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EXCHANGE COMMISSION

REPORT NO. 564
JANUARY 13, 2021

OFFICE OF
INSPECTOR GENERAL

OFFICE OF AUDITS

The SEC's Office of Investor Education and Advocacy Could Benefit From Increased Coordination, Additional Performance Metrics, and Formal Strategic Planning

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

OFFICE OF
INSPECTOR GENERAL

M E M O R A N D U M

January 13, 2021

TO: Lori J. Schock, Director, Office of Investor Education and Advocacy

FROM: Carl W. Hoecker, Inspector General

SUBJECT: *The SEC's Office of Investor Education and Advocacy Could Benefit From Increased Coordination, Additional Performance Metrics, and Formal Strategic Planning,* Report No. 564

Attached is the Office of Inspector General (OIG) final report detailing the results of our evaluation of the Office of Investor Education and Advocacy's (OIEA) processes and controls for reviewing, referring, and responding to investor complaints and other investor assistance matters, and managing the U.S. Securities and Exchange Commission's (SEC) investor education and outreach activities. The report contains four recommendations that should help improve OIEA's communication and coordination with SEC regional offices on investor assistance matters, and develop and implement formal investor education and outreach strategic planning and methods to measure the impact and efficacy of its investor education program.

On December 21, 2020, we provided management with a draft of our report for review and comment. In its January 7, 2021, response, management concurred with our recommendations. We have included management's response as Appendix III in the final report.

Within the next 45 days, please provide the OIG with a written corrective action plan that addresses the recommendations. The corrective action plan should include information such as the responsible official/point of contact, timeframe for completing required actions, and milestones identifying how management will address the recommendations.

We appreciate the courtesies and cooperation extended to us during the evaluation. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

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EXECUTIVE SUMMARY

The SEC's Office of Investor Education and Advocacy Could Benefit From Increased Coordination, Additional Performance Metrics, and Formal Strategic Planning

REPORT NO. 564 | JANUARY 13, 2021

WHY WE DID THIS EVALUATION

The U.S. Securities and Exchange Commission's (SEC or agency) Office of Investor Education and Advocacy (OIEA) plays an important role in accomplishing the SEC's mission of protecting investors. OIEA seeks to provide Main Street investors with the information they need to make sound investment decisions and administers two programs to promote this mission: (1) assisting investors with complaints and questions about the securities markets and market participants, and (2) conducting educational outreach to individual investors.

We conducted this evaluation to assess OIEA'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 in support of the agency's mission and strategic goals and the National Strategy for Financial Literacy.

WHAT WE RECOMMENDED

We made four recommendations, including that OIEA improve communication and coordination with SEC regional offices on investor assistance matters. We also recommended that OIEA develop and implement formal investor education and outreach strategic planning and methods to measure the impact and efficacy of its investor education program. Management concurred with our recommendations, which will be closed upon completion and verification of corrective action.

WHAT WE FOUND

We found that OIEA has a well-established system for resolving investor assistance matters, has identified relevant risks, and has developed controls to mitigate those risks. In addition, Office of Investor Assistance staff generally complied with standard operating procedures, and OIEA has taken action to address previously identified investor financial literacy goals and the National Strategy for Financial Literacy. Finally, OIEA's Office of Investor Education obtains some feedback related to its investor education and outreach activities, and previously sought to use a survey in OIEA's outreach activities. Nonetheless, we noted the following:

The Office of Investor Assistance Could Improve Its Communication and Coordination With the SEC's Regional Offices on the Handling of Investor Assistance Matters. Although OIEA's Office of Investor Assistance has a well-established system for resolving investor assistance matters and is required to implement and administer a nationwide system for resolving investor complaints, SEC regional office staff receive and respond to investor complaints and other matters independent of Office of Investor Assistance oversight. Previous Office of Inspector General audits have consistently reported the need for improved coordination and communication in this area. For example, in September 2011, the Office of Inspector General recommended, among other things, that OIEA provide ongoing investor assistance training to regional office staff and establish a system for communicating regularly with regional offices to help ensure that investor specialists throughout the SEC provide consistent assistance to investors. Based on our review, it does not appear that OIEA has continued to meet the intent of our 2011 recommendation.

OIEA Should Engage In Formal Strategic Planning To Further Develop Measurable Goals and Detailed Objectives To Inform Investor Education and Outreach Decision-Making. In 2012, OIEA staff completed a statutorily mandated study establishing that, among other things, effective investor education programs have clearly-defined and measurable goals. The nation's Financial Literacy and Education Commission also encouraged its members (including the SEC) to build "relevant, measurable objectives" and evidence-based outcomes to incorporate the National Strategy for Financial Literacy into members' financial education programs and activities. Without engaging in strategic planning to help determine the best course of action to achieve the SEC's investor education and outreach goals and objectives, OIEA increases the risk that its investor education and outreach activities may not fully address the agency's strategic plan or the goals and intent of the national strategy.

OIEA Has Not Developed Methods To Measure the Efficacy of Its Investor Education and Outreach Activities. OIEA's 2012 study established that effective investor education programs use research and evaluation to improve and develop educational materials, and conduct evaluations to measure program efficacy. Moreover, the Financial Literacy and Education Commission's 2020 update to the National Strategy for Financial Literacy states as a best practice that financial education providers should evaluate their programs for impact. By not measuring impact, OIEA potentially limits the effectiveness of its financial education activities and its ability to make data-driven improvements in the future to ensure the organization achieves established goals and objectives.

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Abbreviations

COVID-19	Coronavirus Disease 2019
Dodd-Frank Act or Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
FINRA	Financial Industry Regulatory Authority
FLEC	Financial Literacy and Education Commission
FY	fiscal year
GAO	U.S. Government Accountability Office
IRIS	Investor Response Information System
OIEA	Office of Investor Education and Advocacy
OIG	Office of Inspector General
OMWI	Office of Minority and Women Inclusion
SEC or agency	U.S. Securities and Exchange Commission
SOP	standard operating procedure

Background and Objective

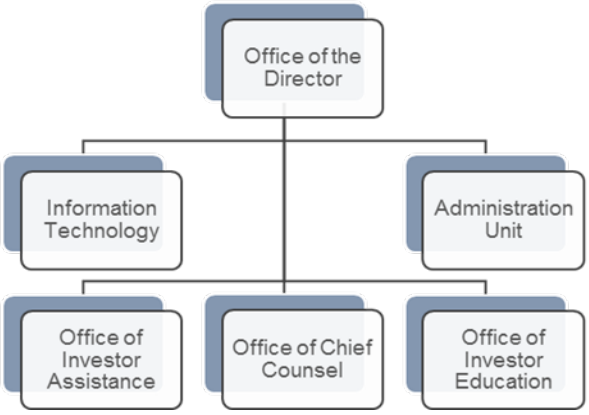
BACKGROUND

Federal securities laws task the U.S Securities and Exchange Commission (SEC or agency) with a broad and diverse set of responsibilities, including engaging and interacting with the investing public through a variety of channels. Moreover, Goal 1 of the SEC's latest strategic plan is to "Focus on the long-term interests of our Main Street investors."[1] To help investors stay informed, invest wisely, and avoid fraud, the SEC offers the public information on its website at *Investor.gov*, managed by the SEC's Office of Investor Education and Advocacy (OIEA). Appendix II of this report contains more information about *Investor.gov*.

OIEA Responsibilities and Relationships

OIEA is dedicated to serving the needs of individual investors and plays an important role in accomplishing the SEC's mission of investor protection. OIEA seeks to provide Main Street investors with the information they need to make sound investment decisions and administers two programs to promote this mission: (1) assisting investors with complaints and questions about the securities markets and market participants, and (2) conducting educational outreach to individual investors. Each year, OIEA has contact with millions[2] of individuals through its investor assistance and education programs, and its activities align with the SEC's strategic goal of enhancing outreach, education, and consultation efforts, including in ways that are reflective of the diversity of investors and businesses.[3] As of October 2020, OIEA consisted of 43 full-time equivalents, primarily assigned to the Office of Investor Assistance, Office of Investor Education, and Office of Chief Counsel at the SEC's Washington, DC, headquarters.

FIGURE 1. OIEA Organizational Structure



Source: Office of Inspector General (OIG)-generated based on OIEA July 2020 organizational chart.

OIEA's Office of Investor Assistance responds to questions, complaints, and suggestions from members of the public and helps investors who contact the SEC about problems with their investments or financial professionals. Office of Investor Assistance staff attorneys work with staff from OIEA's Office of Chief Counsel to (1) address investor complaints and inquiries submitted through the agency's Investor Response Information System (IRIS), or other forms of correspondence; and (2) determine which complaints should be referred to the SEC's Tips, Complaints, and Referrals system or other SEC divisions and offices

[1] U.S. Securities and Exchange Commission, *Strategic Plan, Fiscal Years 2018 – 2022* (October 11, 2018).

[2] This amount is based mainly on OIEA website page views; workload data detailing the number of investor assistance matters closed; in-person investor events; and the number of investor alerts and bulletins issued as reported in the SEC's 2019, 2020, and 2021 Congressional Budget Justifications.

[3] Strategic Goal 1, Initiative 1.2, as described in the SEC's latest strategic plan.

for further action. As Table 1 shows, between fiscal year (FY) 2018 and FY 2020, Quarter 1, Office of Investor Assistance staff closed 40,259 investor complaints and other matters (collectively referred to hereafter as investor assistance matters).

TABLE 1. Investor Assistance Matters Closed by OIEA's Office of Investor Assistance (FY 2018 – FY 2020, Quarter 1)

Origin of Investor Assistance Matter	Number of Investor Assistance Matters Closed
Web	20,035
Phone	10,029
Email	8,064
Mail	1,912
Fax	217
Walk-In	2
Total	**40,259**

Source: OIG--generated based on IRIS closed file reports.

The Financial Industry Regulatory Authority (FINRA) Investor Education Foundation's 2018 National Financial Capability Study found that the financial literacy rate among Americans is relatively low and has continued to decline since 2009.[4] To carry out the SEC's investor education program and support the agency's goals, the nation's Financial Literacy and Education Commission (FLEC),[5] and the National Strategy for Financial Literacy,[6] OIEA's Office of Investor Education produces educational presentations and partners with Federal agencies, state regulators, consumer groups, and self-regulatory organizations on investor literacy initiatives. The Office of Investor Education also partners with the SEC's 11 regional offices and conducts bi-monthly coordination calls with regional points of contact to share information and investor education-related updates. Office of Investor Education staff lead educational seminars and

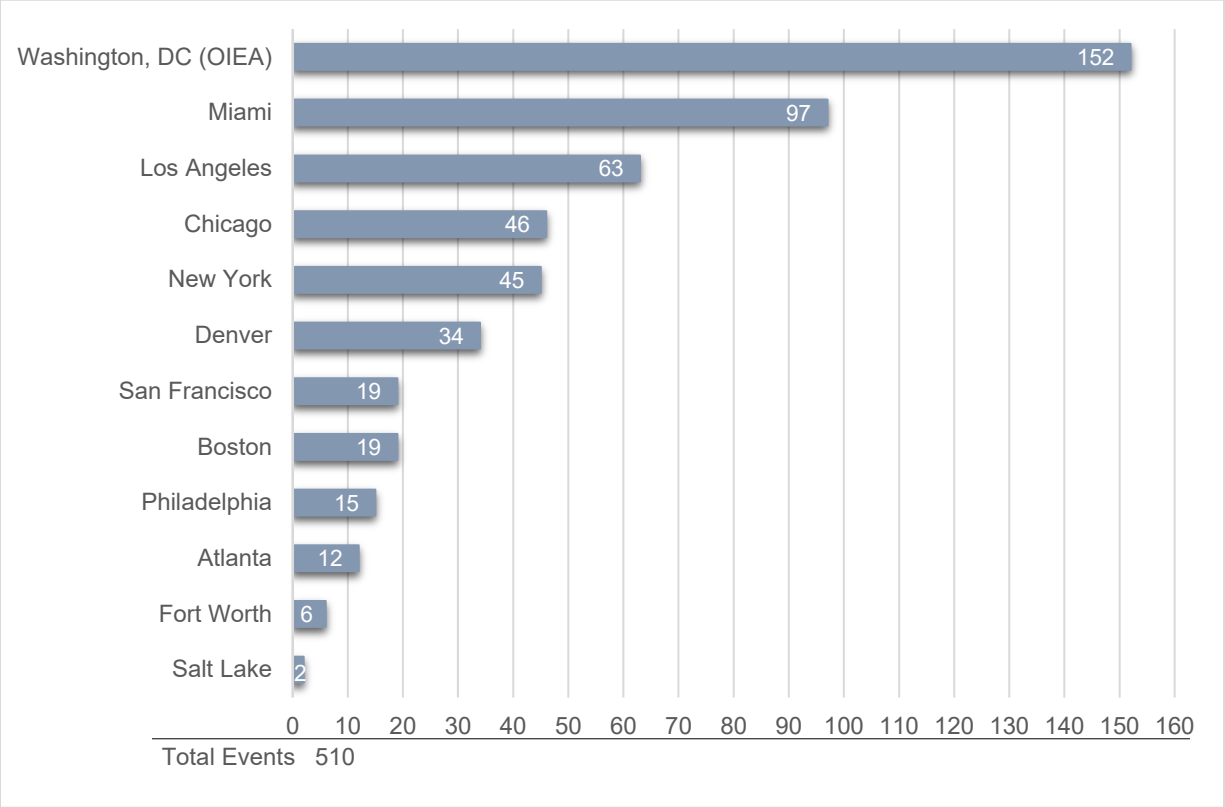
[4] Applied Research and Consulting, FINRA Investor Education Foundation, and George Washington University, *The State of U.S. Financial Capability: The 2018 National Financial Capability Study* (prepared for the FINRA Investor Education Foundation, June 2019). The study consisted of a state-by-state online survey of 27,091 American adults (roughly 500 per state, plus the District of Columbia), and an online survey of 2,003 Americans who have investments outside of retirement accounts.

[5] The FLEC was established under the Fair and Accurate Credit Transactions Act of 2003 (Pub. L. No. 108-159, 117 Stat. 1952) and was tasked to develop a national financial education web site (*MyMoney.gov*) and a national strategy on financial education. The FLEC is chaired and vice chaired, respectively, by the Secretary of the Treasury and the Director of the Consumer Financial Protection Bureau, and includes the SEC as well as several other Federal government entities.

[6] *Taking Ownership of the Future: The National Strategy for Financial Literacy 2006* establishes the FLEC's national strategy to promote financial literacy and education among all Americans. *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011* provides the foundation for an overarching financial literacy strategy and establishes goals for the non-profit, government, and private sectors to increase American financial literacy and decision-making. *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update* highlights progress in financial education and builds on the overarching strategic framework that was laid out in 2011. *U.S. National Strategy for Financial Literacy 2020* identifies methods to improve and increase financial literacy and education, and articulates the Federal government's role, priorities, and structure for promoting financial education. Generally, these documents define "financial literacy" as the skills, knowledge, and tools that equip people to make individual financial decisions and actions to attain their goals; and "financial education" as the process by which people gain information, skills, confidence, and motivation to act, through various means, including classroom education, one-on-one counseling and coaching, technology-based interventions, and self–study.

investor-oriented events, including events for military personnel, seniors, and other groups in the Washington, DC, area and across the country, often in coordination with the regional offices. In addition, Office of Investor Education staff compile regional office investor education-related performance data[7] before reporting the data to the SEC's Office of the Chief Operating Officer for inclusion in the agency's performance goal metrics.[8] As Figure 2 shows, the SEC reported holding 510 educational events in FY 2019. Office of Investor Education staff at the SEC's headquarters conducted 152 of these events, whereas regional office staff conducted the remaining 358 events.[9]

Figure 2. Investor Educational Events by SEC Office (FY 2019)



Source: OIG-generated based on investor educational event data provided by OIEA staff.

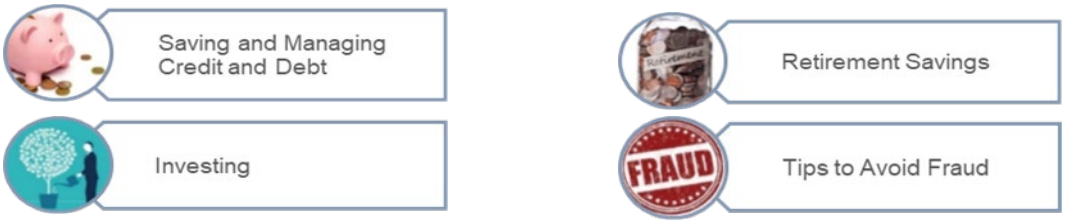
Office of Investor Education staff also provide guidance to regional office staff who conduct outreach events around the country. To further the SEC's strategic goals and the goals of the National Strategy for Financial Literacy, Office of Investor Education staff developed pre-approved investor education

[7] As part of the agency's investor education efforts, OIEA and regional office staff participate in educational events for investors generally, as well as events targeted to specific investor populations. Performance data tracks the number of educational events designed primarily for individual investors in which SEC staff participated.

[8] As described in the SEC's FY 2021 Congressional Budget Justification and Annual Performance Plan; FY 2019 Annual Performance Report, Performance Goal 2 includes the number of educational events that are designed primarily to provide individual investors and the general public with information about investing and the securities markets.

[9] According to the SEC's most recent Agency Financial Report (dated November 12, 2020), "SEC staff conducted more than 400 investor education events focused on different segments of the population" in FY 2020.

presentations for use by both OIEA and regional office staff. These presentations incorporate elements of FLEC financial literacy education goals and a variety of investor education topics, including:



Prior OIG Work

On September 30, 2011, we issued an audit report titled, *Assessment of the Office of Investor Education and Advocacy's Functions* (Report No. 498). The audit focused on OIEA's efficiency in assisting the investing public and improving investor education, and the report noted two unaddressed recommendations from OIG audits completed in 1994 and 2000. These recommendations concerned deficiencies in procedures for processing and responding to investor assistance matters, and were not fully addressed largely because OIEA does not have the authority to monitor regional office activities. We discuss this matter further in the Results section of this report. (See Finding 1.)

Study Regarding Financial Literacy Among Investors

Section 917 of Title IX of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act or Act) requires the SEC to conduct a broad study on the financial literacy of investors.[10] In addition to assessing retail investor financial literacy, the Act requires the SEC's study to identify the most effective private and public efforts to educate investors. The Act also requires the SEC to consult with the FLEC to identify "a strategy (including, to the extent practicable, measurable goals and objectives) to increase the financial literacy of investors in order to bring about a positive change in investor behavior."

OIEA had primary responsibility for the study and completed it in August 2012. The study was based largely on a Library of Congress report on financial literacy among retail investors in the United States, public comments, focus groups, an online survey, and the expertise of a task force consisting of staff from several SEC divisions and offices. As the final report (titled, *Study Regarding Financial Literacy Among Investors*) states, staff determined that, among other factors, effective investor education programs:

- have clearly-defined and measurable goals;
- use research and evaluation to improve current educational materials and guide the development of new educational materials; and
- conduct evaluations to measure program efficacy.

[10] Pub. L. No. 111-203, 124 Stat.1836 (2010).

In addition, OIEA staff consulted with FLEC representatives and identified key themes and goals for a strategy to increase financial literacy among investors. We discuss these matters further in the Results section of this report. (See Findings 2 and 3.)

OBJECTIVE

Our overall objective was to assess OIEA'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 in support of the agency's mission and strategic goals and the National Strategy for Financial Literacy.

To address our objective, among other work performed, we (1) met with representatives from each OIEA office; (2) reviewed policies and procedures for OIEA's Office of Investor Assistance and tested key Office of Investor Assistance processes; (3) assessed OIEA's FY 2018 and FY 2019 risk and control matrices and management assurance statements; (4) obtained access to IRIS and reviewed examples of IRIS file documentation; (5) sampled and tested closed IRIS files from FY 2018 through FY 2020, Quarter 1 (our scope period); (6) met with representatives from other SEC divisions and offices (including SEC regional offices) to discuss investor assistance and education practices; and (7) met with representatives from the FLEC.

Appendix I of this report includes additional information about our scope and methodology, including our review of relevant internal controls and prior coverage.

Results

FINDING 1. OIEA ESTABLISHED A SYSTEM FOR RESOLVING INVESTOR ASSISTANCE MATTERS, BUT OPPORTUNITIES REMAIN TO IMPROVE COMMUNICATION AND COORDINATION WITH REGIONAL OFFICES

OIEA has standard operating procedures (SOPs) for the Office of Investor Assistance, which provide controls and processes for the intake, triage, and handling of investor assistance matters. OIEA also maintains IRIS, a dedicated information technology system for managing and responding to such matters. OIEA management has identified risks associated with handling investor assistance matters and has developed controls to mitigate those risks. However, SEC regional office staff receive and respond to investor assistance matters independent of Office of Investor Assistance oversight. Between FY 2018 and FY 2020, Quarter 1, the Office of Investor Assistance closed in IRIS 40,259 files related to investor assistance matters. During this same period, SEC regional offices closed in IRIS an additional 7,727 files related to investor assistance matters. We concluded that the Office of Investor Assistance has a well-established system for resolving these matters and generally complied with its SOPs, but as reported previously by the OIG and as we further describe below, the Office of Investor Assistance could improve its communication and coordination with the SEC's regional offices on the handling of investor assistance matters.

Office of Investor Assistance Generally Complied With SOPs

We selected a nonstatistical, random sample of 250 closed IRIS files from our scope period and tested the files for compliance with OIEA SOPs, including expectations for timeliness. Overall, we found that Office of Investor Assistance staff generally complied with the SOPs for investor assistance. OIEA SOPs require Branch Chief and Assistant Director review of certain investor matters. At the time of our evaluation, the SOPs also required that Office of Investor Assistance staff close "priority files" in IRIS within 7 days[11] and "non-priority files" in IRIS within 30 days. OIEA management explained the variances we identified, as we describe below.

OIEA management explained the variances we identified

We identified 38 files (or about 15 percent of the IRIS files we sampled) that did not have a documented approval history in IRIS, and 29 files (or about 12 percent of the IRIS files we sampled) that did not meet OIEA's expectations for timeliness.[12] Office of Investor Assistance management explained that certain investor complaint types and pre-approved template responses do not require review and approval in IRIS before responding to the investor and closing the file in IRIS. Office of Investor Assistance management confirmed that 37 of

[11] Priority files include, but are not limited to, complaints forwarded to OIEA by a Congressional office or the White House.

[12] Of the 29 files that did not meet OIEA's expectations for timeliness, 13 were priority files with an average processing time of 44 days. The remaining 16 were non-priority files with an average processing time of 46 days.

the 38 identified files met this criteria, and the 1 remaining file was an oversight. In addition, according to Office of Investor Assistance management, the 7-day and 30-day timeliness requirements are aspirational goals for addressing complaints or questions and then closing the files in IRIS. During our evaluation, OIEA management updated its SOPs and modified the timeliness requirement to a 7-day/30-day *processing* requirement instead of a *closure* requirement. However, our testing was based on the SOP in place at the outset of our evaluation.

Although Office of Investor Assistance staff closed some IRIS files before the files were reviewed and some IRIS files did not meet expectations for timeliness, staff actions generally complied with approved procedures, and controls were in place to mitigate risks. These controls included automatically generated reports (available for Branch Chief review) of IRIS files that were not reviewed before closure. OIEA also maintains a quality assurance process for its investor assistance program and has a dedicated attorney to monitor the program. The quality assurance attorney monitors investor assistance matters in IRIS and uses various reports for oversight and identification of possible allegations of wrongdoing that may have been overlooked. Office of Investor Assistance management also actively monitored IRIS file aging data and took action when needed during the period we reviewed. Based on the controls and processes in place, we do not have any recommendations for corrective action at this time.

Improved Communication and Coordination With SEC Regional Offices Is Needed

We selected and tested a nonstatistical, random sample of 110 regional IRIS files from our scope period (10 from each of the SEC's 11 regional offices). We tested regional office IRIS files against OIEA's SOPs to understand how regional offices handle IRIS files, knowing that regional office staff are not required to follow OIEA's SOPs. We determined that regional offices generally used IRIS to document investor assistance matters received, but not to triage and respond to investors as the Office of Investor Assistance does. Specifically, regional office staff entered and closed in IRIS 89 of the 110 files we sampled (or about 81 percent) on the same day, indicating that staff entered the files as a record of the matter after the matter was handled. In addition, none of the regional office staff used IRIS's review and approval function, which also supports that the files serve more as a record of what happened and that regional office staff did not use IRIS for processing and responding to investor complaints.

We also identified a lack of communication and coordination between Office of Investor Assistance staff and SEC regional office staff on the handling of investor assistance matters, which previous OIG audits have consistently reported. For example, in September 2011 the OIG recommended, among other things, that OIEA provide ongoing investor assistance training to regional office staff and establish a system for communicating regularly with regional offices to help ensure that investor specialists throughout the SEC provide consistent assistance to investors and that OIEA is aware of significant issues in the regional offices.[13] We determined that OIEA held a 1-day training event in February 2012 but has not provided additional investor assistance training to regional office staff outside of IRIS new-user training. Also,

[13] U.S. Securities and Exchange Commission, Office of Inspector General, *Assessment of the Office of Investor Education and Advocacy's Functions* (September 30, 2011, Report No. 498). This report identified new deficiencies in OIEA and regional office coordination on investor assistance matters and, as previously stated, referred to unaddressed recommendations relating to regional office activities reported as a result of OIG audits from 1994 and 2000.

although OIEA's Office of Investor Education meets with regional office staff regularly to discuss investor education and outreach matters, OIEA has not established with the regional offices a similar system of regular communication for investor assistance matters. Based on our review, it does not appear that OIEA has continued to meet the intent of the OIG's 2011 recommendation.

In addition, a March 2011 independent study of SEC operations directed by the Dodd-Frank Act reported that, historically, the SEC has been a fragmented agency that operated in distinct divisional silos with limited emphasis on formal, cross-divisional collaboration between organizational units.[14] The report further states that the SEC's segmentation into units, together with divisions' own internal structures, has created barriers to collaboration. The report added that the SEC's hierarchical culture also contributes to the agency's siloed nature, which impairs collaboration.

OIEA is required to maintain a nationwide system for handling investor assistance matters. Specifically, 17 C.F.R. 200.24a(b), which describes the responsibilities assigned to OIEA's predecessor organization, states that the director of that organization is responsible for:

> Implementing and administering a nationwide system for resolving investor complaints against individuals and entities regulated by the Commission by processing complaints received from individual investors and assuring that regulated individual and entities process and respond to such complaints.[15]

According to OIEA management, OIEA has established a nationwide system for handling investor assistance matters, as required; however, regional offices have elected to manage their own matters outside of OIEA's SOPs, direction, or review.

Because regional office investor specialists operate independent of OIEA and are not required to follow OIEA SOPs, including requirements for training, supervisory review, and OIEA's quality assurance processes, there is greater risk that OIEA is not fulfilling the requirements of 17 C.F.R. 200.24a(b) to create a nationwide system for handling investor assistance matters. During our interviews with SEC regional office staff, they expressed a need for more centralization, communication, and procedures from the Office of Investor Assistance. According to some SEC regional office staff, there is increased risk from having staff that lack expertise handle investor complaints. Other regional office staff indicated that they receive little to no correspondence or guidance from the Office of Investor Assistance and that there is need for more direction from OIEA.

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[14] As directed by section 967 of the Dodd-Frank Act, the SEC engaged a consultant to examine the agency's internal operations, structure, and need for reform. On March 10, 2011, the consultant (the Boston Consulting Group) provided its report titled, *U.S. Securities and Exchange Commission Organizational Study and Reform*.

[15] The regulation sets forth responsibilities for the SEC's Office of Consumer Affairs, OIEA's predecessor organization. All requirements of the regulation remain applicable to OIEA.

RECOMMENDATION, MANAGEMENT'S RESPONSE, AND EVALUATION OF MANAGEMENT'S RESPONSE

To improve the SEC's nationwide system for intake, triage, and handling of investor assistance matters and to help ensure that investor specialists throughout the SEC provide consistent assistance to investors, OIEA management should:

Recommendation 1:

Develop with SEC regional office points of contact a process for regular and recurring communication and coordination on the handling of investor assistance matters, including sharing of best practices, standard operating procedures, quality assurance processes, data and trends, training needs and resources, and other relevant topics.

Management's Response. Management concurred with the recommendation. According to the OIEA Director, OIEA, working with SEC regional office points of contact, will develop and establish a process for regular and appropriate communication and coordination on the handling of investor assistance matters. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

FINDING 2. OIEA SHOULD ENGAGE IN FORMAL STRATEGIC PLANNING TO FURTHER DEVELOP MEASURABLE GOALS AND DETAILED OBJECTIVES TO INFORM INVESTOR EDUCATION AND OUTREACH DECISION-MAKING

In 2012, OIEA staff completed a study establishing that, among other things, effective investor education programs have clearly defined and measurable goals. In conducting the study, as directed by the Dodd-Frank Act, OIEA staff consulted with FLEC representatives to identify a strategy to increase investors' financial literacy. The FLEC also established a national strategy and encouraged all organizations involved with personal-finance education, research, practice, and policy and FLEC members, including the SEC, to build "relevant, measurable objectives" and evidence-based outcomes to incorporate the goals of the national strategy into their programs and activities. According to OIEA management and investor education staff, the OIEA Director works with the SEC's Office of the Chairman and the Office of the Chief Operating Officer to coordinate OIEA's investor education activities with the agency's strategic plan and the FLEC's national strategy. In addition, the Office of Investor Education Assistant Director and staff provide input into outreach planning. Although OIEA (1) consulted with FLEC representatives, as required, to identify a strategy to increase investors' financial literacy, (2) developed informal plans, and (3) established a process to track investor education and outreach events, OIEA has not engaged in formal strategic planning to further develop measurable goals and detailed objectives to help inform investor education and outreach decision-making.

Effective investor education programs have clearly defined and measurable goals

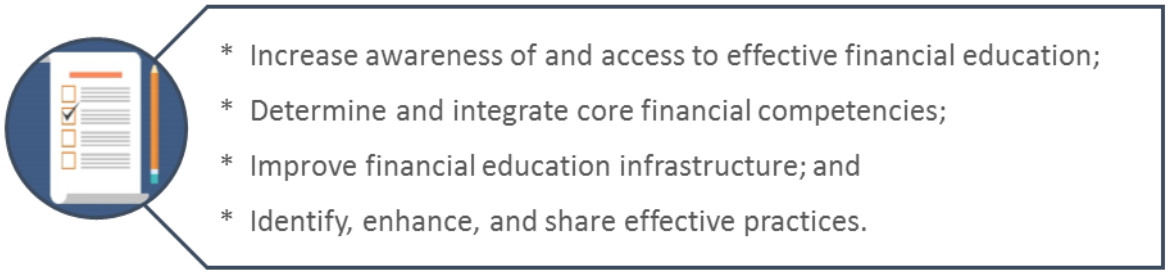
As previously stated, OIEA plays an important role in accomplishing the SEC's mission of protecting investors, and OIEA's activities align with the SEC's strategic goal of enhancing outreach, education, and consultation efforts. As part of the investor financial literacy study required by the Dodd-Frank Act, the SEC was to consult with the FLEC to identify "a strategy (including, to the extent practicable, ***measurable goals and objectives***) [emphasis added] to increase the financial literacy of investors in order to bring about a positive change in behavior." According to the study's August 2012 report prepared by OIEA staff—*Study Regarding Financial Literacy Among Investors*—effective investor education programs "have clearly-defined and measurable goals."

FLEC representatives OIEA consulted identified the following key themes and goals for a strategy to increase financial literacy among investors:

1. Develop joint investor education programs that target specific groups;
2. Increase the number of investors who research investments and investment professionals before investing;
3. Promote *Investor.gov* as the primary Federal government resource for investing information; and
4. Promote awareness of the fees and costs of investing.

In addition, in 2006, the FLEC developed a National Strategy for Financial Literacy. In 2011, 2016, and 2020, the FLEC updated the strategy. An objective of the national strategy is to create an overarching

framework that all organizations involved with personal-finance education, research, practice, and policy, will find useful to help guide their work. The goals of the national strategy are to:



The FLEC's 2011 update to the national strategy recommended that all personal-finance education, research, practice, and policy organizations choose one or more of these goals and build "relevant, measurable objectives" and evidence-based outcomes. The FLEC further recommended that all FLEC members, including the SEC, incorporate the mission, vision, and goals of the national strategy into their respective programs and activities as appropriate.

According to OIEA's Office of Investor Education Assistant Director and staff, they work with the SEC's Office of the Chairman and the Office of the Chief Operating Officer to align OIEA's metrics with the agency's strategic plan and the FLEC's national strategy. OIEA staff hold annual meetings to review investor groups reached, whether goals were met, and to make changes to outreach presentations. Planning discussions, both formal and informal, also take place among Office of Investor Education staff and include priorities communicated by the Director. In addition, OIEA staff created a spreadsheet to track educational events and resources, including events targeted to specific investors such as seniors, teachers, current and former service members, and underserved communities. However, OIEA management acknowledged that the Office of Investor Education has not developed a formal strategy outlining clearly defined and measurable goals and objectives for conducting investor education outreach or increasing investor financial literacy.

Despite the lack of formal strategic planning, OIEA has taken action to address the goals identified in the August 2012 report and the FLEC's national strategy. Specifically, OIEA has:

- developed investor educational presentations and materials for targeted groups;
- embarked on a 5-year public service campaign (FY 2016 – FY 2020) aimed at providing investors the information and resources needed to avoid fraud and make sound investment decisions;
- published investor alerts and bulletins;
- developed investment presentations and materials that address investment fees; and
- shared information and effective practices with SEC regional offices and through FLEC working groups.

Appendix II of this report provides additional information on these and other activities.

However, without engaging in strategic planning to help determine the best course of action to achieve the SEC's investor education and outreach goals and objectives, OIEA increases the risk that its investor education and outreach activities may not fully address the agency's strategic plan or the goals and intent of the FLEC's national strategy. Moreover, without more clearly defined and measurable goals, including evidence-based outcomes, OIEA may be impeding its ability to measure the efficacy of its investor education and outreach activities and to ensure that the SEC's investment in those activities increases investors' financial literacy, as Finding 3 further discusses.

Finally, OIEA may miss opportunities to coordinate with other SEC divisions and offices that also conduct investor outreach. For example, the SEC's Office of Minority and Women Inclusion (OMWI) is responsible for matters related to diversity in the agency's management, employment, and business activities, and provides leadership and guidance for the SEC's diversity and inclusion efforts. Although some coordination between OIEA and OMWI staff occurs throughout each year, we identified opportunities for OIEA to further coordinate planning discussions with OMWI to increase investor education outreach. For example, our analysis of OIEA's event tracking documentation noted a decline in OIEA's investor education outreach events for underserved communities, millennials, and students between FY 2018 and FY 2020. Use of OMWI's *School Directory*[16] may broaden OIEA's outreach to historically black colleges and universities, Hispanic-serving institutions, women's colleges, and colleges that typically serve majority-minority populations. Moreover, cross-training opportunities may allow OMWI staff to present investor education materials, further expanding the agency's investor education outreach. Additional coordination between OIEA and OMWI may also help ensure that the SEC achieves its goal of leveraging diversity and inclusion for mission effectiveness by ensuring "outreach, education, and consultation efforts extend to investors and potential investors and businesses in diverse and underserved communities."[17]

RECOMMENDATION, MANAGEMENT'S RESPONSE, AND EVALUATION OF MANAGEMENT'S RESPONSE

To improve the SEC's investor education and outreach efforts and to help inform investor education and outreach decision-making, OIEA management should:

Recommendation 2:

Develop and implement formal investor education and outreach strategic planning, including measurable goals and objectives and evidence-based outcomes, and ensure Office of Investor Education activities align with the SEC's mission and strategic goals and, as appropriate, the National Strategy for Financial Literacy.

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[16] OMWI's *School Directory* serves as a resource in identifying educational institutions as articulated in Section 342(f) of the Dodd-Frank Act.

[17] Goal 4b, as described in the SEC's *Diversity and Inclusion Strategic Plan, Fiscal Years 2020 – 2022*.

Management's Response. Management concurred with the recommendation. According to the OIEA Director, OIEA will begin a formal strategic planning process that will include identifying measurable goals and outcomes aligned with the SEC's mission and strategic goals, and, as appropriate, the National Strategy for Financial Literacy. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

FINDING 3. OIEA HAS NOT DEVELOPED METHODS TO MEASURE THE EFFICACY OF ITS INVESTOR EDUCATION AND OUTREACH ACTIVITIES

According to the August 2012 report that resulted from OIEA's investor financial literacy study, mandated by the Dodd-Frank Act, effective investor education programs use research and evaluation to improve and develop educational materials, and conduct evaluations to measure program efficacy. Moreover, the FLEC's 2020 update to the National Strategy for Financial Literacy states as a best practice that financial education providers should evaluate their programs for impact. Although OIEA's Office of Investor Education obtains some feedback related to its investor education and outreach activities, it has not developed evaluations or other methods to measure the efficacy of those activities.

OIEA's August 2012 report—S*tudy Regarding Financial Literacy Among Investors*—states, "Effective investor education programs should use research and evaluation to improve current educational materials and guide the development of new educational materials. Additionally, organizations that develop investor education programs should conduct evaluations to measure the efficacy of these programs." Moreover, the FLEC's 2020 update to the National Strategy for Financial Literacy—*U.S. National Strategy for Financial Literacy 2020*—identifies eight best practices, one of which is to "Evaluate for impact." According to this best practice, "Financial education providers should evaluate their programs for impact and develop a culture of continuous improvement by establishing methodologies, procedures, reporting, and metrics for measuring program effectiveness." Although the FLEC acknowledges challenges to assessing Federal activities, it concludes that performance metrics, gauging progress towards goals, and evaluation and continuous improvement should be a key focus for the FLEC, of which the SEC is a member.

OIEA's Office of Investor Education staff receive some feedback, either directly from investor outreach event participants or from event coordinators, allowing staff to gauge participant satisfaction and to identify opportunities to improve the information disseminated to the public. OIEA staff has also used data to help determine the effectiveness of the Public Service Campaign to drive investors to *Investor.gov* and the website's Investment Adviser Public Disclosure widget. In addition, Office of Investor Education staff told us that some external statistical information is available through various research studies conducted by other organizations. For instance, Office of Investor Education staff review and discuss financial behavior studies published by the Global Financial Literacy Excellence Center, as well as financial capability data provided by FINRA's Investor Education Foundation. However, the Office of Investor Education has not (1) developed methods to measure the efficacy or impact of its education and outreach activities, (2) obtained and tracked basic demographic information to aid in strategic planning efforts, or (3) created a process to assess and, as appropriate, continuously improve its activities based on financial behavior studies or other available information.

Office of Investor Education staff told us that statistical information obtained through surveys and other means may be beneficial, and described a previous attempt to create and incorporate a survey into OIEA's outreach activities. However, the staff believed that laws governing privacy, records management, and government paperwork would be difficult to navigate. In addition, Office of Investor Education staff believed the development of such surveys would require a System of Records Notice.

However, we determined that the Office of Investor Education may be able to use the SEC's approved generic clearance for collecting qualitative feedback (titled, *Generic Clearance for the Collection of Qualitative Feedback on Agency Service Delivery*), which other SEC offices have used for post-event surveys to collect feedback from participants. We discussed this matter with Office of Investor Education management who were unaware of the generic clearance and have since further discussed its potential use for collecting qualitative feedback on investor education and outreach activities.

The SEC's generic clearance may allow OIEA to collect qualitative feedback on investor education and outreach activities

Although staff from the Office of the Chairman expressed satisfaction with the number of educational events conducted by OIEA, the staff expressed a desire to see more use of statistical-based metrics to measure the impact of OIEA's efforts. In addition, although the FLEC has acknowledged that measuring the impact of educational programs is a challenge, it calls on member agencies to identify outcome measures and seek to align performance metrics. Notably, in the public comment process that helped inform OIEA's August 2012 report on investor financial literacy, commenters stated that behavioral change is the most important measurement of an effective investor education program. By not measuring impact, OIEA potentially limits the effectiveness of its financial education activities and its ability to make data-driven improvements in the future to ensure established goals and objectives are achieved.

RECOMMENDATIONS, MANAGEMENT'S RESPONSE, AND EVALUATION OF MANAGEMENT'S RESPONSE

To improve the SEC's investor education and outreach program and ensure program efficacy, OIEA management should:

Recommendation 3:

Determine whether it can use the SEC's *Generic Clearance for the Collection of Qualitative Feedback on Agency Service Delivery* to obtain qualitative feedback from investor education and outreach participants and audiences.

Management's Response. Management concurred with the recommendation. According to the OIEA Director, OIEA will work with the SEC's Office of Information Technology and Office of General Counsel to determine the feasibility of obtaining qualitative feedback from investor education and outreach participants and audiences. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 4:

Develop and implement methods, including specific performance metrics, to measure the impact and efficacy of its investor education program.

Management's Response. Management concurred with the recommendation. According to the OIEA Director, as indicated in OIEA's response to Recommendation 2, OIEA will begin a formal strategic planning process to develop specific performance metrics. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Appendix I. Scope and Methodology

We conducted this evaluation from April 2020 through January 2021 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (2012). Those standards require that we plan and perform the evaluation to obtain sufficient, competent, and relevant evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our evaluation objective. We believe that the evidence obtained provides a reasonable basis for our findings, conclusions, and recommendations based on our evaluation objective.

Objective and Scope

The overall objective of this evaluation was to assess OIEA'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 in support of the agency's mission and strategic goals and the National Strategy for Financial Literacy.

The evaluation scope period included events that occurred between October 1, 2017, and December 31, 2019 (that is, FY 2018 through FY 2020, Quarter 1). We performed detailed tests of investor assistance complaints and other matters handled by OIEA and SEC regional offices during the scope period. We performed fieldwork at the SEC's headquarters in Washington, DC, and interviewed personnel from SEC regional offices.

Methodology

To address our objective, among other work performed, we sent written inquiries to and interviewed officials from OIEA to gain an understanding of its investor assistance and education and outreach programs and processes. In addition, we:

- reviewed applicable Federal guidance;
- met with personnel from other SEC divisions and offices, including regional offices, to understand their investor assistance and education practices and coordination with OIEA;
- reviewed OIEA education and outreach activities from FYs 2018, 2019, and 2020;
- assessed internal controls relevant to our evaluation; and
- reviewed the universe of OIEA investor complaint data in IRIS from our scope period, totaling 40,259 closed files.

We also selected and reviewed a number of nonstatistical, random samples. Specifically, to determine whether OIEA investor assistance staff complied with SOPs and expectations for timeliness, we selected and tested random samples of 100 closed FY 2018 IRIS files, 100 closed FY 2019 files, and 50 closed FY 2020 Quarter 1 files. We also selected and tested a random sample of 110 closed regional office IRIS

files (10 from each of the SEC's 11 regional offices). We used an Excel random number generator to select sample items, and all samples were nonstatistical; therefore, our results cannot be projected.

Internal Controls

We identified and assessed internal controls, applicable internal control components, and underlying principles significant to our objectives, as described below.

Control Environment. We assessed the control environment established by OIEA's senior officers, Office of Chief Counsel, Office of Investor Assistance, and Office of Investor Education. We reviewed the OIEA organizational structure and interviewed staff responsible for reviewing and maintaining OIEA's internal control documentation and preparing management's assurance statement. We also met with those assigned responsibility for achieving OIEA's objectives, including OIEA's Chief Counsel and the Assistant Directors for the Office of Investor Assistance and the Office of Investor Education.

Risk Assessment. We obtained and reviewed OIEA's FY 2019 management self-assessment statements and risk controls matrix to identify risks and controls related to OIEA's investor assistance and education programs. We assessed OIEA's identified risks and discussed the risks with OIEA management and staff. OIEA did not identify internal control deficiencies in its FY 2019 self-assessment or any risks due to fraud. We also reviewed a security assessment report, system security plan, authorization to operate, and 2019 annual review memorandum to determine whether the SEC's Office of Information Technology identified security risks applicable to IRIS.

Control Activities. We reviewed applicable Federal guidance, OIEA SOPs, and risk and control matrices to identify and test key control activities. We reviewed control activities for identifying allegations of wrongdoing and tested related processes in our IRIS file sample testing. We also reviewed OIEA quality control reports used to identify allegations of wrongdoing and ensure OIEA correspondence is complete and accurate. Lastly, we interviewed Office of Investor Education management and staff to discuss processes for ensuring that investor education materials are accurate and up-to-date.

Information and Communication. We determined that OIEA has controls in place to ensure it presents and disseminates accurate information to investors through its education materials and public website. In addition, we found that OIEA internally shares investor complaint data and investor education and outreach information with other SEC divisions and offices. OIEA externally communicates necessary information on *Investor.gov*, including alerts and bulletins to investors.

Monitoring. We reviewed OIEA internal control documentation and SOPs, and discussed with OIEA management its roles and responsibilities for monitoring OIEA's investor assistance and education programs. Monitoring activities reviewed included annual self-assessment and assurance processes and quality control reports and reviews.

Based on the work performed, as noted in this report, we did not identify internal control deficiencies that were significant within the context of our objective. However, our recommendations, if implemented, should improve OIEA's investor assistance and education programs.

Data Reliability

The U.S. Government Accountability Office's (GAO) *Assessing Data Reliability* (GAO-20-283G, December 2019) states, "reliability of data means that data are applicable for audit purpose and are sufficiently complete and accurate." Data primarily pertains to information that is entered, processed, or maintained in a data system and is generally organized in, or derived from, structured computer files. Furthermore, GAO-20-283G defines "applicability for audit purpose," "completeness," and "accuracy" as follows:

> "Applicability for audit purpose" refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit's research objectives.
>
> "Completeness" refers to the extent that relevant data records and fields are present and sufficiently populated.
>
> "Accuracy" refers to the extent that recorded data reflect the actual underlying information.

To address our objective, we relied on computer-processed data generated by IRIS. Specifically, we relied on closed file totals generated by IRIS for our scope period of FY 2018 through FY 2020, Quarter 1. To assess the reliability of IRIS file reports, we interviewed responsible OIEA personnel, reviewed relevant system documentation, performed a walkthrough of IRIS, and performed data validation tests. We tested the computer-processed data for duplicate records and missing data, and we compared totals to published agency totals. Based on our assessment, we found the data sufficiently reliable for the purpose of this evaluation.

Prior Coverage

Between 2011 and 2020, the SEC OIG and GAO issued the following reports of particular relevance to this evaluation.

SEC OIG:

- *Assessment of the Office of Investor Education and Advocacy's Functions* (Report No. 498, September 2011).

GAO:

- *Regulatory Coverage Generally Exists for Financial Planners, but Consumer Protection Issues Remain* (GAO-11-234, January 2011).
- *Overlap of Programs Suggests There May be Opportunities for Consolidation* (GAO-12-588, July 2012).
- *Overview of Federal Activities, Programs, and Challenges* (GAO-14-556T, April 2014).

These reports can be accessed at https://www.sec.gov/oig (SEC OIG) and https://www.gao.gov (GAO).

Appendix II. Additional Information on OIEA Resources and Data

This appendix provides additional information about certain OIEA resources and activities, including *Investor.gov* and the use of IRIS data.

Investor.gov and Other OIEA Resources

As previously discussed, OIEA established *Investor.gov* as an online resource to help investors make sound investment decisions and avoid fraud. In addition to providing financial calculators and other investor resources, the website serves as a repository for investor alerts and bulletins that address particular investor topics, emerging issues, and/or fraud schemes. For example, due to the onset of the 2020 Coronavirus Disease (COVID-19) pandemic, OIEA developed or co-authored multiple alerts and bulletins, as well as a presentation for the public, that detail scams related to COVID-19, indicators of fraud, and steps for investors to protect themselves.

With the help of a marketing firm, OIEA also developed and launched a public service campaign aimed at providing individual investors with information and resources needed to avoid fraud and make sound investments in the securities markets. The public service campaign seeks to:

- educate audiences through an integrated media campaign, including materials for targeted audiences;
- encourage investors to use the free tools and resources provided by the SEC to make informed financial decisions before investing; and
- respond to strategic goals identified in the SEC's latest strategic plan.

OIEA's Use of IRIS Data and Trends

OIEA maintains an abundance of investor complaint data in IRIS. We discussed with OIEA management how OIEA uses this data to inform its decisions and planning, and inquired as to how the data may be shared throughout the SEC. OIEA management provided examples of how it uses and shares data, including:

- sharing the top 10 most common complaint categories with the National Summit Committee, which includes staff from the SEC, FINRA, and the North American Securities Administrators Association;
- publishing the top 10 complaint categories on the SEC's public website;
- using trend data to support the development of investor alerts;
- using trend data to inform OIEA investor education and outreach efforts;

- using IRIS data to develop a monthly manipulation report to provide to the SEC's Division of Enforcement; and
- using IRIS data to develop an SEC impersonator report to provide to the SEC's Office of General Counsel and OIG.

OIEA management explained that identified trends drive interaction with other SEC divisions and offices, most frequently with the Division of Enforcement's Office of Market Intelligence and the SEC's Office of Compliance Inspections and Examinations. We commend OIEA management on its efforts to use and share investor complaint data to improve agency planning, operations, and decision-making, and we encourage OIEA to continue to identify and leverage opportunities where its data may be useful to further protect Main Street investors.

Appendix III. Management Comments

MEMORANDUM

TO: Rebecca L. Sharek
Deputy Inspector General for Audits, Evaluations, and Special Projects
Office of Inspector General

FROM: Lori J. Schock
Director
Office of Investor Education and Advocacy

RE: Office of Investor Education and Advocacy's Response to the Office of Inspector General's Report, *The SEC's Office of Investor Education and Advocacy Could Benefit From Increased Coordination, Additional Performance Metrics, and Formal Strategic Planning*

DATE: January 7, 2021

The Office of Investor Education and Advocacy (OIEA) submits this memorandum in response to the Office of Inspector General (OIG) draft report entitled *The SEC's Office of Investor Education and Advocacy Could Benefit From Increased Coordination, Additional Performance Metrics, and Formal Strategic Planning*. We welcome OIG's recommendations to strengthen our investor assistance and education programs. A response to each of the recommendations is provided below.

Recommendation 1: Develop with SEC regional office points of contact a process for regular and recurring communication and coordination on the handling of investor assistance matters, including sharing of best practices, standard operating procedures, quality assurance processes, data and trends, training needs and resources, and other relevant topics.

OIEA concurs with this recommendation and, working with SEC regional office points of contact, will develop and establish a process for regular and appropriate communication and coordination on the handling of investor assistance matters.

Recommendation 2: Develop and implement formal investor education and outreach strategic planning, including measurable goals and objectives and evidence-based outcomes, and ensure Office of Investor Education activities align with the SEC's mission and strategic goals and, as appropriate, the National Strategy for Financial Literacy.

OIEA concurs with this recommendation and will begin a formal strategic planning process that will include identifying measurable goals and outcomes aligned with SEC's mission and strategic goals, and, as appropriate, the National Strategy for Financial Literacy.

Recommendation 3: Determine whether it can use the SEC's *Generic Clearance for the Collection of Qualitative Feedback on Agency Service Delivery* to obtain qualitative feedback from investor education and outreach participants and audiences.

OIEA concurs with the recommendation and will work with the SEC's Office of Information Technology and Office of General Counsel to determine the feasibility of obtaining qualitative feedback from investor education and outreach participants and audiences.

Recommendation 4: Develop and implement methods, including specific performance metrics, to measure the impact of its investor education program.

OIEA concurs with this recommendation. As indicated in our response to Recommendation 2, OIEA will begin a formal strategic planning process to develop specific performance metrics.

Finally, we would like to express our appreciation for the courtesy you and your staff extended to us during this audit.

Major Contributors to the Report

Colin Heffernan, Audit Manager
Nicolas Harrison, Lead Auditor
John Gauthier, Auditor

Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, evaluations, or reviews, please send an e-mail to OIG Audit Planning at AUDplanning@sec.gov. Comments and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed below.

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