



U.S. Securities and Exchange Commission

Office of Inspector General

Office of Audits

Survey of Enforcement's Hub System



September 29, 2008
Report No. 449



OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

MEMORANDUM

September 29, 2008

To: Linda Thomsen, Director, Division of Enforcement

From: H. David Kotz, Inspector General *[Signature]*

Subject: *Survey of Enforcement's Hub System, Report No. 449*

This memorandum transmits the Securities and Exchange Commission, Office of Inspector General's (OIG) *Survey of Enforcement's Hub System* report detailing the results of our review of the Division of Enforcement's (Enforcement) new investigative database system, the Hub.

The final report consists of 5 recommended actions that were addressed to Enforcement. Enforcement concurred with recommended actions 3, 4 and 5 and indicated that appropriate action will be taken. Enforcement partially concurred with recommended actions 1 and 2.

In addition to responding to the recommendations, Enforcement provided comments to the draft report. Your written responses to the draft report, dated September 18, 2008, are included in its entirety in Appendix IV. OIG's response to management's comments is included in Appendix V.

Should you have any questions regarding this report, please do not hesitate to contact me. We appreciate the courtesy and cooperation that you and your staff extended to our auditor during this survey.

Attachment

cc: Peter Uhlmann, Chief of Staff
Diego Ruiz, Executive Director, Office of the Executive Director
Scott Friestad, Deputy Director, Enforcement
Joan McKown, Chief Counsel, Enforcement
Donna Norman, Counsel to Director and Deputy Directors, Enforcement
Elizabeth Badawy, Supervisory Staff Accountant, Enforcement
Darlene Pryor, Management Analyst, Office of the Executive Director

Rick Hillman, Managing Director of Financial Markets and Community Investment, GAO
Orice Williams, Director of Financial Markets and Community Investment, GAO

Survey of Enforcement's Hub System

Executive Summary

Background. In 2007, the Government Accountability Office (GAO) evaluated the Division of Enforcement's (Enforcement): (1) investigation planning and information systems, and (2) oversight of the Fair Fund program.¹ In performing the evaluation, the GAO found that Enforcement's processes and systems for planning, tracking, and closing investigations had some significant limitations that hampered its ability to effectively manage operations and allocate resources. Enforcement had used the Case Activity Tracking System (CATS) as the primary source to plan, manage and track investigative cases electronically. Enforcement developed the Hub system to address the limitations identified with the case management and tracking system, as well as to address the GAO's report recommendations.

After discussions with GAO, the Office of Inspector General (OIG) decided to conduct a survey of the Hub, Enforcement's case management tracking system. Since the Hub was launched to Enforcement system users within the last year (October 2007 to January 2008), we sent a web based questionnaire to 1,261 authorized Enforcement users, which was opened for response from June 6, 2008 to June 27, 2008 to get feedback regarding Enforcement's written Hub policies, the use of the Hub by Enforcement personnel, user training/feedback, and the system's capabilities. This report summarizes the results of the survey and provides recommended actions based upon user feedback in an effort to improve the Hub system.

Objective. Our objectives were to follow-up on a GAO audit recommendation in GAO-07-830 which pertained to the Hub system.² We surveyed Enforcement staff to:

- Determine whether Enforcement established written procedures and a control process that others can use to independently assess the reliability of investigative data maintained in the Hub system;
- Identify staff's use of the Hub system;
- Examine the Hub's capabilities and determine whether the Hub meets user needs; and
- Assess whether improvements are needed.

¹ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, Highlights section.

² GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, p. 37.

We did not conduct our work as a performance audit, but as a survey using non-audit service. Therefore, this survey was not done in accordance with generally accepted government auditing standards.

Results. Beginning in October 2007, Enforcement launched the Hub system to staff within its Division who were either directly or indirectly involved with processing investigative cases. While approximately 46 percent (577 of 1,261) of Enforcement staff responded to the survey, 62 percent (356 of 577) of these respondents were attorneys, branch chiefs or accountants. This is significant since the individuals who responded to the survey have a direct impact on the investigative process and the Hub system requires attorneys to populate case data into the system.

The results of the survey revealed that overall, a majority of Hub users are satisfied with the Hub system and feel the Hub system features are an improvement over CATS. However, a large number of respondents indicated that although they were pleased with the Hub, before the system can become the fully robust and the necessary management tool that is required within the Division, significant improvements are needed.

Furthermore, the survey resulted in a large number of neutral responses with respect to the Hub's overall usefulness which Enforcement should review to ensure that the system is being fully utilized and its capabilities are meeting user needs.³ For example in 10 of 12 questions that had "neutral" as a choice, respondents overwhelmingly selected the neutral response.

Other survey responses revealed that:

- While approximately 62 percent of the respondents stated they personally used the Hub system, only 47 percent actually enter any data into the system, and 23 percent of those only use it occasionally. Similarly, only 41 percent use the Hub system to obtain information, with 25 percent of those only occasionally.
- Although 51 percent of respondents stated that they either used or were aware that a Hub system user manual is available, when asked whether they found the Hub user manual to be helpful, only 15 percent agreed or strongly agreed that the manual was very

³ Although a neutral response may simply mean that the respondent has no opinion on the question one way or the other, we believe that it would behoove Enforcement to review these results to determine if these neutral responses are indicative of respondents not utilizing the system to its full extent or needing more guidance or information.

useful, while 68 percent of respondents answered “neutral” and an additional 17 percent stated that they disagreed or strongly disagreed with the statement that the manual was useful.

- A significant percentage (44 percent) use CATS for monitoring and tracking investigations and a much smaller percentage (19 percent) enter data into CATS instead of the Hub system, on at least an occasional basis.
- The report area of the Hub is still not being fully utilized as only 18 percent of respondents affirmatively stated that the Hub system allows them to easily search data and produce detailed reports and 76 percent of respondents stated they have not attempted to produce reports or check the status of investigations using the Hub system.

We also found that although Enforcement had developed a user manual, held training presentation sessions on use of the Hub, and utilized e-mail, conference calls and the Division newsletter to communicate the Hub’s progress and expectations to user, they have not developed and issued written formal guidance, such as an operating procedure or policy regarding the Hub as was recommended in the GAO report. Additional formal written policies may help ensure that Hub users understand how to properly utilize the system to achieve its goals.

Enforcement agreed with 3 of the report’s 5 recommended actions and partially agreed with the other 2 recommended actions. Management’s responses to the report are included in its entirety in Appendix IV. OIG’s response to Management’s comments is included in Appendix V.

TABLE OF CONTENTS

Executive Summary	ii
Table of Contents	v
Background and Objectives	1
Survey Results and Recommended Actions	4
Although Some Respondents Are Aware Of Current Policies and Guidance, Written Operating Procedures Would Assist In Ensuring That Hub Users Understand How To Properly Utilize The System	4
Figure 1, Hub Users That Received Training.....	6
Recommended Action 1	7
Actions Should Be Taken To Further Ensure That the Data Is Entered Into the Hub System in a Timely and Consistent Manner	7
Figure 2, User Manual – Authorities Consulted & Referrals	10
Recommended Action 2	10
Standardized Reports Must Be Finalized	10
Recommended Action 3	12
Respondents Find Hub System Useful	12
Recommended Action 4	14
Open-Ended Write-In Comments	14
Table 1, Respondents 10 Most Useful Features.....	15
Table 2, Respondents 10 Least Useful Features.....	16
Recommended Action 5	16
Appendices	
Appendix I: Acronyms	17
Appendix II: Scope and Methodology.....	18
Appendix III: List of Recommended Actions.....	20
Appendix IV: Management Comments.....	22
Appendix V: OIG Response to Management Comments	29
Appendix VI: Respondent’s Top Survey Comments	30

Background and Objectives

Background

As part of the OIG annual audit work plan and after discussions with the GAO, we conducted a survey of the Enforcement's Hub system, which is a newly implemented case management tracking system. In the report GAO-07-830, *Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations*, August 2007, the GAO reviewed Enforcement's investigation planning, information systems and oversight of the Fair Fund program and found there were significant limitations in Enforcement's processes and systems to plan, track, and close investigations, which could hamper its ability to effectively manage operations and allocate resources. GAO's report further highlighted major issues with Enforcement's case management and tracking system and made four recommendations.

The OIG report followed-up on the GAO report's second recommendation covering the Hub system as follows:

- Establish written procedures that reinforce the importance of attorneys entering investigative data into the Hub;
- Provide guidance on how to do so in a timely and consistent way; and
- Establish a control process by which other division officials can independently assess the reliability of investigative data maintained in the system.

Specifically, our work focused on the Hub system, Enforcement's newly deployed case management tracking system that allows staff to plan, track and close investigations.

Use of the Case Activity Tracking System. For several years Enforcement had used the Case Activity Tracking System (CATS) database as Enforcement's primary source to plan and track investigative cases. CATS is a commercial-off-the-shelf package that supports Enforcement offices at the Commission's headquarters and throughout its regional locations, by providing staff with a mechanism to track cases, debt, and workflow management. Though CATS is connected to the Hub, the databases store different data. CATS' capabilities include case tracking and workflow management for all aspects of investigative cases. In its current state, CATS contains information on ongoing investigations and enforcement actions such as, the general nature of the potential violations (i.e., insider trading). It also tracks the dates investigations are opened and the progress of a matter under inquiry, investigations, and enforcement actions.

Some of the deficiencies associated with CATS include its inability to produce detailed reports for different types of investigations and the inability to identify the status of investigations.

The Hub System Capabilities. The Hub is a web-based application database that displays case identification information currently stored in CATS, while enabling staff to input a wide variety of investigative information that can be used to help them manage their caseloads on a daily basis. The Hub is accessible to all Enforcement staff and allows them to manage their caseload directly, as well as, to search and view “read only” versions of CATS data and the Division’s caseload. The system further includes data fields that can be used to identify when informal referrals for potential criminal activity are made and can produce detailed management reports on ongoing investigations.

The Hub’s main objectives are to:

- Provide a user-friendly case management system to more efficiently track the status of all Enforcement cases;
- Allow staff to easily access all of their assigned cases and track important information relating to statute of limitations, tolling agreements, Wells notices, and investigative and Enforcement status in a single, easily accessible place;
- Provide a single user-friendly interface with the case management and tracking systems;
- Allow staff to more efficiently share information across the Division;
- Provide managers with real-time access to Enforcement data, with which to assess the program and its consistency across regions and case types; and
- Allow staff and managers to more easily report relevant information to the Commission, Congress, GAO and others.

Hub Deployment and OIG Survey. From October 2007 to January 2008, Enforcement deployed the Hub system to personnel/users located at the Commission’s headquarters and regional offices. We sent a web based questionnaire to 1,261 authorized system users at the Commission from June 6 to June 27 2008, to obtain feedback regarding Enforcement’s written policy, the Hub’s capabilities, and user training and feedback. The survey was issued to Enforcement staff at headquarters in Washington D.C. and the Commission’s 10 regional offices.

Objectives

Our objectives were to follow-up with GAO's audit recommendation in GAO-07-830 which pertained to the Hub system.⁴ We surveyed Enforcement staff to:

- Determine whether Enforcement established written procedures and a control process that others can use to independently assess the reliability of investigative data maintained in the Hub system;
- Identify staff's use of the Hub system;
- Examine the Hub's capabilities and determine whether the Hub meets user needs; and
- Assess whether improvements are needed.

Overall, forty-six percent (577 of 1,261) of authorized users to the system responded to the survey. Sixty-two percent of the respondents to the survey were attorneys, branch chiefs and accountants, which is significant since Enforcement management requires attorneys to populate case data instead of support personnel.

⁴ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, p. 4.

Survey Results and Recommended Actions

Although Some Respondents Are Aware Of Current Policies and Guidance, Written Operating Procedures Would Assist In Ensuring That Hub Users Understand How To Properly Utilize The System.

The GAO report found that Enforcement had not established written controls to ensure investigative data is entered into the CATS system in a timely manner.⁵ Prior to launching the survey, we discussed this issue with Enforcement management who indicated that the Hub, the Division's new case management system, makes it easier for staff to record relevant data in a timely manner. Staff and managers can readily see in "real-time" whether the information relating to their respective investigations is current and complete. Additionally, the Hub currently generates quarterly reports, which make it easy for managers and staff to validate whether the Hub entries are current for their respective investigations. The Hub contains a number of additional controls, including:

- *Built-in controls* – controls built into the system, such as access controls and role definitions established by case.
- *Established controls* - informal or verbal instructions that are understood within the Division, but are not made into a formal policy document.
- *Written controls* – documented procedures such as the user manual.

The Hub's built-in controls allow staff to view CATS data, which generally is case identification information and/or information relevant to case resolution. However, the CATS data cannot be changed within the Hub system. Thus, although CATS information is viewable in the Hub, it cannot be altered. The staff can enter a variety of investigation status information directly into the Hub.

Our survey polled respondents on six questions regarding the control areas described above that were used to gauge how controls were addressed within the Hub system. The survey found that while a majority of the respondents (between 58 and 59 percent) were aware that certain

⁵ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, p. 4.

written policies and controls had been developed, significant percentages of the respondents (between 40 and 43 percent) were either unaware of these policies, or controls or did not agree that they were in place.

Specifically, the survey results found as follows:

- Fifty-nine percent of respondents were aware that Enforcement developed written policy that "division attorneys" must enter relevant data into the Hub system for all new investigations when they are opened, while 37 percent were not aware of this policy and 5 percent disagreed or strongly disagreed that the policy was in place.
- Fifty-eight percent were aware that Enforcement has developed and issued written controls that inform staff to enter investigative data in the Hub system in a timely and/or consistent manner, while 38 percent were unaware of these controls, and 5 percent disagreed or strongly disagreed that these controls were developed.
- Fifty-nine percent were aware that Enforcement established policy that makes attorneys responsible for entering data into the system for ongoing investigations that were initiated before the Hub system was implemented and are still being actively pursued, while 36 percent were unaware of this policy and 4 percent disagreed or strongly disagreed that this policy had been established.

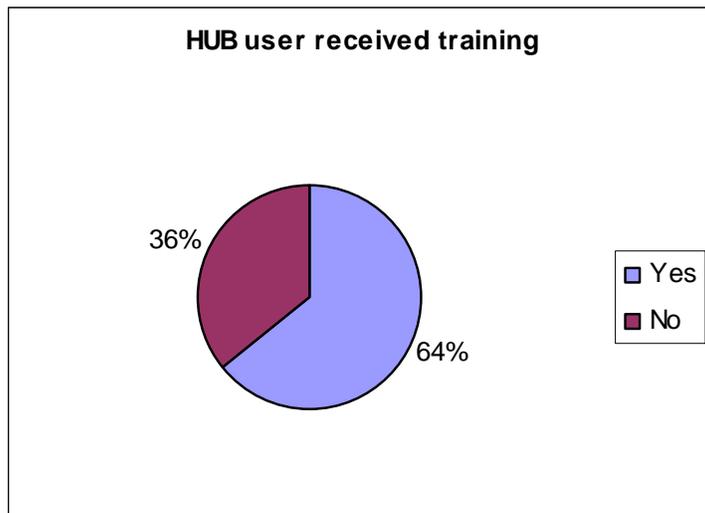
In two other questions about written procedures and the user manual, the respondents provided some concern about the awareness and usefulness of these procedures.

With respect to the Hub system user manual, although 51 percent of respondents stated that they either used or were aware that a Hub system user manual is available, when asked whether they found the Hub user manual to be helpful, only 15 percent agreed or strongly agreed that the manual was very useful. Sixty-eight percent of respondents answered "neutral" to this question, and an additional 17 percent stated that they either disagreed or strongly disagreed with this statement.

In addition, 33 percent of respondents indicated neutral responses when asked whether they used or were aware of a user manual (in addition to 15 percent who disagreed or strongly disagreed that they used or were aware of the manual); whereas 65 percent of the staff that were polled indicated they received training. See Figure 1 below. Given the fact that the user manual was provided as part of

the Hub training and is accessible both within the Hub and EnforceNet, the percentage of neutral responses is relatively high. This may be an indication that Enforcement must take additional measures to ensure that Hub users are aware of the user manual and can access it with ease.

Figure 1. Hub Users That Received Training



Source: OIG Generated

We also received specific comments from respondents which indicated that although they were aware of the user manual, there was still a need for additional Hub guidance.

Accordingly, although Enforcement had developed a user manual, held mandatory live training presentation sessions on use of the Hub, and utilized e-mail, conference calls and the Division newsletter to communicate information about the Hub to the users, the survey results demonstrate that there is still work to be done to ensure that Hub users become aware of and utilize policies, procedures and manuals that are necessary to ensure that the Hub system is used effectively.

Enforcement has not developed and issued written formal guidance, such as an operating procedure or policy regarding the Hub as was recommended in the GAO report.⁶ Although Enforcement has developed a user guide, additional written policies may help ensure that Hub users understand how to properly utilize the system to achieve its goals.

⁶ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, p. 37.

Recommended Action 1:

- A. Based upon the information provided in the survey results, develop formal policies for entering information into the Hub system, which could include:
 - 1. Written policy that "division attorneys" must enter relevant data into the Hub system for all new investigations when they are opened;
 - 2. Written policy that requires staff to enter investigative data in the Hub system in a timely and/or consistent manner; and
 - 3. Written policy that makes attorneys responsible for entering data into the system for ongoing investigations that were initiated before the Hub system was implemented and are still being actively pursued.

- B. The formal policy should also clearly define the roles and responsibilities of staff assigned to an investigation (i.e. accountant, attorney, case management specialist).

- C. Ensure that Hub system users are aware of and have access to the manual and/or policy.

Actions Should be Taken to Further Ensure that the Data Is Entered into the Hub System in a Timely and Consistent Manner

In the investigative community, timeliness of data is essential. The GAO determined there was a risk that data may not be entered into the Hub system on a timely and consistent basis, especially regarding Enforcement’s ability to produce relevant management reports and documenting referrals of potential criminal matters.⁷

The OIG survey had six questions that dealt with timeliness of data. They varied from basic use to effectiveness of the system. The following are four relevant questions and answers:

Q1). I personally use the Hub system.

Yes	No	Total Responses
331	207	538
61.5%	38.5%	100%

⁷ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, pgs. 7 & 19.

Q2). I enter data into the Hub system.

Daily	Weekly	Monthly	Occasionally	Rarely	Never	Total Responses
4	38	90	134	59	245	570
0.7%	6.7%	15.8%	23.5%	10.4%	43.0%	100.1%*

* Variance Occurred Due to Rounding.

Q3). I use the Hub system to obtain information.

Daily	Weekly	Monthly	Occasionally	Rarely	Never	Total Responses
12	35	46	140	109	231	573
2.1%	6.1%	8.0%	24.6%	19.0%	40.3%	100.1%*

* Variance Occurred Due to Rounding.

Q4). I document referrals into the Hub system.

Daily	Weekly	Monthly	This Task Cannot Be Performed	Not Attempted To Perform This Task	Total
0	5	20	13	461	499
0%	1%	4%	3%	92%	100%

The results revealed that while approximately 62 percent of the respondents stated they personally used the Hub system, only 47 percent actually enter data into the system at all, and 23 percent of those only use it occasionally. Similarly, 59.8 percent use the system to obtain information and the largest number of respondents, 25 percent, does so occasionally.

Thus, while personnel are using the system in some manner, a significant percentage of respondents are not using the system as it is intended and in fact, 40 and 43 percent respectively responded they never use or obtain data from the system. These results demonstrate concerns about the efficacy of the Hub system.

When asked questions comparing the Hub system with CATS, the survey revealed a very high percentage of “neutral” responses, as illustrated below:

Q5). I find using the Hub system data is more timely and consistent than in CATS.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
21	87	361	38	18	525
4.0%	16.6%	68.8%	7.2%	3.4%	100%

Q6). The Hub system allows me to readily document referrals for potentially criminal matters and/or case actions.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
7	66	423	21	15	532
1.3%	12.4%	79.5%	3.9%	2.8%	99.9%*

* Variance Occurred Due to Rounding.

While it is encouraging that the percentage of responses who felt the Hub system is more timely and consistent than CATS was approximately twice the percentage of those who felt the opposite (21 percent to 11 percent respectively), nearly 70 percent answered this question with a “neutral” response. Similarly, nearly 80 percent responded “neutral” when asked if the Hub system allows them to document referrals for potentially criminal matters or case actions.

Enforcement management has stated that they have stressed the importance of keeping case data up-to-date within the system. In an earlier review conducted in 2005, the GAO recommended that Enforcement document informal referrals of potential criminal matters.⁸ Our survey found that Enforcement has made progress towards addressing this recommendation. The Hub manual provides step-by-step instructions on how to document referrals or consultations with other regulators. The information can be found in the “Authorities Consulted and Referrals to Other Regulators” section of the user manual. This enables personnel to identify the authority consulted or referred, and provide comments.

However, the data field does not have a much needed date requirement. (See Figure 2). Therefore, although staff *can* insert the date requested in the comments section, it is not required. Therefore, OIG believes that dates are not consistently entered into the system by all staff. Without a dedicated date requirement, Enforcement’s ability to manage and oversee

⁸ GAO report No. 05-385, Mutual Fund Trading Abuses SEC Consistently Applied Procedures In Setting Penalties, But Could Strengthen Certain Internal Controls, May 2005, Highlights

the referral process may be limited. Enforcement staff currently has records and institutional knowledge on the different types of cases and matters that have been referred, as well as the number of cases that were consulted or referred with other regulators. However, the division cannot readily determine and verify whether staff has made prompt referrals until they require the date field be populated. Also, if a date field is added to this section, management will be able to sort the date field instead of looking at each case and reading the comments to see if the case was referred.

Figure 2. User Manual - Authorities Consulted and Referrals.

Authorities Consulted and Referrals to Other Regulators				
Authority	Authorities Consulted and Referrals to Other Regulators	Comments/Notes	Edit	Remove Authority
NASD	Consulted with other agency	Requested Bluesheet data from NASD.	Edit	Remove
	Referred to other agency	Referred [redacted] questionable tax accounting to IRS.	Edit	Remove
Add Authority				

Source: Hub User Manual

Recommended Action 2:

1. Perform an assessment of the authorized users to ensure that the proper personnel are utilizing the system fully and appropriately.
2. Add a date requirement to the “Authorities Consulted and Referrals to Other Regulators” section to the Hub system. This will allow Division management to determine whether staff referrals were timely.

Standardized Reports Must Be Finalized

The GAO report stated that usefulness of the management reports generated in the Hub may be limited and that Enforcement’s ability to

better manage the investigative process may not be fully realized.⁹ The survey revealed concerns regarding the inability to produce and print reports. The questions and responses on this subject are as follows:

Q1). Using the Hub system allows me to easily search data and produce detailed reports on certain types of investigations and enforcement actions, etc.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
14	81	351	59	26	531
2.6%	15.3%	66.1%	11.1%	4.9%	100%

Q2). I produce the reports and/or check the status of investigations and Enforcement actions using the Hub system.

Daily	Weekly	Monthly	This Task Cannot Be Performed	Not Attempted To Perform This Task	Total
5	26	69	14	362	476
1.1%	5.5%	14.5%	2.9%	76.1%	100.1%*

* Variance Occurred Due to Rounding.

Responses and comments to the survey confirmed that the report area of the Hub is still not being fully utilized as only 18 percent of respondents affirmatively stated that the Hub system allows them to easily search data and produce detail reports and 76 percent of respondents stated they have not attempted to produce reports or check the status of investigations using the Hub system.

An impediment to users producing reports from the Hub system is the fact that Enforcement has not finalized standardized reports. Enforcement management is working towards making this feature available, but a substantial amount of work is still needed before this feature is fully utilized.

Overall, our limited review of the draft standardized reports did not reveal any issues. However, we asked respondents what options they would like to have in regards to these reports. Suggestions were to:

- Allow for customized reports, so managers can select the fields they need for each investigation.

⁹ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, pg. 20.

- Make the reports exportable into spreadsheet software, so that the data can be manipulated to meet the needs of the office.

Recommended Action 3:

Finalize the reports' feature and incorporate respondents' comments to develop, customized reports that can be exportable into spreadsheets.

Respondents Find Hub System Useful

As a management tool it is not disputed that CATS is severely limited. Full access to CATS is limited to support personnel and case management specialists and the system is not user friendly.

The GAO report stressed concern that the Hub system's potential to significantly enhance Enforcement's capacity to better manage the investigative process may not be fully realized.¹⁰ This may present a concern since the Hub system is still reliant on CATS because information in Hub starts when information is initiated in CATS.

Our survey covered 12 questions that were used to gauge the Hub system's usefulness to the investigative community. The first two questions below queried continued use of CATS, as follows.

Q1). I still use the CATS for example, to monitor/track investigations or Enforcement actions to document criminal matters and/or case actions, etc.

Yes	No	Total Responses
185	238	423
44%	56%	100%

Q2). I enter data into CATS, instead of using the Hub system.

Daily	Weekly	Monthly	Occasionally	Rarely	Never	Total
20	11	8	66	48	394	547
3.7%	2.0%	1.5%	12.1%	8.8%	72.0%	100.1%*

* Variance Occurred Due to Rounding.

¹⁰ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007, pg. 20.

Thus, we found that a significant percentage (44 percent) still uses CATS for monitoring and tracking investigations and a much smaller percentage (19 percent) enter data into CATS instead of the Hub system on at least an occasional basis.

We also surveyed information about the usefulness of the Hub system in general as follows:

Q3). I have found the Hub system to be user friendly.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
32	177	276	35	10	530
6.0%	33.4%	52.1%	6.6%	1.9%	100%

Q4). Using the Hub system has streamlined the processes I use to monitor and track investigations and/or enforcement actions.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
13	78	216	80	37	424
3.1%	18.4%	50.9%	18.9%	8.7%	100%

Q5). The Hub system is a great improvement over CATS and other databases used in my Division/Office.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
30	122	318	26	24	520
5.8%	23.5%	61.2%	5.0%	4.6%	100.1%*

* Variance Occurred Due to Rounding.

Q6). Overall, I am very satisfied with the Hub system's features and capabilities.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
21	146	303	37	24	531
4%	27%	57%	7%	5%	100%

The survey showed that while the percentage of those who answered positively about the Hub system dwarfed those who responded negatively, there still remained a high percentage of "neutral" responses to all of these questions.

A very positive sign is that when respondents were asked if they expected to increase use of the Hub over the next year, 64 percent responded their use would increase.

Recommended Action 4:

Ensure that Hub system users become aware of the features and advantages of the Hub System.

Open-Ended Write-In Comments

Although many users were generally satisfied with the Hub system, a significant number of respondents provided “write-in” comments explaining their concerns about the system.

The OIG survey had six open-ended questions where Hub users were asked to provide written comments. In addition, users were asked if they would like to be contacted to discuss their views of the Hub system. Several members of Enforcement staff provided their contact information. We judgmentally selected a sample of users from the headquarters and regional offices that provided their contact information and some of the specific comments are below:

- I would like to see when and who updated information, and what they updated. This way we would know if people are actually doing the work.
- Certainly I think that we need more information and the system needs to be improved in expanding its offerings in the “check the box” areas regarding litigation. We cannot give current status of litigation; we need to expand on this. Investigations steps could expand more on the options, but we can cover deficiencies with narratives.
- There is too much effort involved in keeping the system updated. Wish this program was more user friendly, and that it was more relevant for his cases. Am still unclear of the benefit.
- Think there needs to be an explanation to what is automatically updated when someone enters information into CATS. Wants to know if the information is directly put into the Hub, and what information is not. If there is a discrepancy between information in CATS and the Hub, would like to get an alert so we can make updates.
- At first when I was asked to go to the training I thought that this was going to be a great tool but then I found out it is not available to the litigators. So this system ended up not available or relevant to a litigation and litigation

staff. This whole thing ended up being a huge disappointment for us. This would have been a great tool for us.

- Think that the Hub is too time consuming.
- The Hub is very effective, but could be more efficient. I like the up-to-date information about the cases and the steps that have been taken makes this system much better than the old one. It is better we have updates like this, unlike the old one which was only quarterly. Also, this information is accessible to everyone.
- Believes the Hub is a giant step in the right direction and uses the program a lot.

These comments show that users see the potential in the system, but some personnel have concerns about certain aspects of it.

In another survey question, respondents were asked to describe what they found most and least useful about the Hub system. Tables 1 and 2 below, show the top ten comments we received. This was developed by comments that were most frequently provided by the respondents.

Table 1. Respondents 10 Most Useful Hub Features.

MOST USEFUL FEATURES
1. Ability to check detailed status of investigations that may be related to my matters.
2. Investigation search function.
3. Ability to input and access data directly and not rely on a Case Management Specialist.
4. Easier to enter data than CATS system. The data fields are much more relevant and user-friendly than CATS, and I like the ability to pull all cases by attorney.
5. That you can review information in Hub and switch back into the PHOENIX program.
6. No paperwork. Timelier reporting.
7. I didn't have access to CATS before, so just having access to all the open investigations (the fact that they exist) is very useful.
8. Easy to keep track of most recent status update provided
9. It is useful to have a descriptive, "real time" summary of investigations and their status. I have found it most helpful when I am checking to see if investigations in other offices relate to investigations in my group factually or are similar issues are involved in other cases.
10. It is an easy system to learn, very user-friendly.

Source: OIG Generated

Table 2. Respondents 10 Least Useful Information.

LEAST USEFUL FEATURES
1. No "report" functionality... Inability to date to produce written reports that substitute for quarterly reports requested of enforcement groups.
2. Updating case or staff information.
3. Limited fields for data entry
4. No consistent guidance about what to put in and when; the drop down menus don't seem to incorporate all the likely alternatives, but there is no other way to put in data.
5. The CMS does not receive an automatic notice from Hub re: entering related names in CATS.
6. The inability to produce and print reports.
7. Drop down boxes do not capture all of the data I would like to enter or do not have fields for what I believe my cases are about (at times)
8. If one application gets updated, the other doesn't.
9. It is annoying to go back and forth between the two main tabs of case information. Also, many of the fields do not seem that flexible.
10. The "Print Case" feature does not work

Source: OIG Generated

Recommended Action 5:

Review the survey comments and look for areas that can be enhanced within the Hub system.

Acronyms

OIG	Office of Inspector General
GAO	Government Accountability Office
CATS	Case Activity Tracking System
Enforcement	Division of Enforcement

Scope and Methodology

We did not conduct this survey as a performance audit, but as a non-audit service. This survey was not conducted in accordance with generally accepted government auditing standards.

Scope. The scope of our review covered GAO-07-830 report issued in August 2007, which pertained to recommendation to Enforcement regarding the Hub.¹¹ We further reviewed Enforcement's Hub system information dating from October 2007 to July 2008. OIG surveyed Hub users using an automated web based survey that was sent via email to 1,261 authorized users. The survey response period opened June 6, 2008, closed June 27, 2008 and the survey was sent to authorized staff at headquarters and the Commission's regional offices in Atlanta, Boston, Chicago, Fort Worth, Miami, Los Angeles, New York, Philadelphia, Salt Lake, and San Francisco.

We developed, administered and captured the responses to a questionnaire that was constructed to determine whether the Hub system has the needed controls, provides for timeliness of data, is capable of producing relevant management reports, and is useful to the investigative community.

This report presents data that the respondents provided in the questionnaire in a clear and concise manner. We also obtained input from users regarding needed improvements, user feedback, training feedback, the Hub's interface with CATS, and reports within the Hub system.

Methodology. We developed a 34-question survey consisting of 28 closed-ended questions and 6 open-ended questions to which respondents could write in a response. The questionnaire was created using a web-based survey tool that automatically captured each individual closed and open-ended response from the users. The survey results (raw data) were summarized in different formats including spreadsheets and a database format to show the response rate percentage for all questions in the survey.

¹¹ GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007.

The questionnaire related to Hub issues and was sent through email using an automated web-based questionnaire to 1,261 full-time and part-time Enforcement professional, administrative and technical employees involved in investigations.

The survey was distributed to personnel at the Commission's Headquarters and regional offices in June 6, 2008 and responses were accepted until June 27, 2008. Over the course of three weeks respondents were sent reminders, encouraging them to respond to the survey. Of the 1,261 respondents that were emailed questionnaires 577 (46 percent) completed the survey. Our highest response rate to the questionnaire was 70.7 percent, and indicated that the respondents never enter data into CATS, followed by 67.8 percent who indicated "neutral" when asked about being aware of a Hub system manual, and finally, 63.2 percent of respondents indicated they completed either in-house, webcast, or on-line Hub training.

Prior Coverage. The GAO evaluated Enforcement's operations in 2007; they looked at Investigation planning and information systems, and Oversight of the Fair Fund program.¹²

In performing the evaluation they found Enforcement's processes and systems for planning, tracking, and closing investigations had some significant limitations that hampered its ability to effectively manage operations and allocate resources. Enforcement's management informed GAO of a planned system, the Hub that would significantly enhance the division's capacity to manage the investigative process.

Use of Computer Processed Data. There was no formal testing performed on the system.

¹² GAO report No. 07-830, Entitled Securities and Exchange Commission -- Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations, August 2007.

List of Recommended Actions

Recommended Action 1:

- A. Based upon the information provided in the survey results, develop formal policies for entering information into the HUB system, which could include:
 - 1. Written policy that "division attorneys" must enter relevant data into the Hub system for all new investigations when they are opened;
 - 2. Written policy that requires staff to enter investigative data in the Hub system in a timely and/or consistent manner; and
 - 3. Written policy that makes attorneys responsible for entering data into the system for ongoing investigations that were initiated before the Hub system was implemented and are still being actively pursued.
- B. The formal policy should also clearly define the roles and responsibilities of staff assigned to an investigation (i.e. accountant, attorney, case management specialist).
- C. Ensure that Hub system users are aware of and have access to the manual and/or policy.

Recommended Action 2:

- A. Perform an assessment of the authorized users to ensure that the proper personnel are utilizing the system fully and appropriately.
- B. Add a date requirement to the "Authorities Consulted and Referrals to Other Regulators" section to the Hub system. This will allow Division management to determine whether staff referrals were timely.

Recommended Action 3:

Finalize the reports feature and incorporate respondents' comments to develop, customized reports that can be exportable into spreadsheets.

Recommended Action 4:

Ensure that Hub system users become aware of the features and advantages of the Hub System.

Recommended Action 5:

Review the survey comments and look for areas that can be enhanced within the Hub system.

Management Comments



MEMORANDUM

September 24, 2008

To: Jacqueline M. Wilson, Assistant Inspector General for Audits
Renee Stroud

From: Linda Thomsen, Director of the Division of Enforcement

Subject: Enforcement Response to DRAFT Survey of Enforcement's Hub System, Report No. 449, dated September 18, 2008

This memorandum responds to the above-captioned Office of Inspector General (OIG) Draft Survey of the Division of Enforcement's new case management system, "the Hub." As a preliminary matter, we appreciated the opportunity last week to meet and discuss the timing of our review and comment period, particularly given the current market turmoil and the fact that we are in the final full week of the fiscal year.

For convenience we will provide our comments in the same order in which your draft report addresses specific issues. However, we have an overarching concern with the survey methodology utilized, which we will address at the onset.

Flawed Survey Methodology

1. Substantive Use of Neutral Responses

The majority of the questions relied upon in draft report No. 449 allowed survey respondents to answer "neutral." Of the approximately 500 respondents, a substantial percentage answered "neutral" to a number of the questions. Throughout draft report No. 449, the OIG has drawn substantive, generally negative, conclusions based upon "neutral" responses. This fatally flaws the survey conclusions and draws into serious question the value of the report recommendations which relied upon flawed data. We have surveyed available literature on the use of survey midpoints, and in particular the use of "neutral" as a midpoint in survey questions. The literature we reviewed uniformly concludes that drawing *any* substantive conclusions (negative or positive) from "neutral" responses fatally flaws the results. Some of the literature suggests that even making a "neutral" midpoint available skews the results. However, all of the literature we reviewed made clear that if a "neutral" midpoint is available, the "neutral" responses *must* be backed out of the data and no substantive conclusions can be drawn from them. According to the National Business Research Institute, a leading organizational research and measurement company, "including a neutral point negatively impacts your data on many different levels, which can have a *huge negative impact on your survey results.*" (emphasis added). Many commentators point out that inclusion of a neutral response increases the probability of response styles, which can lead to systemic error in one's

data. Such error impacts both the reliability and validity of one's findings.¹ We think using a midpoint can be a valuable methodology to segregate respondents who simply did not understand the question or determined that the question did not apply to them personally. That is, the midpoint can appropriately be used to back out data which would improperly skew the results. However, we believe the OIG's substantive use of neutral responses throughout Report 449 seriously undermines the credibility of its conclusions and ultimately its recommendations.²

Notably, footnote 3 of the Report acknowledges that neutral responses may not be meaningful, but nevertheless suggests it would "behoove" the Division to review the results to determine what, if anything, the neutral responses may indicate. We respectfully submit that this makes no sense. The survey responses were anonymous so we cannot further determine what they mean. Moreover, while the OIG admits the neutral responses are not reliable, it nevertheless draws substantive conclusions from them throughout the Report.

2. Indifferent use of responses from respondents with different job responsibilities

In the Executive Summary, the OIG notes that only 60% of those who responded to the survey which it based its conclusions on are attorneys, branch chiefs or accountants, who conduct investigations and are responsible for entering data into the Hub.³ This is also the population which one would expect to be using the Hub. While we do not know what the respective job titles and responsibilities of the remaining 40% of the respondents are, they likely are case management specialists, administrative staff, information technology specialists, and others who have no direct responsibility for entering data into the Hub and likely are not regular Hub users. While the OIG acknowledges this flaw in the Executive Summary, it fails to adjust its results in any way and consequently the data pool is flawed. We believe that the data would be more useful if these respondents' answers had been backed out of questions such as, "Do you enter data into the Hub?" We believe it would have been fairly easy for the OIG to appropriately adjust its data. Unfortunately, we do not have the raw data and cannot do so ourselves.

¹ See e.g. Bogart, L. (1967). No Opinion, Don't Know, and Maybe No Answer. *Public Opinion Quarterly*, Vol. 31, 332-345; Klopfer, F., & Madden, T. (1980). The Middlemost Choice on Attitude Items: Ambivalence, Neutrality, or Uncertainty? *Personality and Social Psychology Bulletin*, Vol. 6, 97-101; Schuman, H., & Presser, S. (1981). *Questions and Answers in Attitude Surveys*. San Diego, CA: Academic Press, Inc.

² Notably, this is also consistent with the standard, Merriam-Webster Dictionary definition of "neutral": "not decided or pronounced"; "indifferent."

³ The Report states on page ii that "60%" of respondents were attorneys, branch chiefs or accounts. It also states that 356 of 577 respondents were attorneys, branch chiefs or accounts, which we believe would be 62%. On page 3, the Report suggests "61%" of respondents were attorneys, branch chiefs and accountants. Throughout the Report, we found that a number of the combined percentages for any given question totaled more than 100%, we believe this resulted from inconsistent rounding of numbers.

3. *Miscellaneous corrections*

Please note in the penultimate sentence on page 2 that the Commission has 11 regional offices, not 10.

Executive Summary

We would like to note the following regarding the bullets under the heading “Results:”

- **Bullet One:** The OIG notes that “only” 47% of the respondents stated that they personally entered data into the Hub. The OIG earlier noted that only 60% of respondents were attorneys, branch chiefs and accountants. The OIG does not reveal what percentage are actually investigative attorneys who are responsible for entering data (we assume it is the 60% referenced minus the percentage of accountants therein). Nevertheless, it appears that a more accurate and useful statistic would be the percentage of the attorneys and branch chiefs that responded to the survey who acknowledged that they personally have entered data into the Hub. From the limited data we have, it appears that this percentage would be more than 83%.

OIG notes that “only” 41% use the Hub to obtain information. Without more information this is not a useful data point. The OIG acknowledges at the outset that something less than 60% of respondents (i.e., attorneys and branch chiefs) would be expected to use the Hub to obtain information.

- **Bullet Three:** The OIG notes that a significant percentage of staff still use CATS for monitoring and tracking investigations, and a much smaller percentage enter data into CATS “instead of” the Hub. Later in the Report (pp 12-14), the OIG infers from these data points that staff and managers are not fully utilizing the Hub as intended. We believe that these inferences, and the wording of several of the underlying survey questions, reflect a misunderstanding of the current relationship between CATS and the Hub. No one in the Division is entering data into CATS “instead of” the Hub. CATS and the Hub are both databases, they are connected, but distinct and they store different data. In addition to storing data which is not available in CATS, the Hub displays CATS data in “read only” form.
- In the final paragraph in the Executive Summary, and again on page 6 and in its first recommendation, OIG states that the Enforcement Division “[has] not developed and issued written formal guidance ... as was recommended by the GAO report.” We respectfully disagree. We provided the OIG with the User Manual, which expressly states in bold: “It is mission critical for all staff to keep the information related to their cases accurate and complete. This is a joint responsibility of all staff and supervisors assigned to an investigation.” We also provided the OIG with a copy of the “Early Release Guide,” which

was given in writing to all staff who attended the mandatory live training when the Hub was rolled out. This written guidance was also provided to all staff attending the annual fall training in September 2008. The very first bullet on the Guide states:

- **“Your Updating Responsibilities**
 - *Staff attorneys must* keep the information related to their cases accurate and complete. This is a joint responsibility of all staff attorneys and supervisors assigned to an investigation.
 - You should update this information as events occur, but in any event *within 48 hours*. If you cannot make the update personally within this timeframe, ask another attorney on your case to make the inputs for you.”

This written guidance clearly articulates that “staff attorneys” “*must*” update their cases “as events occur” and “in any event within 48 hours.” The guidance also directs attorneys to make alternative updating plans if they cannot make data entries “within 48 hours” of relevant events.

Specific Comments on Survey Results and Recommended Actions

OIG Conclusion No. 1: “Although Some Respondents Are Aware of Current Policies and Guidance, Written Operating Procedures Would Assist in Ensuring That Hub Users Understand How to Properly Utilize The System.”

We believe that OIG has inappropriately characterized “neutral” responses in the underlying data which it relies on. For example, the OIG states that the “relatively high” (33%) rate of respondents that responded “neutral” as to whether or not they used or were aware of a Hub User Manual may be an indication that Enforcement must take additional measures to ensure Hub users are aware of the manual and can access it with ease. First, as noted supra, we do not believe drawing any substantive conclusions from neutral responses is appropriate. The most common interpretation of a “neutral” survey response is the respondent simply has no opinion on the question. This may be because they believe it does not apply to them, they find the question confusing, or they simply do not have any particular opinion at all. Second, we believe the neutral responses in this likely reflect the fact that the vast majority of enforcement staff participated in the mandatory live on-site training, and that the system is very easy to navigate. Accordingly, most staff have had no need to consult the User Manual

Moreover, the OIG Report indicates 40% of respondents have no Hub data entry responsibilities. It seems improper to suggest Enforcement should take measures to ensure these respondents read the User Manual.

OIG Recommended Action 1:

The Report's first recommended action contains three parts.

- A. The OIG recommends that the Division of Enforcement develop written formal policies for entering information into the Hub. The Report suggests these policies could require: (1) division attorneys enter relevant data for all new investigations when they are opened; (2) timely and consistent entry of the data; and (3) ongoing entry of data in investigations opened before the Hub, but still being actively pursued.

We have had written policies requiring all three of OIG's specific recommendations in place since the Hub initially was rolled out. We provided the OIG with both the User Manual which expressly states in bold that: **"It is mission critical for all staff to keep the information related to their cases accurate and complete. This is a joint responsibility of all staff and supervisors assigned to an investigation."** We also provided the OIG with a copy of the "Early Release Guide" which we further provided in writing to every member of the investigative staff when the Hub was rolled out. The very first bullet on the Guide states:

• **"Your Updating Responsibilities**

- *Staff attorneys must* keep the information related to their cases accurate and complete. This is a joint responsibility of all staff attorneys and supervisors assigned to an investigation.
- You should update this information as events occur, but in any event *within 48 hours*. If you cannot make the update personally within this timeframe, ask another attorney on your case to make the inputs for you."

This written guidance clearly articulates that "staff attorneys" *"must"* update their cases "as events occur" and "in any event within 48 hours." The guidance also directs attorneys to make alternative updating plans if they cannot make data entries "within 48 hours" of relevant events. The User Manual is also available online in the Hub, on the static navigation bar under "Help," as well as on the Division's internal intranet site, Enforcenet.

- B. The OIG recommends that the Division have operating procedures which "clearly define the roles and responsibilities of staff assigned to an investigation (*i.e.*, accountant, attorney, case management specialist)." First, the User Manual, which we provided to the OIG, specifically does contain more than 20 role definitions (including "accountant", "attorney" and "case management specialist") on pages 32-33. Responsibilities assigned to specific staff for a given investigation necessarily are determined on a case-by-case basis by Division managers. Such responsibilities cannot be captured in a uniform "procedure."

- C. The OIG recommends that the Division “[e]nsure” that Hub system users are aware of and have access to the manual and/or operating procedures. We agree and we will continue to provide training and written guidance, including the User Manual to all new Division employees. We most recently provided Hub training on September 17, 2008, as part of our annual new hire fall training program.

OIG Conclusion No. 2: “Actions May be Taken to Further Ensure that the Data Is Entered Into The Hub System In A Timely And Consistent Manner.”

The OIG Report cites responses to six questions to support this conclusion. Because the OIG failed to control for responses from respondents who do not have Hub data entry responsibilities, *which the Report itself estimates to be approximately 40% of survey respondents*, the underlying data is fatally flawed.

Notably, OIG specifically concludes “a significant percentage of respondents are not using the system as it is intended and in fact, 40% and 43% respectively responded they never use or obtain data from the system. The[se] results demonstrate concerns about the efficacy of the Hub system.” Again, given that OIG admits that no more than 60% of the respondents (attorneys, branch chiefs or accountants) have data entry responsibilities, it simply makes no sense to conclude that a significant percentage of staff are not using the Hub as it is intended based on 62% of the respondents indicating they personally used the Hub and 47% indicating they have entered data into the Hub. If anything, this data supports the exact opposite conclusion.

On page 8, the OIG attempts to draw conclusions from the fact that when asked questions comparing the Hub system with CATS, the survey revealed “a very high percentage of ‘neutral’ responses.” First, as we have noted, we are troubled by the substantive characterization of “neutral” responses. Moreover, we assume that the “relatively high percentage” of neutral responses most accurately reflects the fact that less than 5% of the enforcement staff has ever had direct access to CATS.

On page 9, the OIG attempts to draw negative conclusions based on 80% of respondents responding “neutral” when asked if the Hub allows them to document referrals for potentially criminal matters or case actions. Again, we are troubled by the substantive characterization of “neutral” responses. We also note that a very small percentage of our investigations involve criminal referrals, making any substantive inferences drawn from the data even less credible.

OIG Recommended Action 2:

- 1. Perform an assessment of the authorized users to ensure that the proper personnel are utilizing the system fully and appropriately.** We are not sure what type of assessment you are recommending. The Hub is in its infancy and had only been fully deployed for six months when the OIG performed this survey. The Division of Enforcement continually evaluates the usefulness, efficiency, and

accessibility of the Hub, as well as whether staff are fulfilling their respective updating responsibilities. We will continue to do so.

2. **Add a date requirement to the “Authorities Consulted and Referrals to Other Regulators” section to the Hub system.** We agree that a date field may be useful and have made a written request to our Hub development contractors to add a required date field to the authorities consulted and referrals to other regulators data.

OIG Recommended Action 3:

Finalize the reports feature and incorporate respondents’ comments to develop, customized reports that can be exportable into spreadsheets. We agree that the initially contracted reporting features should be finalized and we are working toward that end. We have requested the ability to produce customized reports from the projects inception. Unfortunately, our contractors have not been able to develop such features to date. Additionally, when we first contracted with the Hub code developers, we requested the ability to be able to export data from Hub reports. Unfortunately, our contractors have not been able to develop this functionality to date.

OIG Conclusion No. 4: “Respondents Find Hub System Useful.”

While we agree with the overarching conclusion, we do not concur with the OIG’s substantive characterization of “neutral” responses. We do not believe any conclusions can be drawn from “neutral” responses and that the only appropriate survey methodology would be to disregard “neutral” responses entirely.

OIG Recommended Action 4:

Ensure that Hub system users become aware of the features and advantages of the Hub System. We agree. We will continue to educate our staff on both their mandatory responsibilities *vis a vis* the Hub and the features of the Hub which should reduce duplicative reporting requirements, increase data accessibility and make us all more efficient.

OIG Recommended Action 5:

Review the comments and look for areas that can be enhanced within the Hub system. We agree that this would be a useful exercise and will review all of the comments to look for areas that can be enhanced within the Hub.

Office of Inspector General Response to Management Comments

We are pleased that the Division of Enforcement (Enforcement) concurred with 3 of the 5 recommended actions and indicated that appropriate responsive measures will be taken. We are disappointed that Enforcement only partially concurred with recommended action 1, because we believe that formal written policies will help ensure that Hub users understand how to properly utilize the system to achieve its goals. Further, with respect to recommended action 2, an assessment of the authorized users would assist in ensuring that the proper personnel are utilizing the system fully and appropriately. We hope that Enforcement will reconsider and fully implement all the recommended actions in the report.

We are puzzled by Enforcement's extensive discussion and concern about the use of neutral responses. As we acknowledged in the report, a neutral response "may simply mean that the respondent has no opinion on the question one way or the other." Moreover, the references to neutral responses in the report were relatively minimal, and the report does not draw any substantive conclusions from the neutral responses in the report. Nevertheless, as we indicated, we believe that it would behoove Enforcement to review all the results of the OIG survey to determine if the Hub system is being utilized to its full extent and if the users need more guidance or information.

Enforcement developed the Hub system to address the limitations identified by the GAO in a 2007 report that found that Enforcement's processes and systems for planning, tracking, and closing investigations had some significant limitations that hampered its ability to effectively manage operations and allocate resources.

The OIG survey, which was conducted after discussions with GAO, revealed that overall, a majority of Hub users are satisfied with the Hub system and feel the Hub system features are an improvement over the previous system. However, this report also concluded that several improvements are needed before the system can become the fully robust and the necessary management tool that is required within Enforcement. We sincerely hope that Enforcement carefully considers and implements all the findings and recommendations in this report in order to ensure that all limitations identified in the GAO report are fully redressed.

Respondent's Top Survey Comments

Below is a sample of the types of comments received in the Survey.

Table 3. Improvements to Hub System.

IMPROVEMENT COMMENTS
1. The lack of control concerns me; there is no gatekeeper, so any staff person assigned to a matter is able to edit the information previously entered by other staff. There is a button in the Hub for the addition of related names, but the email doesn't go anywhere. The staff "sends" a request for additions, and then wonders why the names were never added.
2. Incorporate the complaint system: CTR and Consumer Affairs complaints.
3. I would like there to be more choices for certain sections (e.g., status of investigation and status of litigation sections).
4. Like you can attach the action memo, you should be able to attach the formal order memo and formal order.
5. All of my investigations are in the Hub. I think the Hub could be more detailed about the litigation in a case (Case name, number, status) by having entries for each case.

Source: OIG Generated

Table 4. Negative Comments About the Hub.

HUB SYSTEM CONCERNS
1. They should have waited for the training until all the bugs had been worked out. It was very frustrating to try to use the Hub, only to find out that many of the purported features did not work yet.
2. Not all info. can be added directly through the Hub yet.
3. Entering the information in the Hub is duplicative of what we are already required to do
4. The Hub is not very useful on a day-to-day basis since we still need to enter the same data in CATS. Choose one or the other. Adding bureaucratic steps to the staffs' days slows down the process of completing the agency's mission.
5. We have limited time and resources to conduct investigations and bring enforcement actions - entering data takes time away from our core mission and has no identifiable day to day benefit.

Source: OIG Generated

Table 5. Hub System Training.

TRAINING COMMENTS
1. I look forward to receiving training on the use of the Hub system in the near term.
2. I would like to begin using the Hub system to track the status of the exam program's referrals once I receive the appropriate training
3. In training I was told to send a list of related parties to a mailbox where someone would collect that information and enter it into the system. It appears that no one actually did anything with that information as I had to send the complete list to our administrator later.
4. Periodic regular training
5. I found the Hub training to be useful.

Source: OIG Generated

Table 6. Hub System and CATS Interface Concerns.

HUB SYSTEM and CATS COMMENTS
1. There appears to be confusion as to whether or not Hub "replaces" CATS. Information in Hub cannot exist without the CATS system; therefore, it hasn't "replaced" CATS at all. Sr. Management has "oversold" the notion of the system, and created confusion since CATS must still be used as the official record system.
2. It would be better if we did not have both Hub and CATS.
3. I find our various Enforcement computer programs duplicate each other quite a bit (e.g., CATS, Hub, Phoenix, DMS). The same or similar data must be input into a number of programs
4. It should be made into a single, one-stop shopping system so that staff only has to enter data into one system and thus eliminate CATS, DMS, etc.
5. Need to continue working to allow Hub to perform all CATS functions so that CATS can be phased out as soon as possible.

Source: OIG Generated

Table 7. Improvements to Aid Management.

MANAGEMENT COMMENTS
1. This is the single most-awaited tool by managers and so far, is unavailable. Without this function, the only way in which I can obtain case information and/or monitor whether my employees are inputting the data on a timely basis is to go into the system on a case by case basis.
2. Reports cannot be produced. I find that checking the status of individual investigations is useful, but cumbersome due to the absence of a reporting function.
3. I used the Hub to produce closing memos for two investigations
4. Neither CATS not Hub allows branch chiefs to print out detailed or comprehensive reports
5. We need printing capability and the ability to have reports show data in different formats--bar charts, pie charts, etc.-- and to compare various types of cases across offices.

Source: OIG Generated

Audit Request and Ideas

The Office of Inspector General welcomes your input. If you would like to request an audit in the future or have an audit idea, please contact us at:

U.S. Securities and Exchange Commission
Office of Inspector General
Attn: Assistant Inspector General, Audits (Audit Request/Ideas)
100 F Street, N.E.
Washington D.C. 20549-2736

Tel. # 202-551-6061
Fax # 202-772-9265
Email: oig@sec.gov

Hotline

To report fraud, waste, abuse, and mismanagement at SEC,
contact the Office of Inspector General at:

Phone: 877.442.0854

Web-Based Hotline Complaint Form:
www.reportlineweb.com/sec_oig