JONI K. ERNST
IOWA

WASHINGTON, DC OFFICE
260 RUSSELL SENATE OFFICE BUILDING
WASHINGTON, DC 20510
PHONE: 202–224–3254
FAX: 202–224–9369

WWW.ERNST.SENATE.GOV

United States Senate

COMMITTEES
ARMED SERVICES
AGRICULTURE, NUTRITION AND FORESTRY
SMALL BUSINESS AND ENTREPRENEURSHIP
CHAIRMAN
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

April 2, 2025

The Honorable Jennifer L. Fain
Inspector General
Federal Deposit Insurance Corporation
3501 Fairfax Drive
Arlington, Virginia 22226

Dear Inspector General Fain,

Whistleblowers have leveled appalling allegations of gross mismanagement by senior Federal Deposit Insurance Corporation (FDIC) Office of Inspector General (OIG) officials, spanning from field offices to headquarters. I write to request your help in getting to the bottom of this.

Among the whistleblowers are individuals familiar with the FDIC OIG budget. They say the FDIC OIG historically spent conservatively, and each year returned unspent funds to the Deposit Insurance Fund (DIF). However, whistleblowers recall senior officials in recent years questioning this practice, allegedly asking, “Why are we sending money back? The FDIC OIG should be growing.”

As the following allegations illustrate, under then-Deputy Inspector General Tyler Smith’s guidance, the distinction between “growth” and reckless spending appears increasingly blurred. Moreover, a series of wasteful and ill-advised financial decisions allegedly have placed your agency in a dire financial position, leading to decisions that reportedly have hindered its core investigative function.

Allegations of Waste, Fraud, and Abuse

Whistleblowers have revealed that supervisors are allegedly misusing congressionally allocated DIF funds to finance personal vacations, falsely labeling them as official duty-related travel. Special Agent in Charge Quenton Sallows allegedly engaged in a fraudulent temporary duty (TDY) scheme, repeatedly assigning himself TDY in Chicago, Dallas, and other cities. This manipulation also allowed him to sidestep personal travel expenses, effectively subsidizing his unauthorized living arrangement in Florida, rather than at his designated duty station in Arlington, Virginia.

In addition, whistleblowers shared with me your office’s recent practice of heavily restricting travel due to self-inflicted budget mismanagement. I am surprised, to say the least, to hear of this reported operational change because travel can be a necessary part of FDIC OIG special agents’ core investigative duties. I have been informed this restriction has greatly hindered the agency’s ability to undertake its statutorily mandated law enforcement mission.

Multiple whistleblowers have also separately cited the same examples of wasteful mass purchases. For example, then-Deputy Inspector General Smith and AIGI Richmond procured unnecessary law enforcement gear, including expensive ballistic helmets, and what turned out to be defective ballistic shields with ballistic glass viewports that shattered during training exercises.

Why the FDIC OIG is acquiring this sort of equipment given how infrequently your agents are engaged in executing a search warrant is beyond me. Another example, described to my office as "carry-on suitcases," but billed as travel bags, allegedly were mass-purchased for employees who neither asked for, nor needed them. After purchasing the travel bags, unnecessary large backpacks were also purchased for employees.

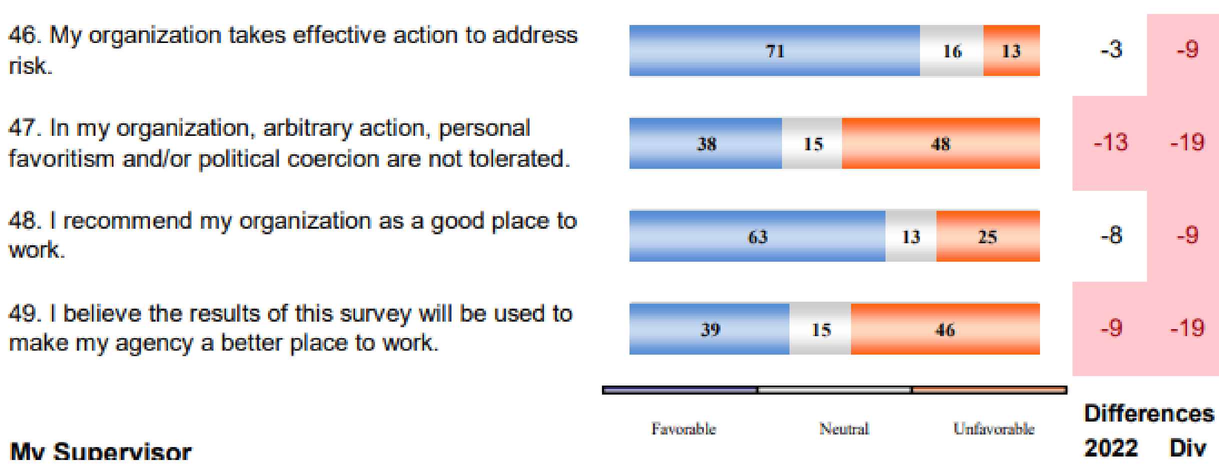
Similarly, multiple whistleblowers separately relayed allegations of mass-purchased iPad Pros being issued to staff, despite being incompatible with all FDIC OIG systems except email, rendering them ineffective for most investigative purposes. Even more perplexing, whistleblowers allege upper FDIC OIG management recently disabled the cellular function on the iPad Pros, so they cannot be used in the field, even for email, without Wi-Fi.

Whistleblowers also disclosed that the Office of Investigations (OI) fast-tracked the rollout of body-worn cameras without adequate training or testing.

<u>Declining Employee Morale and Effectiveness</u>

It would be one thing if the allegations stopped at poor financial management, but it seems the toxic culture of retaliation, fear, and abuse, which was a hallmark of former Chairman Gruenberg's reign over the FDIC, has permeated your organization as well.[1]

Multiple whistleblowers reported instances of retaliation against FDIC OIG employees who raised concerns about management decisions and spending. Multiple whistleblowers separately expressed extreme dissatisfaction and dismay with the state of the FDIC OIG. These anecdotes are reflected in the FDIC's 2023 OPM Federal Employee Viewpoint Survey results for the OIG Office of Investigations.[2] These findings should have sounded alarm bells for you upon becoming the Inspector General.



FDIC 2023 OPM Federal Employee Viewpoint Survey Results – Office of Investigations[3]

You will recall, last year I led several of my colleagues in asking you about your agency's role in the failure to hold accountable those responsible for the appalling and widespread misconduct at the FDIC.[4] While I

[1] Tobias Burns, "FDIC chair apologizes to staff after probe finds toxic workplace culture," The Hill, May 7, 2024; https://thehill.com/business/4649329-fdic-chair-apologizes-to-staff-after-probe-finds-toxic-workplace-culture/.
[2] Report on file with sender.
[3] Report on file with sender.
[4] Letter from Senator Joni K. Ernst to Inspector General Jennifer L. Fain, November 14, 2024; https://www.ernst.senate.gov/imo/media/doc/ernst_et_al_letter_to_fdic_oig.pdf.

appreciate your response, and the work your office has conducted since, I am deeply alarmed by whistleblowers' reports noting similar misconduct in the IG's office itself. Namely, "[w]e have the same culture over here," and "[h]ow can we ethically conduct fair and objective investigations into agency misconduct/mismanagement, when similar things are happening right here in the FDIC OIG?"

As the FDIC OIG's Special Inquiry of the FDIC's workplace culture report from December 2024 notes, an agency's overall performance and reputation can be undermined by employee perceptions that an agency's workplace culture does not demonstrate commitment to its core values.[5] As the FDIC's watchdog, ensuring accountability and a safe reporting environment *within your own organization*, not just the FDIC, is among your core responsibilities.

Allegations of Misconduct and Abuse of Authority

The whistleblowers have also shared several reports of misconduct and abuse of authority, particularly concerning the behavior of then-Deputy Inspector General Smith, Assistant Inspector General for Investigations (AIGI) Shimon Richmond, and then-Deputy Assistant Inspector General for Investigations Quenton Sallows who has since been promoted. Now a Special Agent in Charge, Quenton Sallows has allegedly often simulated activity on his work computers using a mouse jiggler.

Your supervisors have also allegedly been encouraging their subordinates to engage in locality pay fraud. This has allegedly resulted in employees improperly claiming higher-cost locality pay rates despite living in lower-cost regions. Special Agent in Charge Sallows, for example, allegedly relocated to Florida in 2021, (well before the establishment of a Florida field office), while continuing to claim Washington, D.C., locality pay and receiving a headquarters duty station promotion. To make matters worse, those who heard him talk about the issue interpreted his statements as publicly bragging about his fraud.

Moreover, several whistleblowers separately leveled allegations against then-Deputy Inspector General Smith that he displays a pattern of favoritism, rewarding those "loyal" to him over merit or ability to do the job. Deputy Inspector General Smith and AIGI Richmond have been accused of hiring and promoting friends and former colleagues into numerous FDIC OIG leadership roles. According to one whistleblower, some of these recent hires were recruited and quickly promoted to newly created "desk officer" positions, without going through normal hiring processes and with the assurance that the FDIC OIG's financial resources were abundant, and money was not an object.

Intentional Administrative Bloat

But there's more. The whistleblowers have repeatedly raised concerns about the FDIC OIG's increasingly top-heavy structure, where an excessive number of upper-level management positions are consuming a disproportionate share of the budget. Notably, your personnel cost projection for Fiscal Year 2024 consumed 88 percent of the OIG's budget, a five percent increase from 2021.[6] Within the OIG, nearly a quarter of the approximately 70 agents and managers now hold administrative or desk-bound roles rather than conducting field investigations. The number of high-ranking positions has steadily increased with the addition of new Special Agent in Charge roles and headquarters-based administrative positions. Notably, headquarters has reportedly doubled its Corporate Grade-14 administrative positions from two to four. Headquarters has also

---

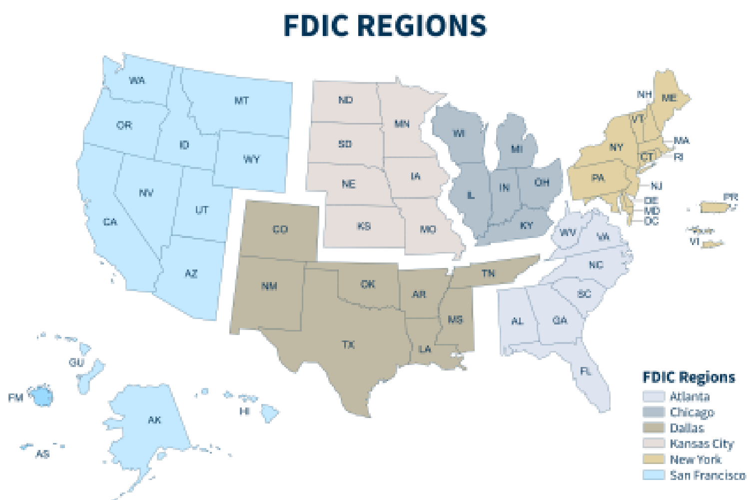
[5] FDIC Office of Inspector General, "Special Inquiry of the FDIC's Workplace Culture with Respect to Harassment and Related Misconduct – Part 1," December 2024; https://shorturl.at/XSN2e.

[6] FDIC Office of Inspector General, "Budget for Fiscal Year 2021," February 2020; https://www.fdicoig.gov/sites/default/files/document/2022-05/cbj-fy-21-feb-10.pdf; FDIC Office of Inspector General, "Budget for Fiscal Year 2024," February 2023; https://www.fdicoig.gov/sites/default/files/document/2023-03/FDIC%20OIG%20OMB%20FY24%20CBJ%20Final%20%28002%29.pdf.

reportedly expanded Special Agent in Charge-level management positions from seven to ten, covering the same area of responsibility.

One particularly egregious example of administrative bloat is the creation of an FDIC OIG office and Special Agent in Charge position in Miami, Florida. The whistleblowers provided extensive accounts of a scheme devised by then-Deputy Inspector General Smith, AIGI Shimon Richmond, and Mr. Sallows to create a new, duplicative, and unnecessary field office in Florida around October 2024. This new, unjustified region and management role was created primarily for the benefit of Mr. Sallows' interest in maintaining a senior leadership position while accommodating his pandemic-era move to Florida from the Washington, D.C. area. According to records provided by one of the whistleblowers, Mr. Sallows sold his Virginia home in January 2021 and purchased his Florida home in March 2021.

This office was established despite the Dallas and Atlanta field offices already covering the region and without a sufficient caseload to warrant its creation. The decision was reportedly spearheaded by then-Deputy Inspector General Smith, AIGI Richmond, and Mr. Sallows—who was, again, allegedly already living in Florida at the time while serving in a headquarters-based position. The creation of the Miami Region is even more puzzling given that FDIC OIG regions previously aligned with FDIC regions.[7]



This expansion resulted in the costly addition of a Special Agent in Charge position for an unusually small number of agents and a small geographic area compared to other field offices. Furthermore, the resources and geographic area assigned to the newly formed Miami Region were previously managed by the Atlanta Region. The Miami Region was allegedly created without proper notification or consultation with the Atlanta office, further demonstrating the lack of oversight in agency decision-making and ad-hoc nature of the decision.

It is even more troubling that the FDIC OIG Counsel's Office and senior management, including yourself, were previously made aware of these serious concerns.[8] I have been informed that you did a tour of all the field offices to do a "culture check." Yet, to date, I am not aware of any action you have taken to prevent, address, or shield the agency from the liability created by these bad actors, or hold them accountable for any fraud they may have perpetrated.

The nature and scope of these allegations suggest that, if true, there has been a complete and total failure of oversight and accountability within the FDIC OIG, which necessitate urgent reforms, up to and including the

---

[7] FDIC, Organization Directory - Regional Offices; https://www.fdic.gov/about/organization-directory-regional-offices; FDIC Office of Inspector General, Contact Us; https://www.fdicoig.gov/contact-us/contact-us.

[8] Correspondence on file with sender.

dismissal of several of your subordinates for cause, at minimum. Criminal referrals for timecard theft and fraud may also be warranted.

As previously stated, these allegations were relayed to my office separately, as well as considerable documentation from each of the whistleblowers. To restore trust and confidence in your leadership of the FDIC OIG, I invite you personally to provide a briefing as soon as possible, but no later than May 2, 2025. This briefing should include:

1. Details regarding the actions you took following your reported tour of regional offices, and what changes those actions have created;

2. A plan of action to investigate these allegations, the individuals responsible for making the egregious decisions outlined in this letter, and what discipline you feel is appropriate should the allegations be corroborated;

3. Details and documents justifying the decision to open a one-state regional office in Florida, the decision to appoint Special Agent in Charge Sallows to lead it, and the amount of quantifiable work product for which Special Agent in Charge Sallows and the Miami Regional office is responsible for completing, relative to other Special Agents in Charge and field offices elsewhere; and

4. The cost of Mr. Sallows falsely reporting his residence to receive a higher locality pay between January 2021 and October 2024.

The FDIC OIG, and your leadership of it, is at a crossroads. I invite you to use this opportunity to work with me to get to the bottom of these allegations and fix your agency. Thank you for your time and attention to this letter. To schedule the requested briefing, or with any questions or concerns, please feel free to contact me or my staff at (202) 224-6344.

Sincerely,

Joni K. Ernst

Joni K. Ernst
United States Senator