

September 27, 2018

Testimony by Simone Grimes, Special Advisor, FHFA

Chairman Hensarling, Ranking Member Waters, and Members of the House Financial Services Committee (the Committee).

Thank you for the opportunity to testify today regarding my complaints of sexual harassment, retaliation and violations of federal laws, including the Equal Pay Act at the Federal Housing Finance Agency (FHFA). I appreciate the Committee taking these matters seriously and working expeditiously to get through the tremendous volume of evidence presented to you.

I began my career with FHFA in September of 2010. I enjoyed my early career, was and continue to be committed to its mission. I quickly moved up the ranks with the highest level of performance rating for 7 consecutive years.

I have found the agency to be mostly populated with bright, talented and enthusiastic employees who want to make impactful policy decisions that serve the best interests of homeowners, market participants, taxpayers, and the housing markets systems.

I'd like to provide a little background on my circumstances and then cover three points which I believe have consequences beyond my individual case:

Background:¹

- In early 2015, I was asked to temporarily take on the role of Executive Special Advisor in the Division of Conservatorship, but I was not given pay or benefits commensurate with the position as had been paid to my predecessor.
- As time passed and I continued to serve in that “temporary” role I raised the issue of equal pay within my supervisory chain.
- I was advised the decision would need to be approved by Former Congressman and FHFA Director Melvin Watt.
- Beginning in September of 2015, Director Watt made multiple unwanted advances towards me and insisted we meet in unusual locations in order to discuss my professional issues to include my equal pay complaints.
- The frequency of these advances, coupled with advice from friends in the security industry, led me to begin recording many of our interactions. I felt vulnerable, and unsafe. Director Watt more than once implied that his advances were linked to promotions and pay increases.

¹ The Committee has been provided with a detailed investigative report which includes the full details of this case.

- When I attempted to pursue other career advancement opportunities within the Agency they were blocked through the use of the OIG hotline complaint process, which I believe were initiated at the direction of Director Watt.

My three points are as follows:

1. Lack of communication or corrective action after an investigation concludes:

- When an employee submits a complaint, they are looking for answers and resolution.
- The USPS investigation of my complaints concluded on August 13, 2018, and the Agency was given a 600 page report plus a 73 page summary report.
- I was not made aware by the Agency that the report was complete.
- When I finally obtained a copy of the report two weeks ago, I was alarmed to learn that the Agency had been sitting on the report for more than 30 days with no action.
- I reached out to the Human Resources Director, and my attorney reached out to FHFA's counsel to ask the status of the report and next steps. We have never received a response .
- *The act of not providing a timely response to an aggrieved party of a harassment complaint serves the same effect as the harassment itself, it is dismissive, demeaning and serves to de-legitimize the complaints and the complainant.*

2. The refusal of a government official to participate in an independent investigation into their own misconduct

- In an email to the USPS investigator, Director Watt indicated that he does not see himself as an employee of the agency, and therefore is not subject to its policies.
- By not participating in the initial investigation, Director Watt has tainted the process by allowing himself to have several months to fully review my evidentiary file before making any sworn statement about his role in the harassment. This is an intentional manipulation of the process to allow him to make false statements and omit key facts without any risk of perjuring himself.
- My fellow employees have shared with me the atmospheric shift they have felt inside the agency. Having a leader who refuses to be accountable to the very policies he signs has had a chilling effect.
- I have been further disappointed that none of the agency officials who own these policies, have issued a statement to FHFA staff to directly address what has become a very public matter or offer any assurance that the Agency takes its own standards seriously.

- The actions of Director Watt, and by extension his senior staff, have served to chip away at the culture of pride, high ethics and integrity that existed at FHFA.

3. The culture of fear that is established when an agency and its inspector general retaliate against victims for filing complaints.

- It is never easy to file allegations against your current employer. It is even harder to codify your concerns about your inspector general
- To be clear, my complaints have always included the lack of independence between FHFA senior officials and the OIG, and that OIG processes were used to contribute towards the Agency's ability to effect discriminatory harassment against me.²
- My interactions with Inspector General Wertheimer and her staff surrounding my complaints have been that of hostility, intimidation, bullying, laden with gossip, and public shaming.
- In early July after learning that the OIG was doing a parallel investigation, I raised questions to Leonard DePasquale, chief counsel for Mrs. Wertheimer regarding the ability of the FHFA OIG to investigate a matter to which it was a named party.
- The OIG denied my requests for more information, refused to tell me what specific complaints it was investigating and decline to acknowledge or opine on the inherent conflict of interest with their office and my complaint. Instead the OIG worked with the FHFA to take the following three retaliatory actions against me:
 1. The OIG made my identity as the victim of sexual harassment a matter of public record to the full United States population by suing me in court under my full legal name;
 2. On August 1, 2018³ I was informed that the Agency had been advised by the OIG to delay any Alternate Dispute Resolution mediation settlements until the OIG investigation concluded and the Agency had time to evaluate the results; and

² I filed an EEO case of sexual harassment against the Federal Housing Finance Agency (the Agency) Director Melvin Watt on May 9, 2018. My allegations included *“a nuanced and unusual engagement by FHFA Office of Inspector General (FHF OIG) and senior Agency officials which resulted in false allegations being lodged against Ms. Grimes and FHFA withholding rights and privileges from Ms. Grimes as a result of said allegations which were found to be false;*

AND

FHFA OIG contributed to the Agency's ability to effect discriminatory harassment through their conduct in the investigation of hotline complaints, refusal to investigate Ms. Grimes' anonymous complaints, and subsequent disclosure of her identity to FHFA officials despite her explicit refusal to waive her right to anonymity when requested by the FHFA OIG.

³ This letter has been provided to the Committee.

3. In the same letter dated August 1, 2018, I was advised that the Agency would decline to put me in the executive level promotion for which I was selected in January of 2018 until such a time as the OIG report was concluded.
- In the above actions, the OIG has worked with the FHFA to violate a series of federal employment laws including *5 U.S. Code § 2302 - Prohibited personnel practices* which specifies that an employer cannot “*take or fail to take, or threaten to take or fail to take, any personnel action against any employee or applicant for employment because of—the exercise of any appeal, complaint, or grievance right granted by any law, rule, or regulation*”.
 - All investigations into my complaint surround whether Director Watt did or did not commit acts of sexual harassment against me, whether FHFA COO, Larry Stauffer did, or did not violate employment laws (prohibited personnel practices) that resulted in the initial Equal Pay Act violation, and whether the FHFA OIGs relationship with senior agency officials was used to harass and discriminate against me.
 - I am not the subject of any of these complaints nor of the subsequent investigations. If an employment action were to be taken, it could only be legally taken against the accused parties which in this case are Director Watt, Laura Wertheimer and COO Larry Stauffer.⁴
 - These retaliatory and aggressive actions pursued by Mrs. Wertheimer coupled with Director Watt’s public statement that “he believed the investigation would clear him” while simultaneously refusing to participate in the investigation; have led me to surmise that the OIG’s participation in this investigation was solely to provide Director Watt with a “clean report.”

Thank you for your time. I believe hearing these issues is an important step forward in re-establishing the trust and faith that public servants place in the systems that are designed to protect us and hold leaders accountable.

⁴ Through consultation with the Office of Special Counsel, we have confirmed that act by the FHFA (at the request of the FHFA OIG) to withhold a promotion from me, AND withhold my right to go through an Alternate Dispute Resolution process to settle my claims are both employment actions that are prohibited by law (5 U.S. Code § 2302 p Prohibited Personnel Practices; AND 5 U.S.C. ch. 23 § 2301 et seq – The No-FEAR Act.)

Resolutions Sought:

- ***Compel the FHFA (and all Federal Agencies) to adjust the pay of all of its female employees who are paid less than their male counterparts who perform substantially equal work under substantially equal circumstances.*** Specifically, the Equal Pay Act provides that employers may not pay unequal wages to men and women who perform jobs that require substantially equal skill, effort and responsibility, and that are performed under similar working conditions within the same establishment. Each of these factors is summarized below:
- ***We humbly ask the committee to remove this investigation from the hands of Ms. Wertheimer and place it in the hands of a neutral third party – such as another OIG office or the FBI:*** Inspector General Laura Wertheimer, and her OIG staff have an inherent lack of independence in this specific matter. Further, Inspector General Wertheimer and her staff have in the course of their investigation to date, violated at least two provisions of the Inspector General Act of 1978 which prohibits breaking the anonymity of a witness, and have violated several provisions of the Quality Standards for Federal Offices of Inspector General and Quality Standard for Investigation and Evaluation as issued by the Council of Inspectors General on Integrity and Efficiency. Ms. Wertheimer’s willingness to cast aside laws, rules, regulations and quality standards to which she is bound, only serve to further demonstrate that her sole purpose in this investigation is to provide Director Watt with a “clean report.” It is normal practice for an OIG that is conflicted, to defer the investigation to another third neutral party. We recommend the FBI. ***We further request that Director Watt be made to subject himself to a Polygraph test.***

Compel the FHFA to quickly resolve this, and all similar harassment and federal employment law complaints lodged against it, through the use of quick, fair, impartial and all-inclusive investigations (which may include the use of polygraph tests as needed) and the Alternate Dispute Resolution (ADR) process as recommended by the Equal Employment Opportunity Commission. Victims of harassment, sexual harassment and pay violations should not have to personally bear the financial expense of unnecessary protracted processes imposed on them by an Agency. In these instances, the accused parties (Watt, Wertheimer, Stauffer) receive free and unlimited counsel out of the Agency’s budget and through insurance policies which only protect accuse parties (not aggrieved parties). The only person who suffers the severe financial consequences of an Agency who is unwilling to quickly settle a dispute is the aggrieved victim.⁵

⁵ Equal Employment Opportunity Commission’s “Enforcement Guidance on Vicarious Employer Liability for Unlawful Harassment by Supervisors” asserts that employers must exercise reasonable care to ensure complainants are not subject to a harasser who is “a supervisor with immediate (or successively higher) authority over the employee.” In my instance I report to COO Staffer, who was named in my initial EEO complaints and a subsequent retaliation addendum, and my second line supervisor is Director Watt.