



Office of Inspector General

# SEMIANNUAL REPORT TO CONGRESS

10.01.21 TO 03.31.22

U.S. SECURITIES AND  
EXCHANGE COMMISSION



OFFICE OF INSPECTOR GENERAL  
SEMIANNUAL REPORT TO CONGRESS

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OCTOBER 1, 2021 THROUGH MARCH 31, 2022



### OIG MISSION

The mission of the Office of Inspector General (OIG) is to promote the integrity, efficiency, and effectiveness of the critical programs and operations of the United States Securities and Exchange Commission (agency or SEC). We accomplish this mission by:

- conducting independent and objective audits, evaluations, and other reviews of SEC programs and operations;
- conducting independent and objective investigations of potential criminal, civil, and administrative violations that undermine the ability of the SEC to accomplish its statutory mission;
- preventing and detecting fraud, waste, and abuse in SEC programs and operations;
- identifying vulnerabilities in SEC systems and operations and making recommendations to improve them;
- communicating timely and useful information that facilitates management decision making and the achievement of measurable gains; and
- keeping Congress, the Chair, and the Commissioners fully and currently informed of significant issues and developments.

“We continued our efforts to meet our strategic goals of (1) delivering results that promote integrity, efficiency, and effectiveness in the SEC’s programs and operations; (2) advancing an inclusive and dynamic OIG culture that inspires high performance; and (3) improving the effectiveness and efficiency of OIG processes through continuous innovation, collaboration, and communication.”

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# ABBREVIATIONS

Agency or SEC	U.S. Securities and Exchange Commission
ARC	Appalachian Regional Commission
Blue Book	<i>Quality Standards for Inspection and Evaluation</i>
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of Inspectors General on Integrity and Efficiency
COVID-19	Coronavirus Disease of 2019
DATA Act	Digital Accountability and Transparency Act of 2014
DEI	Diversity, Equity, and Inclusion
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOJ	U.S. Department of Justice
EEC	Employee Engagement Council
Enforcement	Division of Enforcement
EXAMS	Division of Examinations
FDIC	Federal Deposit Insurance Corporation
FEVS	Federal Employee Viewpoint Survey
FISMA	Federal Information Security Modernization Act of 2014
FY21Q1	FY 2021, first quarter
FY	fiscal year
GAO	U.S. Government Accountability Office
IG	Inspector General
IA/IC	investment adviser/investment company
IPA	Intergovernmental Personnel Act
Kearney	Kearney and Company, P.C.
NSF	National Science Foundation
OA	Office of Audits
OASB	Office of the Advocate for Small Business Capital Formation
OHR	Office of Human Resources
OI	Office of Investigations
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
OMWI	Office of Minority and Women Inclusion
PIIA	Payment Integrity Information Act of 2019
RIA	registered investment adviser
SGE	senior government employee
SLC	Service Level Commitment
Treasury	U.S. Department of the Treasury
USAO	U.S. Attorney's Office
WTTS	Workforce Transformation and Tracking System







## MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to present this Semiannual Report to Congress as Inspector General (IG) of the SEC. This report describes the work of the SEC OIG from October 1, 2021, to March 31, 2022, and reflects our responsibility to report independently to Congress and the Commission. The audits, evaluations, investigations, and other reviews that we describe illustrate the OIG's efforts to promote the efficiency and effectiveness of the SEC and demonstrate the impact that our work has had on the agency's programs and operations.

During this semiannual reporting period, we continued our efforts to meet our strategic goals of (1) delivering results that promote integrity, efficiency, and effectiveness in the SEC's programs and operations; (2) advancing an inclusive and dynamic OIG culture that inspires high performance; and (3) improving OIG processes through continuous innovation, collaboration, and communication.

During this reporting period, the OIG's Office of Audits (OA) issued its *Audit of the SEC's Compliance With the Digital Accountability and Transparency Act for Fiscal Year 2021* (Report No. 569). This audit resulted in no recommendations

but assessed the completeness, accuracy, timeliness, and quality of the SEC's spending data and its implementation and use of government-wide financial data standards. Next, we issued our *Fiscal Year 2021 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014* (Report No. 570). This evaluation identified opportunities for improvement in key areas of the SEC's information security program and made eight new recommendations to strengthen these areas. Then, we issued *Registered Investment Adviser Examinations: EXAMS Has Made Progress To Assess Risk and Optimize Limited Resources, But Could Further Improve Controls Over Some Processes* (Report No. 571).

This audit determined whether the SEC’s Division of Examinations (EXAMS) had established effective controls over its registered investment advisers (RIAs) examination planning processes to foster compliance with federal securities laws and ensure efficient allocation of its limited RIA examination resources. Finally, we issued *The SEC Can Improve in Several Areas Related to Hiring* (Report No. 572). We determined that the SEC can improve in several areas related to hiring and made 11 recommendations to further strengthen the SEC’s controls over hiring actions.

OA also worked with SEC management to close 23 recommendations made in 10 OIG reports issued during previous semiannual reporting periods.

In addition, the Office of Investigations (OI) completed or closed 19 investigations during this reporting period. Our investigations resulted in eight referrals to the U.S. Department of Justice (DOJ), none of which were accepted for prosecution, and three referrals to management for administrative action.

Once again, the OIG continued to provide effective and meaningful oversight through the challenges of the Coronavirus Disease of 2019 (COVID-19) pandemic, with many employees in headquarters teleworking full-time during the reporting period. However, OIG staff continued to perform the OIG’s mission and operations with distinction and made significant progress towards meeting the OIG’s mandates during this time of uncertainty.

I am also pleased to report that the OIG held its eighth annual OIG awards ceremony in March 2022 to honor the outstanding achievements of

OIG staff during the previous year. At this year’s ceremony, SEC Chair Gary Gensler and I recognized the specific contributions of the award recipients. I would like to express my gratitude to the award recipients, as well as all the OIG staff, for their continued hard work and dedication to the OIG’s mission.

In particular, the 2021 SEC OIG Special Joint Team Award went to the Employee Engagement Council (EEC), which represented all OIG components and worked tirelessly toward the goals of increasing employee engagement, facilitating job satisfaction, promoting organizational effectiveness, and enhancing a team environment through conversation, communication, and understanding. Additionally, in collaboration with the Diversity, Equity, and Inclusion (DEI) Committee, the EEC conducted the OIG Annual Employee Survey to identify areas where leadership can both improve its support for employees and continue facilitating conversations surrounding important DEI topics.

The success of the EEC’s efforts can be seen in the recently released 2021 Federal Employee Viewpoint Survey (FEVS) results. The OIG’s response rate to the 2021 FEVS was 90 percent, one of the highest at the SEC. The OIG scored well in each of the four major indices:

Global Satisfaction	92% positive
FEVS Average	86% positive
Employee Engagement	84% positive
Leader Effectiveness	84% positive

I am extremely proud of these results, which reinforce the clear progress that our employee engagement initiatives have made. I thank the OIG

leadership team and all staff for their continued engagement and commitment to creating a workplace culture of transparency, accountability, teamwork, and inclusion.

In closing, I remain firmly committed to executing the OIG's mission of promoting the integrity, efficiency, and effectiveness of the SEC's programs and operations and to reporting our findings and recommendations to Congress and the Commission. We will continue to collaborate

with SEC management to assist the agency in addressing the challenges it faces in its unique and important mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. I very much appreciate the significant support that the OIG has received from Congress and the agency. We look forward to continuing to work closely with the Commission and staff, as well as Congress, to accomplish our mission.



Carl W. Hoecker  
*Inspector General*



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# MANAGEMENT AND ADMINISTRATION

## AGENCY OVERVIEW

**T**he SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC strives to promote capital markets that inspire public confidence and provide a diverse array of financial opportunities to retail and institutional investors, entrepreneurs, public companies, and other market participants. Its core values consist of integrity, excellence, accountability, teamwork, fairness, and effectiveness. The SEC's goals are (1) focus on the long-term interests of our Main Street investors; (2) recognize significant developments and trends in our evolving capital markets and adjusting our efforts to ensure we are effectively allocating our resources; and (3) elevate the SEC's performance by enhancing our analytical capabilities and human capital development.

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, and the Public Company Accounting Oversight Board. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), the agency's

jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

The SEC accomplishes its mission through 6 main divisions—Corporation Finance, Enforcement, Examinations, Investment Management, Trading and Markets, and Economic and Risk Analysis—and 25 functional offices. The SEC's headquarters are in Washington, DC, and the agency has 11 regional offices located throughout the country. As of March 2022, the SEC employed 4,477 full-time equivalent employees.

## OIG STAFFING, RESOURCES, AND ADMINISTRATION

During this semiannual reporting period, the OIG recruited to fill key vacancies integral to the management, audit, and investigative functions. We hired five employees: two auditors, two investigators, and an information technology specialist. We also continued our efforts to meet our strategic goals of (1) delivering results that promote integrity, efficiency, and effectiveness in the SEC's programs and operations; (2) advancing an inclusive and dynamic OIG culture that inspires high performance; and (3) improving the effectiveness and efficiency of OIG processes through continuous innovation, collaboration, and communication.

## OIG OUTREACH

The IG regularly met with the Commissioners and senior officers from various SEC divisions and offices to foster open communication at all levels between the OIG and the agency. Through these efforts, the OIG kept up-to-date on significant, current matters that were relevant to the OIG's work. These regular communications also enabled the OIG to obtain agency management's input on what it believes are the areas presenting the greatest risks or challenges, facilitating the OIG's identification and planning for future work. The OIG continually strives to keep apprised of changes to agency programs and operations and keeps SEC management informed of the OIG's activities and concerns raised during its work.

The OIG also continued its efforts to educate SEC employees on the roles and responsibilities of the OIG. The OIG participates in the SEC's new employee orientation sessions and gives an overview of the OIG and its various functions. Additionally, the OIG continued to educate staff on and promote the OIG's SEC Employee Suggestion Program, to encourage suggestions for improvements in the SEC's work efficiency, effectiveness, and productivity, and the use of its resources.

OI continued delivering its fraud awareness briefing program throughout the SEC. These briefings serve to educate SEC employees on the activities of the OIG as well as specific vulnerabilities in the programs they oversee. The briefings also enhance the OIG's "eyes and ears," with the goal of achieving more timely and complete reporting of possible fraud, waste, and abuse in SEC programs and operations. Additionally, the OIG continued its collaboration with the SEC's Office of Financial Management and Office of Acquisitions to provide a fraud awareness training module during annual training for contracting officials.

## OIG ANNUAL AWARDS PROGRAM

The OIG held its annual awards ceremony on March 11, 2022, to honor outstanding achievements of OIG employees in 2021 and to recognize employees for their length of service milestones. The awardees were selected in various categories based on nominations submitted by their peers and other OIG staff. The IG and the SEC Chair presented the awards.

The 2021 award recipients included:

- Leann Harrier—Inspector General Award
- Ismael Serrano—Operations and Management Employee of the Year Award
- Lucia Fuentes—OA Employee of the Year Award
- Michael Graziano—OI Employee of the Year Award
- David Witherspoon—Office of Counsel to the Inspector General Employee of the Year Award
- Gene Carson, Michael Graziano, Barry Grundy, Reginald Sessoms, Ronald Wormsley, Samuel Morris, Bruce McLean, William Beach, Roberta Raftovich, David Witherspoon, and Lori Wagner—Group Superior Accomplishment Award
- Michael Burger—Individual Superior Accomplishment Award
- Holley Miller, Lucia Fuentes, Juliet Gardner, Michael Graziano, William Hampl, and Rebecca Suzanne Heimbach—Special Joint Team Award

During the ceremony, the OIG also recognized and thanked employees for their service. This year's Length of Service awardees included:

- Rubin Hantz—30 years
- Kelli Brown-Barnes—25 years
- Juliet Gardner—25 years
- Michael Burger—20 years
- Barry Grundy—20 years
- Rebecca Suzanne Heimbach—15 years
- Roberta Raftovich—15 years
- Lori Wagner—10 years



## COORDINATION WITH OTHER AGENCIES

**D**uring this semiannual reporting period, the SEC OIG coordinated its activities with those of other agencies, pursuant to Section 4(a)(4) of the IG Act of 1978, as amended.

Specifically, the OIG participated in the meetings and activities of the Council of Inspectors General on Financial Oversight (CIGFO), which was established by Dodd-Frank. The chairman of CIGFO is the IG of the U.S. Department of the Treasury (Treasury). Other members of the Council, in addition to the IGs of the SEC and Treasury, are the IGs of the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission (CFTC), the Department of Housing and Urban Development, the Federal Deposit Insurance Corporation (FDIC), the Federal Housing Finance Agency, the National Credit Union Administration, and also the Special IG for the Troubled Asset Relief Program. As required by Dodd-Frank, CIGFO meets at least once every three months. At the CIGFO meetings, the members share information about their ongoing work, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight.

The SEC OIG also attended Council of Inspectors General on Integrity and Efficiency (CIGIE) meetings. In addition, the OIG participated on a team to update CIGIE Quality Standards for Digital Forensics, which provide a framework for performing high-quality digital forensics in support of investigations conducted by an OIG. The OIG also participated in and chaired the CIGIE Undercover Review Committee, which provided recommendations and approvals on the suitability of undercover operations that involved sensitive circumstances that were carried out in accordance with DOJ guidelines. Additionally, we collaborated with the OIG community to assist DOJ in ensuring full reporting of required criminal history information to the National Instant Criminal Background Check System.

Finally, OA staff represented the SEC OIG on a number of CIGIE working groups including those related to external peer reviews, information technology, audit quality assurance, and monetary impacts. Management within OA as well as the Counsel to the Inspector General also met with U.S. Government Accountability Office (GAO) management and staff as both entities evaluated the

SEC's human capital management programs and processes. Moreover, in conjunction with ongoing audits of the SEC's whistleblower program and small business contracting, OA management and staff coordinated with the Commodity Futures Trading Commission and the Small Business Administration, respectively.

OIG staff also participated in the activities of CIGIE's Deputy IGs group and DEI Committee, as well as the Council of Counsels to the Inspectors General.





# AUDITS AND EVALUATIONS

## OVERVIEW

The SEC OIG's OA conducts, coordinates, and supervises independent audits and evaluations of the agency's programs and operations at the SEC's headquarters and 11 regional offices. OA also hires, as needed, contractors and subject matter experts, who provide technical expertise in specific areas, to perform work on the OIG's behalf. In addition, OA monitors the SEC's progress in taking corrective actions on recommendations in OIG audit and evaluation reports.

Each year, OA prepares an annual work plan. The plan includes work that OA selects for audit or evaluation on the bases of risk and materiality, known or perceived vulnerabilities and inefficiencies, resource availability, and information received from Congress, SEC staff, GAO, and the public.

OA conducts audits in compliance with generally accepted government auditing standards issued by the Comptroller General of the United States. OIG evaluations follow the CIGIE *Quality Standards for Inspection and Evaluation* (Blue Book). At the completion of an audit or evaluation, the OIG issues an independent report that identifies deficiencies and makes recommendations, as necessary, to correct those deficiencies or increase efficiencies in an SEC program or operation.

## COMPLETED AUDITS AND EVALUATIONS

### Audit of the SEC's Compliance With the Digital Accountability and Transparency Act for Fiscal Year 2021 (Report No. 569)

The Digital Accountability and Transparency Act of 2014 (DATA Act) enables taxpayers and policymakers to track federal spending more effectively. The DATA Act directs the Office of Management and Budget (OMB) and Treasury to establish government-wide financial data standards to ensure the reporting of reliable, consistent Federal spending data for public use. The Act also requires the IG of each Federal agency to assess the completeness, accuracy, timeliness, and quality of their agency's spending data and the agency's implementation and use of the data standards.

In accordance with the DATA Act and guidance (referred to as the IG Guide) promulgated by CIGIE's Federal Audit Executive Council, we conducted an audit of the SEC's compliance with the DATA Act with respect to the SEC's fiscal year (FY) 2021, first quarter (FY21Q1) data submitted to Treasury.

We found that the SEC's Office of Financial Management prepared and submitted the agency's FY21Q1 data in a timely manner and in accordance with the DATA Act. Moreover,

the SEC appears to have properly designed and implemented controls that are operating effectively and are providing reasonable assurance that agency data extracted from source systems and agency reporting of transactional information is complete, accurate, and timely. We tested, as applicable, 46 data elements across all 244 detailed transactions included in the SEC's FY21Q1 submission to Treasury's DATA Act Broker. The resulting low error rates, along with other testing, led us to conclude that the SEC has "excellent" quality of data as defined by the IG Guide. (Data quality could be "excellent," "higher," "moderate," or "lower.")

We further determined that, of the 372 errors identified, only 50 were because of SEC actions. The remaining errors were linked to data extracted or derived from third-party systems, such as the System for Award Management. When we removed the errors attributable to third parties, the SEC's error rates for completeness, accuracy, and timeliness fell to 0 percent, 1.65 percent, and 1.65 percent, respectively.

We also evaluated the SEC's implementation and use of the government-wide financial data standards and determined that the SEC has fully implemented and used the data standards as required. Finally, we identified two matters related to the SEC's compliance with the DATA Act that did not warrant recommendations. First, the SEC's Office of Financial Management can update its Reference Guide to reflect changes to its reconciliation tools and procedures. Next, the SEC's Office of Acquisitions can better ensure that agency award descriptions provide brief, summary level, plain English descriptions of SEC contracts and contract modifications to help ensure the agency meets the intent of the DATA Act and provides meaningful and transparent information about agency purchases.

We issued our final report on October 28, 2021, and made no recommendations but identified two matters that we discussed with agency management for their consideration. The report is available on our website at <https://www.sec.gov/files/Audit-of-SECs-Compliance-with-DATA-Act-FY-2021-Report-No-569.pdf>.

#### Fiscal Year 2021 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014 (Report No. 570)

The SEC OIG contracted with Kearney and Company, P.C., (Kearney) to conduct an independent evaluation of the SEC's information security programs and practices. The Federal Information Security Modernization Act of 2014 (FISMA) requires all federal agencies to develop, document, and implement an agency-wide information security program to protect its information and information systems, including those provided or managed by another agency, contractor, or other source. Additionally, FISMA requires federal agencies or a contracted independent external auditor to conduct an annual independent evaluation of its information security program and practices, as well as an assessment of its compliance with the requirements of FISMA.

Kearney conducted this independent evaluation of the SEC's information security program and practices in support of the SEC OIG in accordance with CIGIE's Blue Book. Kearney's evaluation included inquiries, observations, and inspection of SEC documents and records, as well as direct testing of controls.

Kearney reported that the SEC had improved aspects of the agency's information security program, such as refining its management of security training roles and responsibilities, enhancing its security training strategy, implementing the agency's policy for specialized security training, optimizing

a Vulnerability Disclosure Policy, refining its configuration management processes related to reconciliation of software code in production, improving its incident response information-sharing capabilities, and improving its Contingency Planning Capabilities. These improvements occurred despite facing challenges presented by the ongoing COVID-19 pandemic, which included a significant increase in telework.

However, Kearney identified opportunities for improvement in key areas, and as a result, Kearney noted that the agency's information security program did not meet the FY 2021 IG FISMA Reporting Metrics' definition of "effective," which requires the simple majority of domains to be rated as "Level 4: Managed and Measurable." Although the agency's program, as a whole, did not reach the level of an effective information security program, the SEC has shown significant improvements at the domain levels. The report, issued on December 21, 2021, includes eight new recommendations to strengthen the SEC's information security program.

Because this report contains sensitive information, we released a redacted version on our website at <https://www.sec.gov/files/FY-2021-Independent-Evaluation-SEC-Implementation-of-the-FISMA-of-2014-Report-No-570.pdf>.

#### Registered Investment Adviser Examinations: EXAMS Has Made Progress To Assess Risk and Optimize Limited Resources, But Could Further Improve Controls Over Some Processes (Report No. 571)

Within the SEC's EXAMS, the investment adviser/investment company (IA/IC) examination program assesses whether, among other things, RIAs and investment companies comply with federal securities laws. RIAs are among the variety

of financial professionals that provide services to help individuals manage their investments. Generally, RIAs include firms or individuals that, for compensation, advise others as to the value of securities, or as to the advisability of investing in, purchasing, or selling securities. RIAs represent the largest portion of the registered firm population overseen by EXAMS, and the majority of EXAMS' examinations are of RIAs.

The overall objective of this audit was to determine whether EXAMS has established effective controls over its RIA examination planning processes to foster compliance with federal securities laws and ensure efficient allocation of its limited RIA examination resources. We also followed up on the implementation of corrective actions in response to recommendations from our 2016 evaluation.

We verified that, in response to two recommendations from the prior OIG evaluation (*Office of Compliance Inspections and Examinations' Management of Investment Adviser Examination Coverage Goals*; OIG Report No. 533; March 10, 2016), EXAMS worked to optimize its limited resources and increase its efficiency and effectiveness, improve its IA/IC examination program's examination candidate selection processes, and implement GAO's risk-management framework, specifically, within the IA/IC examination program. OIG Report No. 533 noted that, in FY 2015, the average number of IA/IC examinations completed per examiner was about three. That number nearly doubled in FY 2021. Additionally, in FY 2015, EXAMS met its annual goal of examining 10 percent of RIAs. Notably, the percentage of RIAs examined improved to 15 percent in FY 2020 and 16 percent in FY 2021.

We selected and reviewed a non-statistical, random sample of 501 RIA examinations from the audit universe of 4,993 RIA examinations that were approved and closed between FY 2019 and FY 2021, quarter 2. For each sample item, we tested key examination planning processes and controls and found that, although 23 of 26 operated effectively, controls over the remaining RIA examination planning processes need improvement. For example, for 81 of the 501 RIA examinations we reviewed (or about 16 percent), staff commenced substantive RIA examination procedures before management reviewed and approved key examination planning and scoping processes as part of the examination pre-fieldwork phase. In some cases, staff failed to first request management's approval before commencing substantive examination procedures. In other cases, management failed to provide timely approval when requested. As a result, pre-fieldwork approval—a primary control for ensuring, among other things, that staff execute examinations in accordance with EXAMS' policies and procedures—occurred between 1 and 391 days late (or an average of 54 days late) for the 81 RIA examinations in question. Additionally, for 70 of the 501 RIA examinations we reviewed (or about 14 percent), staff either did not (1) ensure the EXAMS system of record included evidence of required communications with examined registrants, or (2) maintain documents in the Communications section of the system, as required. Inconsistent documentation of examination communications may lead to difficulties in reviewing and supervising examinations.

Lastly, we identified a matter that did not warrant a recommendation, but that we discussed with agency management for their consideration.

Specifically, 8 of the 501 examinations we reviewed included non-EXAMS staff participation. However, we were unable to find evidence that an examination supervisor notified registrants of non-EXAMS staff participation for seven of these eight RIA examinations.

We issued our final report on January 25, 2022, and made three recommendations to further strengthen the SEC's IA/IC examination program. Because this report contains nonpublic information about the SEC's examination program, we released a redacted version on our website at <https://www.sec.gov/files/Registered-Invst-Adviser-EXAMS-Made-Prog-Assess-Risk-Optimize-Limited-Resources-Could-Further-Impr-Controls-Over-Some-Processes-Rpt-571.pdf>.

#### The SEC Can Improve in Several Areas Related to Hiring (Report No. 572)

According to GAO, effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control. In its FY 2018–2022 strategic plan, the SEC also recognized that its success is dependent on an effective, highly skilled workforce.

At the SEC, the Office of Human Resources (OHR) provides leadership for the agency's strategic human capital management by administering programs, establishing policies, and ensuring compliance with federal regulations. We conducted this audit to assess OHR's controls over the SEC's hiring actions. Specifically, we sought to determine whether OHR's controls ensured that the SEC's hiring actions complied with applicable requirements in all material respects; and that OHR assessed the timeliness of agency hiring actions based on reliable data.

We determined that the SEC can improve in several areas related to hiring. First, management can improve its controls to ensure Workforce Transformation and Tracking System (WTTS) data fields are accurate, consistent, and complete.

We found that:

- 83 of the 91 hiring actions sampled (or about 91 percent) had at least one data entry issue in the WTTS data fields we reviewed, and almost 9 percent of the WTTS data entries we reviewed were either inaccurate, inconsistent, or incomplete;
- the SEC's WTTS data continued to include unannotated anomalies; and
- certain hiring actions were not consistently identified in WTTS.

These conditions occurred because (1) OHR's WTTS job aid did not include sufficient instructions regarding the dates and information expected in key WTTS data fields, and (2) some data fields were not included on the WTTS reports used by OHR staff to ensure the SEC's hiring action data was accurate, complete, and consistently recorded. As a result, OHR can further improve the reliability of the SEC's WTTS data to assist in workforce management and internal and external reporting of agency hiring information.

In addition, our assessment of OHR's quarterly Service Level Commitment (SLC) reviews found that (1) OHR did not perform SLC reviews in a consistent manner, (2) the review process was inefficient and prone to inaccuracies, and (3) SLC reviews did not align with the SLC presented to and agreed upon by the other SEC divisions and offices. This occurred because OHR did not establish clear guidance, including in the SLC itself, for the variety of hiring types and scenarios that can occur, or how to measure each one. The organization also did not ensure it could measure the SLC steps, as presented,

in WTTS and did not effectively use the WTTS reporting capabilities in its SLC reviews. As a result, OHR limited its ability to rely on the SLC and SLC reviews as key controls for efficiently and effectively identifying areas of needed improvement in the SEC's hiring process, and for collaborating with the divisions and offices OHR serves.

Furthermore, we found that the SEC's pay-setting guidance needs improvement and OHR can clarify the new hire pay-setting information shared both internally and externally. Specifically, (1) the pay-setting information available to SEC employees and hiring officials was not comprehensive, (2) the internally published pay matrices were outdated, and (3) publicly advertised SEC salary information was misleading for new hires. We also identified inaccuracies in some of the underlying pay band information included in the 2021 pay matrices, and other pay-setting concerns. Incomplete, outdated, and misleading new hire pay-setting guidance and information have caused confusion and may have limited hiring officials' ability to review and respond to pay-setting requests. Although it does not appear that inaccurate information in the 2021 pay matrices impacted any newly hired SEC employee's pay, it could have, had certain hiring scenarios occurred.

We also concluded that OHR generally complied with the key hiring authority requirements tested; however, staffing case files for 18 of 32 attorney hiring actions we reviewed (about 56 percent) lacked supporting documentation, including proof of law degrees and/or bar membership. This occurred because OHR did not clarify review processes and documentation requirements for attorney qualifications. In addition, OHR's internal reviews of staffing case files needed improvement. As a result, the SEC risked hiring attorneys who did not meet all qualifications required for their position.

Lastly, we identified a matter that did not warrant recommendations related to (1) the SEC's SLC as compared to the Office of Personnel Management's end-to-end hiring process model timelines, and (2) feedback from the SEC divisions and offices OHR serves. We discussed this matter with agency management for their consideration.

We issued our final report on February 28, 2022, and made 11 recommendations to further strengthen the SEC's controls over hiring actions. The report is available on our website at <https://www.sec.gov/files/SEC-Can-Improve-in-Several-Areas-Related-to-Hiring-Report-No-572.pdf>.

## OTHER REPORTS AND PROJECTS

### Inspector General's FY 2021 Letter to OMB on the SEC's Implementation of Purchase Card Program Audit Recommendations

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law 112-194, requires that IGs report to the Director of OMB on the implementation of recommendations made to the head of an executive agency to address findings of any analysis or audit of purchase card and convenience check transactions or programs. As required by the Charge Card Act, the SEC's OIG periodically performs risk assessments of the SEC's government purchase card program.

On January 26, 2022, the OIG reported to OMB that the OIG did not issue any reports with government purchase card-related recommendations during FY 2021. Furthermore, there are no open recommendations related to the SEC's government purchase card program.

The OIG's letter is available on our website at <https://www.sec.gov/files/SEC-OIG-FY-2021-Ltr-to-OMB-on-Purchase-Card-Related-Audit-Recommendations.pdf>.

## ONGOING AUDITS AND EVALUATIONS

### Audit of the U.S. Securities and Exchange Commission's Whistleblower Program

FY 2020 marked both the 10-year anniversary of the inception of the SEC's whistleblower program under Dodd-Frank, as well as numerous record-breaking whistleblower program accomplishments in terms of individuals and dollars awarded, claims processed, and tips received. In FY 2020, the SEC processed more claims than in any other year of the program, and the Commission issued the largest number of Final Orders resolving whistleblower award claims in a FY, including both award and denial orders. According to the SEC's public website, this record-breaking trend continued into early FY 2021, when the Commission issued an individual award of \$114 million, eclipsing the previous record of \$50 million set months prior in FY 2020. Overall, from its inception through the end of FY 2020, the whistleblower program received more than 40,000 tips, and awarded approximately \$562 million to 106 individuals.

The SEC OIG has initiated an audit to assess the growth of the SEC's whistleblower program and the functioning of key program controls, such as those for communicating with stakeholders, reviewing information provided by whistleblowers, and determining award amounts.

We expect to issue a report summarizing our findings before the end of FY 2022.

### Evaluation of the Office of the Advocate for Small Business Capital Formation

The SEC's Office of the Advocate for Small Business Capital Formation (OASB) is a newly established, independent office within the SEC. OASB commenced operations in January 2019 and was established pursuant to the SEC Small Business Advocate Act of 2016 to advance the

interests of small businesses and their investors at the SEC and in the capital markets. OASB advocates for small businesses and their investors by conducting outreach to solicit views on relevant capital formation issues, providing assistance to resolve significant problems small businesses may have with the Commission or self-regulatory organizations, analyzing the potential small business impact of proposed regulations and rules, and recommending changes to mitigate capital formation issues and promote the interests of small businesses and their investors.

The SEC OIG has initiated an evaluation to assess the design and implementation of OASB's operations, policies, and controls to include, as applicable, coordination and collaboration with other SEC divisions and offices and external stakeholders, to determine whether OASB has met applicable statutory requirements and strategic goals and objectives.

We expect to issue a report summarizing our findings during the next reporting period.

#### Audit of the SEC's Small Business Contracting

The Small Business Act seeks to improve small businesses' access to federal procurement contracts by requiring federal agencies to establish annual small business contracting goals that provide small businesses with contracting opportunities to the maximum extent practicable. To ensure small businesses are given opportunities, the Small Business Act established a federal government goal that 23 percent of eligible prime contract dollars be awarded to small businesses each FY, in addition to sub-goals for other socioeconomic sub-groups. In December 2021, OMB issued memorandum M-22-03, which implements policy to use federal contract spending to support small businesses and advance equity.

The SEC's public website provides contractors information on doing business with the agency, including the SEC's commitment to utilizing—to the maximum extent practicable— Federal Acquisition Regulation 19.201 requirements. According to the SEC's Office of Minority and Women Inclusion (OMWI) 2020 Annual Report, OMWI's Supplier Diversity Officer and the Office of Acquisition's Small Business Specialist actively collaborate on outreach activities designed to make small businesses more aware of SEC requirements and opportunities for participating in agency contracting.

The SEC OIG has initiated an audit to (1) assess the SEC's processes for encouraging small business participation in agency contracting, in accordance with federal laws and regulations; and (2) determine whether, in FYs 2020 and 2021, the SEC accurately reported small business awards.

We expect to issue a report summarizing our findings during the next reporting period.

#### Evaluation of the U.S. Securities and Exchange Commission's Fiscal Year 2021 Compliance With the Payment Integrity Information Act of 2019

The Payment Integrity Information Act of 2019 (PIIA) requires executive branch agencies to review all programs and activities, identify those susceptible to significant improper payments, and submit to Congress an estimate of the annual amount of improper payments from the susceptible programs. PIIA also established additional agency requirements that each agency IG will annually report on. Pursuant to OMB guidance, the SEC OIG has initiated an evaluation to determine whether the SEC complied with the PIIA in FY 2021 and to evaluate, if applicable, the agency's risk assessment methodology, improper payment

rate estimates, sampling and estimation plan(s), corrective action plan(s), and efforts to prevent and to reduce improper payments.

We expect to issue a report summarizing our findings during the next reporting period.

#### Evaluation of the Division of Enforcement's Efforts and Goals To Emphasize Expediency

The Division of Enforcement (Enforcement) is critical to the Commission's ability to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. Specifically, Enforcement uncovers misconduct and advances the Commission's mission each year by investigating and bringing hundreds of actions against individuals and entities for fraud and other misconduct, and by securing remedies that protect investors and the markets. As stated in Enforcement's 2020 annual report, "[Enforcement's] actions have the greatest impact when filed as close in time to the conduct as possible."

The SEC OIG has initiated an evaluation to (1) assess Enforcement's efforts to emphasize expediency and accelerate the pace of investigations, where possible and appropriate, and (2) review Enforcement's performance goal-setting and monitoring processes related to the pace and expediency of investigations. The evaluation scope period will include Enforcement time-to-file data and goal-setting processes covering fiscal years 2016 through 2021, and associated efforts and actions to meet established goals in accordance with applicable criteria.

We expect to issue a report summarizing our findings during the next reporting period.

#### FY 2021 Government Charge Card Program Risk Assessment

The Charge Card Act, Public Law 112-194, as implemented by OMB Circular No. A-123, Appendix B, requires the OIG to conduct periodic assessments of the SEC's purchase card and/or convenience check program to identify and analyze risks of illegal, improper, or erroneous purchases and payments in order to determine the scope, frequency, and number of periodic audits of purchase card or convenience check transactions. The Charge Card Act and OMB Circular also establish certain requirements with respect to agency travel card programs.

The SEC OIG has initiated a risk assessment of the SEC's government charge card programs—purchase card and travel card—for FY 2021 to identify and analyze risks of illegal, improper, or erroneous purchases and payments; and to determine whether the SEC established and maintained statutorily mandated internal control activities to address the risks associated with government charge cards.

We expect to issue a report summarizing our results during the next reporting period.





# INVESTIGATIONS

## OVERVIEW

The SEC OIG's OI investigates allegations of criminal, civil, and administrative violations relating to SEC programs and operations. The subject of an OIG investigation can be an SEC employee, contractor, consultant, or any person or entity involved in alleged wrongdoing affecting the agency. Substantiated allegations may result in criminal prosecutions, fines, civil penalties, administrative sanctions, or personnel actions.

OI conducts investigations in accordance with the CIGIE *Quality Standards for Investigations* and applicable guidelines issued by the United States Attorney General. OI continues to enhance its systems and processes to ensure investigations are conducted in an independent, fair, thorough, and timely manner.

Investigations require extensive collaboration with separate SEC OIG component offices, other SEC divisions and offices, and outside agencies, law enforcement agencies, as well as coordination with the DOJ and other prosecutorial agencies. During the course of investigations, OI may discover vulnerabilities and internal control deficiencies and promptly report these issues to SEC management for corrective actions via Management Implication Reports.

OI manages the OIG Hotline, which is available 24 hours a day, 7 days a week, to receive and process tips and complaints about fraud, waste,

or abuse related to SEC programs and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially.

Staffed by Special Agents, the OIG's Digital Forensics and Investigations Unit performs digital forensic acquisitions, extractions, and examinations in support of SEC OIG operations, and conducts network intrusion and exploitation investigations, as well as other investigations involving threats to the SEC's IT infrastructure.

## REPORT ON INSTANCES OF WHISTLEBLOWER RETALIATION

For this semiannual reporting period, the OIG found no instances of whistleblower retaliation to report.

## CLOSED SUBSTANTIATED INVESTIGATIONS

### Private Citizen Provides False Statements During Agency Proceeding

The OIG investigated an allegation that a private citizen made false statements under oath in two affidavits to SEC's Enforcement pertaining to funds sent overseas to avoid violating United States securities laws. The investigation determined that the person received about \$200,000 in transaction-based compensation after being advised that receiving such could violate federal securities laws. The private citizen then provided a false written declaration to the SEC that they had not received such compensation. On December 8, 2017, the matter was referred to the appropriate U.S. Attor-

ney's Office (USAO) for prosecution consideration, and was accepted on March 18, 2018. As a result, on October 16, 2020, the private citizen entered into pretrial diversion agreement with the USAO for charges of violation of false statements and perjury. With the agreement, the private citizen agreed to one year probation and 150 days of community service; if these requirements were satisfied, the charges would be dismissed. On November 5, 2021, the USAO reported that the private citizen had satisfied all the requirements of the pretrial diversion agreement, and the charges were dismissed.

#### Corporate Officers Provide False Statements During Agency Proceeding

The OIG investigated allegations that corporate officers fabricated evidence and provided false testimony to SEC's Enforcement. The investigation was coordinated with the USAO and the Internal Revenue Service Criminal Investigation. The investigation determined that the corporate officers provided false testimony, and the U.S. District Court for the District of Nevada affirmed sanctions imposed on the officers. On April 3, 2020, the matter was referred to the appropriate USAO, and on October 18, 2021, the USAO declined to pursue criminal prosecution.

#### Fraudster Impersonates Former SEC Senior Management Official

The OIG investigated an allegation that someone attempted to impersonate a former SEC Senior Management Official and divert their pay. The investigation determined that a person purporting to be the former Senior Management Official in an email attempted to divert the Senior Management Official's pay to a different account via direct deposit, and to change the former Senior Management Official's SEC account login information. The investigation was not able to identify the person(s) attempting to divert the former Senior Management Official's information. On February 18, 2020, the matter was referred to the appropriate USAO; however, prosecution was declined.

#### Former Employee Provided Nonpublic Information to an Unauthorized Individual

The OIG investigated an allegation that two SEC employees who were working on an academic research paper shared SEC nonpublic information with a third co-author, who was not an SEC employee. The third co-author previously had been an Intergovernmental Personnel Act (IPA) employee at the SEC but continued to work on the paper after they left the SEC, even though they failed to complete a required acknowledgement to work as an outside co-author until about 1 year after they left the SEC. The investigation determined that one of the SEC employee co-authors continued to work on the research paper and share SEC nonpublic information with the former IPA employee co-author. This SEC employee also sent nonpublic information between their SEC e-mail account and their personal e-mail account. This SEC employee resigned during the course of the investigation. The investigation also determined that the other SEC employee co-author did not work on the research paper or share information with the former IPA employee co-author after they left the SEC. On October 7, 2021, the matter was referred to the appropriate USAO; however, prosecution was declined.

#### SEC Violates the Antideficiency Act

The OIG investigated an allegation that the SEC hired a non-United States citizen in violation of a provision in the Fiscal Year 2016 Consolidated Appropriations Act that restricts federal government agencies from using appropriated funds to pay the salary of a non-United States citizen, unless certain criteria are met, resulting in a potential violation of the Antideficiency Act.

The investigation determined that in October 2015, a non-United States citizen applied for an excepted service position with the SEC and, at that time, disclosed that they were a lawful permanent United States resident and a citizen of a foreign country. However, despite this disclosure, an SEC employee responsible for the hiring action incorrectly assumed

that the non-United States citizen applicant was a United States citizen and incorrectly coded the non-United States citizen as a United States citizen in the Federal Personnel Payroll System. Furthermore, this employee did not request that the non-United States citizen applicant complete and submit the documents that are required by law in order for the federal government to lawfully use appropriated funds to pay the salary of a non-United States citizen. One of these required documents is an affidavit from the non-United States citizen affirming their eligibility for federal employment. As a result, the non-United States citizen was hired by the SEC, and the SEC used appropriated funds to pay their salary until the non-United States citizen resigned from the SEC in 2021.

The investigation further determined that the non-United States citizen would not have been eligible for federal employment when initially hired by the SEC and never became eligible for federal employment during their employment with the SEC. Thus, the SEC used appropriated funds to pay the non-United States citizen's salary in apparent violation of the Consolidated Appropriations Act and the Antideficiency Act.

On April 6, 2021, the matter was referred to the appropriate USAO; however, prosecution was declined. The non-United States citizen employee resigned from the SEC. The SEC reportedly notified the President, the Speaker of the House of Representatives, the President of the Senate, and the Comptroller General of GAO of the SEC's Antideficiency Act violation.

#### SEC Employee Failed To Pre-clear Securities Transactions

The OIG investigated an allegation that an employee failed to pre-clear securities transactions effected by the employee's spouse. Additionally, several securities purchased by the employee's spouse were restricted from purchase and were not held for the minimum

required holding period. The investigation determined that between June 2020 and January 2021, the employee and their spouse opened trading accounts and effected 66 transactions that were not pre-cleared as required. Additionally, the employee and their spouse failed to pre-clear or retroactively report 10 additional transactions that occurred during the timeframe. Furthermore, three transactions were retroactively reported with incorrect dates, and 3 were retroactively reported with incorrect quantities. It was determined that there were 28 instances in which the employee and their spouse failed to hold securities for the required minimum 6-month holding period from the purchase date and inappropriately purchased 9 securities that were restricted from purchase. Combined, the employee and spouse profited only a *de minimis* amount as a result of these transactions. A referral to DOJ was not made; however, the matter was referred to management, and the employee received counseling.

#### Sexual Harassment

The OIG investigated allegations that one SEC employee engaged in sexual harassment of another SEC employee when Employee 1 kissed Employee 2 on the lips while socializing outside of the SEC office after normal work hours. Employee 1 admitted that they were at a bar with Employee 2 after work hours, and at some point during that time, Employee 1 kissed Employee 2. Employee 1 said that at the time of the incident, they immediately realized that it was inappropriate behavior. Employee 2 said they were shocked and uncomfortable with the kiss and afterward felt uncomfortable working with and being around Employee 1. On December 3, 2021, the matter was referred to the appropriate USAO; however, prosecution was declined. The matter was referred to management for administrative action: Employee 1 received a letter of reprimand and was required to complete an anti-harassment coaching session.

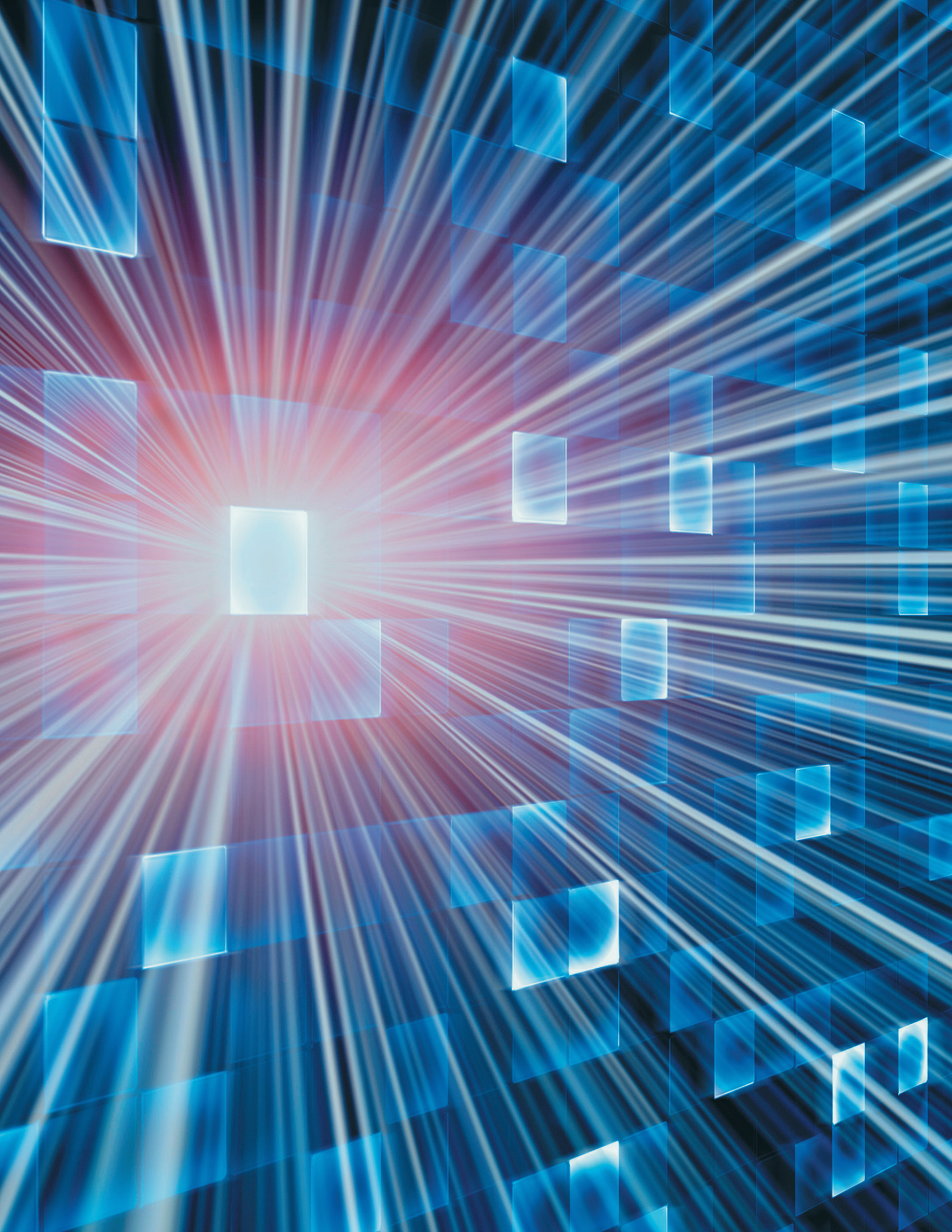




## REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a) of the IG Act directs the OIG to review existing and proposed legislation and regulations relating to the programs and operations of the SEC, and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of SEC programs and operations, as well as any impact on the prevention and detection of fraud and abuse in such programs and operations. Although the SEC's Office of Legislative and Intergovernmental Affairs and Office of the General Counsel review proposed or enacted legislation that could affect the SEC's activities, the OIG independently conducts reviews

in accordance with the IG Act. For example, during this reporting period, the OIG reviewed the Inspector General Independence and Empowerment Act, the Whistleblower Protection Improvement Act, the Federal Information Security Modernization Act of 2022, and the Special Inspector General for Law Enforcement Act. Additionally, the OIG reviewed a number of rules proposed and enacted by the Commission during this reporting period, such as rules related to Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure; the Commission's Whistleblower Program Rules; Rule 10b5-1 and Insider Trading; and Pay Versus Performance.



# MANAGEMENT DECISIONS

## STATUS OF RECOMMENDATIONS WITH NO MANAGEMENT DECISIONS

Management decisions have been made on all audit and evaluation reports issued before the beginning of this reporting period.

## REVISED MANAGEMENT DECISIONS

No management decisions were revised during the period.

## AGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

The OIG agrees with all significant management decisions regarding audit and evaluation recommendations.

## REPORTS FOR WHICH NO AGENCY COMMENT WAS RETURNED WITHIN 60 DAYS

There were no audit or evaluation reports issued before the beginning of this reporting period for which no agency comment was returned within 60 days of providing the report to the agency.

## INSTANCES WHERE THE AGENCY UNREASONABLY REFUSED OR FAILED TO PROVIDE INFORMATION TO THE OIG OR ATTEMPTED TO INTERFERE WITH OIG INDEPENDENCE

During this reporting period, there were no instances where the agency unreasonably refused or failed to provide information to the OIG or attempted to interfere with the independence of the OIG.

# TABLES

Table 1. List of Reports: Audits and Evaluations

Financial Management	
10/28/2021	Audit of the SEC's Compliance With the Digital Accountability and Transparency Act for Fiscal Year 2021
569	
Information Security	
12/21/2021	Fiscal Year 2021 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014
570	
Regulatory Oversight	
1/25/2022	Registered Investment Adviser Examinations: EXAMS Has Made Progress To Assess Risk and Optimize Limited Resources, But Could Further Improve Controls Over Some Processes
571	
Human Capital Management	
2/2/2022	The SEC Can Improve in Several Areas Related to Hiring
572	



Table 2. Reports Issued With Questioned Costs (Including Disallowed Costs)

Description	Number of Reports	Questioned Costs	Unsupported Costs
Reports for which no management decision had been made by the start of the reporting period	0	\$0	\$0
Reports issued during the reporting period	0	\$0	\$0
<b>Subtotal</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
• Line 1. Reports for which a management decision had been made during the reporting period:	0	\$0	\$0
• Dollar value agreed to by management	0	\$0	\$0
• Dollar value NOT agreed to by management	0	\$0	\$0
• Line 2. Reports with no management decision at the end of the reporting period	0	\$0	\$0

The term “questioned cost” means a cost that is questioned because of (A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (B) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

The term “unsupported cost” means a cost that is questioned because the OIG found that, at the time of the audit, such cost is not supported by adequate documentation.

The term “disallowed cost” means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the government.

Table 3. Reports Issued With Recommendations That Funds Be Put to Better Use

Description	Number of Reports	Dollar Value
Reports for which no management decision had been made by the start of the reporting period	0	\$0
Reports issued during the reporting period	0	\$0
<b>Subtotal</b>	<b>0</b>	<b>\$0</b>
Reports for which a management decision had been made during the reporting period:		
• Dollar value agreed to by management	0	\$0
• Dollar value NOT agreed to by management	0	\$0
Reports with no management decision at the end of the reporting period	0	\$0
<b>Total</b>	<b>0</b>	<b>\$0</b>

The term “recommendation that funds be put to better use” means a recommendation that funds could be used more efficiently if management took actions to implement and complete the recommendation, including (A) reductions in outlays; (B) deobligation of funds from programs or operations; (C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (F) any other savings which are specifically identified. Consistent with Section 5 of the IG Act, as amended, dollar amounts shown in this category reflect the dollar value of recommendations that funds be put to better use by management.

Table 4. Reports With Recommendations on Which Corrective Action Has Not Been Completed

During this most recent semiannual reporting period, SEC management provided the OIG with documentation to support the implementation of OIG recommendations. In response, the OIG closed 23 recommendations related to 10 OA reports and final management letters. The following table lists recommendations issued before the commencement of this semiannual reporting period that remain open. (“Redacted text” indicates recommendations that include one or more redactions of nonpublic information.)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
546 - Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2017	8	3/30/2018	Redacted Text
546 - Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2017	12	3/30/2018	Redacted Text
549 - The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework	2	9/11/2018	Finalize standard operating procedures for the agency's performance management program.
552 - Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	1	12/17/2018	Redacted Text
552 - Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	4	12/17/2018	Redacted Text
558 - Fiscal Year 2019 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	2	12/18/2019	Redacted Text
558 - Fiscal Year 2019 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	4	12/18/2019	Redacted Text

Table 4. Reports With Recommendations on Which Corrective Action Has Not Been Completed (*Continued*)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
559 - The SEC's Office of Broker-Dealer Finances Provides Effective Oversight, But Opportunities to Improve Efficiency Exist	2	2/26/2020	Finalize steps deemed feasible and prudent and, as necessary, (a) require broker-dealers to electronically file with the Commission annual reports and risk assessment reports, and (b) raise the capital threshold for reporting under the 17-H rules.
562 - Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	2	9/30/2020	Establish and implement comprehensive processes and procedures and/or update existing guidance to: (a) Require periodic reviews and reconciliations of mobile device usage reports, rate plan analysis reports, and mobile device management system reports to identify and address key indicators of potential inefficient or unauthorized use including overuse, underuse, or zero use. (b) Require periodic reviews of wireless service providers' invoices to ensure unusual or additional charges, such as international charges, are accurate, are for authorized purposes, and are adequately supported.
562 - Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	3	9/30/2020	Update existing guidance to include periodic assessments and recertifications of the continued need for mobile devices, specify criteria for assigning rate plans to mobile device users, and establish a process for communicating the plans' limits to users.
562 - Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	5	9/30/2020	Redacted Text
562 - Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	6	9/30/2020	Redacted Text
563 - Fiscal Year 2020 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	1	12/21/2020	Redacted Text
563 - Fiscal Year 2020 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	6	12/21/2020	Define and implement a process to incorporate results from the assessments of knowledge, skills, and abilities into the security training strategy.

Table 4. Reports With Recommendations on Which Corrective Action Has Not Been Completed (*Continued*)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
567 - DERA Staff Research and Publications Support the SEC's Mission, But Related Controls and Agency-wide Communication and Coordination Could Be Improved	1	9/17/2021	<p>Consider developing processes that will allow management to:</p> <p>(a) track how staff research and working papers support a subpart of the SEC's mission, and, as appropriate, ensure such activities—when conducted during official duty hours and using SEC resources—address agency needs across mission areas;</p> <p>(b) quantify over time the total number of working papers and refereed reports completed by staff during official duty hours to ensure management has a complete picture of how organizational resources are used;</p> <p>(c) ensure that information staff provide on SEC Form 2432 is complete, accurate, and ready for review before staff submit working papers and personal research to the Office of the Ethics Counsel for the Office of the General Counsel's review and clearance; and</p> <p>(d) review revised working papers and personal research (including those made public before the author was employed at the SEC) to determine whether the revisions are substantive changes, as defined in the DERA Guidelines, and staff should submit/re-submit the paper for the Office of the General Counsel's review and clearance.</p>
567 - DERA Staff Research and Publications Support the SEC's Mission, But Related Controls and Agency-wide Communication and Coordination Could Be Improved	2	9/17/2021	<p>Maintain complete and centralized records related to staff research and publication activities, including how working papers advance a subpart of the SEC mission.</p>
567 - DERA Staff Research and Publications Support the SEC's Mission, But Related Controls and Agency-wide Communication and Coordination Could Be Improved	3	9/17/2021	<p>Clearly identify and communicate to other SEC divisions and offices the purpose of DERA's Research Pipeline, and develop a process to actively solicit and obtain divisions' and offices' feedback on staff research including, as appropriate, suggested research topics for DERA's consideration.</p>

Table 4. Reports With Recommendations on Which Corrective Action Has Not Been Completed (*Continued*)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
567 - DERA Staff Research and Publications Support the SEC's Mission, But Related Controls and Agency-wide Communication and Coordination Could Be Improved	4	9/17/2021	Coordinate with other SEC divisions and offices to determine the optimal timing and content of DERA's Research Pipeline to ensure internal agency stakeholders have both sufficient time and information to provide meaningful comments on staff research before research is made public.
568 - Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture	1	9/29/2021	Define and/or establish processes, including roles and responsibilities, to prepare and timely update the SEC enterprise roadmap at regular intervals and to submit the roadmap to OMB in accordance with federal guidance.
568 - Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture	2	9/29/2021	Define the SEC's expectations including the core artifact and relevant elective artifacts needed to support each of the six enterprise architecture reference models, and processes, including roles and responsibilities, to develop and periodically update these artifacts.
568 - Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture	3	9/29/2021	Update existing policies and/or procedures to (a) specify a designated entity ultimately accountable for enterprise architecture development and maintenance, and for aligning enterprise architecture with the SEC's capital planning efforts; and (b) reflect the Technology Management Board as a governance authority, and remove the Information Officer's Council and the Enterprise Architecture Council.
568 - Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture	4	9/29/2021	Update existing policies and/or procedures to define the roles and responsibilities of key stakeholders involved in enterprise architecture, including the roles, responsibilities, and accountability to develop standard operating procedures to support the implementation of the SEC's enterprise architecture policy.

Table 5. Summary of Investigative Activity for the Reporting Period of October 1, 2021, to March 31, 2022

The data contained in this table was compiled from the OIG’s investigations case management system.

Investigative Caseload	Number
Cases Open at Beginning of Period	51
Cases Completed but Not Closed* at Beginning of Period	3
Cases Opened During Period	8
Cases Closed During Period**	19
Cases Completed but Not Closed at End of Period	1
Open Cases at End of Period	41
Investigative Reports Issued During the Reporting Period	12

\* A case is “completed” but not “closed” when the investigative work has been performed but disposition (such as corrective administrative action) is pending.

\*\* Of the 19 cases closed during this reporting period, 12 involved allegations that were unsubstantiated. Of the 19 cases closed in this reporting period, 2 involved senior government employees (SGEs).†

Criminal and Civil Investigative Activities	Number
Referrals for Criminal Prosecution to DOJ	8
Accepted	0
Indictments/Informations	0
Arrests	0
Convictions	1
Referrals for Criminal Prosecution to State and Local Prosecuting Authorities	0
Referrals for Civil Prosecution to DOJ	0
Referrals for Civil Prosecution to State and Local Prosecuting Authorities	0

Monetary Results	Number
Criminal Fines/Restitutions/Recoveries/Assessments/Forfeitures	\$11,300
Criminal Seizures	\$0
Civil Fines/Restitutions/Recoveries/Penalties/Damages/Forfeitures	\$0

† According to IG Act Section 5(f)(7), an SGE is “an officer or employee in the executive branch... who occupies a position classified at or above GS-15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule...” As an independent agency, the SEC has independent pay setting authority, and its pay scale is generally higher than the General Schedule, which can result in more SEC employees being categorized as SGEs in accordance with the IG Act.

Table 5. Summary of Investigative Activity for the Reporting Period of October 1, 2021, to March 31, 2022 (Continued)

Administrative Investigative Activities	Number
Removals, Retirements, and Resignations	1
Suspensions	0
Reprimands/Warnings/Other Actions	2

Complaints Received	Number
Hotline Complaints	140
Other Complaints	348
Total Complaints During Period	488



Table 6. References to Reporting Requirements of the Inspector General Act

Section	Inspector General Act Reporting Requirement	Page(s)
4(a)(2)	Review of Legislation and Regulations	21
5(a)(1)	Significant Problems, Abuses, and Deficiencies	9-14, 17-19
5(a)(2)	Recommendations for Corrective Action	9-14
5(a)(3)	Prior Recommendations Not Yet Implemented	27-30
5(a)(4)	Matters Referred to Prosecutive Authorities	17-19, 31-32
5(a)(5)	Summary of Instances Where the Agency Unreasonably Refused or Failed To Provide Information to the OIG	23
5(a)(6)	List of OIG Audit and Evaluation Reports Issued During the Period	24
5(a)(7)	Summary of Significant Reports Issued During the Period	9-14, 17-19
5(a)(8)	Statistical Table on Management Decisions With Respect to Questioned Costs	25
5(a)(9)	Statistical Table on Management Decisions on Recommendations That Funds Be Put to Better Use	26
5(a)(10)(A)	Summary of Each Audit, Inspection, or Evaluation Report More Than 6 Months Old for Which No Management Decision Has Been Made	23
5(a)(10)(B)	Summary of Each Audit, Inspection, or Evaluation Report More Than 6 Months Old for Which No Establishment Comment Was Returned Within 60 Days of Providing the Report to the Establishment	23
5(a)(10)(C)	Summary of Each Audit, Inspection or Evaluation Report More Than 6 Months Old for Which There Are Any Outstanding Unimplemented Recommendations, Including the Aggregate Potential Cost Savings of Those Recommendations	23
5(a)(11)	Significant Revised Management Decisions	23
5(a)(12)	Significant Management Decisions with Which the Inspector General Disagreed	23
5(a)(14)(B)	Date of the Last Peer Review Conducted by Another OIG	35-36
5(a)(16)	Peer Reviews Conducted by Another OIG	35-36
5(a)(17)(A)	Statistical Table Showing the Total Number of Investigative Reports Issued During the Reporting Period	31-32
5(a)(17)(B)	Statistical Table Showing the Total Number of Persons Referred to the DOJ for Criminal Prosecution During the Reporting Period	31-32
5(a)(17)(C)	Statistical Table Showing the Total Number of Persons Referred to State and Local Prosecuting Authorities for Criminal Prosecution During the Reporting Period	31-32

Table 6. References to Reporting Requirements of the Inspector General Act (Continued)

Section	Inspector General Act Reporting Requirement	Page(s)
5(a)(17)(D)	Statistical Table Showing the Total Number of Indictments and Criminal Informations During the Reporting Period That Resulted From Any Prior Referral to Prosecuting Authorities	31-32
5(a)(18)	Description of the Metrics Used for Developing the Data for the Statistical Tables Under 5(a)(17)	31-32
5(a)(19)	Report on Each Investigation Conducted Involving a Senior Government Employee Where Allegations of Misconduct Were Substantiated	17-19
5(a)(20)	Instances of Whistleblower Retaliation	17
5(a)(21)	Attempts by the Establishment To Interfere With the Independence of the OIG	23
5(a)(22)(A)	Each Inspection, Evaluation, and Audit Conducted by the OIG That Is Closed and Was Not Disclosed to the Public	N/A
5(a)(22)(B)	Each Investigation Conducted by the OIG Involving a Senior Government Employee That Is Closed and Was Not Disclosed to the Public	N/A

# PEER REVIEWS OF OIG OPERATIONS

## PEER REVIEW OF THE SEC OIG'S AUDIT OPERATIONS

In accordance with generally accepted government auditing standards, another OIG audit team assesses the SEC OIG's audit function every 3 years. The FDIC OIG conducted the most recent assessment of the SEC OIG OA's system of quality control for the 3-year period ending March 31, 2021. The review focused on whether the SEC OIG established and complied with a system of quality control that was suitably designed to provide the SEC OIG with a reasonable assurance of conforming to applicable professional standards.

On September 24, 2021, the FDIC OIG issued its report, concluding that the SEC OIG complied with its system of quality control and that the system was suitably designed to provide the SEC OIG with reasonable assurance of performing and reporting in conformity with applicable government auditing standards in all material respects. On the basis of its review, the FDIC OIG gave the SEC OIG a peer review rating of "pass." (Federal audit organizations can receive a rating of "pass," "pass with deficiencies," or "fail.") The FDIC OIG identified findings and recommendations that were not considered to be of sufficient significance to affect the peer review rating. Furthermore, there are no outstanding recommendations from previous peer reviews of the SEC OIG's audit organization.

The peer review report is available on the SEC OIG website at <https://www.sec.gov/files/Peer-Review-System-Review-Report-On-SEC-OIG-Audit-Organization.pdf>. The next peer review of the OIG's audit function will be scheduled during the next 3-year cycle (between FY 2023 and FY 2025).

## PEER REVIEW OF THE SEC OIG'S EVALUATION OPERATIONS

The Appalachian Regional Commission (ARC) OIG conducted the most recent assessment of the SEC OIG OA's inspection and evaluation work for the 3-year period ending June 30, 2020. The review focused on assessing the extent to which the SEC OIG met the standards of the CIGIE Blue Book, dated January 2012. The assessment included a review of the SEC OIG's internal policies and procedures implementing the seven required CIGIE Blue Book standards. It also included a review of selected evaluation reports issued between July 1, 2017, and June 30, 2020, to determine whether the reports complied with the seven covered Blue Book standards and the SEC OIG's internal policies and procedures.

On October 20, 2020, the ARC OIG issued its report, concluding that the SEC OIG's policies and procedures generally met the seven Blue Book standards addressed in the external peer review. In addition, the ARC OIG found that the two reports reviewed generally met the Blue Book standards and complied with the SEC OIG's internal policies and procedures. The ARC OIG did not make any recommendations.

The external peer review report is available on the SEC OIG website at <https://www.sec.gov/files/External-Peer-Review-Report-for-the-SEC-OIG-Inspection-and-Evaluation-Function.pdf>. The next peer review of the OIG's inspection and evaluation function is scheduled for FY 2024.

## PEER REVIEW OF THE SEC OIG'S INVESTIGATIVE OPERATIONS

Because of COVID-19, the Investigative Operations Branch did not undergo its scheduled 2020 peer review. DOJ also granted an extension of 1 year for all scheduled OIG peer reviews. The most recent peer review was performed by the National Science Foundation (NSF) OIG in November 2017. The NSF OIG conducted its review in conformity with the *Quality Standards for Investigations and the Quality Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* established by CIGIE and the *Attorney General Guidelines for Offices of Inspectors General With Statutory Law Enforcement Authority*.

The NSF OIG concluded that the SEC OIG was in compliance with the quality standards established by CIGIE and other applicable guidelines and statutes listed above. Furthermore, the NSF concluded the SEC OIG's system of internal policies and procedures provide reasonable assurance that the SEC OIG is conforming with professional standards in the planning, execution, and reporting of its investigations.

# OIG GENERAL OFFICE CONTACT INFORMATION

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## REPORT FRAUD, WASTE, OR ABUSE

To report suspected fraud, waste, or abuse in SEC programs or operations, as well as SEC staff or contractor misconduct, use our online OIG hotline complaint form, <https://sec.govcomhotline.com>, or call (833) 732-6441. This number is answered 24 hours, 7 days a week.

Information received through the hotline is held in confidence upon request. Although the OIG encourages complainants to provide information on how we may contact them for additional information, we also accept anonymous complaints.

## EMPLOYEE SUGGESTION PROGRAM

The OIG SEC Employee Suggestion Program, established under Dodd-Frank, welcomes suggestions by all SEC employees for improvements in the SEC's work efficiency, effectiveness, productivity, and use of resources. The OIG evaluates all suggestions received and forwards them to agency management for implementation, as appropriate. SEC employees may submit suggestions by calling (202) 551-6062 or sending an e-mail to [OIGESProgram@sec.gov](mailto:OIGESProgram@sec.gov).

## COMMENTS AND IDEAS

The SEC OIG also seeks ideas for possible future audits, evaluations, or reviews. We will focus on high-risk programs, operations, and areas where substantial economies and efficiencies can be achieved. Please send your input to [AUDPlanning@sec.gov](mailto:AUDPlanning@sec.gov).





U.S. SECURITIES AND EXCHANGE COMMISSION

This report is available on the Inspector General's website  
[www.sec.gov/oig](http://www.sec.gov/oig)