Banking and Finance Law Daily Wrap Up, OVERSIGHT AND INVESTIGATION—OIG final report recommends FDIC culture change start 'at the top', (Dec. 20, 2024)

Banking and Finance Law Daily Wrap Up

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By Nora Macaluso

The FDIC will comply by mid-2025 with six recommendations from its Office of Inspector General.

According to a report issued by the Office of Inspector General (OIG) for the Federal Deposit Insurance Corporation, FDIC employees surveyed by the OIG "had generally positive views" about their colleagues and direct managers, but were less pleased with leadership's handling of harassment and misconduct.

More than a third of employees responding to the survey said they had experienced or witnessed harassment, and a review of cases and settlement agreements found that some managers failed to protect victims or retaliated against them for filing complaints, the OIG said in a final report on the agency's workplace culture.

"These conditions occurred because leadership does not consistently implement the Agency's policies and stated core values, specifically, fairness, accountability, and integrity," the report said.

The report recommended the FDIC improve conditions "by setting a tone at the top where all FDIC executives model the FDIC's core ethical values."

The report said the agency should provide a mechanism of support and protection for employees who fear or experience retaliation; hire a third party to conduct investigations of complaints against senior officials; develop a process to periodically report complaints to "appropriate FDIC stakeholders;" restate employees' obligation to report misconduct allegations; and include the OIG hotline as an option for this reporting.

The FDIC concurred with the recommendations and plans to comply with them by June 30, 2025, the report said. "We consider all six recommendations to be resolved," though the report will remain open until all actions have been taken, the OIG said.

FDIC leaders will prepare by Feb. 28, 2025, a case recommending the agency's board adopt a resolution setting expectations and means for ensuring that executives model the FDIC core values, with a report or survey on employee perceptions of executive performance in this area required at least annually.

By June 30, 2025, the FDIC Office of Professional Conduct (OPC) will develop mechanisms to receive confidential and anonymous complaints from employees, job applicants, contractors, and members of the public.

The OPC has issued a solicitation to law firms to investigate claims of harassment and misconduct, and expects to choose a firm in December 2024.

The FDIC will develop by March 31, 2025, a process to report anonymized and aggregated information about complaints at least semiannually. The agency is also developing a dashboard to track trend information and a tool to track and communicate data about disciplinary actions.

By the end of 2024, the FDIC and OIG will issue a "global message" to the FDIC workforce reminding employees of their obligation to report misconduct allegations, and will include the OIG hotline in communications to employees as an option for reporting misconduct.

The FDIC has taken steps to improve its workplace culture since 2023, when allegations of harassment came to light. The agency has completed 15 of 68 "action items" designed to remedy the situation, and was in the process of addressing another 45, the report said.

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