to process their respective grant application.

(b) (6), (b) (7)(C) reported that in spring 2014, (b) (6), (b) (7)(C) visited (b) (6), (b) (7)(C) father at NCUA. During this visit, (b) (6), (b) (7)(C) was introduced to (b) (6), (b) (7)(C) they did not discuss any matters concerning credit unions. Penn has not communicated with (b) (6), (b) (7)(C) since.

Also on August 13, 2014, OIG interviewed (b) (6), (b) (7)(C) employee (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C) and is a (b) (6), (b) (7)(C) in (b) (6), (b) (7)(C) (b) (6), (b) (7)(C)'s work concerns (b) (6), (b) (7)(C); in particular, the (b) (6), (b) (7)(C) program. (b) (6), (b) (7)(C) stated that the majority of (b) (6), (b) (7)(C) were given to credit unions which used the (b) (6), (b) (7)(C) to process their respective (b) (6), (b) (7)(C). According to (b) (6), (b) (7)(C), the (b) (6), (b) (7)(C) accounts for approximately eighty percent of (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) observed that (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) was listed as a consultant on several bids for (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) reported that in 2013, (b) (6), (b) (7)(C) met (b) (6), (b) (7)(C) at NCUA headquarters during a visit from (b) (6), (b) (7)(C) family. During their meeting, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) had a business related conversation. (b) (6), (b) (7)(C) recalled receiving a telephone call from (b) (6), (b) (7)(C) after their meeting seeking clarification on an educational grant. Since that telephone conversation, (b) (6), (b) (7)(C) has had no other communications with (b) (6), (b) (7)(C).

On September 9, 2014, OIG interviewed NCUA employee (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C). Prior to (b) (6), (b) (7)(C).

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NCUA employment, (b) (6), (b) (7)(C) was employed by the Department of (b) (6), (b) (7)(C) where (b) (6), (b) (7)(C) worked on the (b) (6), (b) (7)(C) program. (b) (6), (b) (7)(C) first met (b) (6), (b) (7)(C) while at (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) reported that Debbie Matz, NCUA Chairman, brought (b) (6), (b) (7)(C) to NCUA to put (b) (6), (b) (7)(C) on a better path in contrast to its prior direction. According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) has several business contacts within the credit union community and brings a wealth of knowledge and experience to the (b) (6), (b) (7)(C). When (b) (6), (b) (7)(C) took over as (b) (6), (b) (7)(C), the office went through a reorganization. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has a direction for (b) (6), (b) (7)(C) that does not include providing (b) (6), (b) (7)(C) assistance. In 2012, (b) (6), (b) (7)(C) stopped providing this service. (b) (6), (b) (7)(C) does not know if this change has resulted in cost savings to (b) (6), (b) (7)(C). Moreover, (b) (6), (b) (7)(C) has not heard any negative feedback from credit unions regarding this change.

(b) (6), (b) (7)(C) reported that there are a few consulting companies which provide (b) (6), (b) (7)(C) processing services. (b) (6), (b) (7)(C) did not know how (b) (6), (b) (7)(C) came up with the amount (\$2,500.00) for the (b) (6), (b) (7)(C) grant. However, (b) (6), (b) (7)(C) stated that the (b) (6), (b) (7)(C) priced its (b) (6), (b) (7)(C) processing services at the exact same amount. (b) (6), (b) (7)(C) stated that the (b) (6), (b) (7)(C) has been in existence for quite a while and that (b) (6), (b) (7)(C) is a former Board member. (b) (6), (b) (7)(C) further stated that NCUA works closely with the (b) (6), (b) (7)(C); however, (b) (6), (b) (7)(C) did not know whether the (b) (6), (b) (7)(C) and NCUA collaborated on the (b) (6), (b) (7)(C) fee for (b) (6), (b) (7)(C).

Lastly, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) works for the (b) (6), (b) (7)(C) as a consultant. (b) (6), (b) (7)(C) thinks (b) (6), (b) (7)(C) assists credit unions with (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) remarked that (b) (6), (b) (7)(C) could see the appearance of a possible conflict of interest given (b) (6), (b) (7)(C) familial relationship with (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) employment at the (b) (6), (b) (7)(C).

On October 3, 2014, OIG interviewed NCUA employee (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) has been employed by NCUA since (b) (6), (b) (7)(C). According to (b) (6), (b) (7)(C) Chairman Matz hired (b) (6), (b) (7)(C) to carry out significant changes within (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) remarked that (b) (6), (b) (7)(C) has several business relationships within the credit union industry that (b) (6), (b) (7)(C) developed prior to joining NCUA and has maintained since.

(b) (6), (b) (7)(C) stated that it is (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) shared goal to develop and maintain core services within (b) (6), (b) (7)(C) in order to make the office more proficient. With respect to the (b) (6), (b) (7)(C) process, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) determined that (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) were providing substantial assistance to credit unions and thereby preventing credit unions from managing the process on their own. Moreover, too many (b) (6), (b) (7)(C) staff members were working on (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) determined that (b) (6), (b) (7)(C) staff members' time could be put to better use in other areas.

Regarding the (b) (6), (b) (7)(C) amount (\$2,500.00), (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had no knowledge as to whether (b) (6), (b) (7)(C) and the (b) (6), (b) (7)(C) collaborated on setting that amount. But

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(b) (6), (b) (7)(C) remarked that it would not be uncommon for (b) (6), (b) (7)(C) to have conversations with credit union entities like the (b) (6), (b) (7)(C) concerning services provided by NCUA and (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is aware that (b) (6), (b) (7)(C) works as a consultant for the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) does not believe this fact could create a potential conflict of interest for (b) (6), (b) (7)(C) because credit unions apply for (b) (6), (b) (7)(C) through (b) (6), (b) (7)(C)'s automated (b) (6), (b) (7)(C) website. Moreover, applications for (b) (6), (b) (7)(C) are completed by the credit union. After the (b) (6), (b) (7)(C) the credit union will determine what consultant or organization to hire to assist with the (b) (6), (b) (7)(C) process.

III. (b) (6), (b) (7)(C)

On September 22, 2014, (b) (6), (b) (7)(C), CEO of the (b) (6), (b) (7)(C), telephonically contacted OIG. During the conversation, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had heard OIG was investigating the (b) (6), (b) (7)(C) program. (b) (6), (b) (7)(C) stated that the (b) (6), (b) (7)(C) is a strong advocate of the program and is assisting with building the (b) (6), (b) (7)(C) credit union community. (b) (6), (b) (7)(C) further stated that (b) (6), (b) (7)(C) son, (b) (6), (b) (7)(C), works for the (b) (6), (b) (7)(C) as a consultant and handles (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) for credit unions.

(b) (6), (b) (7)(C) went on to explain that while it may appear that there is a conflict of interest concerning (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) son, that is not the case. According to (b) (6), (b) (7)(C) in July 2014, the (b) (6), (b) (7)(C) removed (b) (6), (b) (7)(C) from all Technical Assistance (b) (6), (b) (7)(C) matters because it considered (b) (6), (b) (7)(C) to have a covered relationship with (b) (6), (b) (7)(C) under the ethics rules. (b) (6), (b) (7)(C) provided OIG with a copy of a document titled "(b) (6), (b) (7)(C) Acknowledgement" (the (b) (6), (b) (7)(C)) that (b) (6), (b) (7)(C) executed (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) familial relationship. (Exhibit 3)

When asked, (b) (6), (b) (7)(C) informed that the (b) (6), (b) (7)(C) decided to charge credit unions \$2,500.00 for its (b) (6), (b) (7)(C) services after NCUA established the (b) (6), (b) (7)(C) amount of \$2,500.00. The (b) (6), (b) (7)(C) chose to change its consulting fee to the same amount as the grant.

NCUA OGC

As mentioned above, in June 2014, (b) (6), (b) (7)(C) contacted OGC seeking advice regarding a potential conflict of interest concerning a (b) (6), (b) (7)(C) application that the (b) (6), (b) (7)(C) and two collaborating credit unions were submitting in (b) (6), (b) (7)(C) of the 2014 (b) (6), (b) (7)(C) Program. Specifically, on June 30, 2014, (b) (6), (b) (7)(C) sent an email to Metz and Ulan informing counsel that (b) (6), (b) (7)(C) "non-dependent (b) (6), (b) (7)(C) son," worked for the (b) (6), (b) (7)(C) (Exhibit 2) In the email, (b) (6), (b) (7)(C) stated that "[i]n the current round of funding, we have been told we will receive

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a (b) (6), (b) (7)(C) for which (b) (6), (b) (7)(C) will provide the services to a group of CUs.” (b) (6), (b) (7)(C) further stated that (b) (6), (b) (7)(C) sits on the “panel that reviews the (b) (6), (b) (7)(C)

Upon advice from OGC, on July 7, 2014, Treichel emailed (b) (6), (b) (7)(C) stating that he had “become aware of some information that may create the appearance of a conflict of interest as it relates to the (b) (6), (b) (7)(C) process.” (Exhibit 4) Treichel requested that (b) (6), (b) (7)(C) postpone the panel that was scheduled to review (b) (6), (b) (7)(C) the next day, as well as the general (b) (6), (b) (7)(C) process. (b) (6), (b) (7)(C) responded to Treichel’s email informing him that (b) (6), (b) (7)(C) had removed (b) (6), (b) (7)(C) from the panel, and that (b) (6), (b) (7)(C) would fill in for (b) (6), (b) (7)(C) at the panel meeting scheduled for the following day. On July 8, Treichel emailed (b) (6), (b) (7)(C) again stating that (b) (6), (b) (7)(C) wanted to “postpone the (b) (6), (b) (7)(C) panel . . . and restructure the panel process so that only non-(b) (6), (b) (7)(C) staff are voting on the decision.” Treichel further stated that with respect to “all other grants, effective immediately – any grants involving a cash outlay to the (b) (6), (b) (7)(C) must be approved by the DED.”

To resolve any potential conflict of interest arising from (b) (6), (b) (7)(C) position as (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) familial relationship to (b) (6), (b) (7)(C) OGC drafted the (b) (6), (b) (7)(C) to address the (b) (6), (b) (7)(C) acceptance of (b) (6), (b) (7)(C) money pursuant to any (b) (6), (b) (7)(C) awarded in (b) (6), (b) (7)(C) of the 2014 (b) (6), (b) (7)(C) Program. On July 29, 2014, (b) (6), (b) (7)(C) executed the (b) (6), (b) (7)(C) on behalf of the (b) (6), (b) (7)(C). Under the (b) (6), (b) (7)(C) as a condition of acceptance of any (b) (6), (b) (7)(C) reimbursements, the (b) (6), (b) (7)(C) agreed to abide by the following covered relationship restriction:

The (b) (6), (b) (7)(C) will not permit an employee, contractor, consultant or vendor of the (b) (6), (b) (7)(C) to participate substantially in the (b) (6), (b) (7)(C)-funded activity, or to otherwise benefit from (b) (6), (b) (7)(C) funding, who, to its knowledge (assuming reasonable diligence), has a ‘covered relationship’ with an NCUA employee who presently holds a position that would enable him or her to influence a pending future (b) (6), (b) (7)(C) or a reimbursement of permitted expenses thereunder.

An employee, contractor, consultant or vendor of the (b) (6), (b) (7)(C) would have such a ‘covered relationship’ if he or she were either: (1) a member of the household of an NCUA employee who presently holds a position that would enable him or her to influence a pending or future (b) (6), (b) (7)(C) or a reimbursement thereunder; or (2) a relative of such an NCUA employee with whom he or she has a close personal relationship. 5 C.F.R. 2635.502(b)(1)(ii).

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(Exhibit 3) In the (b) (6), (b) (7)(C) the (b) (6), (b) (7)(C) also acknowledged that NCUA has “full discretion” to deny funding for reimbursement under a (b) (6), (b) (7)(C) if NCUA determines that the (b) (6), (b) (7)(C) is in breach of the covered relationship restriction.

DISCUSSION

This investigation developed no evidence that (b) (6), (b) (7)(C) violated the *Standards of Ethical Conduct for Employees of the Executive Branch*, 5 C.F.R. § 2635.502, Personal and business relationships. Section 2635.502(a) states that:

[w]here an employee knows that a particular matter involving specific parties is likely to have a direct and predictable effect on the financial interest of a member of his household, or knows that a person with whom he has a covered relationship is or represents a party to such matter, and where the employee determines that the circumstances would cause a reasonable person with knowledge of the relevant facts to question his impartiality in the matter, the employee should not participate in the matter unless he has informed the agency designee of the appearance problem and received authorization from the agency designee in accordance with paragraph (d) of this section.

The particular matter at issue is the award of (b) (6), (b) (7)(C) to credit unions. The specific parties involved are the credit unions that apply to (b) (6), (b) (7)(C) for these (b) (6), (b) (7)(C).

Here, (b) (6), (b) (7)(C) is in a covered relationship with (b) (6), (b) (7)(C). Under section 2635.502(b), an employee has a covered relationship with a “person who is a member of the employee’s household, or who is a relative with whom the employee has a close personal relationship.” 5 C.F.R. § 2635.502(b)(1)(ii). Although (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) do not live in the same household, evidence established that they have a close personal relationship. Indeed, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) had dinner together at a business conference and on two occasions (b) (6), (b) (7)(C) visited (b) (6), (b) (7)(C) father at work.

Even though (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) are in a covered relationship, (b) (6), (b) (7)(C) s employer, the (b) (6), (b) (7)(C) is neither a party applying for a (b) (6), (b) (7)(C) nor does it represent any party applying for the (b) (6), (b) (7)(C). See 5 C.F.R. § 2635.502(a) (requiring that the person with whom the employee “has a covered relationship is or represents a party to such matter”).

Indeed, the (b) (6), (b) (7)(C) is not involved in the (b) (6), (b) (7)(C) process whatsoever. Rather, it is *only* a credit union that submits the application. The application does *not* identify what consultant will assist the credit union with (b) (6), (b) (7)(C). Only after (b) (6), (b) (7)(C) has awarded the (b) (6), (b) (7)(C) a credit union will hire a consultant. Thus, at the time a (b) (6), (b) (7)(C) decision is made, (b) (6), (b) (7)(C) has no knowledge as to which consultant organization will be hired. Because the (b) (6), (b) (7)(C) decision is made *completely independent* of the consultant company, the link

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between a credit union applicant and the (b) (6), (b) (7)(C) is merely speculative and thus too attenuated for the (b) (6), (b) (7)(C) to be a party, or represent a party, to this matter. See 5 C.F.R. § 2635.502(a).

Additionally, considering that (b) (6), (b) (7)(C) is not privy to what consultant organization will be employed by the credit union, it is simply impossible for (b) (6), (b) (7)(C) to award or influence the award (b) (6), (b) (7)(C) to direct work to the (b) (6), (b) (7)(C).

This investigation, moreover, found no evidence that (b) (6), (b) (7)(C) purposely outsourced (b) (6), (b) (7)(C) processing to direct business to the (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) discontinued (b) (6), (b) (7)(C) assistance after (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) determined that (b) (6), (b) (7)(C) were spending too much time on it and their time could be better utilized on other matters; and it was not cost effective.

Similarly, no evidence was developed that (b) (6), (b) (7)(C) and the (b) (6), (b) (7)(C) improperly agreed to set the (b) (6), (b) (7)(C) amount at \$2,500.00. (b) (6), (b) (7)(C) came up with the (b) (6), (b) (7)(C) amount based on (b) (6), (b) (7)(C) experience seeking (b) (6), (b) (7)(C) as a consultant before joining NCUA. As (b) (6), (b) (7)(C) then contacted organizations in the credit union community informing them of the (b) (6), (b) (7)(C) amount. According to (b) (6), (b) (7)(C) it is common for (b) (6), (b) (7)(C) to have conversations with these organizations about services provided by NCUA and (b) (6), (b) (7)(C). With respect to the (b) (6), (b) (7)(C) it decided to change its fee for (b) (6), (b) (7)(C) processing services to \$2,500.00 after NCUA established the grant amount.

Although there is no violation of section 2635.502(a), evidence developed during this investigation showed that there was an *appearance* of partiality on (b) (6), (b) (7)(C) behalf with respect to (b) (6), (b) (7)(C). Many of the (b) (6), (b) (7)(C) staff interviewed by OIG stated that they considered (b) (6), (b) (7)(C) actions to appear biased toward the (b) (6), (b) (7)(C). It is understandable that (b) (6), (b) (7)(C) staff questioned (b) (6), (b) (7)(C) impartiality given that: (a) (b) (6), (b) (7)(C) decided to outsource (b) (6), (b) (7)(C) processing; (b) (b) (6), (b) (7)(C) son (b) (6), (b) (7)(C) works for the (b) (6), (b) (7)(C); (c) the (b) (6), (b) (7)(C) provides (b) (6), (b) (7)(C) services and charges the exact same price as the (b) (6), (b) (7)(C) amount; and (d) (b) (6), (b) (7)(C) has worked on (b) (6), (b) (7)(C) at the (b) (6), (b) (7)(C).

Moreover, it is troubling that (b) (6), (b) (7)(C) only informed NCUA OGC about a potential conflict of interest regarding (b) (6), (b) (7)(C) son's employment at the (b) (6), (b) (7)(C) in June 2014 – even though (b) (6), (b) (7)(C) had been working at the (b) (6), (b) (7)(C) for approximately two years while (b) (6), (b) (7)(C) was (b) (6), (b) (7)(C). Furthermore, it seems that (b) (6), (b) (7)(C) knew for some time that (b) (6), (b) (7)(C) worked on (b) (6), (b) (7)(C) processing at the (b) (6), (b) (7)(C) before (b) (6), (b) (7)(C) contacted OGC seeking ethics advice. See Ex. 1 (b) (6), (b) (7)(C) June 30, 2014 email communication) (stating that the (b) (6), (b) (7)(C) “contract[s] to provide services to credit unions. . . . This includes . . . (b) (6), (b) (7)(C) and that (b) (6), (b) (7)(C) handles “(b) (6), (b) (7)(C) processing”).

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Considering (b) (6), (b) (7)(C) position as (b) (6), (b) (7)(C) should have been more sensitive to the possibility that (b) (6), (b) (7)(C) son's employment at the (b) (6), (b) (7)(C) could create the appearance of bias and addressed the issue in a more appropriate timeframe. See 5 C.F.R. § 2635.501 (stating that the purpose of the ethics provision regarding personal and business relationships is to "ensure that an employee takes appropriate steps to avoid an appearance of loss of impartiality in the performance of his official duties").

CONCLUSION

The OIG plans no further action in this matter at this time. In reviewing the circumstances surrounding (b) (6), (b) (7)(C) conduct and determining whether disciplinary action is warranted, due consideration should be given to the "Douglas" factors.⁵ The "Douglas" factors are the pertinent mitigating and aggravating factors that responsible agency official(s) must consider before proposing or deciding on a particular disciplinary measure or penalty.

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

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EXHIBITS:

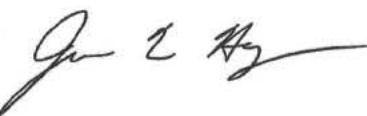
- 1 Copy of (b) (6), (b) (7)(C) Garrity Advisement, dated 11/07/14
- 2 Copy of (b) (6), (b) (7)(C) email to OGC, dated 6/30/14
- 3 Copy of (b) (6), (b) (7)(C) Acceptance Acknowledgement, signed 7/29/14
- 4 Copy of Treichel memo, dated 7/17/14



National Credit Union Administration

Office of Inspector General


TO: Mark A. Treichel, Executive Director
Gail Laster, Director – Office of Consumer Protection

FROM: James W. Hagen, Inspector General 

SUBJ: Report of Investigation (Case # 14-AI-R4-05)

DATE: October 27, 2014

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation (ROI) detailing the OIG's investigation of allegations of possible misconduct (Mail Tampering) in the (b) (6), (b) (7)(C). 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 (b) (6), (b) (7)(C), Director of Investigations at (703) 518-.

Attachment



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION

Misconduct: Possible

Mail Tampering

Case Number 14-AI-CO-05





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-CO-05
CASE TITLE: Misconduct: Possible Mail Tampering
CASE STATUS: CLOSED (October 22, 2014)
VIOLATIONS: N/A

PREDICATION:

On September 16, 2014, a confidential informant (CI) informed the Office of Inspector General (OIG), National Credit Union Administration (NCUA), Alexandria, VA that a letter with a check enclosed, received in the (b) (6), (b) (7)(C), NCUA, Alexandria, VA had been tampered with (ripped in half) prior to reaching the addressee. The envelope showed that (b) (6), (b) (7)(C) date- and time-stamped the letter on (b) (6), (b) (7)(C), 2014, at (b) (6), (b) (7)(C). Inquiry with the NCUA mailroom disclosed that the letter was not damaged prior to its delivery to (b) (6), (b) (7)(C). The CI alleged that someone in (b) (6), (b) (7)(C) deliberately damaged this letter due to possible retaliation.

SYNOPSIS:

Investigation revealed that (b) (6), (b) (7)(C), mailed the letter to (b) (6), (b) (7)(C) with a personal check enclosed for (b) (6), (b) (7)(C) sunshine fund (a fund that helps pay for celebratory type occasions (b) (6), (b) (7)(C)). (b) (6), (b) (7)(C) notified (b) (6), (b) (7)(C) that on (b) (6), (b) (7)(C), 2014, (b) (6), (b) (7)(C) found the letter on (b) (6), (b) (7)(C) desk torn/ripped in two pieces. (Exhibit 1) (b) (6), (b) (7)(C) informed the Reporting Agent (RA) that (b) (6), (b) (7)(C) thought the damage to the letter and check was an intentional act by someone (b) (6), (b) (7)(C).

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENT:

(b) (6), (b) (7)(C)
Director of Investigations

(b) (6), (b) (7)(C)
(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.

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During investigative interviews, it was determined that the NCUA mailroom delivered (b) (6), (b) (7)(C) letter undamaged to OCP on (b) (6), (b) (7)(C), 2014. (b) (6), (b) (7)(C) admitted that during the sorting process (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) accidentally tore (b) (6), (b) (7)(C) letter and the check in half. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) then placed it in a pile of opened mail for delivery to the respective (b) (6), (b) (7)(C) staff members, but before (b) (6), (b) (7)(C) could start delivery, (b) (6), (b) (7)(C) was called into a meeting. (b) (6), (b) (7)(C) found the undelivered mail and delivered it.

SUBJECT(S) INFORMATION:

N/A

DETAILS:

Allegation 1: Someone (b) (6), (b) (7)(C) had intentionally damaged (b) (6), (b) (7)(C) letter.

On (b) (6), (b) (7)(C), 2014, a CI informed the OIG that a letter received (b) (6), (b) (7)(C) had been damaged (ripped in half) prior to reaching the addressee. (b) (6), (b) (7)(C) date- and time-stamped receipt of the letter on (b) (6), (b) (7)(C), 2014, at (b) (6), (b) (7)(C). Inquiry with the NCUA mailroom disclosed that the letter was not damaged prior to its delivery (b) (6), (b) (7)(C). The CI alleged that someone (b) (6), (b) (7)(C) deliberately damaged the letter due to possible retaliation.

Allegation 1 Findings:

On September 17, 2014, the RA interviewed (b) (6), (b) (7)(C) regarding (b) (6), (b) (7)(C) letter. (b) (6), (b) (7)(C) stated that on (b) (6), (b) (7)(C), 2014, (b) (6), (b) (7)(C) found a torn letter (stapled back together) on her desk when (b) (6), (b) (7)(C) arrived at work. (b) (6), (b) (7)(C) stated the letter was from (b) (6), (b) (7)(C), and contained a personal check for (b) (6), (b) (7)(C) sunshine fund. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) did not know who distributed the mail or who may have placed the letter on (b) (6), (b) (7)(C) desk. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) contacted (b) (6), (b) (7)(C) and informed (b) (6), (b) (7)(C) of the condition of the letter and check.

On September 17, 2014, the RA interviewed (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) National Credit Union Administration (NCUA), Alexandria, VA regarding (b) (6), (b) (7)(C) damaged letter. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) remembered delivering the letter to OCP. (b) (6), (b) (7)(C) stated that the letter was not torn or damaged in any way when (b) (6), (b) (7)(C) delivered it. (b) (6), (b) (7)(C) stated that any damaged piece of mail coming into the mailroom must be documented and a supervisor is notified. (b) (6), (b) (7)(C) stated that this was not the case with regard to this letter, because it was undamaged.

REPORT OF INVESTIGATION

Case Number: 14-AI-CO-05

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On September 18, 2014, the RA interviewed (b) (6), (b) (7)(C) regarding the damaged letter. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) received an email from (b) (6), (b) (7)(C) stating (b) (6), (b) (7)(C) had found (b) (6), (b) (7)(C) letter on (b) (6), (b) (7)(C) desk when (b) (6), (b) (7)(C) arrived at work. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) informed (b) (6), (b) (7)(C) that the letter, as (b) (6), (b) (7)(C) found it, was ripped in half and then stapled together. (b) (6), (b) (7)(C) explained that the letter contained a personal check (b) (6), (b) (7)(C) had written in the amount of \$50.00. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) sent it in response to an office-wide email requesting contributions to replenish the (b) (6), (b) (7)(C) "sunshine fund." (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) suspected who may have damaged the letter and believed it may have been intentional. Specifically, (b) (6), (b) (7)(C) stated that both (b) (6), (b) (7)(C) (b) (6), (b) (7)(C), and (b) (6), (b) (7)(C) might have had a motive for damaging the letter.

On October 2, 2014, the RA requested a list of individuals (b) (6), (b) (7)(C) who deliver the mail received from the mailroom. In response, on (b) (6), (b) (7)(C) 2014, (b) (6), (b) (7)(C) provided a list of individuals who deliver the mail. (Exhibit 2)

On October 8, 2014, the RA interviewed (b) (6), (b) (7)(C) regarding possible misconduct (mail tampering). Prior to the interview, the RA advised (b) (6), (b) (7)(C) of (b) (6), (b) (7)(C) Garrity rights. (Exhibit 3). (b) (6), (b) (7)(C) stated that approximately once a month, (b) (6), (b) (7)(C) is responsible for distributing the mail that is delivered (b) (6), (b) (7)(C) from the Central Office mailroom. The RA showed (b) (6), (b) (7)(C) a picture of (b) (6), (b) (7)(C) damaged letter and asked if (b) (6), (b) (7)(C) had ever seen it. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) remembered the letter. (b) (6), (b) (7)(C) stated that while opening the mail, (b) (6), (b) (7)(C) accidentally ripped the letter and check. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) stapled it back together and placed it on the pile of mail to be delivered to (b) (6), (b) (7)(C) staff. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had to attend a meeting and forgot to finish the distribution of the mail. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) learned that (b) (6), (b) (7)(C) finished distributing the mail for (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) did not intentionally rip/damage the envelope. (b) (6), (b) (7)(C) provided a statement via email (Exhibit 4).

Overall Findings:

The investigation did not substantiate the allegation that someone (b) (6), (b) (7)(C) intentionally damaged (b) (6), (b) (7)(C) letter and check. Rather, the investigation revealed that (b) (6), (b) (7)(C) accidentally damaged the letter during the sorting process.

The OIG plans no further action in this matter.

Exhibit(s):

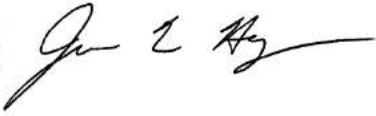
- 1 Photographic copy of (b) (6), (b) (7)(C) letter
- 2 Copy of email list of (b) (6), (b) (7)(C) staff members who deliver (b) (6), (b) (7)(C) mail
- 3 Copy of (b) (6), (b) (7)(C) Garrity Advisement, (b) (6), (b) (7)(C)/14
- 4 Copy of (b) (6), (b) (7)(C) Statement



National Credit Union Administration

Office of Inspector General

TO: Mark A. Treichel, Executive Director
(b) (8), Regional Director, Region (b) (8)

FROM: James W. Hagen, Inspector General 

SUBJ: Report of Investigation (Case # 14-AI-R3-06)

DATE: March 4, 2015

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation on (b) (6), (b) (7)(C), Region III, and (b) (6), (b) (7)(C), Region (b) (8), National Credit Union Administration, (b) (8). No portion of 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, if any, 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 (b) (6), (b) (7)(C), Director of Investigations at 703-518- (b) (6), (b) (7)(C).



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION

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

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

Case Number 14-AI-R3-06





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-R3-06
DATE: March 4, 2015
CASE TITLE: (b) (6), (b) (7)(C)
CASE STATUS: Closed – pending
VIOLATIONS: N/A

PREDICATION

On September 18, 2014, Joy Lee, Ombudsman, National Credit Union Administration (NCUA), contacted the OIG concerning allegations against NCUA employees (b) (6), (b) (7)(C), (b) (6), (b) (7)(C), and (b) (6), (b) (7)(C), Region (b) (6), (b) (7)(C). On September 18, Lee received an email from (b) (8), (b) (6), (b) (7)(C), Region (b) (6), (b) (7)(C), counsel to (b) (8), (b) (6), (b) (7)(C), claiming that during an on-site examination at (b) (8), (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) had demonstrated “aggressive and harassing” behavior in a “retaliatory spirit” towards staff members. Stevens further claimed that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) were “impairing” (b) (8), (b) (6), (b) (7)(C).

SUBJECT INFORMATION

(b) (6), (b) (7)(C), (b) (6), (b) (7)(C) (Region (b) (6), (b) (7)(C), (b) (8), (b) (7)(C)) is a current NCUA employee.

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENT:

(b) (6), (b) (7)(C)
Director of Investigations

APPROVED:

Sharon Separ
Asst. Inspector General for
Investigations

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

Sharon Separ

(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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(b) (6), (b) (7)(C) (Region (b) (8) (b) (6), (b) (7)(C) is a current NCUA employee.

DETAILS

A. (b) (8)

On September 22, 2014, the Reporting Agent (RA) interviewed (b) (8), President of (b) (8), in connection with this investigation (b) (8) has been President of (b) (8). (b) (8) (b) (8)

According to (b) (8), on (b) (8) 2014, (b) (8) held a Board meeting (the (b) (8) Board Meeting"). (b) (8), (b) (8), and (b) (8), NCUA Associate Regional Director-Operations (b) (8) attended. (b) (8)

Moreover, (b) (8) contended that (b) (8), (b) (8), and (b) (8) demanded that the Board members (b) (8) despite the lack of adequate time to read and discuss the document. (b) (8)

(b) (8) informed the RA that upon reading the (b) (8), it was apparent that it contained factual errors. After the (b) (8) Board Meeting, (b) (8) contacted (b) (8), NCUA Regional Director (Region (b) (8) regarding the errors. (b) (6), (b) (7)(C) stated that (b) (8) subsequently corrected the errors. Thereafter, in (b) (8) 2014, (b) (8), (b) (7)(C) contacted its counsel, (b) (6), (b) (7)(C), regarding (b) (8). Counsel sent a letter dated (b) (8) 2014, on behalf of (b) (8) to (b) (8) (b) (8)

Exhibit 3)

Despite (b) (8) (b) (8) (b) (8) stated that the credit union went forward with the process of (b) (8). During this time, (b) (8) contended that (b) (6), (b) (7)(C) seemed to be at (b) (8) more often than usual. (b) (8) claimed that (b) (6), (b) (7)(C) presence was disruptive to the credit union's daily operations. For instance, (b) (8) related that during an onsite visit in (b) (8) 2014, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) insisted on requesting documents and discussing examination issues while (b) (8) was meeting (b) (8). (b) (8) opined that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)

REPORT OF INVESTIGATION

Case Number: 14-AI-R3-06

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disruptive and aggressive behavior could have negatively (b) (8)

(b) (8) further contended that on (b) (8) 2014, immediately prior to a (b) (8) Board meeting (the “(b) (8) Board Meeting”), (b) (8) and (b) (8) requested a meeting with (b) (8) (b) (8) alleged that (b) (8), without a scheduled meeting with the Board, interrupted the (b) (8)

Board was not expecting (b) (8) (b) (8) related that the Board expressed having felt mistreated and harassed by (b) (8) unannounced intrusion into the (b) (8) Board Meeting. (b) (8) further related that the Board felt (b) (8) and (b) (8) were particularly “heavy-handed” in their comments to the Board and that they overall exhibited a lack of professional courtesy.

B. (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)

On October 24, 2014, the RA interviewed (b) (6), (b) (7)(C). Prior to the interview, (b) (6), (b) (7)(C) was advised of (b) (6), (b) (7)(C) Garrity rights. (Exhibit 4)

(b) (6), (b) (7)(C) stated that (b) (8) took over supervision (b) (8) from (b) (6), (b) (7)(C) (b) (8), Region (b) (8) (b) (8) According to (b) (6), (b) (7)(C), (b) (8) is a troubled credit union. For example, (b) (6), (b) (7)(C) suggested that (b) (6), (b) (7)(C) and its management are in violation of several regulations relating to business and residential loans. Because of (b) (6), (b) (7)(C)'s issues, (b) (6), (b) (7)(C) stated that (b) (8) began scheduling quarterly visits (occurring about every 120 days) to review (b) (6), (b) (7)(C)'s remedial efforts.

(b) (6), (b) (7)(C) stated that (b) (8), (b) (6), (b) (7)(C), and (b) (8) attended the (b) (8) Board Meeting. (b) (8)

According to (b) (6), (b) (7)(C), (b) (8)

(b) (8)

(b) (6), (b) (7)(C) stated that (b) (8) maintained monthly contact with (b) (6), (b) (7)(C) from (b) (8) 2014 to the present ((b) (8) 2014). (b) (6), (b) (7)(C) contended that (b) (6), (b) (7)(C) President (b) (6), (b) (7)(C) was not always accommodating of (b) (8) meeting requests. For example, during his (b) (6), (b) (7)(C) 2014 contact with (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) and (b) (8) attempted numerous times to meet with (b) (6), (b) (7)(C) to (b) (8)

According to (b) (6), (b) (7)(C), (b) (8) (b) (8) stated that he and (b) (8) attended the September Board Meeting. (b) (6), (b) (7)(C) related that (b) (6), (b) (7)(C) simply (b) (8)

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(b) (6), (b) (7)(C) stated that on multiple occasions (b) (6), (b) (7)(C) requested copies of the audiotapes of the (b) (8) Board Meeting and (b) (8) Board Meeting. (b) (6), (b) (7)(C) declared that neither (b) (6), (b) (7)(C) nor (b) (6), (b) (7)(C) were harassing in their dealings with (b) (6), (b) (7)(C) staff, management, and Board members. (b) (6), (b) (7)(C) stated that all requests made to (b) (6), (b) (7)(C) were due to NCUA's (b) (8) and not retaliatory.

On October 24, 2014, the RA interviewed (b) (6), (b) (7)(C). Prior to the interview, (b) (6), (b) (7)(C) was advised of (b) (6), (b) (7)(C) Garrity rights. (Exhibit 5)

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was informed of (b) (6), (b) (7)(C)'s issues before (b) (6), (b) (7)(C) first visit to the credit union in (b) (8) 2014. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) attended the (b) (8) Board Meeting. According to (b) (6), (b) (7)(C), it was very tense. (b) (6), (b) (7)(C) related (b) (8)

(b) (8) After the (b) (8) Board Meeting, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) visited (b) (6), (b) (7)(C) monthly to (b) (8)

(b) (6), (b) (7)(C) stated that during the (b) (8) 2014 (b) (6), (b) (7)(C) visit, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) attempted numerous times to meet with (b) (6), (b) (7)(C) to (b) (8) (b) (8)

According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) (b) (8) to (b) (8) prior to the (b) (8) Board Meeting. (b) (6), (b) (7)(C) related that at the (b) (8) Board Meeting, (b) (6), (b) (7)(C) knocked before entering the room, (b) (8) and departed. According to (b) (6), (b) (7)(C), neither (b) (6), (b) (7)(C) nor (b) (6), (b) (7)(C) has visited (b) (6), (b) (7)(C) since the (b) (8) Board Meeting.

(b) (6), (b) (7)(C) declared that (b) (6), (b) (7)(C) never intended to harass anyone at (b) (6), (b) (7)(C). Moreover, (b) (6), (b) (7)(C) was not aware of any behavior by (b) (6), (b) (7)(C) that could be considered harassing or aggressive. (b) (6), (b) (7)(C) contended that the harassment allegations are the result of NCUA's (b) (8) of (b) (6), (b) (7)(C) since its classification as a "special actions" credit union. (b) (6), (b) (7)(C) opined that it seemed (b) (6), (b) (7)(C) was improperly impeding (b) (6), (b) (7)(C)'s merger plans in an effort to save (b) (6), (b) (7)(C) job.

Similar to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) requested copies of the audiotapes of the (b) (8) Board Meeting and (b) (8) Board Meeting. (b) (6), (b) (7)(C) has not received the copies to date.

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C. NCUA Employees

On October 24, 2014, the RA interviewed (b) (8) in connection with its investigation. (b) (8) informed the RA that (b) (8) has several ongoing issues. Because (b) (8) has been designated a "special action" credit union, it is not uncommon for an examiner to conduct monthly visits. (b) (8) however, was uncertain how frequently (b) (8), (b) (7)(C) visited (b) (8). (b) (8) stated that (b) (8), (b) (7)(C) could have visited (b) (8) more often than once a month. (b) (8) related that (b) (8) did not know exactly how often (b) (8), (b) (7)(C) contacted (b) (8) because (b) (8), (b) (7)(C) failed to document (b) (8), (b) (7)(C) visits. According to (b) (8), (b) (8), (b) (7)(C) lack of documentation since has been addressed.

(b) (8) informed the RA that (b) (8), (b) (8). According to (b) (8) NCUA has continued its contact with (b) (8), (b) (7)(C) to ensure that (b) (8), (b) (8) stated that it is NCUA's responsibility to supervise (b) (8), (b) (7)(C) until a merger is complete. (b) (8) further stated that (b) (8), (b) (7)(C) (b) (8).

With respect to (b) (8), (b) (8) stated that (b) (8) is a direct and results-driven individual. (b) (8), (b) (7)(C) has never had a problem working with a credit union. Likewise, (b) (8) characterized (b) (8), (b) (7)(C) as easy to get along with; (b) (8) has never had an issue working with credit union staff or management.

On October 24, 2014, the RA interviewed (b) (8). With respect to (b) (8), (b) (8) stated that it is a troubled credit union and warranted extra attention to ensure it remedied problems identified in previous examinations that it had failed to address. (b) (8) further stated that (b) (8) has not always followed through on promised actions. Nonetheless, (b) (8) characterized NCUA examiners' interactions with (b) (8) in previous years as less aggressive than the current year.

(b) (8) explained that the NCUA Office of Examination and Insurance (E&I) has been scrutinizing Region (b) (8)'s work in the areas of special actions and contact reports. (b) (8) stated that this scrutiny has resulted in Region (b) (8) taking a more aggressive approach in dealing with credit unions within the troubled category, including (b) (8), (b) (7)(C).

(b) (8) stated that (b) (8) attended the (b) (8) Board Meeting with (b) (8), (b) (7)(C) and (b) (8), (b) (7)(C). At the meeting, (b) (8). According to (b) (8), the Board members (b) (8). (b) (8) related that the (b) (8) Board Meeting was audio taped and (b) (8) was promised a copy upon its conclusion. After several inquiries, (b) (8), (b) (7)(C) never provided a copy.

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(b) (8)

With respect to (b) (6), (b) (7)(C), (b) (8) considered (b) (6), (b) (7)(C) to be very professional in dealing with troubled credit unions. (b) (8) described (b) (6), (b) (7)(C) as methodical; however, at times, (b) (6), (b) (7)(C) methods can be drawn out. (b) (8) described (b) (6), (b) (7)(C) as a direct and results-driven individual. (b) (8) has never questioned (b) (6), (b) (7)(C) professionalism with respect to working with credit unions.

On October 24, 2014, the RA interviewed (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) worked with (b) (8) prior to (b) (6), (b) (7)(C). (b) (6), (b) (7)(C), in particular, worked with (b) (8) President (b) (8) during (b) (6), (b) (7)(C) assignment at (b) (8). (b) (6), (b) (7)(C) informed the RA (b) (8).

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is a "by the book" examiner. (b) (6), (b) (7)(C) stated further that (b) (6), (b) (7)(C) does not give a credit union too much "wiggle room" with regard to identified problems. (b) (6), (b) (7)(C) noted that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) have different styles with respect to working with credit unions and their personnel. (b) (6), (b) (7)(C) opined that (b) (8) might consider (b) (6), (b) (7)(C) behavior "aggressive" as compared to (b) (6), (b) (7)(C) behavior.

CONCLUSION

This investigation developed no evidence that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) engaged in unduly aggressive behavior or harassed (b) (8)'s staff, management, or Board members.

(b) (8) has been characterized as a troubled credit union. All of the NCUA employees interviewed were aware of the financial and operating issues that have plagued (b) (8) for some time. Because (b) (8) falls within NCUA's "special actions" category, it requires close supervision. According to (b) (8) it is quite common for examiners to have frequent contact with credit unions in the special actions category. Moreover, as noted by (b) (8) and (b) (8), (b) (8) has a history of failing to provide timely and accurate information regarding its remedial efforts. (b) (8) and (b) (8) also expressed concern that (b) (8) (b) (8) thus warranting extra attention. Accordingly, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)'s monthly contact with (b) (8) was not out of the ordinary. Nor was it harassment. Rather it was a concentrated effort to monitor the troubled credit union and its efforts to resolve issues identified by NCUA.

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Moreover, this investigation could not substantiate that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) behaved aggressively during their onsite visits at (b) (8). Their requests for production of documents and to meet with (b) (8) President (b) (8) to discuss (b) (8) appear reasonable. There is no evidence that their presence was disruptive to the credit union's daily operations.

This investigation could not substantiate that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) acted inappropriately at the (b) (8) Board Meeting. (b) (8)

Regarding (b) (8) the factual errors contained therein, (b) (6), (b) (7)(C) confirmed that (b) (8) subsequently corrected those errors.

Similarly, with respect to the (b) (8) Board Meeting, there is no evidence to sustain the claim that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) improperly joined the meeting and harassed the Board members in an unprofessional manner. Notably, despite repeated requests by three individuals – (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) and (b) (8) – for copies of the audiotapes of the (b) (8) and (b) (8) Board Meetings, (b) (8) has yet to provide them.

Both (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) are viewed consistently as reliable professionals with no history of inappropriate conduct at credit unions. (b) (6), (b) (7)(C) has been characterized as a “methodical” examiner who operates “by the book,” and (b) (6), (b) (7)(C) as a “direct” individual who is “results-driven” with (b) (8) work. These attributes, considered in light of the investigative findings, do not rise to the level of aggressive or harassing behavior.

Additionally, this investigation developed no evidence that (b) (6), (b) (7)(C) or (b) (6), (b) (7)(C) impaired (b) (8)'s merger efforts. In fact, this investigation could not even confirm whether (b) (8) was actually (b) (8) during (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)'s (b) (8) 2014 contact, as it claimed.

The OIG plans no further action in this matter at this time. In reviewing the circumstances surrounding (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C)'s conduct and determining whether disciplinary action is warranted, due consideration should be given to the “Douglas” factors.¹ The “Douglas” factors are the pertinent mitigating and aggravating factors that responsible agency official(s) must consider before proposing or deciding on a particular disciplinary measure or penalty.

¹ See Douglas v. Veteran's Administration, 5 MSPR 280, 5 MSPB 313 (1981).



National Credit Union Administration

Office of Inspector General

TO: Executive Director Mark A. Treichel
Regional Director Jane A. Walters, Region 2

FROM: Inspector General James W. Hagen

A handwritten signature in blue ink, appearing to read 'J. W. Hagen'.

SUBJ: Report of Investigation (Case #14-AI-R2-07)

DATE: May 18, 2015

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation on (b) (6), (b) (7)(C) (Region II), National Credit Union Administration, Alexandria, VA. No portion of 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, if any, 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 (b) (6), (b) (7)(C), Director of Investigations at 703-518- (b) (6), (b) (7)(C)



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION

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

Case Number 14-AI-R2-07





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-R2-07

CASE TITLE: (b) (6), (b) (7)(C)

ISSUE DATE: May 18, 2015

VIOLATIONS: 18 U.S.C. § 1001 - False Statements
18 U.S.C. § 287 - False, Fictitious or Fraudulent Claims
NCUA Collective Bargaining Agreement, Art. 14, Sec. 37 -Travel Reimbursement Voucher

PREDICATION

On November 20, 2014, the Reporting Agent (RA) met with Wendy Angus, Associate Regional Director, Operations (Region II), National Credit Union Administration (NCUA), Alexandria, VA and Roger Blake, NCUA Senior Examiner (Region II), regarding possible misconduct by NCUA (b) (6), (b) (7)(C). Angus stated that she suspected (b) (6), (b) (7)(C) of travel claim fraud. Angus stated that (b) (6), (b) (7)(C) had submitted several claims for reimbursement of travel expenses, totaling approximately \$5,000.00, which the agency had already paid via the Region II corporate credit card.

SUBJECT INFORMATION

(b) (6), (b) (7)(C) Examiner (Region II), (b) (6), (b) (7)(C) (b) (6), (b) (7)(C) is a current NCUA employee.

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENT:

(b) (6), (b) (7)(C)
Director of Investigations

APPROVED:

Sharon Separ
Asst. Inspector General for
Investigations

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

(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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DETAILS

NCUA Employees

As part of its investigation, the RA interviewed numerous NCUA employees who are involved with, or have knowledge of, (b) (6), (b) (7)(C) business travel and respective travel expenses.

On November 21, 2014, the RA interviewed Angus. Angus informed that in 2010 (b) (6), (b) (7)(C) government-issued, JP Morgan Chase travel credit card (JPMC Travel Card) was cancelled due to multiple payment delinquencies.¹ Thereafter, Region II paid (b) (6), (b) (7)(C) travel expenses with its corporate credit card.

According to Angus, in November 2014, it was brought to her attention that (b) (6), (b) (7)(C) may have been reimbursed for travel expenses that the Region had already paid. Specifically, (b) (6), (b) (7)(C) (Region II), informed Angus and (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) then-pending travel claim sought reimbursement for expenses that had already been directly billed and paid for with Region II's corporate credit card. Angus related that this particular travel claim alerted them to potential issues with (b) (6), (b) (7)(C) past travel claims.

As a result, Angus and Blake reviewed travel claims (b) (6), (b) (7)(C) between March 13, 2014, and October 20, 2014. Based on that review, they found that, based on (b) (6), (b) (7)(C) travel between late 2013 to November 2014, the Region (1) directly paid for expenses related to a total of twelve travel claims for (b) (6), (b) (7)(C), using the Region II credit card; and (2) subsequently reimbursed (b) (6), (b) (7)(C) directly for these same expenses based on her submission of each separate claim. The total amount of travel charges NCUA reimbursed to (b) (6), (b) (7)(C) (duplicating the amount the Region had already paid for, using the Region II credit card) totaled \$4,989.15. **(Exhibit 1).** Angus suggested that given (b) (6), (b) (7)(C) tenure at NCUA and the fact that the revocation of (b) (6), (b) (7)(C) own government-issued credit card was due to (b) (6), (b) (7)(C) personal financial situation, (b) (6), (b) (7)(C) should have known which travel expenses were eligible for reimbursement on (b) (6), (b) (7)(C) claims and which expenses Region II had already paid for using its credit card.

On December 3, 2014, the RA interviewed Blake regarding (b) (6), (b) (7)(C). Blake stated that (b) (6), (b) (7)(C) has been (b) (6), (b) (7)(C) direct supervisor since June 2013. Blake related that in November 2014, (b) (6), (b) (7)(C) informed (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) travel expenses were direct-billed and paid for with the Region's corporate credit card. This prompted Blake to review (b) (6), (b) (7)(C) most recent travel claim. Blake discovered that this claim sought reimbursement of hotel room charges that the Region had

¹ On December 4, 2014, the RA obtained information from Glenn Donaldson, Accountant, Office of Chief Financial Officer, NCUA, confirming that (b) (6), (b) (7)(C) JP Morgan Chase account was closed in January 2010 and a balance of \$1,013.85 was charged-off, i.e., written off as uncollectable. On February 19, 2015, Donaldson received confirmation from JP Morgan Chase that (b) (6), (b) (7)(C) had paid in full the charged-off account balance.

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previously paid. Blake stated that he informed Angus about this potential issue. Blake further stated that this discovery caused him to inspect (b) (6), (b) (7)(C) past travel expenses. Blake discovered that NCUA had reimbursed (b) (6), (b) (7)(C) for travel expenses totaling \$4,989.15 which the Region had previously paid using the Region's corporate credit card.

Lastly, Blake remarked that he has no issues with (b) (6), (b) (7)(C) work and has never received a complaint about (b) (6), (b) (7)(C) from the credit unions (b) (6), (b) (7)(C) has examined.

On December 4, 2014, the RA interviewed (b) (6), (b) (7)(C) as part of this investigation. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) does not have a JPMC Travel Card because (b) (6), (b) (7)(C) account was closed due to payment delinquencies. (b) (6), (b) (7)(C) informed that, as a result, (b) (6), (b) (7)(C) makes (b) (6), (b) (7)(C) travel arrangements after (b) (6), (b) (7)(C) notifies (b) (6), (b) (7)(C) via email. When (b) (6), (b) (7)(C) makes the arrangements, (b) (6), (b) (7)(C) uses the Region II credit card to pay for the expenses incurred.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) recently made a comment (b) (6), (b) (7)(C) regarding Concur – the management system that NCUA utilizes for employee travel and reimbursement. According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) may not be claiming reimbursement for all of (b) (6), (b) (7)(C) eligible travel expenses. (b) (6), (b) (7)(C)

(b) (6), (b) (7)(C) notified Blake and inquired whether Blake knew which of (b) (6), (b) (7)(C) travel expenses the Region paid for directly, because (b) (6), (b) (7)(C) did not have a JPMC Travel Card of (b) (6), (b) (7)(C) own. (b) (6), (b) (7)(C) Blake that for Region II employees who do not have a credit card – such as (b) (6), (b) (7)(C) – the Region pays for hotel, airline tickets, and parking (the last on an as-needed basis). According to (b) (6), (b) (7)(C) Patricia Krobath, Region II Director of Management Services (DMS), holds Region II's corporate credit card and must pre-authorize all expenditures.

On January 23, 2015, the RA interviewed William Tracy, NCUA Supervisory Examiner (Region II). Tracy was (b) (6), (b) (7)(C) direct supervisor when (b) (6), (b) (7)(C) joined NCUA in (b) (6), (b) (7)(C). According to Tracy, upon the commencement of (b) (6), (b) (7)(C) employment at NCUA, (b) (6), (b) (7)(C) informed him that (b) (6), (b) (7)(C) had delinquent (b) (6), (b) (7)(C) debt. Tracy stated further that in 2010 (b) (6), (b) (7)(C) became delinquent on her JPMC Travel Card payments and ultimately (b) (6), (b) (7)(C) account was suspended and card usage canceled. Because (b) (6), (b) (7)(C) no longer had a government-issued travel credit card, Tracy set up the process whereby the Regional Office directly paid (b) (6), (b) (7)(C) travel expenses – hotel and airfare – with the Region's corporate credit card. Lastly, Tracy stated that (b) (6), (b) (7)(C) is a good employee and did not recall any issues or complaints regarding (b) (6), (b) (7)(C) work during his supervision.

USAO Declination of Prosecution

On (b) (6), (b) (7)(C), 2015, the RA presented this investigation to the United States Attorney's Office, Eastern District of Virginia (USAO), for possible criminal prosecution of (b) (6), (b) (7)(C) under 18 U.S.C. § 641 (Theft); 18 U.S.C. § 287 (False, Fictitious or Fraudulent Claims); and 18 U.S.C.

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§ 1001 (False Statements). On January 20, 2015, the USAO declined criminal prosecution and authorized issuance of a Kalkines Warning. **(Exhibit 2)**.

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

On January 22, 2015, the RA interviewed (b) (6), (b) (7)(C) in connection with this investigation. Prior to the interview, the RA provided (b) (6), (b) (7)(C) Kalkines Warnings. **(Exhibit 3)**.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) joined NCUA in (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) further stated that when (b) (6), (b) (7)(C) commenced employment, (b) (6), (b) (7)(C) had delinquent (b) (6), (b) (7)(C) loans. As a result, (b) (6), (b) (7)(C) bank accounts were garnished in order to collect on (b) (6), (b) (7)(C) debt. (b) (6), (b) (7)(C) contended that when NCUA reimbursed (b) (6), (b) (7)(C) based on (b) (6), (b) (7)(C) travel claims, that money, which was automatically deposited into (b) (6), (b) (7)(C) bank account, was immediately withdrawn from (b) (6), (b) (7)(C) bank account under the garnishment order, before (b) (6), (b) (7)(C) could pay (b) (6), (b) (7)(C) JPMC Travel Card bill. (b) (6), (b) (7)(C) stated that the garnishment order resulted in the late payments on (b) (6), (b) (7)(C) JPMC Travel Card and ultimately the suspension of (b) (6), (b) (7)(C) account.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) informed (b) (6), (b) (7)(C) then-supervisor (b) (6), (b) (7)(C) about (b) (6), (b) (7)(C) JPMC Travel Card revocation. As a result, (b) (6), (b) (7)(C) arranged for Region II to direct bill and pay for (b) (6), (b) (7)(C) travel using its corporate credit card. (b) (6), (b) (7)(C) explained that currently, (b) (6), (b) (7)(C) makes (b) (6), (b) (7)(C) travel arrangements and forwards the information to Region II's DMS to handle payment. Upon completion of (b) (6), (b) (7)(C) travel, (b) (6), (b) (7)(C) enters the information into Concur, the travel management system.

(b) (6), (b) (7)(C) stated that when (b) (6), (b) (7)(C) new supervisor, (b) (6), (b) (7)(C) sent back (b) (6), (b) (7)(C) most recent travel claim, (b) (6), (b) (7)(C) questioned whether (b) (6), (b) (7)(C) was properly completing the claims. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) may have incorrectly completed (b) (6), (b) (7)(C) past travel claims and needed to review them.

When asked, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had no knowledge of being reimbursed for travel expenses already paid for by NCUA. Similarly, (b) (6), (b) (7)(C) claimed to have no knowledge that almost \$5,000.00 had been deposited into (b) (6), (b) (7)(C) bank account as a result of her travel claims. (b) (6), (b) (7)(C) contended that (b) (6), (b) (7)(C) does not pay attention to (b) (6), (b) (7)(C) bank account deposits.

The RA then explained to (b) (6), (b) (7)(C) that (b) (6), (b) (7)(C) had been reimbursed a total of \$4,989.15 for twelve (12) separate travel claims. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) had no knowledge of this and would be willing to pay back the total amount to NCUA. (b) (6), (b) (7)(C) remarked that (b) (6), (b) (7)(C) was surprised by this information and would never intentionally try to obtain money from NCUA that was not legitimately owed to (b) (6), (b) (7)(C). (b) (6), (b) (7)(C) stated that it is (b) (6), (b) (7)(C) fault that (b) (6), (b) (7)(C) did not properly file (b) (6), (b) (7)(C) travel claims. (b) (6), (b) (7)(C) further stated that (b) (6), (b) (7)(C) does not completely understand the Concur system.

Regarding (b) (6), (b) (7)(C) current financial situation, (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) wages are no longer garnished and (b) (6), (b) (7)(C).

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After the interview, (b) (6), (b) (7)(C) provided the RA with a written statement and exhibits. (Exhibit 4). In (b) (6), (b) (7)(C) written statement, (b) (6), (b) (7)(C) contends that when NCUA implemented a new travel management system – Concur – the reporting of Direct Bill items had changed. According to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) “simply misunderstood the process for the new Direct Bill line items” in the Concur system and did not have “any intention of taking any monies that did not belong to me.” (Exhibit 4).

On April 13, 2015, the RA interviewed (b) (6), (b) (7)(C) again. Prior to the interview, the RA reminded (b) (6), (b) (7)(C) of the Kalkines Warning he had previously issued.

The second interview focused on (b) (6), (b) (7)(C) knowledge of the Concur travel management system. (b) (6), (b) (7)(C) stated that in August 2013, (b) (6), (b) (7)(C) participated in a group training session for Concur in Richmond, VA and received follow-up instructions for Concur after the training session. According to (b) (6), (b) (7)(C), it was not until four months later that (b) (6), (b) (7)(C) used Concur for the first time. (b) (6), (b) (7)(C) explained that (b) (6), (b) (7)(C) took the following steps to complete travel claims via Concur: (1) entered all expenses in the Concur system; (2) attached all receipts; (3) entered the notation “direct-billed” in the comments section for a related charge; (4) reviewed the travel claim; and (5) submitted the travel claim to (b) (6), (b) (7)(C) supervisor, Blake. (b) (6), (b) (7)(C) further explained that (b) (6), (b) (7)(C) entered all the charges for travel – including those that were direct-billed – so (b) (6), (b) (7)(C) could receive credit for a lodging bonus. (b) (6), (b) (7)(C) stated that in comparison with the previous travel management system, Concur uses a different format and is confusing; however, (b) (6), (b) (7)(C) never asked for assistance with Concur.

(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) received email notifications from Concur regarding the status of (b) (6), (b) (7)(C) travel claims, but did not pay attention to the notices because (b) (6), (b) (7)(C) had several travel claims pending and assumed that the correct reimbursement amount would be deposited into (b) (6), (b) (7)(C) bank account. (b) (6), (b) (7)(C) further stated that (b) (6), (b) (7)(C) never questioned whether the amounts of (b) (6), (b) (7)(C) travel claim reimbursements were correct and did not pay attention to the amount of money deposited into (b) (6), (b) (7)(C) bank account as a result of (b) (6), (b) (7)(C) travel claims. (b) (6), (b) (7)(C) explained that during this time period (b) (6), (b) (7)(C) was dealing with (b) (6), (b) (7)(C).

(b) (6), (b) (7)(C). Simply put, (b) (6), (b) (7)(C) assumed that (b) (6), (b) (7)(C) travel claims and reimbursements were correct.

(b) (6), (b) (7)(C) stated that none of (b) (6), (b) (7)(C) travel claims were returned to (b) (6), (b) (7)(C) for correction until (b) (6), (b) (7)(C) 2014. At that time, Blake returned a travel claim that sought reimbursement for expenses that already had been paid for with the Region’s corporate credit card. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) immediately corrected the errors and resubmitted the travel claim. Thereafter, (b) (6), (b) (7)(C) emailed (b) (6), (b) (7)(C) to determine whether (b) (6), (b) (7)(C) previous travel claims were incorrect as well. (b) (6), (b) (7)(C) stated that if Blake had returned other incorrect travel claims to (b) (6), (b) (7)(C), (b) (6), (b) (7)(C) would have corrected any errors and notified Blake that the corrections had been made.

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(b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) understood if someone doubted (b) (6), (b) (7)(C) explanation as to why (b) (6), (b) (7)(C) had improperly completed several travel claims and obtained reimbursement for expenses for which (b) (6), (b) (7)(C) was not entitled. (b) (6), (b) (7)(C) further stated that (b) (6), (b) (7)(C) believed in the travel claim process and would have corrected any error that was brought to (b) (6), (b) (7)(C) attention. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) takes full responsibility for (b) (6), (b) (7)(C) improper travel claims and is willing to pay back all of the money that was paid to (b) (6), (b) (7)(C) in error. Lastly, (b) (6), (b) (7)(C) declared that (b) (6), (b) (7)(C) would never do anything dishonest or illegal; (b) (6), (b) (7)(C) takes (b) (6), (b) (7)(C) job very seriously.

Additionally, (b) (6), (b) (7)(C) provided another signed statement. (Exhibit 5).

CONCLUSION

First, (b) (6), (b) (7)(C) violated 18 U.S.C. § 287 - False, Fictitious or Fraudulent Claims and 18 U.S.C. § 1001 - False Statements. (b) (6), (b) (7)(C) submitted twelve (12) false claims for reimbursement of travel expenses that Region II had already paid for – via Direct Bill – with its corporate credit card. As a result, NCUA overpaid (b) (6), (b) (7)(C) a total of \$4,989.15. (Exhibit 1). As (b) (6), (b) (7)(C) admitted, it was (b) (6), (b) (7)(C) fault that these twelve travel claims contained erroneous information regarding the amount of money (b) (6), (b) (7)(C) was entitled to be reimbursed.

The RA found credible (b) (6), (b) (7)(C) statement that (b) (6), (b) (7)(C) “misunderstood” the process of filing a travel claim for Direct Bill items under the new Concur travel management system. However, less credible were (b) (6), (b) (7)(C) assertions that (b) (6), (b) (7)(C) failed to read the consecutive email notifications indicating the amount of the reimbursement funds NCUA directly deposited into (b) (6), (b) (7)(C) bank account, and was otherwise unaware of the augmentation of funds in (b) (6), (b) (7)(C) bank account. (b) (6), (b) (7)(C) was not a new employee and was a grade level (b) (6), (b) (7)(C) credit union examiner for more than half of the time period at issue, and a (b) (6), (b) (7)(C) for the remainder.² Given the responsibility inherent in that position “to conduct examination and supervision of credit unions,”³ it is not unreasonable to hold (b) (6), (b) (7)(C) responsible for understanding how—or seeking clarification where necessary—to correctly file travel claims in Concur, to read the email notifications that the system subsequently generated, and to notice that unexplained funds were being deposited into (b) (6), (b) (7)(C) bank account. (b) (6), (b) (7)(C) received intensive training on the Concur system in September 2013 and had a copy of the training files for reference. Yet, as (b) (6), (b) (7)(C) admitted, (b) (6), (b) (7)(C) never sought assistance with Concur. With regard to (b) (6), (b) (7)(C) purported failure to read the consecutive email notifications from Concur that explicitly stated the reimbursement amounts NCUA direct deposited into (b) (6), (b) (7)(C) personal bank account, this assertion, as mentioned above, is dubious. The Concur emails providing this information are brief and concise. Given the finding that (b) (6), (b) (7)(C) must have read one or more of the notification emails, it is unlikely that (b) (6), (b) (7)(C), who was in the recent past dealing with serious financial repercussions stemming from delinquent (b) (6), (b) (7)(C) debt, would have

² (b) (6), (b) (7)(C) was promoted to the (b) (6), (b) (7)(C), in (b) (6), (b) (7)(C) 2014.

³ See, Position Description Number (b) (6), (b) (7)(C).

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overlooked deposits into (b) (6), (b) (7)(C) personal account amounting to almost \$5,000 in a relatively short period of time. Moreover, email exchanges between (b) (6), (b) (7)(C) and Region II administrative officials who assisted (b) (6), (b) (7)(C) with (b) (6), (b) (7)(C) travel arrangements indicated that (b) (6), (b) (7)(C) understood quite clearly that the Region was using its credit card to pay directly for hotel, air fare, and parking expenses. **(Exhibit 1).**

Taken as a whole, (b) (6), (b) (7)(C) tenure and grade level, the Concur training (b) (6), (b) (7)(C) received, the consecutive Concur notifications, and (b) (6), (b) (7)(C) relatively recent financial straits—which led to the cancellation of (b) (6), (b) (7)(C) JPMC Travel Card in the first instance—all undermine (b) (6), (b) (7)(C) assertion that (b) (6), (b) (7)(C) was unaware that the Region, based on the travel claims (b) (6), (b) (7)(C) filed, was repeatedly depositing reimbursement amounts directly into (b) (6), (b) (7)(C) bank account. This conclusion is bolstered by the fact that the Concur system direct deposit notifications are sent via email and state concisely and briefly the amount deposited. It strains credibility that (b) (6), (b) (7)(C) failed to read and understand, not one or two, but twelve such consecutive email notifications.

The investigation also found that (b) (6), (b) (7)(C) violated NCUA's Collective Bargaining Agreement (CBA), Article 14, Section 37, Travel Reimbursement Voucher. Pursuant to Section 37, an employee must "prepare and submit a properly completed claim for reimbursable expenses" using the agency's travel management system. Here, (b) (6), (b) (7)(C) submitted twelve travel claims that were neither "properly completed" nor for "reimbursable expenses." And, because (b) (6), (b) (7)(C) failed to properly complete the travel claims, (b) (6), (b) (7)(C) sought – and ultimately obtained – reimbursement for expenses that were not reimbursable given that Region II already had paid them.

Under Article 14, Section 39 - Overpayment, of the CBA, "[w]hen an overpayment or duplicate payment has been identified, the employee must reduce his/her next and, if necessary, subsequent travel voucher by the total amount of the overpayment. If no future vouchers, then overpayments or duplicate payments will be collected in accordance with law."⁴ Pursuant to this provision, (b) (6), (b) (7)(C) should be required to pay NCUA the total amount of the overpayment—\$4,989.15.

Lastly, it is troubling that supervisory review of (b) (6), (b) (7)(C) travel claims prior to December 2014 failed to detect any error with (b) (6), (b) (7)(C) fraudulent claims. Although (b) (6), (b) (7)(C) is solely responsible for properly completing and submitting (b) (6), (b) (7)(C) travel claims, a more precise supervisory review and approval process might have detected and thereby avoided at the outset the ensuing erroneous claims.

⁴ See also NCUA Non-Bargaining Travel Manual, Chapter 7, Section 7-8 Overpayments.

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In reviewing the circumstances surrounding (b) (6), (b) (7)(C) conduct and determining whether disciplinary action is warranted, due consideration should be given to the “Douglas” factors.⁵ The “Douglas” factors are the pertinent mitigating and aggravating factors that responsible agency official(s) must consider before proposing or deciding on a particular disciplinary measure or penalty.

⁵ See Douglas v. Veteran’s Administration, 5 MSPR 280, 5 MSPB 313 (1981).

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EXHIBITS:


- 1** (b) (6), (b) (7)(C) **Expense Report, 11/25/14**
- 2** **US Attorney declination, 1/20/15**
- 3** (b) (6), (b) (7)(C) **Kalkines Warning, 1/22/15**
- 4** (b) (6), (b) (7)(C) **Written Statement, 1/30/15**
- 5** (b) (6), (b) (7)(C) **Written Statement, 4/14/15**



National Credit Union Administration

Office of Inspector General


TO: Chairman Debbie Matz
Vice Chairman Rick Metsger
Board Member J. Mark McWatters
Executive Director Mark A. Treichel

FROM: Inspector General James W. Hagen 

SUBJ: Report of Investigation (Case #14-AI-CO-08)

DATE: May 20, 2015

Attached for your review and appropriate action is the Office of Inspector General (OIG) Report of Investigation on the Unauthorized Disclosure of National Credit Union Administration (NCUA) information to the media. No portion of this report may be photocopied, duplicated, or disseminated without the express permission of the Inspector General or Director of Investigations.

Please return this report within 45 days. If you have any questions or we may be of assistance, please contact me or (b) (6), (b) (7)(C), Director of Investigations at 703-518-



National Credit Union Administration

Office of Inspector General

REPORT OF INVESTIGATION
Unauthorized Disclosure to the Media
Case Number 14-AI-CO-08





NATIONAL CREDIT UNION ADMINISTRATION
Office of Inspector General
Office of Investigations

REPORT OF INVESTIGATION

CASE NUMBER: 14-AI-CO-08
CASE TITLE: Unauthorized Disclosure to Media
ISSUE DATE: May 20, 2015
VIOLATIONS: N/A

PREDICATION:

On December 17, 2014, the Office of Inspector General (OIG) obtained information regarding the unauthorized disclosure of National Credit Union Administration (NCUA) information to the media. The information disclosed concerned the circumstances surrounding a thumb drive containing sensitive credit union member information that an NCUA credit union examiner lost during an October 2014 examination at the Palm Springs Federal Credit Union (PSFCU), located in Palm Springs, CA.

Specifically, on December 15, 2014, the *Credit Union Times* published an article about the loss incident. The article stated that "unnamed sources" told *CU Times* that an NCUA examiner was responsible for the loss of the thumb drive. On a recurring basis, NCUA reminds employees of the proper protocols for issuing statements to the media or otherwise responding to media inquiries about official agency matters. None of those protocols were observed in this instance.

SUBJECT(S) INFORMATION:

Unknown

DISTRIBUTION:

Mark A. Treichel
Executive Director

CASE AGENT:

(b) (6), (b) (7)(C)
Director of Investigations

APPROVED:

Sharon Separ
Asst. Inspector General for
Investigations

(b) (6), (b) (7)(C)
(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.

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DETAILS:

A. NCUA Board Members

On March 16, 2015, the Reporting Agent (RA) interviewed Debbie Matz, Board Chairman, NCUA, Alexandria, VA. Prior to the interview, Matz was advised of her Garrity rights (**Exhibit 1**). Matz stated that on October 28, 2014, while at a conference in Chicago, IL, Michael McKenna, General Counsel, Office of General Counsel (OGC), NCUA, and Mark Treichel, Executive Director, Office of the Executive Director (OED), NCUA, briefed her regarding a potential loss of credit union information at PSFCU. Matz stated that she was aware that counsel for NCUA and PSFCU were in discussions concerning liability and costs associated with “making the credit union whole” as a result of the incident. Matz stated that she was continually updated on developments regarding the situation. She stated that she was never personally contacted by any media sources nor did she contact any media sources. Matz explained that NCUA’s Office of Public and Congressional Affairs (PACA) handles all media inquiries for the agency.

On March 19, 2015, the RA interviewed J. Mark McWatters, Board Member, NCUA, Alexandria, VA. Prior to the interview, McWatters was advised of his Garrity rights (**Exhibit 2**). McWatters stated that he became aware of a potential loss of credit union information at PSFCU from an email that Elizabeth Whitehead, Regional Director (Region V), NCUA, Tempe, AZ, sent to Sarah Vega, Senior Policy Advisor to Board Member McWatters, NCUA. He stated that Vega gave him a copy of Whitehead’s email which discussed a thumb drive containing sensitive credit union information that one of the Region V examiners had lost. McWatters stated that he was routinely updated on this situation. He was also aware that NCUA was in discussions with counsel for PSFCU regarding (b) (5)

He stated that he was never personally contacted by any media sources; nor did he contact any. McWatters stated that he knows Heather Anderson, Executive Editor, *CU Times*; however, he has never discussed this matter with her.

On February 27, 2015, the RA interviewed Rick Metsger, Board Member, NCUA, Alexandria, VA. Prior to the interview, Metsger was advised of his Garrity rights (**Exhibit 3**). Metsger stated that on October 24, 2014, Treichel briefed him on a potential loss of credit union information at PSFCU. He stated that at the time of the briefing, Treichel was still gathering details about the incident. Metsger stated that he was continuously updated as to any developments pertaining to PSFCU. He stated that he was not contacted by the media; nor did he contact any media sources.

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B. NCUA Staff Members

On March 12, 2015, the RA interviewed Steve Bosack, Chief of Staff to the Chairman Matz, NCUA, Alexandria, VA. Prior to the interview, Bosack was advised of his Garrity rights (**Exhibit 4**). Bosack stated that on October 28, 2014, while attending a conference in Chicago, IL, Treichel briefed him on a potential loss of credit union information at PSFCU. Bosack stated that he subsequently briefed Chairman Matz. He stated that Matz was concerned that NCUA (b) (5) Additionally, Bosack stated that both Treichel and McKenna were working with counsel for PSFCU to draft a letter to the credit union members affected by the loss. Bosack stated that he was not contacted by the media; nor did he contact any. He stated that PACA handles all media inquiries.

On March 13, 2015, the RA interviewed Vega. Prior to the interview, Vega was advised of her Garrity rights (**Exhibit 5**). Vega stated that she was advised of a potential loss of information at PSFCU by an email from Whitehead. Vega recalled that she received this particular email in late October or early November 2014. Vega related that she was formally briefed on the incident in December 2014. Vega stated that she was aware that NCUA and PSFCU were working together on this incident. Vega stated that the media did not contact her; nor did she contact the media regarding to this incident.

On February 27, 2015, the RA interviewed Michael Radway, Senior Policy Adviser to Board Member Rick Metsger. Prior to the interview, Radway was advised of his Garrity rights (**Exhibit 6**). Radway stated that on October 24, 2014, Treichel briefed him on a potential loss of information at PSFCU. Radway stated that NCUA was working with PSFCU to notify the affected credit union members. He stated that all discussions concerning PSFCU were between Metsger and Treichel. Radway stated that Mary Dunn of the Credit Union National Association (CUNA) sent him an email requesting a comment about the situation. Radway responded to the email, stating that NCUA shortly would release an official response. Radway stated that no other media sources contacted him about PSFCU; nor did he contact any media sources.

On March 3, 2015, the RA interviewed Gerard Poliquin, Secretary of the Board, NCUA, Alexandria, VA. Prior to the interview, Poliquin was advised of his Garrity rights (**Exhibit 7**). Poliquin stated that he was not briefed on a potential loss of information at PSFCU. He explained that in late November 2014 he learned of the incident because the matter was on the agenda for the upcoming Board meeting. Poliquin stated that the media never contacted him about the PSFCU incident; nor did he contact any media source. Poliquin related that all calls from media sources are referred to PACA.

On March 3, 2015, the RA interviewed Treichel. Prior to the interview, Treichel was advised of his Garrity rights (**Exhibit 8**). Treichel stated that on October 28, 2014, Michael Dyer, Acting Deputy Executive Director, NCUA briefed him regarding a potential loss situation at PSFCU.

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The briefing consisted of two email chains (several messages contained in two continuous emails) between OGC and Region V examiners who were at PSFCU when the thumb drive was lost. Treichel also conferred with John Kutchey, Deputy Executive Director, OED, NCUA and Timothy Segerson, Deputy Director, Office of Examination and Insurance (E&I), NCUA to determine NCUA's response per agency instruction and Office of Management and Budget (OMB) guidance. Treichel stated that he assembled a NCUA breach team and assigned various staff members to serve on the team. Treichel stated that he was kept apprised of all developments regarding PSFCU. He stated that his office issued a statement regarding the potential loss situation. Treichel stated that he was never contacted by the media nor did he contact any media sources with regard to this incident.

On February 27, 2015, the RA interviewed Kutchey. Prior to the interview, Kutchey was advised of his Garrity rights (**Exhibit 9**). Kutchey stated that Mike Dyer, Associate RD-Programs (Region V), NCUA, Tempe, AZ, briefed him on a potential loss of information at PSFCU. Kutchey stated that Treichel assembled a breach team in response to the incident at PSFCU. Kutchey further stated that he was continually updated on new developments regarding PSFCU. He stated that the media never contacted him; nor did he contact any media regarding PSFCU.

On February 26, 2015, the RA interviewed Buddy Gill, Senior Communications & External Relations Advisor, NCUA, Alexandria, VA. Prior to the interview, Gill was advised of his Garrity rights (**Exhibit 10**). Gill stated that he was advised of a potential loss of information at PSFCU during a meeting with the following persons: Matz, Bosack, Treichel, and John Ianno, Associate General Counsel (Enforcement and Litigation), OGC, NCUA. He related that Matz

(b) (5)

Gill stated that the media never contacted him; nor did he contact the media regarding this incident.

On February 26, 2015, the RA interviewed Todd Harper, Director, PACA, NCUA. Prior to the interview, Harper was advised of his Garrity rights (**Exhibit 11**). Harper stated that Treichel briefed him on a potential loss of information at PSFCU. He stated that he coordinated with John Fairbanks, Public Affairs Specialist, PACA, NCUA on an agency response to the PSFCU incident. Harper stated that the media never contacted him; nor did he contact any media sources regarding PSFCU.

On February 25, 2015, the RA interviewed Fairbanks. Prior to the interview, Fairbanks was advised of his Garrity rights (**Exhibit 12**). Fairbanks stated that in early November 2014, Harper informed him about a potential loss of information at PSFCU. Fairbanks stated that in December 2014, he received an email from a reporter at a trade publication concerning the PSFCU incident. Fairbanks further stated that on December 15, 2014, he was contacted by the *CU Times*. Reporters from the *CU Times* – Heather Anderson and Peter Strozniak – gave him a

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“heads up” that the newspaper was going to run a story on the potential PSFCU loss incident and asked for an official comment. Fairbanks stated that he received calls from other media sources; however, it was not as many as he expected.

On February 25, 2015, the RA interviewed Segerson. Prior to the interview, Segerson was advised of his Garrity rights (**Exhibit 13**). Segerson stated that Treichel requested that he research NCUA policies regarding potential breaches of information at credit unions. Segerson stated that he did a small write-up on the issue and gave it to Treichel. Thereafter, Segerson was assigned to the breach team responsible for handling the incident at PSFCU because the lost thumb drive contained credit union member information. Segerson related that the breach team discussed possible responses to address concerns raised by PSFCU’s legal counsel. The breach team also reviewed existing NCUA policies and suggested a few improvements for consideration. Segerson stated that he was never personally contacted by the media concerning the PSFCU incident; nor did he contact any media sources. Segerson related that he was not aware of any E&I staff member being contacted by the media.

On February 27, 2015, the RA interviewed Larry Fazio, Director, E&I, NCUA. Prior to the interview, Fazio was advised of his Garrity rights (**Exhibit 14**). Fazio stated that was made aware of a potential loss of information at PSFCU through discussions with Treichel. He stated that it was his understanding that PSFCU counsel and NCUA OGC were working together to resolve the issues regarding the incident. Fazio stated that he was not contacted by the media and he did not contact any media sources with regard to this incident.

On March 4, 2015, the RA interviewed McKenna. Prior to the interview, McKenna was advised of his Garrity rights (**Exhibit 15**). McKenna stated that on October 27, 2014, he was informed of a potential loss of credit union information at PSFCU. He stated that Ianno, OGC and Damon Frank, Trial Attorney, OGC, NCUA were in conversations with counsel for PSFCU. McKenna stated that both Ianno and Frank provided updates as discussions with the credit union progressed. McKenna stated that OGC also updated Treichel on ongoing OGC/PSFCU counsel discussions. McKenna stated that the media did not contact him during this incident; nor did he contact any media sources. He related that all media inquiries are referred to PACA.

On February 26, 2015, the RA interviewed Ianno. Prior to the interview, Ianno was advised of his Garrity rights (**Exhibit 16**). Ianno stated that Lara Rodriguez, Deputy General Counsel, OGC, NCUA briefed him about a potential loss of credit union information at PSFCU. Ianno stated that Frank coordinated with PSFCU counsel to notify the affected credit union members of the situation and provide identity protection services. Ianno stated that he is not aware of the media contacting OGC regarding the incident at PSFCU. He stated that the media did not contact him; nor did he contact any media sources regarding PSFCU.

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On February 25, 2015, the RA interviewed Frank. Prior to the interview, Frank was advised of his Garrity rights (**Exhibit 17**). Frank stated that Rodriguez informed him about a potential loss of credit union information at PSFCU. Frank further stated that he was assigned to handle the OGC's part in dealing with this matter (b) (5)

Frank stated that he contacted counsel for PSFCU and discussed issues concerning

(b) (5) Frank stated that he was not contacted by any media sources with regard to the PSFCU incident; nor did he make any contacts with media.

On February 25, 2015, the RA interviewed Rodriguez. Prior to the interview, Rodriguez was advised of her Garrity rights (**Exhibit 18**). Rodriguez stated that on October 24, 2014, OGC received a voicemail from an attorney for PSFCU. Rodriguez stated that she contacted the PSFCU attorney and was briefed regarding a potential loss of credit union information. She related that the PSFCU attorney told her that the credit union initially had delayed notifying them in the hope that the missing thumb drive would turn up. Rodriguez related that PSFCU was not "pointing fingers" at anyone to blame for the incident. She stated that PSFCU counsel discussed with her the possibility of (b) (5)

(b) (6), (b) (7)(C) Rodriguez stated that she briefed Ianno and Dyer on the incident. Rodriguez further stated that it was later determined that Frank would handle OGC's part in working with PSFCU counsel. Rodriguez stated that a week later PSFCU counsel notified her that the credit union was going to send a letter to its members notifying them about the incident. She stated that Frank kept her apprised of any developments. Rodriguez stated that the media did not contact her; nor did she contact any media sources regarding this matter.

On February 12, 2015, the RA interviewed David Chow, then-Acting Chief Information Officer (CIO), Office of Information Officer (OCIO), NCUA. Prior to the interview, Chow was advised of his Garrity rights (**Exhibit 19**). Chow stated that on October 28, 2014, he was notified of the potential loss of credit union information at PSFCU. He stated that Treichel notified him and assigned him to the Breach Notification Team. Chow stated that he contacted Jon Ebersole, then-Acting Chief Information Security Officer, OCIO, NCUA and had him represent OCIO on the breach team due to Ebersole's expertise in this area. Chow stated that he did not contact the media; nor has the media contacted him or OCIO.

On January 16, 2015, the RA interviewed Ebersole. Prior to the interview, Ebersole was advised of his Garrity rights (**Exhibit 20**). Ebersole stated that he learned of the potential loss of credit union information at PSFCU from an email Chow sent him that forwarded an email message from Treichel. Ebersole stated that Chow asked him to work with the Breach Notification Team in determining the nature of the loss, whether a breach occurred, and the agency's response. Ebersole stated that he did not travel to PSFCU or Region V offices to conduct an assessment. Additionally, he stated that he had no contact with PSFCU personnel. Ebersole stated that he contacted Linda Dent, Associate General Counsel (Administrative Law), OGC, NCUA, who is

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also the Senior Agency Official for Privacy (SAOP), and one of her subordinates, Kevin Johnson, Trial Attorney, NCUA regarding (b) (5). Ebersole stated that he did not contact anyone else about this incident and that no one (including the media) had contacted him for information. Ebersole further stated that, to his knowledge, the media did not contact OCIO regarding this incident.

C. Region V

On January 29, 2015, the RA interviewed Whitehead. Prior to the interview, Whitehead was advised of her Garrity rights (**Exhibit 21**). Whitehead stated that Dyer advised her of a potential loss of credit union information at PSFCU. At the time, Dyer was serving as Acting Deputy Executive Director in NCUA's central office. Whitehead stated that on October 24, 2014, she was briefed about a thumb drive that was missing from PSFCU. Whitehead related that initially PSFCU was not too concerned and thought that the thumb drive would eventually turn up. She stated that on October 24, 2014, counsel for PSFCU contacted NCUA OGC to resolve the matter. Whitehead stated that on October 29, 2014, she was assigned to an NCUA Breach Notification Team to assess what had transpired at PSFCU. Whitehead suggested that the letter posted by PSFCU on the website for the California Office of Attorney General may have been a source for the article published by the Credit Union Times. Whitehead stated that the media has not contacted her; nor did she make any media contacts with regard to the PSFCU incident.

On January 29, 2015, the RA interviewed Dyer. Prior to the interview, Dyer was advised of his Garrity rights (**Exhibit 22**). Dyer stated that when he was advised of a potential loss of credit union information at PSFCU he was serving as the Acting Deputy Executive Director, OED, at NCUA central office. Dyer stated that Rodriguez asked if he knew that a thumb drive containing sensitive credit union information went missing during an examination at PSFCU. Rodriguez further related to Dyer that OGC had received a call from PSFCU's counsel about the incident and that OGC was looking into it.

Dyer stated that he contacted the Region V office and spoke to the following Region V managers about the matter: Whitehead; Phillip (Crane) Bennett (who was Acting Associate Regional Director-Programs (ARDP) at the time); and Associate Regional Director-Operations (ARDO) Cherie Freed. Dyer related that they were not aware of the PSFCU incident. Dyer stated further that he contacted Mimi Cadzow, Supervisory Examiner (Region V), NCUA for information regarding the potential breach at PSFCU. Dyer stated that Cadzow was not aware of the PSFCU incident. He stated that he also contacted (b) (6), (b) (7)(C), Examiner (Region V), NCUA about PSFCU. Dyer stated that (b) (6), (b) (7)(C) informed him about the PSFCU thumb drive and the circumstances surrounding its disappearance. Dyer stated that all communications regarding the potential breach at PSFCU were handled between OGC and PSFCU's counsel. Dyer stated that the media did not contact him regarding the loss incident at PSFCU; nor did he contact any media sources.

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On January 29, 2015, the RA interviewed Bennett. Prior to the interview, Bennett was advised of his Garrity rights (**Exhibit 23**). Bennett stated that he became aware of the loss incident that occurred at the PSFCU on October 24, 2014, when he received a phone call from Dyer, while he was acting ARDP in Dyer's absence. He stated that Dyer was at the Central Office at that time, serving as Acting Deputy Executive Director. Bennett stated that Dyer asked him for information about the loss of the thumb drive PSFCU. He stated he did not have any information initially. Bennett stated he subsequently contacted Cadzow to obtain information with regard to the situation. He stated once he obtained that information, he briefed Whitehead. Bennett stated he was not contacted by any media sources; nor did he contact anyone in the media. He further stated that he was not aware of any media contacts to the Region V office.

On January 29, 2015, the RA interviewed Freed. Prior to the interview, Freed was advised of her Garrity rights (**Exhibit 24**). Freed stated that she was contacted by Bennett, who requested information about a missing thumb drive from PSFCU. Additionally, she stated that Dyer also contacted her regarding the same issue. Freed stated that she did not have any information regarding PSFCU or a missing thumb drive. She stated that she was later apprised of the PSFCU incident by Frank and Dyer. Freed stated that she was never contacted by the media regarding the potential breach of information at PSFCU; nor did she contact any media sources.

On January 30, 2015, the RA interviewed Cadzow. Prior to the interview, Cadzow was advised of her Garrity rights (**Exhibit 25**). Cadzow stated that on October 24, 2014, she received a phone call from Bennett, who requested information about a missing thumb drive at PSFCU. She also stated that Dyer had contacted her regarding the same issue. Cadzow stated that at the time of those calls, she did not have any information about the missing thumb drive or potential breach of information. Cadzow stated that she contacted her examiner at PSFCU, (b) (6), (b) (7)(C), to obtain information regarding the situation at the credit union. Cadzow stated that (b) (6), (b) (7)(C) informed her that a thumb drive provided by the credit union manager, which contained sensitive information, had gone missing on October 20, 2015 while in (b) (6), (b) (7)(C) possession. Cadzow related that (b) (6), (b) (7)(C) was told by the credit union manager not to worry about it and that the thumb drive would turn up. She stated that both (b) (6), (b) (7)(C) and the credit union manager waited until October 24, 2014, to see if the thumb drive would turn up. It did not.

Cadzow stated that the credit union manager did not inform (b) (6), (b) (7)(C) that the credit union had contacted its attorney regarding the lost thumb drive or the potential breach. She stated that in December 2014, just before a joint conference with PSFCU's Board, Lysa Simon, Esq., counsel for PSFCU, telephoned her and requested to speak with her prior to the meeting.

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

(b) (8)

She stated that this contact was coincidentally during the same time period that the media article came out about the breach at PSFCU. Cadzow stated that she has not been contacted by the media; nor has she

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contacted the media. Additionally, Cadzow stated that to her knowledge no one at the regional office had been contacted by the media.

On January 30, 2015, the RA interviewed (b) (6), (b) (7)(C). Prior to the interview, (b) (6), (b) (7)(C) was advised of her Garrity rights (Exhibit 26). (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was the (b) (6), (b) (7)(C) at PSFCU during the October 13 – 24, 2014 examination. She stated that (b) (6), (b) (7)(C) Examiner (Region V), NCUA assisted (b) (6), (b) (7)(C) during the second week. (b) (6), (b) (7)(C) stated that during the examination, the PSFCU manager provided them with information via a thumb drive, which they were responsible for returning to the manager after accessing the information. (b) (6), (b) (7)(C) stated that on October 20, 2014, (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) were using the thumb drive provided by the credit union manager. (b) (6), (b) (7)(C) stated that the last time they saw the thumb drive was at approximately 12 p.m. on that same day. (b) (6), (b) (7)(C) stated that later in the day, (b) (6), (b) (7)(C) went to speak to the credit union manager who asked for (b) (6), (b) (7)(C) to return the thumb drive. (b) (6), (b) (7)(C) stated that at this point, they realized that the thumb drive was not in their work area. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) informed the credit union manager that they could not find the thumb drive. They all searched for the thumb drive, but did not find it. (b) (6), (b) (7)(C) stated that the credit union manager (b) (6), (b) (7)(C) and said it would probably turn up the next day. (b) (6), (b) (7)(C) stated that by October 24, 2014, they had not located the missing thumb drive and it had not been turned in by anyone.

(b) (6), (b) (7)(C) stated that on October 25, 2014, she was contacted by (b) (6), (b) (7)(C) supervisor (Cadzow) and Dyer, who inquired about the missing PSFCU thumb drive. (b) (6), (b) (7)(C) stated that subsequently, on October 27, 2014, the Palm Springs Police Department (PSPD) contacted (b) (6), (b) (7)(C) regarding the lost thumb drive. (b) (6), (b) (7)(C) stated that the PSPD investigator told (b) (6), (b) (7)(C) that this was not a criminal investigation; they were simply obtaining information about the circumstances surrounding the disappearance of the thumb drive. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has not been contacted by the media; nor has (b) (6), (b) (7)(C) contacted any media sources.

On January 30, 2015, the RA interviewed (b) (6), (b) (7)(C). Prior to the interview, (b) (6), (b) (7)(C) was advised of (b) (6), (b) (7)(C) Garrity rights (Exhibit 27). (b) (6), (b) (7)(C) stated that on October 20, 2014, he reported to the PSFCU to assist (b) (6), (b) (7)(C) during (b) (6), (b) (7)(C) examination of PSFCU. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) used a thumb drive provided by the credit union manager. (b) (6), (b) (7)(C) stated that while their work area was in a cafeteria type setting, outside of the credit union, it was not open to the general public. (b) (6), (b) (7)(C) stated that after (b) (6), (b) (7)(C) had left for the day, (b) (6), (b) (7)(C) received an email from (b) (6), (b) (7)(C) asking whether (b) (6), (b) (7)(C) had the credit union's thumb drive. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) went through all (b) (6), (b) (7)(C) files and papers, but could not locate the thumb drive. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C), and the credit union manager thought the thumb drive was simply misplaced and would show up. (b) (6), (b) (7)(C) stated that the thumb drive had not been found by the day (b) (6), (b) (7)(C) departed PSFCU – October 24, 2014. (b) (6), (b) (7)(C) stated that approximately one week later, (b) (6), (b) (7)(C) was contacted by PSPD regarding the lost thumb drive. (b) (6), (b) (7)(C) stated that the media has not contacted (b) (6), (b) (7)(C); nor has (b) (6), (b) (7)(C) contacted any media sources regarding this incident.

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D. Palm Springs Federal Credit Union Attorney

On January 15, 2015, the RA interviewed Lysa Simon, Attorney for PSFCU, Northridge, CA. Simon stated that she represents PSFCU with regard to a potential breach of information due to a lost thumb drive containing member information during a recent examination by the NCUA Region V office. She stated that three (3) reporters seeking information about the incident contacted PSFCU Chief Executive Officer, Debbie Pitigiliano. Simon stated that Pitigiliano did not respond to any media inquiries. Simon stated that on October 30, 2014, as part of the required notification process, PSFCU contacted the California Office of Attorney General. Additionally, Simon stated that she advised Pitigiliano not to speak to anyone about the incident without counsel present. Simon stated that the media has not contacted her; nor has she contacted any media sources regarding this incident.

E. Palm Springs Police Department

On January 28, 2015, the RA interviewed Sergeant (b) (6), (b) (7)(C), PSPD, Palm Springs, CA. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) received a phone call from his chief (Al Franz) regarding a missing thumb drive containing sensitive personal information at PSFCU. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) was given a phone number for Simon, PSFCU counsel. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) called Simon and she provided (b) (6), (b) (7)(C) information about the loss of the thumb drive, which contained credit union member information. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) handled this matter as a lost property case due to the information (b) (6), (b) (7)(C) obtained about the matter via interviews. (b) (6), (b) (7)(C) stated that it was not a criminal investigation. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) spoke to both NCUA examiners (b) (6), (b) (7)(C) and (b) (6), (b) (7)(C) and PSFCU's credit union manager (Pitigiliano) and found that all of them had similar accounts of the circumstances regarding the missing thumb drive. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) has not been contacted by the media; nor has (b) (6), (b) (7)(C) contacted any media sources. (b) (6), (b) (7)(C) stated that (b) (6), (b) (7)(C) is not aware of any media contacts received by (b) (6), (b) (7)(C) department. (b) (6), (b) (7)(C) provided the RA with a copy of (b) (6), (b) (7)(C) report (#1410P-5725) (Exhibit 28).

FINDINGS:

The investigation, which included numerous investigative interviews and inquiries, did not find any evidence to support a finding that an NCUA employee made an unauthorized disclosure to the media about the potential loss of sensitive PSFCU member information.

Additionally, as revealed during the investigation, neither the PSPD nor counsel for PSFCU could provide any information as to who might have disclosed information regarding the potential breach to the media.

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Although Pitigiliano – the CEO of PSFCU – could not be interviewed during the investigation due to scheduling conflicts, Simon, counsel for PSFCU spoke on Pitigiliano’ s behalf. Simon stated that, on her express advice, Pitigiliano would not have spoken to the media without counsel present. The RA found this statement credible and thus determined that an interview of Pitigiliano was not necessary as it was unlikely to produce new information, relevant to the investigation.

The OIG plans no further action in this matter at this time.