



COMMITTEE ON
SCIENCE, SPACE, & TECHNOLOGY
Lamar Smith, Chairman

For Immediate Release
July 14, 2016

Media Contact: Kristina Baum
(202) 225-6371

Statement of Chairman Lamar Smith (R-Texas)

Evaluating FDIC's Response to Major Data Breaches: Is the FDIC Safeguarding Consumers' Banking Information?

Chairman Smith: The Acting Inspector General's (IG) recent audit confirms exactly what the Committee's ongoing investigation revealed – FDIC continues to have significant cybersecurity weaknesses.

Over the course of the Committee's bipartisan investigation we have learned a great deal about the FDIC and how they conduct business. Yesterday we released an Interim Report by majority Committee staff. The Report contains the following findings:

1. The FDIC has historically experienced deficiencies related to its cybersecurity posture, and those deficiencies continue to be present.
2. The Chief Information Officer (CIO) created a toxic work environment, misled Congress, and retaliated against whistleblowers.
3. The FDIC deliberately evaded congressional oversight.

The FDIC experienced at least eight major breaches that they have determined met the reporting guidelines issued by the Office of Management and Budget.

The IG found that one of these breaches required law enforcement involvement. This was the September 2015, New York breach, in which a disgruntled employee, without authorization, downloaded sensitive resolution plans, also referred to as living wills.

This breach, according to the IG's report and confirmed by a witness' testimony during our ongoing investigation, revealed that had the FDIC taken more than just the initial steps to implement a formal insider threat program, this breach could have been prevented or at the very least detected much earlier.

In a separate report the IG found that the FDIC did not properly interpret and apply the reporting criteria required by a major incident as articulated in the Office of Management and Budget Memorandum. The OIG found that reasonable grounds existed to deem the Florida breach major but the FDIC waited four months to notify Congress.

The Committee is pleased that as a result of our hearing in May, the FDIC began the process of contacting individuals whose personally identifiable information had been compromised and offered them credit monitoring.

The Committee also appreciates the fact that after nearly four months, the FDIC is working to produce all documents and communications that we have requested in multiple letters.

The agency initially produced redacted summaries of responsive documents and a limited set of email communications. But, whistleblowers and the IG's staff immediately informed the Committee that we were not getting the whole story.

This has been the overreaching theme of the Committee's dealings with the FDIC – we're not getting the whole story. Based on interviews and documents, there is a culture of concealment at the FDIC. For example, the Office of Legislative Affairs staff, according to testimony, knowingly failed to provide the Committee with a full and complete production of documents.

The Office of General Counsel's staff directed their employees not to put certain opinions and analysis in emails or other written forms presumably to avoid discovery through the congressional oversight process.

This Committee takes seriously its cybersecurity responsibilities under the Federal Information Security Modernization Act of 2014, or FISMA, as well as our responsibility to root out waste, fraud, abuse, and mismanagement.

Our investigation has identified serious management deficiencies in the CIO's office. Certain FDIC employees believe that not only is he doing a poor job of protecting the agency's sensitive information technology, but also he's created a hostile work environment. One witness called Mr. Gross "vindictive," removing his staff from leading projects if they disagreed with his opinions.

The FDIC needs to be accountable for breaches of cybersecurity and responsive to the findings of our investigation.

We look forward to receiving all the requested documents and hearing about what steps the FDIC is taking to protect sensitive banking documents and taxpayer's personal information.

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