Banking and Finance Law Daily Wrap Up, OVERSIGHT AND INVESTIGATION—OIG cites 'environment of distrust' at FDIC amid sexual harassment scandal, (Aug. 2, 2024)

Banking and Finance Law Daily Wrap Up

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By Steven Melendez

A new Office of Inspector General report found the bank regulator has "not implemented an effective sexual harassment prevention program" after reports of widespread harassment at the agency.

The Office of Inspector General (OIG) for the Federal Deposit Insurance Corporation issued a report finding the bank regulator lacks an effective program for preventing sexual harassment.

The FDIC had failed to keep up changes it made as the result of a prior OIG evaluation from 2020, according to the report.

"The FDIC has not implemented an effective sexual harassment prevention program that facilitates the reporting of sexual harassment misconduct allegations and has not always investigated and addressed allegations of sexual harassment promptly and effectively," according to the OIG report. "As a result, the FDIC is experiencing an environment of distrust, and many employees do not feel comfortable reporting sexual harassment at the FDIC or are afraid of reporting for fear of retaliation."

The report found the FDIC's leaders hadn't "demonstrated sufficient commitment to, and accountability for," its harassment prevention program, failing to allocate "sufficient resources" or "staff time" for stopping harassment and failing to anonymously survey employees about whether harassment is going on. Other reports, including by the federal Merit Systems Protection Board (MSPB), have found fairly extensive sexual harassment within the agency. An MSPB report from June 2023 found 18 percent of female employees and 6 percent of male employees had experienced sexual harassment, and the *Wall Street Journal* subsequently reported details of alleged harassment at the agency.

The FDIC also doesn't have an adequate system for tracking sexual harassment complaints, according to the OIG report, though the agency is now seeking out ways to build a better centralized tracker. As a result, the data the FDIC does have on the problem is limited in accuracy and completeness.

There also aren't "effective complaint procedures" for employees to report harassment, according to the report. There also isn't a formal system of training for people who investigate reports. "Without clear procedures for handling and documenting sexual harassment misconduct allegations, the FDIC cannot ensure that all allegations of sexual harassment are handled consistently and addressed and documented appropriately," according to the OIG.

Anti-harassment training is also lacking at the agency, according to the report. While some training has been given, it didn't offer agency-specific examples or information about consequences for misbehavior, and the FDIC hasn't analyzed its effectiveness.

The FDIC concurred in the report's recommendations and said it would implement corrective action by March 31, 2025.

Following the OIG report, Sen. Tim Scott (R-SC), ranking member of the Senate Committee on Banking, Housing, and Urban Affairs, reiterated calls for FDIC Chairman Martin Gruenberg to step down. Gruenberg has indicated he'd stay on at the agency until the Senate confirms his successor. President Joe Biden nominated Commodity Futures Trading Commission Commissioner Christy Goldsmith Romero to replace Gruenberg, but she's still awaiting Senate confirmation.

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"Today’s report—which detailed serious failures to address allegations of sexual harassment promptly and effectively—makes clear the agency is not taking appropriate action to aid the men and women of the FDIC," Scott said. "On top of that, Chair Gruenberg used the FDIC’s recent Board meeting to push through another slate of partisan wish-list proposals which will lead to consumer harm and continues to oversee the creation of new offices to handle employee complaints. Chair Gruenberg should stop playing politics and do the right thing by stepping down. And if he won’t resign, President Biden should fire him—immediately.”

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