



OFFICE OF
INSPECTOR GENERAL

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

M E M O R A N D U M

October 8, 2020

TO: Jay Clayton, Chairman

FROM: Carl W. Hoecker, Inspector General 

SUBJECT: *The Inspector General's Statement on the SEC's Management and Performance Challenges, October 2020*

The Reports Consolidation Act of 2000 requires the U.S. Securities and Exchange Commission's (SEC or agency) Office of Inspector General to identify and report annually on the most serious management and performance challenges facing the SEC.¹ In deciding whether to identify an area as a challenge, we consider its significance in relation to the SEC's mission; its susceptibility to fraud, waste, and abuse; and the SEC's progress in addressing the challenge. We compiled the attached statement on the basis of our past and ongoing audit, evaluation, investigation, and review work; our knowledge of the SEC's programs and operations; and information from the U.S. Government Accountability Office and SEC management and staff. We reviewed the agency's response to the prior year's statement, and assessed its efforts to address recommendations for corrective action related to persistent challenges. We previously provided a draft of this statement to SEC officials and considered all comments received when finalizing the statement. As we begin fiscal year 2021, we have again identified the following as areas where the SEC faces management and performance challenges to varying degrees:

- Meeting Regulatory Oversight Responsibilities
- Protecting Systems and Data
- Improving Contract Management
- Ensuring Effective Human Capital Management

The challenges and corresponding audit, evaluation, investigation, or review work are discussed in the attachment. If you have any questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

cc: Sean Memon, Chief of Staff, Office of Chairman Clayton
Bryan Wood, Deputy Chief of Staff, Office of Chairman Clayton
Kimberly Hamm, Chief Counsel/Senior Policy Advisor, Office of Chairman Clayton

¹ Pub. L. No. 106-531, § 3a, 114 Stat. 2537-38 (2000).

John Moses, Managing Executive, Office of Chairman Clayton
Hester M. Peirce, Commissioner
Benjamin Vetter, Counsel, Office of Commissioner Peirce
Elad L. Roisman, Commissioner
Matthew Estabrook, Counsel, Office of Commissioner Roisman
Allison Herren Lee, Commissioner
Andrew Feller, Counsel, Office of Commissioner Lee
Caroline A. Crenshaw, Commissioner
Armita Cohen, Counsel, Office of Commissioner Crenshaw
William Hinman, Director, Division of Corporation Finance
S.P. Kothari, Director and Chief Economist, Division of Economic and Risk Analysis
Stephanie Avakian, Director, Division of Enforcement
Dalia Blass, Director, Division of Investment Management
Brett Redfearn, Director, Division of Trading and Markets
Kenneth Johnson, Chief Operating Officer
Austin Gerig, Chief Data Officer
Gabriel Benincasa, Chief Risk Officer
Matthew Keeler, Management and Program Analyst, Office of Chief Risk Officer
Vance Cathell, Director, Office of Acquisitions
Caryn Kauffman, Director/Chief Financial Officer, Office of Financial Management
Jamey McNamara, Director/Chief Human Capital Officer, Office of Human Resources
David Bottom, Director/Chief Information Officer, Office of Information Technology
Peter Driscoll, Director, Office of Compliance Inspections and Examinations
Peter Henry, Office of Equal Employment Opportunity
Robert B. Stebbins, General Counsel
Rick Fleming, Investor Advocate
Lori Schock, Director, Office of Investor Education and Advocacy
Holli Heiles Pandol, Director, Office of Legislative and Intergovernmental Affairs
Pamela Gibbs, Director, Office of Minority and Women Inclusion
John Nester, Director, Office of Public Affairs
Office and Division Managing Executives

October 8, 2020

OFFICE OF
INSPECTOR
GENERAL

The Inspector General's
Statement on the SEC's
Management and
Performance Challenges

CONTENTS

Abbreviations	ii
CHALLENGE: Meeting Regulatory Oversight Responsibilities	1
Responding to COVID-19, Regulatory Perspectives	1
Keeping Pace With Changing Markets and Innovations.....	3
Examination Coverage and Pace of Investigations	5
Leveraging Technology and Analytics To Meet Mission Requirements	5
CHALLENGE: Protecting Systems and Data	7
Strengthening the SEC's Cybersecurity Posture	7
Maturing the SEC's Information Security Program	9
CHALLENGE: Improving Contract Management	11
Chart. SEC Annual Contractual Services and Supplies Obligations, in Thousands, as a Percentage of Total Annual Budgetary Authority (FY 2013 – FY 2019).....	11
Improving Across All Phases of the Contracting Life Cycle.....	12
Use of Time-and-Materials Contracts	14
CHALLENGE: Ensuring Effective Human Capital Management	15
Implementation of New Performance Management Systems.....	15
Responding to COVID-19, Workforce Perspectives	17

ABBREVIATIONS

COR	contracting officer's representative
COVID-19	Coronavirus Disease 2019
DERA	Division of Economic and Risk Analysis
EDGAR	Electronic Data Gathering, Analysis, and Retrieval
Enforcement	Division of Enforcement
FISMA	Federal Information Security Modernization Act of 2014
FY	fiscal year
GAO	U.S. Government Accountability Office
IT	information technology
NTEU	National Treasury Employees Union
OA	Office of Acquisitions
OBDF	Office of Broker-Dealer Finances
OCIE	Office of Compliance Inspections and Examinations
OIG	Office of Inspector General
OIT	Office of Information Technology
OPM	Office of Personnel Management
SEC, agency, or Commission	U.S. Securities and Exchange Commission
T&M	time-and-materials
TCR	tips, complaints, and referrals
TM	Division of Trading and Markets

CHALLENGE: Meeting Regulatory Oversight Responsibilities

The U.S. Securities and Exchange Commission (SEC, agency, or Commission) is charged with overseeing more than 28,000 registered entities, including investment advisers, mutual funds, exchange-traded funds, broker-dealers, municipal advisors, and transfer agents. The agency also oversees 24 national securities exchanges, 9 credit rating agencies, and 7 active registered clearing agencies, as well as the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the Financial Accounting Standards Board. In addition, the SEC is responsible for selectively reviewing the disclosures and financial statements of more than 7,600 reporting companies.

As in previous years, agency management and the Office of Inspector General (OIG) recognize that, as the markets, products, and participants that the SEC oversees and regulates increase in size and complexity, the agency's ability to meet its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation becomes more challenging. The SEC's Strategic Plan establishes goals and initiatives to ensure that, as the markets change rapidly and new technology, innovation, and global risks evolve, the SEC appropriately adapts its operational focus and remains an effective regulator.¹ In addition to the challenging and constantly evolving environment that the SEC operates in, at the outset of 2020, the Coronavirus Disease (COVID-19) created an unprecedented global health and economic crisis, impacting the SEC as a financial regulator and as an employer.

We describe further below the challenges of (1) responding to COVID-19 from a regulatory perspective; (2) keeping pace with changing markets and innovations; (3) ensuring sufficient examination coverage of registered investment advisers and timely enforcement investigations; and (4) leveraging technology and analytics to meet mission requirements.

Responding to COVID-19, Regulatory Perspectives

After emerging in late 2019, COVID-19 quickly spread around the globe and the President declared a national emergency in March 2020. Although the pandemic had immediate impacts on the SEC's workforce (addressed further on page 17 of this document), it also had profound effects on the capital markets and the economy, as described in the SEC Chairman's June 2020 congressional testimony² and indicated in exemptive orders, staff statements and guidance, and other information posted on [SEC.gov](https://www.sec.gov) and referenced below.

In addition to efforts to ensure the health and safety of its workforce, the SEC has been focused on, among other things, monitoring market functions and system risks; providing prompt, targeted regulatory relief and guidance to issuers, investment advisers, investment companies, and other registrants, including in connection with the execution of their business continuity plans; and maintaining enforcement and investor protection efforts. Following is a summary of some of the market-focused actions, investor

¹ U.S. Securities and Exchange Commission, *Strategic Plan Fiscal Years 2018-2022*; October 11, 2018.

² Chairman Jay Clayton, *Testimony before the Investor Protection, Entrepreneurship, and Capital Markets Subcommittee, U.S. House of Representatives Committee on Financial Services*; June 25, 2020.

protection efforts, guidance and targeted assistance and relief, and other SEC work in response to the effects of COVID-19. More information about these and other COVID-19-related actions taken by the SEC is available at [SEC Coronavirus \(COVID-19\) Response](#).



The Commission suspended trading in the securities of dozens of issuers where there were issues regarding the adequacy and accuracy of the information in the marketplace in connection with COVID-19, and has brought a number of enforcement actions against issuers and individuals alleging fraud based on COVID-19-related claims.



The Office of Investor Education and Advocacy issued and updated Investor Alerts to educate investors about investment frauds, including scams related to COVID-19.



The Division of Investment Management issued a letter to the Independent Directors Council stipulating that staff would not recommend enforcement action if fund boards do not adhere to certain in-person voting requirements.



The Division of Corporation Finance released guidance on disclosure and other securities law obligations that companies should consider with respect to COVID-19 and related business and market disruptions.



The Office of Compliance Inspections and Examinations (OCIE) issued a Risk Alert to share a number of COVID-19-related issues, risks, and practices relevant to SEC-registered investment advisers and broker-dealers.



The Division of Trading and Markets (TM) provided temporary relief for a number of filings, including certain paper submissions made by registered clearing agencies and by broker-dealers. The Division of Corporation Finance also established temporary relief for certain paper filing requirements. In recognition of logistical concerns caused by COVID-19, staff will not recommend enforcement action for a failure to comply with requirements for paper format submissions, manual signatures, and notarization if affected documents are submitted via e-mail and filers meet other stipulated conditions.

Just before the impacts of COVID-19 were known, in February 2020 we completed an evaluation of TM's Office of Broker-Dealer Finances (OBDF) and reported, among other things, that in 2002 and 2008 the OIG recommended encouraging broker-dealers to file certain required documents electronically, thereby

reducing paper filings.³ As we stated in our report, paper filings are less efficient than electronic filings, and often require additional intake and review steps—steps that may not be possible at this time due to COVID-19—including professional scanning services provided by contractors. Moreover, reducing the number of paper filings could align with

Management should identify and assess any efficiencies gained during its COVID-19 response for possible adoption in the SEC's "new normal"

the SEC's strategic goal 2.2, which states that the agency should "Identify, and take steps to address, existing SEC rules and approaches that are outdated."⁴ We made one recommendation about the feasibility of requiring broker-dealers to electronically file with the Commission certain reports. Management's request that the recommendation be closed, received at the end of fiscal year (FY) 2020, is pending.

We commend management for the broad range of actions taken to date to respond to the effects of COVID-19 on the capital markets, and we will continue monitoring the SEC's efforts to meet its regulatory oversight responsibilities throughout this period of collective, national challenges. As the SEC works with stakeholders, including registered entities, to develop acceptable and innovative new ways of doing business during this time, we encourage management to identify and assess any efficiencies gained for possible adoption in the SEC's eventual "new normal."

Keeping Pace With Changing Markets and Innovations

As securities markets continue to grow in size and complexity and technological advancements contribute to changes in how markets operate, the SEC's ability to remain an effective regulator requires that it continuously monitor the market environment and, as appropriate, adjust and modernize its expertise, rules, regulations, and oversight tools and activities. For example, the SEC's FY 2021 Congressional Budget Justification explains that registered entities are more global and diverse than ever before with affiliations, operations, and service providers worldwide. Furthermore, the agency has recognized that advancements in financial technologies, methods of capital formation, market structures, and investor interfaces have changed the way entities conduct business and investors access securities markets. The SEC's FY 2021 Congressional Budget Justification states that, "These types of developments and innovation continue to present challenges to the staff, as they often introduce new and/or heightened regulatory concerns."⁵ However, the agency has reported that modernizations to the regulatory framework, the work of the Division of Enforcement's (Enforcement) Cyber Unit, and the new Strategic Hub for Innovation and Financial Technology, to name a few examples, have helped advance the goal of being responsive and innovative in the face of significant market developments and trends.⁶

³ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC's Office of Broker-Dealer Finances Provides Effective Oversight, But Opportunities To Improve Efficiency Exist* (Report No. 559; February 26, 2020).

⁴ U.S. Securities and Exchange Commission, *SEC Strategic Plan Fiscal Years 2018-2022*; October 11, 2018.

⁵ U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

⁶ Chairman Jay Clayton, *Testimony on "Oversight of the Securities and Exchange Commission" Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs*; December 10, 2019.

With respect to our work, we are pleased that OIG recommendations helped modernize certain reporting thresholds applicable to broker-dealers and investment managers. Specifically, in response to an OIG recommendation, the Commission issued an order in June 2020 to update the filing threshold for broker-dealers' Form 17-H filings made pursuant to Exchange Act Rules 17h-1T and Rule 17h-2T. The threshold, which had not been updated in nearly 30 years, will exempt certain smaller broker-dealers from the reporting requirements of the rules while continuing to provide important information on the financial condition of covered broker-dealers and their affiliates.⁷ Additionally, in July 2020, the SEC announced that it has proposed to amend Form 13F to update the reporting threshold for institutional investment managers and make other targeted changes. The threshold has not been adjusted since the Commission adopted Form 13F more than 40 years ago, and the Commission and staff have received recommendations to revisit it from a variety of sources over the years, including from the OIG.⁸

Advances in financial technologies and other innovations create challenges for investors, too. As the SEC's FY 2021 Congressional Budget Justification states, "major trends in retirement funding, investment philosophies, technology, and capital formation have driven changes that include increased assets, new products, new strategies, and new challenges in the environment for investors and investment managers."⁹ With a primary goal of focusing on the long-term interests of Main Street investors, the SEC has taken steps, including through rulemaking and a new Main Street investor education campaign, to ensure investors have the information and assistance they need. We note, however, that the Investor Advocate has reported that the Ombudsman—a statutorily created liaison between the Commission and retail investors—continues to receive from investors increasing numbers of matters and struggles to provide more than "a cursory level of service to investors."¹⁰ According to the Investor Advocate's FY 2019 Report on Activities, the number of matters brought by investors to the attention of the Ombudsman tripled during the previous year and, between FY 2015 (the first full fiscal year of Ombudsman operations) and FY 2019, investor matters and contacts grew from 727 to 3,693 (an increase of 407.9 percent).¹¹

According to the SEC, its FY 2021 request of \$1.895 billion will support 4,728 positions, including 30 new positions to "enhance the agency's depth of expertise in emerging or evolving areas relating to financial innovation, cybersecurity, small business capital formation, and market oversight, as well as other policy and operational priorities."¹² With the resources entrusted to it, the SEC must continue to adjust as necessary to keep pace with the ever-changing regulatory environment, and ensure it has the workforce necessary to enhance market oversight and improve the agency's ability to serve Main Street investors.

⁷ U.S. Securities and Exchange Commission, Press Release 2020-147, *SEC Updates Filing Threshold to Rule 17h Reporting Requirements for Broker-Dealers*; June 29, 2020.

⁸ U.S. Securities and Exchange Commission, Press Release 2020-152, *SEC Proposes Amendments to Update Form 13F for Institutional Investment Managers; Amend Reporting Threshold to Reflect Today's Equities Markets*; July 10, 2020.

⁹ U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

¹⁰ U.S. Securities and Exchange Commission, *Office of the Investor Advocate Report on Objectives Fiscal Year 2021*; June 29, 2020.

¹¹ U.S. Securities and Exchange Commission, *Office of the Investor Advocate Report on Activities Fiscal Year 2019*; December 19, 2019.

¹² U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

Examination Coverage and Pace of Investigations

Since 2014, we have reported as a challenge the need for ensuring sufficient examination coverage of registered investment advisers by OCIE. OCIE conducts the SEC's National Examination Program, which seeks to protect investors, ensure market integrity, and support responsible capital formation through risk-focused strategies that: (1) improve compliance, (2) prevent fraud, (3) monitor risk, and (4) inform policy. The SEC uses the results of OCIE's examinations to inform rule-making initiatives, identify and monitor risks, improve industry practices, and pursue misconduct. Moreover, OCIE's risk-based program is designed to focus its limited resources on those firms, market participants, and practices that pose the greatest potential risk of securities law violations that can harm investors and the markets. For FY 2019, management reported that OCIE was able to achieve a 15-percent coverage ratio for investment advisers (up from 10 percent, 5 years ago), and OCIE's examinations resulted in firms returning more than \$70 million in recoveries.¹³ However, several new registrant categories, including security-based swap execution facilities, security-based swap data repositories, and security-based swap dealers, may be subject to OCIE examinations, and the agency continues to report challenges in providing adequate examination coverage.¹⁴ In light of these challenges, it is imperative that management effectively use risk-based processes and—as further discussed below—leverage technology and analytics to address its regulatory responsibilities, including those of the examination program.

Enforcement also plays an essential role in carrying out the SEC's mission by investigating and bringing actions against those who violate Federal securities laws. The Commission's enforcement actions cover a

Cases have the greatest impact when filed as close in time to the conduct as possible

broad range of subject areas, including investment management, securities offerings, issuer reporting and accounting, market manipulation, insider trading, broker-dealer activities, cyber-related conduct, and the Foreign Corrupt Practices Act, among others. In the last 2 years, we have reported that the timeliness of Enforcement investigations remains a concern. As

acknowledged in Enforcement's latest annual report, cases have the greatest impact when they are filed as close in time to the conduct as possible. In FY 2019, the amount of time between case opening and filing of an enforcement action decreased marginally to just under 24 months on average. However, financial fraud and issuer disclosure cases, which are among the most complicated, still took on average 37 months from opening to filing. Although Enforcement is taking steps to accelerate the pace of these investigations and has reported some successes, there is still room for continued improvement.¹⁵

Leveraging Technology and Analytics To Meet Mission Requirements

As in previous years, agency management and the OIG recognize that technology and analytics are critical to the mission of the SEC and its ability to deliver information to the public, identify risks, uncover

¹³ Chairman Jay Clayton, *Testimony on "Oversight of the Securities and Exchange Commission" Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs*; December 10, 2019.

¹⁴ U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

¹⁵ U.S. Securities and Exchange Commission, *Division of Enforcement 2019 Annual Report*; November 6, 2019.

frauds, sift through large volumes of data, inform policy-making, and streamline operations. The SEC's FY 2021 Congressional Budget Justification states that:

Information technology (IT) plays a critical role in the mission of the SEC and its ability to share information and data both internally and externally. The increasing size and complexity of U.S. markets requires that the SEC continue leveraging technology to streamline operations and increase the effectiveness of the agency's programs, building on the recent progress made in key areas to modernize technology systems.

In response, the agency continues to make significant investments in cybersecurity; data analytics; Electronic Data Gathering, Analysis, and Retrieval (EDGAR) enhancements and modernization; enforcement investigation and litigation support; examination management; and business process improvement.

To assess the SEC's progress in these areas, in the last 2 years, we reviewed (1) the agency's efforts to redesign the EDGAR system,¹⁶ (2) the Division of Economic and Risk Analysis' (DERA) analytical support of other divisions and offices,¹⁷ and (3) the SEC's planning and management of its FY 2018 IT investments.¹⁸ In response, in 2019, management provided an update on its progress toward modernizing the EDGAR system. In addition, management took corrective action to address two of our three recommendations from our evaluation of DERA's analytic support. However, one recommendation—that DERA incorporate the results of analytics impact measurements in its outreach efforts—remains open. Also, two recommendations from our audit of the SEC's planning and management of IT investments to develop, modernize, and enhance the agency's IT assets remain open, although OIT has requested closure of one of these recommendations. We discuss the broader challenge of protecting SEC systems and data and our related work on the next page of this document.

Ongoing and Anticipated OIG Work. In FY 2021, we will continue assessing how well the SEC achieves its regulatory oversight responsibilities. Specifically, we will complete ongoing evaluations of (1) the Office of Investor Education and Advocacy's processes and controls for reviewing, referring, and responding to investor complaints and other investor assistance matters, and managing the SEC's investor education and outreach activities; and (2) the SEC's management of its tips, complaints, and referrals (TCR) program. We will also assess OCIE's investment adviser/investment company examination processes; the SEC's whistleblower program; the Office of the Advocate for Small Business Capital Formation's operations, programs, and policies; and Enforcement's efforts to emphasize expediency in its case management activities.

¹⁶ U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Update on the SEC's Progress Toward Redesigning the Electronic Data Gathering, Analysis, and Retrieval System*; May 23, 2019.

¹⁷ U.S. Securities and Exchange Commission, Office of Inspector General, *Although Highly Valued by End Users, DERA Could Improve Its Analytics Support by Formally Measuring Impact, Where Possible* (Report No. 553; April 29, 2019).

¹⁸ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Has Processes To Manage Information Technology Investments But Improvements Are Needed* (Report No. 555; September 19, 2019).

CHALLENGE: Protecting Systems and Data

SEC management has recognized that the SEC and other agencies are frequent targets of attempts by threat actors who seek to penetrate agency systems, and that some of those actors may be backed by substantial resources. Strategic initiative 3.4 in the SEC's Strategic Plan addresses the importance of "developing a robust and resilient program for dealing with threats to the security, integrity, and availability of the SEC's systems and sensitive data."¹⁹ According to management, among other actions, steps have been taken to improve the SEC's IT governance and oversight, security controls, risk awareness related to sensitive data, incident response, and reliance on legacy systems. In addition, in his September 2019 congressional testimony, the SEC Chairman reported that the agency's IT workforce grew by 15 percent and IT security staff positions grew by more than 75 percent since 2017.²⁰ Moreover, in December 2019 and January 2020, the SEC appointed a new Chief Information Officer and a Chief Data Officer, respectively. The Chief Data Officer will help develop the agency's data management strategy and priorities; enable data analytics to support enforcement, examinations, and policymaking; and ensure the SEC collects only the data that it needs to fulfill its mission and that it can effectively secure. As we describe further below, additional opportunities remain to strengthen the SEC's cybersecurity posture and continue maturing its information security program.

Strengthening the SEC's Cybersecurity Posture

Notably, in its FY 2019 Agency Financial Report, the SEC reported that it remediated the previously identified and reported material weakness in its internal controls related to cybersecurity risks, though management recognized that additional work is needed to improve the security of the agency's information systems and overall cybersecurity risk profile.²¹ To this end, among other actions, the SEC has committed to enhancing its controls and management of agency data, and building out its information security defense and monitoring capabilities. In response to our October 2019 statement on the SEC's management and performance challenges, agency management reported that principal efforts in this area include making progress toward implementing the SEC's Identity, Credentialing, and Access Management strategy; improving security governance and oversight functions; enhancing enterprise security awareness and training efforts; and modernizing legacy information systems.²² In addition, the SEC's FY 2021 budget request includes two new positions for the agency's cybersecurity operations center, one new position dedicated to the protection of the agency's high value assets, and two additional staff to build out the new Chief Data Officer function.

¹⁹ U.S. Securities and Exchange Commission, *Strategic Plan Fiscal Years 2018-2022*; October 11, 2018.

²⁰ Chairman Jay Clayton, *Testimony before the U.S. House of Representatives Committee on Financial Services*; September 24, 2019.

²¹ As the SEC has reported since 2017, this material weakness was caused by deficiencies that hindered the agency's ability to timely detect and mitigate a vulnerability in the EDGAR system's source code, which was exploited in 2016, resulting in unauthorized access to non-public information. U.S. Securities and Exchange Commission, *Fiscal Year 2019 Agency Financial Report*; November 15, 2019.

²² U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

In response to the 2016 intrusion of the EDGAR system and a request from the SEC Chairman that the OIG review related matters, on September 21, 2018, we issued a report titled *Evaluation of the EDGAR System's Governance and Incident Handling Processes* (Report No. 550). The report (1) presented the OIG's findings and recommendations from our assessment of the information security practices applicable to the EDGAR system between FY 2015 and FY 2017, and (2) included 14 recommendations to improve the SEC's EDGAR system governance, security practices, and incident handling processes. As we reported in our October 2019 statement on the SEC's management and performance challenges, the SEC has taken corrective action sufficient to close 12 of the 14 recommendations, yet 2 recommendations remain open. We commend agency management for corrective action taken to date, and encourage management to fully implement all agreed-to recommendations to further strengthen the SEC's cybersecurity posture.

In FY 2020, as part of our audit of the SEC's management of the planning, implementation, and security of its cloud computing services, we assessed the SEC's key security measures for protecting agency systems that use cloud computing services.²³ Although the SEC's Office of Information Technology (OIT) developed an IT security program and other supporting security policies and procedures governing the agency's systems, processes for protecting the SEC's cloud-based systems needed improvement. Specifically, we found that the SEC's system security plans for its cloud-based systems in operation as of March 20, 2019, were missing cloud-specific security controls and enhancements; and that security assessment reports for the systems were incomplete. These conditions occurred because OIT had not developed policies and procedures specific to cloud system security, or adequate processes to ensure compliance with Federal Risk and Authorization Management Program baseline controls and enhancements for which the agency is responsible. As a result, the SEC's processes did not adequately ensure compliance, assess risk, identify issues, or mitigate vulnerabilities specific to the agency's cloud-based systems. We made one recommendation for the SEC to improve the security of its cloud-based systems, and encouraged management to take other actions to address needed improvements in the agency's cloud system incident response processes. OIT's efforts to address our recommendation are ongoing.

Processes for protecting cloud-based systems needed improvement

We also completed an audit of the SEC's management of mobile devices and services in September 2020.²⁴ During our audit, the SEC took steps to improve mobile device security controls and safeguard information accessed, stored, and processed on mobile devices. For example, in FY 2020, OIT assessed the security of mobile devices enrolled in the SEC's mobile device management system, made progress to ensure those devices used more recent operating system versions, and incorporated mobile device security into the SEC's annual privacy and information security awareness training program. However, we reported that additional safeguards are needed to adequately document security controls applicable to

²³ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Can More Strategically and Securely Plan, Manage, and Implement Cloud Computing Services* (Report No. 556; November 7, 2019).

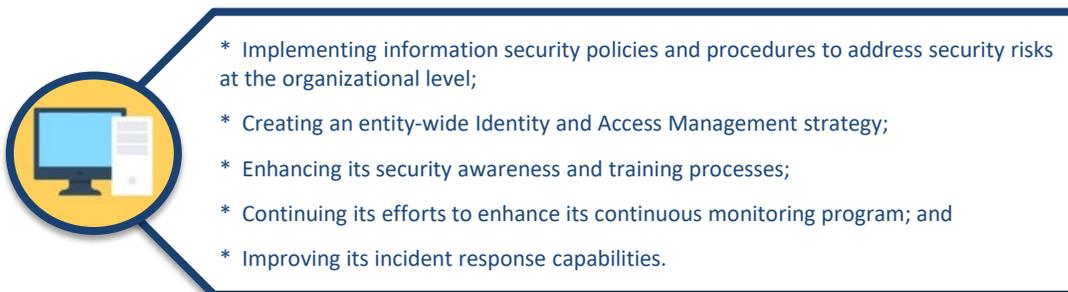
²⁴ U.S. Securities and Exchange Commission, Office of Inspector General, *Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services* (Report No. 562; September 30, 2020).

mobile devices and improve policies and procedures addressing mobile device inventory controls, provisioning, applications, sanitization, and operating system updates. Also, OIT should implement controls to effectively mitigate the risk of allowing certain mobile devices to access the SEC's network. Because OIT had not developed comprehensive policies and procedures specific to mobile device security or adequate processes to ensure compliance with recognized major controls affecting enterprise mobile device security, the SEC's processes did not adequately ensure compliance, assess risk, identify issues, or mitigate vulnerabilities specific to mobile device security. We made three recommendations to help the SEC improve safeguards for information accessed, stored, and processed on mobile devices. OIT's efforts to address our recommendations are ongoing.

Maturing the SEC's Information Security Program

Effective information security controls are essential to protecting the SEC's information systems and the information they contain. To help the SEC establish and maintain effective information security controls and to comply with the Federal Information Security Modernization Act of 2014 (FISMA), the OIG annually evaluates the SEC's implementation of FISMA information security requirements and the effectiveness of the agency's information security program on a maturity model scale.²⁵ The OIG contracted with Kearney & Company, P.C., to conduct the FY 2019 independent evaluation and issued on December 18, 2019, the report titled *Fiscal Year 2019 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014* (Report No. 558). The FY 2020 FISMA evaluation is ongoing and will be completed in the first quarter of FY 2021.

As stated in Report No. 558, OIT improved aspects of the SEC's information security program. Among other actions taken, OIT made progress in:



Although OIT took steps to strengthen the SEC's information security program, Kearney & Company, P.C., determined for FY 2019 that, as in prior years, the SEC's information security program did not meet annual Inspector General FISMA Reporting Metrics' definition of "effective."²⁶ As stated in Report No. 558, the SEC's maturity level for the five Cybersecurity Framework security functions ("identify," "protect," "detect," "respond," and "recover") and related domains was primarily either Level 2 ("Defined")

²⁵ Pub. L. No. 113-283, § 3555, 128 Stat. 3073 (2014).

²⁶ *FY 2019 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics, Version 1.3*, April 9, 2019.

or Level 3 (“Consistently Implemented”). Only one function, contingency planning, reached Level 4 (“Managed and Measurable”). According to the annual Inspector General FISMA Reporting Metrics, within the context of the maturity model, a Level 4 information security program is operating at an effective level of security.

Report No. 558 included nine new recommendations to strengthen the SEC's information security program, and highlighted opportunities to improve in seven of the eight FY 2019 Inspector General FISMA reporting metric areas. To date, the SEC has taken corrective action sufficient to close one of these nine recommendations. However, six recommendations from our FY 2018 FISMA report remain open.²⁷ In addition, eight recommendations from our FY 2017 FISMA report remain open, although OIT has requested closure of two of these recommendations.²⁸ We commend agency management for corrective action taken to date, and encourage management to promptly act on all opportunities for improvement identified in the last three FISMA reports to help minimize the risk of unauthorized disclosure, modification, use, and disruption of the SEC's sensitive, non-public information, and to assist the agency's information security program reach the next maturity level.

Finally, as part of our audit of the SEC's management of the planning, implementation, and security of its cloud computing services, we found that the SEC developed a strategy that defined the goals and objectives of the agency's cloud program, and a plan that established cloud-related goals. However, as stated in our report issued in November 2019, the SEC did not fully implement its cloud strategy; follow a clear, robust strategic plan to evaluate and prioritize IT services and applications for migration to the cloud; or effectively track related goals.²⁹ Instead, the agency used an “ad hoc” or “as-needed” approach to implementing cloud computing. This occurred because the SEC did not coordinate or collaborate on cloud strategies at an enterprise level. As a result, the SEC has not fully realized the potential performance and economic benefits attributed to cloud computing services. We made two recommendations to improve the SEC's planning, management, and implementation of cloud strategies. To date, the SEC has taken corrective action sufficient to close one of these two recommendations.

Ongoing and Anticipated OIG Work. In FY 2021, we will continue to assess the SEC's efforts to secure its systems and data. We plan to evaluate whether the SEC is effectively using enterprise architecture to ensure organizational operations and supporting technology infrastructures and systems are not duplicative, poorly integrated, unnecessarily costly, and unable to respond quickly to shifting environmental factors. We also plan to assess whether effective controls exist to safeguard SEC non-public or other sensitive information used in connection with DERA staff's research and publications. Finally, as previously stated, we will complete an ongoing evaluation of the SEC's TCR program, which includes reviewing controls for safeguarding and maintaining TCR source materials, as required.

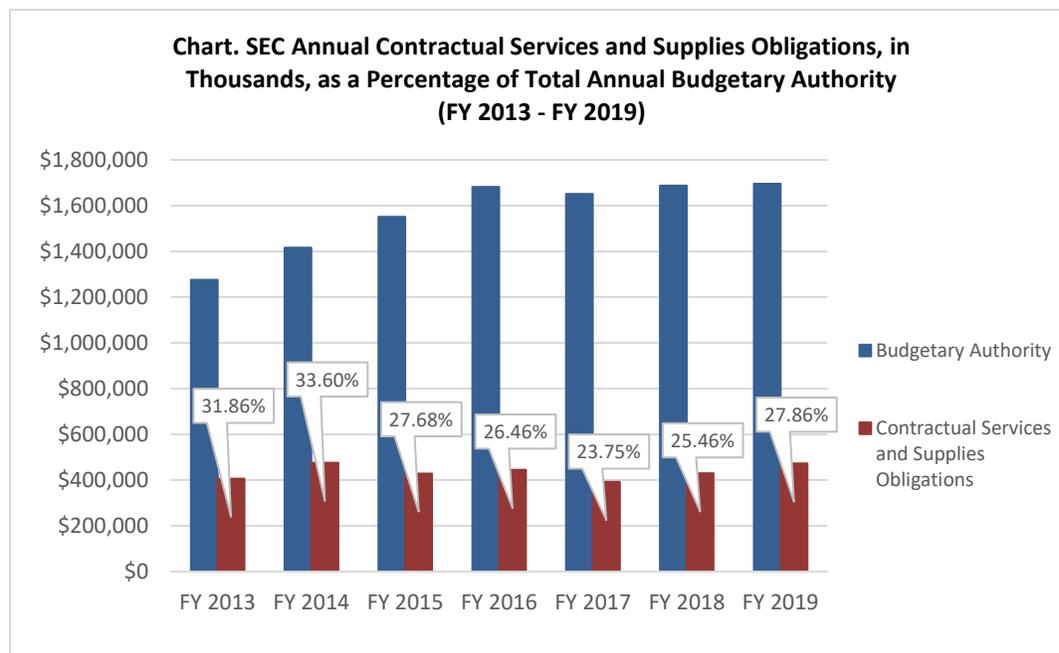
²⁷ U.S. Securities and Exchange Commission, Office of Inspector General, *Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014* (Report No. 552; December 17, 2018).

²⁸ U.S. Securities and Exchange Commission, Office of Inspector General, *Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2017* (Report No. 546; March 30, 2018).

²⁹ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Can More Strategically and Securely Plan, Manage, and Implement Cloud Computing Services* (Report No. 556; November 7, 2019).

CHALLENGE: Improving Contract Management

To accomplish its mission, the SEC relies on contractor support in a variety of programs and operations. Contractors provide professional legal, case, and investigation-related services; support in the areas of accounting, analytics, compliance, and examinations; and business management and human resources support services. Moreover, OIT relies heavily on contractors to provide services and expertise, including application management, business solutions delivery, IT infrastructure and operations management, information security, IT governance, data management, web services, and EDGAR IT support services. To fund these and other contract requirements, the SEC's FY 2021 budget request included about \$546 million for contractual services and supplies,³⁰ which represents nearly 29 percent of the total \$1.895 billion requested for agency operations. Although actual annual obligations for contractual services and supplies, when expressed as a percentage of the SEC's total annual budgetary authority, decreased from about 32 percent in FY 2013 to about 24 percent in FY 2017, that trend may be reversing with the increases made over the last 2 fiscal years. (See the following chart). Effective management of these resources, which consistently represent more than a quarter of the SEC's annual budget, is essential.



Source: OIG-generated based on SEC Congressional Budget Justifications for FY 2015 through FY 2021.

The SEC's Office of Acquisitions (OA) is responsible for procuring all goods and services—except real property and employee training—for the agency. However, the SEC's acquisition workforce includes any

³⁰ According to Office of Management and Budget Circular No. A-11, *Preparation, Submission, and Execution of the Budget* (July 2020), the contractual services and supplies object class covers purchases in object classes 21.0 through 26.0 (Travel and transportation of persons; Transportation of things; Rent, Communications, and Utilities; Printing and reproduction; Other contractual services; and Supplies and materials).

employee playing a key role in the acquisition and contracting process, including all contracting professionals in the 1102 job series, program and project managers, and contracting officer's representatives (CORs), who are responsible for most aspects of contract management and administration. Agency policy makes clear that members of the acquisition workforce must work together throughout the contracting life cycle to ensure effective contract management.

In response to our October 2019 statement on the SEC's management and performance challenges, management reported that OA plans to continue the SEC's Contract Management Excellence Initiative to further promote effective contract management. Such efforts include improving communications between contracting officers and CORs, ensuring CORs receive proper training to oversee contract management and maintain their proper certifications, and continually conducting reviews of contract files to make sure they contain appropriate documentation. The SEC also reported continuing the COR Improvement Initiative to "provide efficient and functional control, transparency, and management of the COR Program across the SEC." In addition, we are pleased to note that the SEC's FY 2021 budget request seeks one additional position to focus efforts on the quality and management of acquisition and contract management risks based on findings from our work, the SEC's Risk Management Oversight Committee, and the development and monitoring of controls.³¹

Improving Across All Phases of the Contracting Life Cycle

As discussed in our October 2019 statement on the SEC's management and performance challenges, OIG audits and evaluations from the last 5 years have consistently identified concerns in the pre-award, award, and post-award phases of the contracting life cycle. Although the SEC completed in FY 2020 corrective action sufficient to close some recommendations that span the contracting life cycle, we continued to identify opportunities for improvement.

For example, in our November 2019 report from our audit of the SEC's management of the planning, implementation, and security of its cloud computing services, we noted that OIT and OA did not consistently implement a process to ensure that the SEC's IT contracts, including cloud service contracts, contained appropriate security clauses.³² We previously reported this condition in 2018 as part of our FY 2018 and FY 2017 FISMA reviews.³³ At the beginning of FY 2021, the SEC completed corrective action sufficient to address this matter. However, until recently, the SEC limited its ability to ensure that contractors adequately protected sensitive, non-public SEC information and complied with requirements applicable to federal systems.

³¹ U.S. Securities and Exchange Commission, *Fiscal Year 2021 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2019 Annual Performance Report*; February 10, 2020.

³² U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Can More Strategically and Securely Plan, Manage, and Implement Cloud Computing Services* (Report No. 556; November 7, 2019).

³³ U.S. Securities and Exchange Commission, Office of Inspector General, *Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014* (Report No. 552; December 17, 2018); and U.S. Securities and Exchange Commission, Office of Inspector General, *Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2017* (Report No. 546; March 30, 2018).

In addition, as part of our recently completed audit of the SEC's management of mobile devices and services,³⁴ we determined that, although the SEC used enterprise-wide contracts and a mobile device management system, the SEC did not effectively manage its mobile devices and associated costs. Specifically, about half of the devices on the SEC's primary wireless service provider usage reports during the period we reviewed were either unused or appeared to be underused, while other devices appeared

CORs did not review monthly invoices from wireless service providers

to have high data usage, in some cases for potentially unauthorized purposes. In addition, the SEC did not (1) provide evidence to support and justify international charges billed by wireless service providers; (2) consistently maintain documentation to demonstrate the continued business need for devices;

and (3) adequately plan for the replacement of mobile devices and services. The conditions we observed occurred because OIT did not establish and/or implement controls, including comprehensive processes and procedures, to effectively oversee the SEC's mobile devices and services based on business needs and good governance. For example, OIT did not have processes requiring periodic reviews and reconciliations of wireless service providers' usage reports and rate plan analyses. Without such processes, OIT personnel did not review the SEC's mobile device usage to identify and address key indicators of potential inefficient or unauthorized use including overuse, underuse, or zero use. In addition, OIT did not have processes requiring periodic reviews of wireless service providers' invoices. Moreover, the CORs responsible for overseeing the SEC's mobile device and services contracts did not review monthly invoices to ensure unusual or additional charges, such as international charges, were accurate, authorized, and adequately supported. As a result, the SEC:

- did not leverage available information to effectively manage mobile devices and services, thereby wasting almost \$732,000 on 1,567 devices with zero usage between October 2018 and December 2019;
- spent nearly \$160,000 on international charges between July and December 2019 without documented justifications to support that those costs were for valid business needs; and
- spent about \$1 million in FY 2019 to replace mobile devices at a higher price instead of procuring mobile device models available at no or lower additional cost without a documented justification.

We made four recommendations to improve the SEC's management of its mobile devices and associated costs. OIT's efforts to address our recommendations are ongoing.

Use of Time-and Materials Contracts

As we reported last year,³⁵ based on data available from [usaspending.gov](https://www.usaspending.gov), time-and-materials (T&M) contracts appeared to represent about 32 percent of all SEC contract actions in FYs 2015 through

³⁴ U.S. Securities and Exchange Commission, Office of Inspector General, *Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services* (Report No. 562; September 30, 2020).

³⁵ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Can Better Manage Administrative Aspects of the ISS Contract* (Report No. 554; May 31, 2019).

2018.³⁶ We encouraged management to assess the SEC's use of T&M contracts and formulate actions to reduce their use whenever possible because, as Federal Acquisition Regulation Subpart 16.6, *Time-and-Materials, Labor-Hour, and Letter Contracts*, states, a T&M contract:

- “. . . provides no positive profit incentive to the contractor for cost control or labor efficiency.”
- “. . . may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.”

Moreover, the SEC's operating procedure that prescribes the policies, responsibilities, and procedures for SEC acquisitions states that T&M contracts “are the least preferred contract type because it [sic] places maximum risk on the Government through payment for time delivered rather than a measurable outcome with measurable quality attributes.”³⁷ The operating procedure also acknowledges that T&M contracts “fail to incentivize the contractor to perform effectively or control costs,” and place “a high administrative burden on the Government.”

In response to our 2019 report and our concerns about the SEC's use of T&M contracts, management agreed to fully consider our suggestions. However, usaspending.gov data shows that, in FYs 2019 and 2020, the percentage of T&M contracts relative to all SEC contract actions increased to about 39 percent. To help ensure T&M contracts are used only when appropriate and to minimize the risk to the government, we again strongly encourage management to review its use of T&M contracts.

Ongoing and Anticipated OIG Work. In FY 2021, through audits and evaluations and the work of our Acquisitions Working Group, we will continue to assess the SEC's contract management and acquisition processes. We will complete an ongoing audit of the SEC's oversight and monitoring of its infrastructure support services contract (the agency's largest active contract), and report on any acquisition-related matters identified as a result of other ongoing and planned reviews of SEC programs and operations. In addition, we will assess the SEC's processes for encouraging small business participation in agency contracting, while engaging in effective acquisition planning to meet agency needs in the most effective, economical, and timely manner. This will include determining whether, in FYs 2019 and 2020, the SEC accurately reported small business awards. Lastly, we will continue to support the SEC's efforts to train contracting officers and CORs about the potential for procurement-related fraud.

³⁶ This includes labor-hour contracts, which are a variation of T&M contracts and differ only in that materials are not supplied by the contractor.

³⁷ SEC Operating Procedure 10-1, *Acquisition Authority and Lifecycle*; May 21, 2019.

CHALLENGE: Ensuring Effective Human Capital Management

The SEC recognizes that its success depends on an effective, highly-skilled workforce. As such, the SEC's Strategic Plan commits to strengthening the agency's human capital management program to attract and retain talent, and to focusing on the SEC's workforce to increase the agency's capabilities.³⁸ In our October 2019 statement on the SEC's management and performance challenges, we addressed the challenges created by continuing changes since FY 2016 to the SEC's performance management system. Last year, the U.S. Government Accountability Office (GAO) surveyed SEC employees and, in December 2019, reported concerns with the agency's performance management system.³⁹ In January 2020, the SEC implemented a new performance management system for SK employees.⁴⁰ Shortly thereafter, the SEC's workforce was faced with unexpected and unprecedented operational changes caused by COVID-19. The sections that follow address these issues and the ongoing challenges they represent.

Implementation of New Performance Management Systems

In 2013, GAO recommended that the SEC conduct periodic validations, with staff input, of the agency's performance management system and make changes, as appropriate, based on these validations.⁴¹ In FY 2016, the SEC began piloting a new performance management system with a four-tier rating scale. As discussed in GAO's third triennial report on the SEC's personnel management (issued in December 2019 and required under the Dodd-Frank Wall Street Reform and Consumer Protection Act⁴²), the SEC implemented the four-tier rating system for non-bargaining-unit employees in 2017 and continued the system as a pilot in FY 2017 through FY 2019 for bargaining unit employees. However, because of disagreements with the National Treasury Employees Union (NTEU), management did not validate the system.

To obtain employee views on the SEC's personnel management and organizational culture, from March to May 2019, GAO implemented two web-based surveys of a representative sample of nonexecutive SEC employees in key occupations and all senior officers in nine key divisions and offices. GAO also reviewed SEC documents and personnel management practices, analyzed workforce data, and interviewed SEC officials. Although GAO found that the SEC employees surveyed expressed positive views of their direct supervisors and colleagues, GAO estimated that:

³⁸ U.S. Securities and Exchange Commission, *Strategic Plan Fiscal Years 2018-2022*; October 11, 2018.

³⁹ U.S. Government Accountability Office, *Securities and Exchange Commission: Personnel Management Shows Improvement, but Action Needed on Performance Management System* (GAO-20-208; December 19, 2019).

⁴⁰ The SEC's primary pay scale is the SK pay scale, which ranges from SK-1 to SK-17. Senior officers comprise the SEC's senior management.

⁴¹ U.S. Government Accountability Office, *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness* (GAO-13-621; July 18, 2013). In its 2016 report—*Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges* (GAO-17-65; December 29, 2016)—GAO reiterated the importance of the 2013 recommendation, which remains open.

⁴² Pub. L. No. 111-203, 124 Stat. 1376, 1908-1909 (2010) (codified at 15 U.S.C. § 78d-7).

- 48 percent of SEC nonexecutives disagreed that the performance management system in place at the time of GAO's review created meaningful distinctions in performance among employees;
- 30 percent of SEC employees disagreed that the SEC's performance management system used relevant criteria to evaluate performance;
- more than 40 percent of SEC employees were concerned about excessive risk aversion, which GAO defined as "the condition in which the agency's ability to function effectively is hindered by the fear of taking on risk;" and
- 35 percent of nonsupervisory staff disagreed that promotion to management is based more on substantive experience than on favoritism, and that favoritism is not an issue in promotions.

According to GAO's December 2019 report, in November 2018, the SEC and the NTEU agreed that the SEC would implement another new performance management system in 2020. GAO further stated that, because the SEC did not validate the four-tier system that was piloted from FY 2017 through FY 2019, the SEC "missed an opportunity to obtain employee input to inform the design of the new system." In response to the draft of this document, management stated that the SEC did, however, (1) contract with the Office of Personnel Management (OPM) to obtain feedback from SEC staff and to provide guidance on its performance management program;

(2) consider and pilot some of OPM's recommendations; and (3) receive extensive employee feedback through NTEU, which supported the development of the two-tier performance management system that was implemented in 2020.

The SEC missed opportunities to obtain employee input to help design its performance management systems

Under the new system, currently in place, all SK employees will be evaluated on a two-tier rating scale: "Accomplished Performer" and "Unacceptable." GAO concluded that, although the SEC strengthened its personnel management by implementing more comprehensive workforce planning and improved intra-agency communication, without periodically validating its performance management system, with staff input, as GAO recommended in 2013, the SEC "may lack information that could help it identify changes needed to address employee dissatisfaction and ensure its system achieves its goals." According to agency officials, the SEC plans to work with OPM to validate the agency's new two-tiered performance management system by surveying staff on the new system at the conclusion of the 2020 appraisal period (that is, after December 31, 2020). At that time, it is expected that OPM will submit a final assessment of the program with any recommended actions for the SEC.

According to management, the SEC is designing a new performance incentive bonus program through which supervisors can nominate high-performing employees for a bonus of up to \$10,000 once per calendar year. In December 2019, GAO reported that, "as of November 2019, SEC had not provided detailed policies and procedures, nor had it established a date by which such policies and procedures would be finalized, despite its goal of implementing the new program in January 2020." In addition, GAO stated that the SEC had not yet developed mechanisms for transparency and fairness in the new performance incentive bonus program. GAO cited strategies that federal agencies can use to manage performance-oriented pay systems, including building in safeguards such as multiple levels of review and

publishing aggregate performance data to enhance transparency, ensure the fairness of pay decisions, and increase employee confidence. GAO recommended that the SEC develop and implement such safeguards with respect to the new performance incentive bonus program.

In response to the draft of this document, management stated that it concurred with GAO's recommendation, and plans to implement the performance incentive bonus program in January 2021 to allow program development and validation efforts to continue throughout 2020. Management also stated that the SEC informed GAO of the new timeline, has provided quarterly updates regarding the status of the program's design and validation efforts, and is developing additional mechanisms for transparency and fairness in the new performance incentive bonus program.

Notably, in March 2020, the SEC issued its first Diversity and Inclusion Strategic Plan, which recognizes that diversity, inclusion, and opportunity should be reflected in both the internal and outward-facing aspects of the agency's work, and sets measurable goals for FYs 2020 through 2022 to help the SEC perform at the highest level.⁴³ Goal 2 of the Diversity and Inclusion Strategic Plan addresses the need to cultivate, among other things, a fair work environment using initiatives designed to prevent discrimination and other actions that undermine the agency's commitment to diversity, inclusion, and equal opportunity. We commend management's actions to promote and implement these important objectives, and we encourage management to timely address the risk posed by a lack of safeguards against perceived or real bias or unfairness in the SEC's new performance management system and, once implemented, its performance incentive bonus program.

Responding to COVID-19, Workforce Perspectives

Since the outset of the national public health and economic threats caused by COVID-19, the SEC's operational efforts have centered, first and foremost, on the health and safety of its employees, the employees and customers of its registrants, and individuals generally. This approach framed management's decision to begin shifting to mandatory telework at all SEC office locations in early March, and to date, the agency remains operational in a full telework posture with limited, mission-critical exceptions. To prepare for and respond to the operational challenges created by COVID-19, among other actions taken, the SEC conducted network capacity tests; adjusted its travel; controlled access to its buildings; purchased personnel protective equipment; disseminated tips, tools, and guidance for working remotely; offered leave and workplace flexibilities to assist employees; and established a telework stipend benefit to help defray the cost of certain IT and telework expenses employees may have incurred during the mandatory telework posture.

Although health and safety remain the top priority and the SEC expects to remain in its current posture until at least January 4, 2021, federal agencies must strategically plan around a number of key considerations to ensure they can keep employees safe when their offices reopen. According to GAO and based on lessons learned from the H1N1 pandemic, these considerations include making decisions about reentry based on exposure risk level and local conditions, using a phased approach to resuming

⁴³ U.S. Securities and Exchange Commission, *Diversity and Inclusion Strategic Plan, Fiscal Years 2020-2022*; March 25, 2020.

operations, planning steps that will be taken if there is a second or third wave of outbreaks, ensuring appropriate protection measures are in place, and implementing social distancing strategies.⁴⁴

Ongoing and Anticipated OIG Work. As the SEC continues to respond to the challenges created by COVID-19, in FY 2021, we will monitor the agency's plans for ensuring safe and efficient reentry to the workplace. Furthermore, we will monitor the SEC's progress in addressing the concerns raised about its new performance management system, including the new performance incentive bonus program, and the steps planned and taken to promote diversity, inclusion, and opportunity. Finally, to follow-up on previous OIG work and agency business process improvements, we will determine whether the SEC's Office of Human Resources established effective controls to (1) assess the timeliness of the SEC's hiring process, and (2) conduct comprehensive assessments of the process based on reliable data.

⁴⁴ U.S. Government Accountability Office, *Federal Workforce: Key Considerations for Agencies Returning Employees to Workplaces during Pandemics* (GAO-20-650T; June 25, 2020).

OIG General Office Contact Information

EMPLOYEE SUGGESTION PROGRAM

The OIG SEC Employee Suggestion Program, established under the Dodd-Frank Wall Street Reform and Consumer Protection Act, 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.

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.

TO REPORT

fraud, waste, and abuse

Involving SEC programs, operations, employees,
or contractors

FILE A COMPLAINT ONLINE AT

www.sec.gov/oig

CALL THE 24/7 TOLL-FREE OIG HOTLINE

833-SEC-OIG1

CONTACT US BY MAIL AT

U.S. Securities and Exchange Commission

Office of Inspector General

100 F Street, N.E.

Washington, DC 20549

