



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU
WASHINGTON, DC 20551

Statement of Mark Bialek, Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau, on Sentencing of Former Federal Reserve Board Employee

On January 27, 2017, Nicholas Berthaume, a former employee of the Board of Governors of the Federal Reserve System (Board), was sentenced to 12 months' probation and fined \$5,000 for installing unauthorized software on a Board server. Berthaume pleaded guilty to one misdemeanor count of unlawful conversion of government property in violation of 18 U.S.C. § 641 on October 31, 2016. The investigation that led to this outcome was conducted by agents of the Board's Office of Inspector General (OIG).

According to the plea agreement, Berthaume had access to certain Board computer servers in his role as a Communications Analyst. Berthaume installed unauthorized software on a Board server to connect to an online Bitcoin network in order to earn bitcoins. Bitcoins are earned as compensation when users allow their systems' computing power to be part of the structure that processes, verifies, and records bitcoin transactions. We were unable to conclusively determine the amount of bitcoins earned through the Board's server due to the anonymity of the Bitcoin network. Berthaume also modified certain security safeguards so that he could remotely access the server from home. When confronted about these actions, Berthaume initially denied any knowledge of the wrongdoing. Later, however, Berthaume remotely deleted the software that he had installed in an effort to conceal his actions. Forensic analysis conducted by Board OIG agents and members of the Federal Reserve System's National Incident Response Team confirmed Berthaume's involvement, which resulted in his termination from the Board, and ultimately led to his admission of guilt.

Berthaume's actions did not result in a loss of Board information, and we have been informed that the Board has implemented security enhancements as a result of this incident. Additionally, Berthaume's voluntary admission of guilt and his full cooperation were critical to the timely closure of this matter.

This case demonstrates how my office will vigorously pursue Board employees who unlawfully abuse their positions and use government property for personal gain. I commend our agents for their diligent work. I also thank the Board's Division of Information Technology for its cooperation and the U.S. Department of Justice's Computer Crime and Intellectual Property Section for its assistance.

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The OIG provides independent oversight of the Board and the CFPB to improve their programs and operations and to prevent and detect fraud, waste, and abuse.