
INVESTIGATIVE MEMORANDUM ON MANAGEMENT ISSUES (OIG-460)

September 27, 2007

To: Lori Richards
Brian Cartwright

From: Nelson Egbert *N. Egbert*

Re: Examiner Ethics Training and Exit Procedures

During an investigation recently conducted by the Office of Inspector General into a conflict of interest of a regional office examiner (OIG-460), we learned that some examiners may not have received ethics training. Possible causes of this include examiners being in the field when training is offered, or examiners with experience from prior positions outside the agency not being required to attend the level one exam training that includes an ethics component. In addition, some examiners appeared to lack familiarity with the Office of Compliance Inspections and Examinations (OCIE) Management Guidelines for Examiners' Assignment and Related Ethics Issues: Frequently Asked Questions (Revised December 5, 2005).¹

We also learned during our investigation that some examination staff, as well as ethics liaisons, appeared to be unclear as to the restrictions involving negotiating or accepting employment with Self-Regulatory Organizations (SROs), as opposed to broker-dealers. In addition, we noted that the Examiners Exit Interview worksheet (used to identify possible conflicts of interest when examination staff leave the Commission to work for future employers) does not specifically mention SROs and oversight examinations. This may have led to some confusion in the completion of these worksheets and a missed opportunity to provide proper ethics advice.

To prevent violations of the conflict of interest laws, controls over ethics training for examiners and the examiner exit process should be enhanced.

¹ We noted that the Ethics site on the Insider contained an outdated version of this document (dated Sept. 8, 1997), and we advised the Office of Ethics Counsel that it should replace this document with the revised memo.

Recommendation A

OCIE, in coordination with the Office of General Counsel (OGC) and the regional offices, should ensure that all examiners receive appropriate ethics training, including training in the rules regarding negotiating and accepting employment with SROs. OCIE may wish to consider establishing mandatory minimum training requirements for examiners.

OCIE has scheduled a mandatory national video-conference ethics refresher for examiners for October 15, 2007, in which OCIE and all regional offices will participate. According to OCIE, examiners who cannot attend the October 15 training will be required to review a copy of the video and attest that they have done so.

Recommendation B

OCIE, in coordination with OGC and the regional offices, should consider revising the Examiners Exit Interview worksheet to cover specifically the acceptance of employment with SROs and participation in or supervision of oversight examinations.

OCIE has informed us they are revising the exit interview worksheet to include a discussion of SROs, and that they expect to provide training on this topic during the ethics refresher program scheduled for October 15, 2007. In addition, we understand that the Office of Human Resources has implemented an agency-wide exit interview worksheet.

Recommendation C

OGC, in coordination with OCIE, should provide training for ethics liaisons who advise examination staff regarding ethics issues pertinent to examiners, including potential conflict of interests involving SROs and oversight examinations.

OCIE has informed us that the ethics liaisons in the examinations program are required to attend the ethics refresher program scheduled for October 15, 2007. In addition, OGC's Office of Ethics Counsel is providing guidance and training to SEC ethics liaisons in connection with an ethics training course being presented by the Office of Government Ethics in cooperation with the SEC on September 26, and 27, 2007.

cc: Jim Clarkson
William Lenox
Darlene Pryor
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