

MEMORANDUM

October 31, 2007

TO: Chairman Cox
FROM: Nelson Egbert *NE*
SUBJECT: Semi-annual report

Attached is the Office of Inspector General's semi-annual report for the second half of fiscal year 2007.

Attachment

cc: Diego Ruiz

Securities and Exchange Commission

Office of Inspector General

Executive Summary

During this period (April 1, 2007 to September 30, 2007), the Office of Inspector General (OIG or Office) issued one audit report, two inspection report, and three investigative memoranda on management issues. The Office also completed one special project and one survey.

The Office reviewed contract ratifications, investment company filing initiatives, the electronic documents program, an interactive data initiative, information security under the Federal Information Security Management Act (FISMA), verification of bar membership, ethics training and exit procedures for examiners, and document requests to registrants. The Audit Program section below provides more details on our completed and ongoing work.

The Office's investigative program focused on investigating allegations of misconduct by Commission staff, including allegations of conflict of interest, misuse of official time and computer resources, investigative misconduct, retaliatory termination, perjury and false statements, and time and attendance abuse. We closed seven investigations during the period, referring one subject to Commission management and three subjects to the Department of Justice (which declined prosecution). Sixteen investigations remained pending at the end of the period. The Investigative Program section below contains additional information concerning the investigative work performed and describes the significant cases closed during the period.

We are removing one previously reported significant problem (IT management) and retaining another previously reported significant problem (staff performance management).

Our Office has reported information technology management as a significant problem since 1996. Over the last decade, the Commission has implemented numerous corrective actions to address the problem. In our judgment, IT management as a whole is no longer a significant problem, although it remains a management challenge.

We reported the Commission's management of staff performance as a significant problem in our previous semi-annual report. During this period, Commission management took several steps towards implementation of a new, five-level performance management program, and further steps are planned. These steps are described below in the Significant Problems section.

No management decisions were revised during the period. The Office of Inspector General agrees with all significant management decisions regarding audit recommendations.

SECTION IV
Open Audit Reports Over One Year Old
As of September 30, 2007

<u>Audit #</u>	<u>Audit Title</u>	<u>Issued</u>	<u>Funds Put to Better Use (in thousands)</u>	<u>Questioned Costs (in thousands)</u>	<u>Reason Final Action Not Taken</u>
220	IRM Planning and Execution	3/26/1996	\$0	\$0	Efforts are underway to complete the IT Policy Library, a web-based tool that contains IT-related policies and guidance. The target completion date is March 31, 2008.
320	General Computer Controls	12/26/2000	\$0	\$0	The overall recommendation is centered around the on-boarding and off-boarding of staff and contractors. A pilot system is in production, and full deployment is being coordinated with the HSPD-12 government-wide initiative. In addition, revisions have been made to the SEC's systems security plans to address this requirement, as well as other NIST security standards, at the application level.

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337	IT Project Management	1/24/2002	\$0	\$0	Formal policies are being completed.
365	IT Capital Investment Decision-making Follow-up	3/29/2004	\$0	\$0	During the reporting period, a formal charter was issued for the IT Capital Planning Committee, which makes final investment funding decisions based on, among other things, recommendations from the SEC's Information Officers' Council (IOC). A formal charter is now being developed for the IOC.
376	Telephone Card Program	11/17/2003	\$0	\$0	See explanation for audit #220.

