U.S. SECURITIES AND EXCHANGE COMMISSION

OCTOBER 16, 2026

OFFICE OF INSPECTOR GENERAL

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

CONTENTS

INTRODUCTION 1

CHALLENGE: Meeting Regulatory and Oversight Responsibilities 2

Navigating a Changing Regulatory Landscape 2

Overseeing Market Participants 3

CHALLENGE: Human Capital Management 5

Staffing: Attrition, Recruitment, and Hiring 5

Navigating Change Management 8

CHALLENGE: Protecting Systems and Data 9

Maturing the SEC's Information Security Program 10

CHALLENGE: Contract Management 11

ABBREVIATIONS

CEO	Chief Executive Officer
FISMA	Federal Information Security Modernization Act of 2014
FY	fiscal year
GAO	U.S. Government Accountability Office
IG	Inspector General
OHR	Office of Human Resources
OIRA	Office of Information and Regulatory Affairs
OIT	Office of Information Technology
OPM	Office of Personnel Management
SEC, agency, or Commission	U.S. Securities and Exchange Commission
SI	super intelligence
Sikich	Sikich CPA LLC

Introduction

The Reports Consolidation Act of 2000 requires the U.S. Securities and Exchange Commission's (SEC, agency, or Commission) Inspector General (IG) to identify and report annually on the most serious management and performance challenges facing the SEC.[1] This report represents the SEC IG's independent perspective on the top management challenges facing the SEC in fiscal year (FY) 2027 and beyond. To identify this year's top management challenges, we reviewed prior years' management and performance challenges reports and assessed potential challenges based on the significance of the challenge in relation to the SEC's mission; the potential of the challenge to lead to fraud, waste, and abuse; and the agency's progress in addressing the challenge. Furthermore, we considered our recent oversight work (audits, evaluations, reviews, and investigations); changes in the federal landscape; general knowledge of the SEC's operations; and information from the U.S. Government Accountability Office (GAO). We also conducted significant outreach to SEC leadership, senior officials, and staff across the agency to gain their perspectives on the challenges the agency continues to face, and we deeply appreciate their candor in sharing their perspectives with us. We will use the information we gathered to inform our work in the coming months. We provided a draft version of this report to SEC senior leadership and considered their comments. Through our work, we have identified the following as the SEC's top management and performance challenges in this new fiscal year:

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

[1] Pub. L. No. 106-531, § 3a, 114 Stat. 2537-38 (November 22, 2000).

CHALLENGE: Meeting Regulatory and Oversight Responsibilities

The SEC is charged with protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. This includes overseeing approximately $207 trillion in annual trading on U.S. equity markets, as well as the activities of more than 33,000 entities—including more than 13,500 registered funds, 16,400 registered investment advisers, and 3,200 broker-dealers. The SEC also oversees 29 national securities exchanges,116 alternative trading systems, 11 registered credit rating agencies, 8 active registered clearing agencies, and other self-regulatory organizations.

Navigating a Changing Regulatory Landscape

Rulemaking

The SEC continues to navigate an evolving statutory and regulatory landscape as it implements an ambitious agenda and addresses novel financial products. For example, the Commission has emphasized the removal of barriers to capital formation and commenced rulemakings designed to reduce burdensome reporting requirements for public companies. However, as noted in the newly proposed rules, the agency must balance regulatory relief with maintaining investors' timely access to material information.[2]

In addition, regulatory changes are increasingly subject to heightened scrutiny and litigation, testing the Commission's ability to advance its goals with a smaller workforce. For example, the proposed rule to allow for semiannual reporting versus quarterly received over 250,000 comments, increasing the resources required to digest and consider the submissions. The SEC determined that more than 40,000 comment letters to the rule were of similar style and substance, potentially because outside entities can more efficiently organize parties to comment on proposed rules. Furthermore, super intelligence (SI) has made commenting on rules much easier, potentially contributing to the increased volume. Designing systems and protocols to address increases in comments to proposals is an important consideration for the Commission.

As the SEC works to implement the current regulatory agenda, the agency must ensure divisions and offices with subject matter expertise sufficiently collaborate during rulemaking, as illustrated in our 2025 report about the SEC's rulemaking process.[3] Further, the Division of Economic and Risk Analysis expressed how its work must consider the

[2] *Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies*, 91 Fed. Reg. 30086 (proposed May 21, 2026) (to be codified at 17 CFR Parts 210, 229, 230, 232, 239, 240, and 249), and *Semiannual Reporting*, 91 Fed. Reg. 24968 (proposed May 7, 2026) (to be codified at 17 CFR Parts 200, 210, 229, 230, 232, 239, 240, 249, and 260).

[3] U.S. Securities and Exchange Commission, Office of Inspector General, *Observations on the SEC's Rulemaking Process* (Report No. 588; September 29, 2025).

impacts of overlapping or related rulemakings within the SEC and with other federal agencies, which can be particularly complicated during periods of significant rulemaking.

The SEC also continued its implementation of the executive branch's centralized regulatory review process through the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA). As expected, this process has added time to rulemaking to allow for executive branch review. However, according to agency officials, the SEC has developed a productive working relationship with its counterparts in OIRA, and they stated there are benefits to having a centralized function to coordinate rulemakings promulgated by more than one federal agency. The SEC issued 30 regulatory actions in FY 2026 covered by the scope of Executive Order 12866.

Digital Asset Oversight

Digital asset regulation continues to be an area of focus for the SEC, the public, and Congress. In September 2026, the Digital Asset Market Clarity Act of 2025 failed to receive enough votes in the Senate to advance. While the SEC awaits direction from Congress, it has proposed new rules to create a tailored offering regime for certain investment contracts involving crypto assets to facilitate capital formation and accommodate innovation.[4] Furthermore, the agency has formalized its working relationship with the Commodity Futures Trading Commission through a memorandum of understanding outlining how the regulators work together when developing and implementing rulemakings related to digital assets.[5] Officials we spoke with said the memorandum helped further prioritize and strengthen an already productive partnership.

Overseeing Market Participants

Properly managing limited resources to effectively oversee market participants and protect investors remains a challenge. Human capital issues, further discussed later in this report, have made efficiently deploying and effectively managing the agency's staff more critical than ever.

In 2026, we issued a report regarding the Office of the Ombudsman, which helps resolve issues retail investors may have with the Commission or with a self-regulatory organization overseen by the SEC.[6] We found that the organization appropriately handled investor concerns but made errors when recording and reporting them. Additionally, the organization's Congressional reporting was not always clear. We made six recommendations to improve the usefulness, accuracy, and clarity of data and information

[4] *Regulation Crypto Assets*, 91 Fed. Reg. 54510 (proposed August 21, 2026) (to be codified 17 CFR Parts 200, 201, 228, 230, 232, and 239).

[5] *Memorandum of Understanding Between the U.S. Securities and Exchange Commission and the U.S. Commodity Futures Trading Commission Regarding Harmonization in Areas of Common Regulatory Interest* (March 11, 2026).

[6] U.S. Securities and Exchange Commission, Office of Inspector General, *The Office of the Ombudsman Appropriately Handled Investor Concerns But Reporting Was Inaccurate and Unclear* (Report No. 592; September 28, 2026).

reported by the Office of the Ombudsman. Management concurred with our recommendations. Because the Investor Advocate position is vacant, the agency did not submit the statutorily mandated Investor Advocate's Report on Objectives for FY 2027 to Congress that would have included the Ombudsman's reporting.[7] We have encouraged management to continue actions to fill this vacancy.

As publicly reported, total Enforcement actions declined from 583 to 456 between FYs 2024 and 2025.[8] In FY 2026, the Commission hired a new Enforcement Director and made significant changes to the Division's priorities and practices.[9] For example, in February 2026, the Division updated its Enforcement Manual to, among other things, revise the procedures and timelines of the Wells process. In May 2026, the Commission rescinded Rule 202.5(e) of its rules of informal procedure, 17 CFR 202.5(e), which previously required settling defendants or respondents to forgo publicly disputing the Commission's allegations. The Commission also announced the formation of a Retail Fraud Working Group in July 2026 and a Financial Reporting and Accounting Unit in August 2026. Adjusting to new Enforcement priorities, staffing changes, and a 43-day government shutdown were all factors that influenced the number and types of cases brought in FY 2026.[10] Finally, while the Supreme Court ruled in favor of a U.S. District Court's authority to order disgorgement without first finding pecuniary loss to investors in the *Sripetch* case, and while the Commission endeavors to return disgorged funds to victims where feasible, collecting and distributing monies ordered presents certain challenges. We expect to issue a report on this topic in FY 2027.

Prior fiscal year turnover and attrition have impacted most parts of the SEC, though some divisions have felt the effects more than others. For example, the Division of Investment Management lost 24 percent of its workforce in FY 2025, which was the largest percentage among the SEC's divisions. Its responsibilities included uploading to EDGAR correspondence related to reviews of company disclosures. Staff attrition along with the government shutdown in October and November 2025 led to an approximately three- to six-month delay in the public obtaining access to those materials.

As the workforce transitions and regulations change, the SEC has an increased need to ensure policies, procedures, and standards are well documented. Our work has identified

[7] The Securities Exchange Act of 1934 requires the Ombudsman to report its activities to the Investor Advocate on a semiannual basis, and the Investor Advocate must include this information in its statutorily mandated reports to Congress.

[8] U.S. Securities and Exchange Commission Press Release, *SEC Announces Enforcement Results for Fiscal Year 2024* (November 22, 2024), and U.S. Securities and Exchange Commission Press Release, *SEC Announces Enforcement Results for Fiscal Year 2025* (April 7, 2026).

[9] Judge Margaret A. Ryan resigned as Enforcement Director in March 2026, having only served in that role for approximately 6 months. The Enforcement Division was then led by an Acting Director until May 4, 2026, when David Woodcock was appointed Director of Enforcement.

[10] The total number of Enforcement actions brought in FY 2026 had not been made public as of October 16, 2026.

challenges related to two disclosure review programs.[11] Furthermore, GAO found that the Division of Enforcement lacked specific and measurable internal control testing standards and the Division of Corporation Finance did not have documented protocols for supervisory review of filings.[12]

Ongoing OIG Work

In FY 2027, we will complete assessments of the Division of Enforcement's collection and distribution of disgorgement and penalties and management of electronic case files, the Office of the Chief Accountant's accounting consultations process, and the EDGAR Business Office's review processes. We will also initiate reviews of the oversight of certain filings and the SEC's clearing agency examination program.

CHALLENGE: Human Capital Management

A highly skilled workforce is critical to the SEC's ability to meet its mission of protecting investors; maintaining fair, orderly, and efficient markets; and facilitating capital formation. Since 2001, GAO has reported that the government faces long-standing challenges in strategically managing its workforce.[13] Recent changes impacting the SEC's human capital management include voluntary departure incentives, requiring employees to work in the office full-time, and implementing Executive Orders and Office of Personnel Management (OPM) directives. Officials from most SEC divisions noted that managing human capital—including attrition, retention, recruitment, and change management—is the greatest challenge facing the SEC today.

Staffing: Attrition, Recruitment, and Hiring

Impacts of Recent Attrition

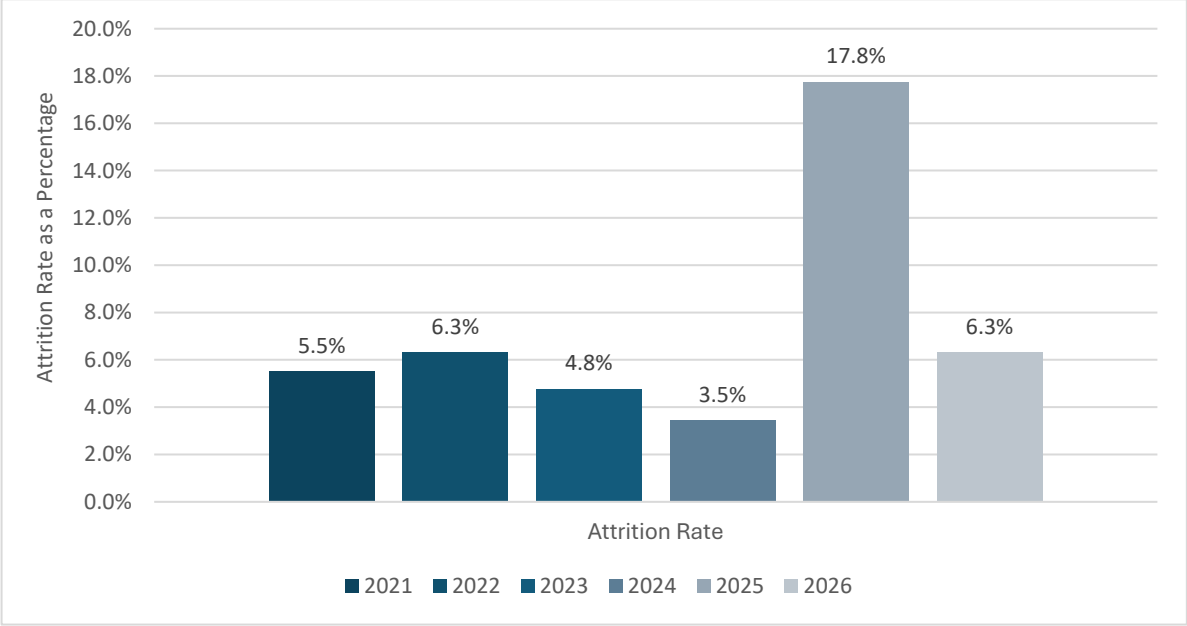
In 2025, the SEC and many other federal agencies experienced higher attrition due to offered resignation and retirement incentives, such as the Deferred Resignation Program, Voluntary Early Retirement Authority, and Voluntary Separation Incentive Payments. In 2026, attrition returned to a similar level as present in previous years, yet exit interviews conducted by the Office of Human Resources (OHR) indicated that limited telework options contributed to some employee departures.

[11] U.S. Securities and Exchange Commission, Office of Inspector General, *Improved Documentation and Guidance Can Help Strengthen Corporation Finance's Disclosure Review Program* (Report No. 586; August 26, 2025), and U.S. Securities and Exchange Commission, Office of Inspector General, *Opportunities Exist to Strengthen Investment Management's Disclosure Review Program* (Report No. 590; May 4, 2026).

[12] U.S. Government Accountability Office, *Securities and Exchange Commission: Updating Assessment of Staff Procedures Could Improve Key Agency Operations* (GAO-26-107823, March 2026).

[13] U.S. Government Accountability Office, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness*, (GAO-25-107743, February 2025).

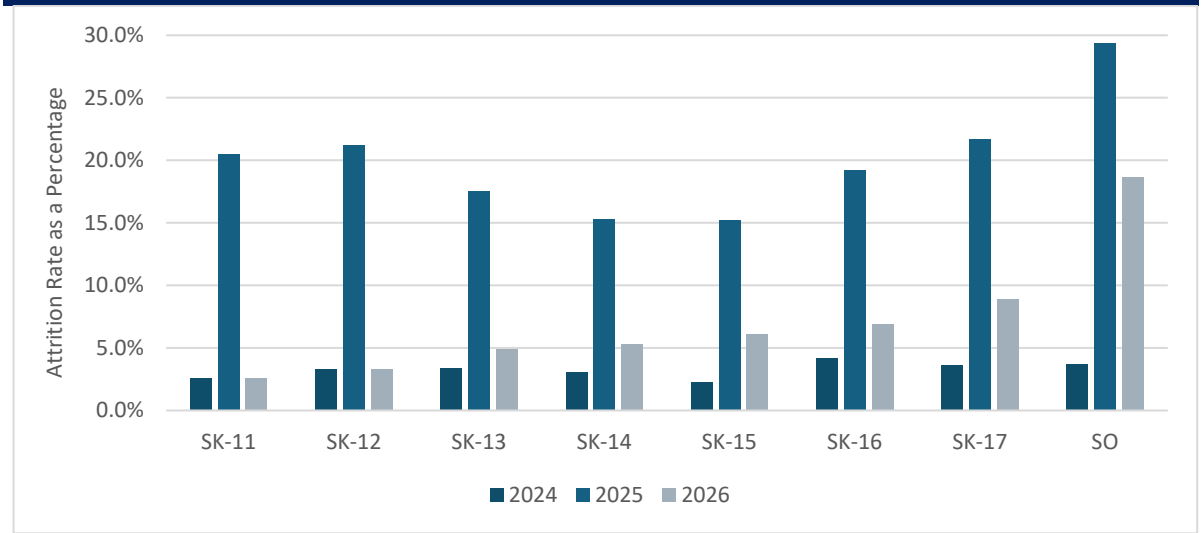
FIGURE 1. SEC Overall Attrition Rate, FY 2021 – FY 2026



Source: OIG-generated based on attrition information provided by OHR.

As the figure below shows, the SEC faced a higher attrition rate in senior level positions, namely Senior Officer positions, due in part to a voluntary separation incentive offered to supervisors in early FY 2026. Agency officials stated that this resulted in delays in setting direction and priorities for offices and divisions.

FIGURE 2. SEC Attrition Rate By Grade, FY 2024 – FY 2026



Source: OIG-generated based on attrition information provided by OHR.

Agency officials also stated that the SEC continues to recover from the significant transformation of the workforce over the last year, marked by the departure of many long-serving, career staff, resulting in the loss of institutional knowledge and expertise. Several divisions and offices lost a significant number of their senior staff and are working to

backfill vacant positions through promotions, creating a cascading effect on workload. Skills gaps emerged, especially in mission-critical divisions, and rebuilding the specialized experience lost will require significant time and effort. Agency staff also reported taking on multiple roles and working extended hours. Despite these challenges, the SEC continues to meet its mission, but not without a toll on staff morale, as reported to us by agency officials.

Recruitment and Hiring

Hiring has been a perennial challenge for the SEC, as we have reported in prior years.[14] Most recently, we identified areas for improvement in the SEC's processes to consistently monitor the cost effectiveness of recruitment sources used and processes to consistently calculate and assess the SEC's time-to-hire.[15] During this year, the SEC sought OPM's approval of its annual staffing plan to lift a hiring freeze.[16] After approval was granted, the SEC worked to fill the backlog of vacancies. However, with OPM's recently issued federal hiring initiatives, agencies had to revamp their hiring programs.[17] Specifically, the SEC must use a new application process, requiring multiple steps and phases to gather information about applicants. The SEC faced setbacks and learning curves with its implementation, which resulted in re-posting some positions and creating workarounds. OHR noted additional workload to educate divisions and offices on changes to the hiring process. Furthermore, agency officials noted that meeting their hiring needs has been challenging while federal hiring guidance has been in flux.

Given last year's attrition rate of almost 18 percent, when hiring reopened there was a surge of hiring requests and limited processing capacity within OHR. The SEC prioritized rulemaking and information technology positions and also focused on filling vacancies for the groups that faced the highest levels of attrition. Some divisions and offices noted concerns with applicants not meeting required qualifications and being unable to recruit candidates with necessary knowledge and skills.

As required by Executive Order 14356, the SEC has also implemented a strategic hiring committee, made up of senior officials, to create a more centralized approach to workforce

[14] U.S. Securities and Exchange Commission, Office of Inspector General, *The Inspector General's Statement on the SEC's Management and Performance Challenges* (October 2023, October 2024, December 2025).

[15] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Audit of the SEC's Efforts to Recruit and Retain a Highly Skilled Workforce and Address Related Challenges* (May 14, 2025).

[16] Presidential Memorandum, *Hiring Freeze* (January 20, 2025), Presidential Memorandum, *Extension of Hiring Freeze* (April 17, 2025), Presidential Memorandum, *Ensuring Accountability and Prioritizing Public Safety in Federal Hiring* (July 7, 2025), and Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025).

[17] Office of Personnel Management, *Merit Hiring Plan* (May 29, 2025); and Office of Management and Budget and Office of Personnel Management, *Guidance on Executive Order 14356* (November 5, 2025). These memorandums were issued in connection with Executive Order No. 14170, 90 Fed. Reg. 8621, *Reforming the Federal Hiring Process and Restoring Merit to Government Service*, (January 20, 2025), and Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025), respectively.

planning.[18] The committee reviews division and office position requests, ensures positions align with agency priorities, and must approve the posting of all vacancies and candidate selections before offers are made. Although the committee's work initially added time to the hiring process, the committee recently streamlined the approval workflow, thus allowing for an efficient and more informed decision-making process.

As of June 2026, the SEC had filled only 44 out of 383 (just over 11 percent) of the vacancies that have been approved. The agency has, however, met the Federal government metric for time-to-hire being under 80 days, with the average processing time of 61 days. The SEC's vacancy rate is unlikely to decrease significantly in the short term as there are limited resources in OHR and the agency continues to adapt to new hiring processes and requirements. As the SEC works through the changes, it hopes to improve the pace of reducing the backlog of vacancies in the coming year.

Navigating Change Management

Change Fatigue

Employee morale has become a central concern for OHR, as the cumulative effect of rapid changes can lead to widespread change fatigue. Changes to several aspects of human capital management have occurred simultaneously or in rapid succession, including changes in the hiring process, performance management programs, and workplace flexibility. This, combined with new administration priorities and regulatory requirements, may affect staff engagement and morale.

Among these changes, as required by OPM, the SEC is transitioning from a two-tiered performance rating system to a three-tiered system.[19] Additionally, on August 6, 2026, OPM finalized a rule that authorized it to require and enforce a standardized distribution of performance rating levels across agencies.[20] As a result, the SEC will need to update its performance appraisal system, update applicable policies, and train managers and staff.

Also, following the return-to-office mandate in FY 2025, the SEC experienced a 289 percent increase in reasonable accommodation requests when compared to the previous year. Reviewing and approving these requests has strained OHR's resources, requiring additional staff. Space limitations, especially in regional offices, have also reportedly impacted morale and productivity. Feelings of unfairness and scorekeeping are prevalent, as some employees perceive disparities in work arrangements.

[18] Executive Order No. 14356, 90 Fed. Reg. 48387, *Ensuring Continued Accountability in Federal Hiring*, (October 15, 2025).

[19] Office of Personnel Management, *Performance Management for Federal Employees* (June 17, 2025).

[20] 5 C.F.R. § 430.208 (2026).

Furthermore, the agency is facing new training demands to enhance specialized skill sets for new and existing staff. With technological advancements and the increased use of SI, the agency must rethink its training offerings and how to meet the needs of the workforce.

Anticipated OIG Work

In FY 2027, we will initiate an audit of the SEC's controls over employee and contractor offboarding. We will also continue to monitor for material impacts on SEC programs and operations resulting from changes to the agency's workforce, and conduct exit interviews with Senior Officers.

CHALLENGE: Protecting Systems and Data

The Office of Information Technology (OIT) devotes resources to enhancing and modernizing technology systems to meet mission outcomes, increase operational effectiveness and efficiency, and safeguard sensitive data. OIT maintains centralized services in a decentralized hardware environment, and the SEC supports both a cloud and on-premises technology environment. Evolving agency needs, combined with the fragmented nature of the technology environment, contribute to the challenge of protecting systems and data.

The SEC's information systems contain significant sensitive, nonpublic, and/or market-moving information that must be protected from unlawful or unauthorized access and disclosure, including from insider threats. For example, we recently closed a case where an SEC employee (now retired) accessed on her computer sensitive information about an open Division of Enforcement case and allowed her adult son to view this information on her computer screen. The adult son then posted online pictures taken of his mother's computer screen displaying the sensitive information.[21] Protecting systems and data remains a top priority and perennial challenge for the SEC.

Another challenge related to information technology includes the safe, cost-effective, and compliant adoption of SI.[22] Highlighting the need for responsible SI use, we investigated a matter and determined that an SEC employee, who has since left the agency, surreptitiously recorded an interview with a whistleblower and transcribed the recording

[21] U.S. Securities and Exchange Commission, Office of Inspector General, *Former SEC employee accessed and shared nonpublic investigative information with her son, who then posted and shared the information on X,* (July 15, 2026).

[22] Federal requirements include Executive Order No. 13960, 85 Fed. Reg. 78939, *Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government* (December 3, 2020), *Advancing American AI Act*, James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No.117-263, Div. G title LXXII, subtitle B, §§7221-7228,136 Stat. 2395, 3668-3676 (2022) (codified at 40 U.S.C. § 11301 note), Executive Order No. 14179, 90 Fed. Reg. 8741, *Removing Barriers to American Leadership in Artificial Intelligence* (January 23, 2025), Office of Management and Budget, *Accelerating Federal Use of AI through Innovation, Governance, and Public Trust,* M-25-21 (April 3, 2025), Office of Management and Budget, *Driving Efficient Acquisition of Artificial Intelligence in Government,* M-25-22 (April 3, 2025), and Executive Order No. 14409, 91 Fed. Reg. 34565, *Promoting Advanced Artificial Intelligence Innovation and Security* (June 2, 2026), among others.

with an unapproved third-party SI service, using his personal email account, mishandling non-public information in the process.[23]

Physical security of information technology hardware is also a challenge with 10 regional offices in addition to the agency's headquarters in Washington, D.C. The OIG investigated a case where a contract security officer used by a building housing an SEC regional office did not follow policies, allowing an individual to enter the building unimpeded, and then access SEC office space and steal four laptop computers. The OIG worked with local law enforcement to identify the suspect who was later arrested. The laptops were not recovered, highlighting the challenge of physical security of government property.[24] However, because SEC laptops are encrypted, the agency does not believe the data was compromised.

Maturing the SEC's Information Security Program

Under the Federal Information Security Modernization Act of 2014 (FISMA), the OIG or an independent external auditor (as determined by the Inspector General) annually evaluates the maturity and overall effectiveness of the SEC's information security program and practices. The SEC has made progress in improving its information security, most recently in its ability to detect threats as the table below shows. In FY 2025, we contracted with Sikich CPA LLC (Sikich), which identified security concerns including staff inappropriately responding to phishing emails that risk the SEC's sensitive data. Additionally, the agency has not completed all corrective actions to address prior-year FISMA recommendations, including some from FY 2022 and FY 2024.

TABLE. The SEC's Assessed Maturity Level for FY 2025

Security Function	FY 2025 Assessed Maturity Level	FY 2024 Assessed Maturity Level
Govern	Level 4: *Managed and Measurable*	*N/A (new function as of FY 2025)*
Identify	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Protect	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Detect	Level 3: *Consistently Implemented*	Level 2: *Defined*
Respond	Level 4: *Managed and Measurable*	Level 4: *Managed and Measurable*
Recover	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*
Overall Maturity	Level 3: *Consistently Implemented*	Level 3: *Consistently Implemented*

Source: U.S. Securities and Exchange Commission, Office of Inspector General, Fiscal Year 2025 Independent Evaluation of the U.S. Securities and Exchange Commission's Implementation of the Federal Information Security Modernization Act of 2014 (Report No. 589; February 25, 2026).

[23] U.S. Securities and Exchange Commission, Office of Inspector General, *Former SEC Attorney recorded a whistleblower interview without the knowledge of the participants and used an unapproved artificial intelligence service to transcribe the recording,* (March 25, 2026).

[24] U.S. Securities and Exchange Commission, Office of Inspector General, *Suspect arrested for SEC regional office burglary during lapse in appropriations and corresponding government shutdown,* (May 21, 2026).

Using the same metrics as FY 2025, Sikich assessed all six security functions in FY 2026 at Level 3: *Consistently Implemented*, meaning the SEC's information security program did not meet the definition of "effective" as specified by the Office of Management and Budget.[25] Challenges identified by Sikich related to the agency's supply chain risk management program, information system continuous monitoring documentation, and incident response.

Additionally, in September 2026, we concluded our field work and issued our preliminary findings to the agency related to our assessment of OIT's process for managing changes to the SEC's operational environment. We identified that deficiencies in the change control process resulted in the SEC being exposed to a greater risk of unintended consequences, disruptions, delays, and changes made without proper oversight. We expect to issue the final report in early FY 2027.

Ongoing and Anticipated OIG Work

In FY 2027, we will initiate reviews of the SEC's SharePoint access control and software management, SI cybersecurity, FY 2027 implementation of FISMA, records management program, and safeguarding of nonpublic information from insider threats.

CHALLENGE: Contract Management

Synopsis and Trends in SEC Contracting

The SEC continues to implement cost efficiency initiatives and address recent acquisition-related Executive Orders. Specifically, during FY 2026, according to the Office of Acquisitions (OA), the SEC processed a high volume of contract modification actions to include a clause in all contracts that, in part, states the contractor will not engage in racially discriminatory diversity, equity, and inclusion activities.[26] Furthermore, the SEC continues its efforts to convert time and materials contracts to fixed price, an initiative that began before a recent related Executive Order.[27] Complying with these Executive Orders will require balancing trade-offs and, where possible and appropriate, leveraging flexibilities for pricing adjustments. Notably, in FY 2026, the SEC's fixed price contract obligations were 75 percent of all contract obligations, which is the highest it has been in the past five years.

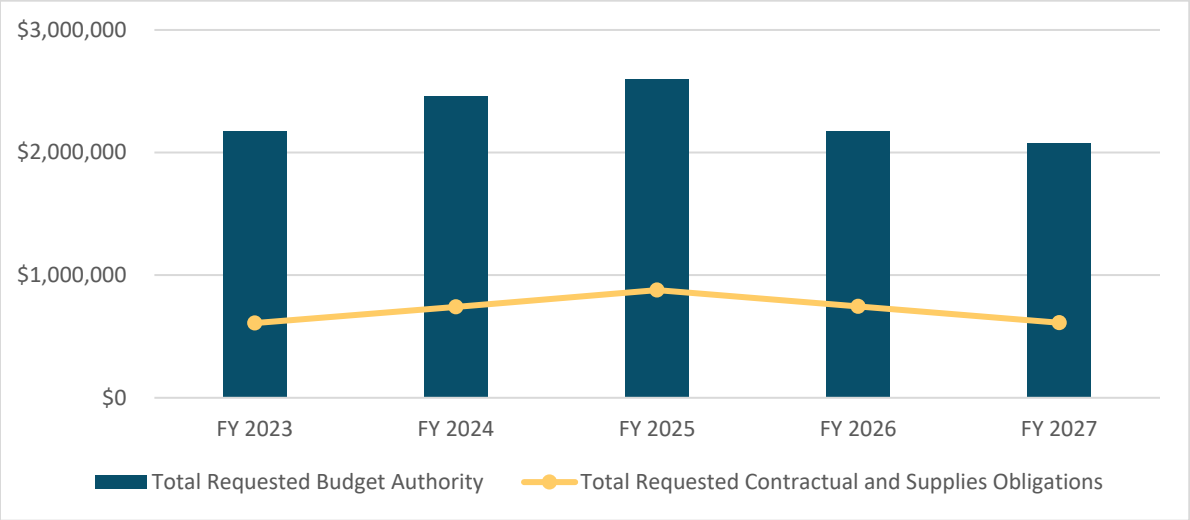
[25] Office of Management and Budget, *FY 2025 Inspector General Federal Information Security Modernization Act of 2014 (FISMA) Reporting Metrics,* Version 2.0, (April 3, 2025).

[26] Executive Order No. 14398, 91 Fed. Reg. 16147, *Addressing DEI Discrimination By Federal Contractors* (March 26, 2026).

[27] Executive Order No. 14402, 91 Fed. Reg. 24325*, Promoting Efficiency, Accountability, and Performance in Federal Contracting* (April 30, 2026).

The SEC's FY 2027 budget request included approximately $612 million for contractual services and supplies,[28] which represented more than 29 percent of the total $2.078 billion requested for agency operations. (See Figure 3.) As anticipated, that was a decrease of approximately 18 percent from the amount requested in FY 2026, consistent with the SEC's cost savings initiatives that began in the previous year.

FIGURE 3. SEC Annual Requested Contractual Services and Supplies, in Thousands, as a Percentage of Total Annual Requested Budget Authority (FY 2023-FY 2027)

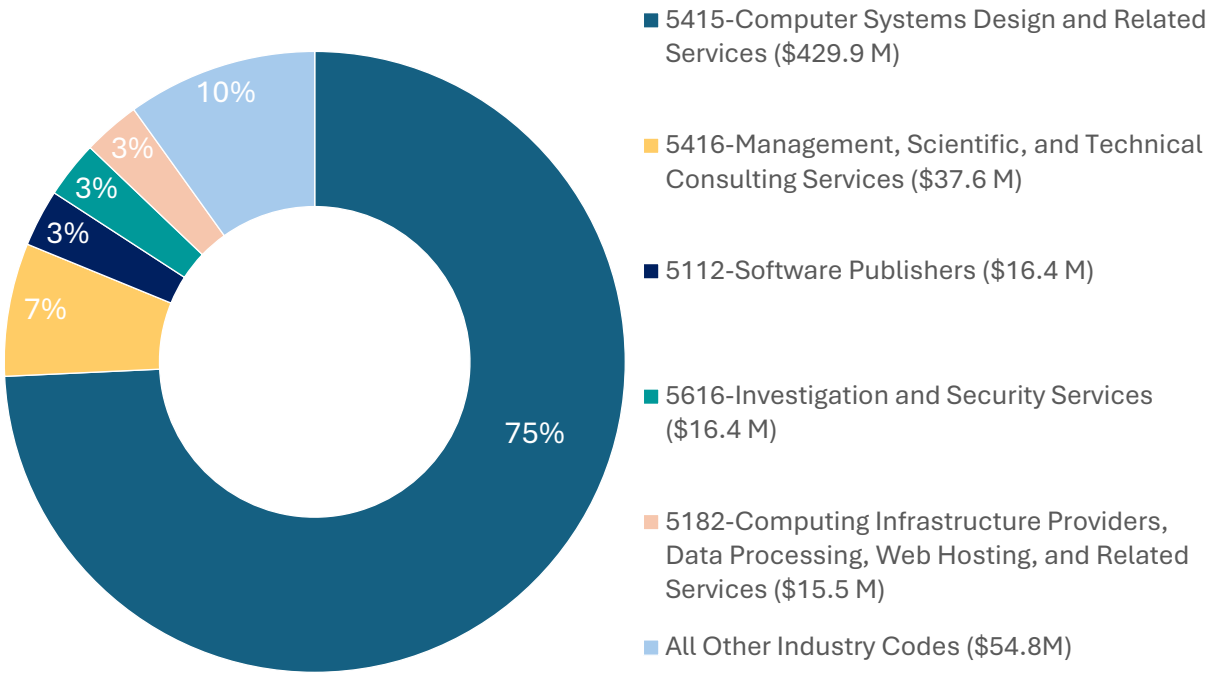


Source: OIG-generated based on annual budget requests by object class as reported in the SEC's Congressional Budget Justifications for FY 2023 through FY 2027.

Although the SEC procures a wide range of services and supplies, most of its contract obligations are for IT services. Of the nearly $570.6 million obligated to contract actions in FY 2026, the SEC obligated approximately 81 percent (or $461.8 million) to vendors doing business under three IT service-related North American Industry Classification System codes: (1) computer systems design and related services, (2) software publishers, and (3) computing infrastructure providers, data processing, web hosting, and related services. (See Figure 4.)

[28] According to the Office of Management and Budget's Circular No. A-11, Preparation, Submission, and Execution of the Budget (August 2025), 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).

FIGURE 4. The SEC's Top Contract Categories (Industry Codes in FY 2026)



Source: OIG-generated from data retrieved from SAM.gov on October 5, 2026.

Acquisitions Management and Oversight

GAO has reported that federal contracting practices have implications for how efficiently agencies are spending taxpayer dollars and has identified ways federal agencies can improve how they contract for goods and services, including through better oversight. As an example, in a recent management letter we issued, *Final Management Letter: Contract Management Concerns Identified During OIG Evaluation of Enforcement's Collection and Distribution of Disgorgements and Penalties,* we identified a contract management concern that warranted management's attention related to the services a contractor provided to the Division of Enforcement's Office of Collections and Office of Distributions.[29] We questioned costs based on a review of a small sample of contractor invoices approved by a Division of Enforcement contracting officer's representative and determined:

- that the contractor charged and the SEC paid a general and administrative rate that exceeded the contract limit;

[29] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Contract Management Concerns Identified During OIG Evaluation of Enforcement's Collection and Distribution of Disgorgements and Penalties* (July 2, 2026).

- until we raised concerns, the contractor did not provide and the SEC did not request adequate support for overtime and other direct costs, including travel costs; and
- the SEC paid for unapproved overtime.

On August 17, 2026, OA reported to the OIG that, upon further inspection, OA and the contractor identified additional instances of these concerns. While the amounts identified were nominal, OA worked with the contractor to ensure the SEC was refunded amounts it was overcharged and to prevent such issues in the future.

Furthermore, as noted above, the majority of the SEC's contract obligations are for IT services, and the federal government's management of IT acquisitions and operations has been identified in GAO's *High-Risk Series* since 2015[30] as an area in need of improvement and attention by the executive branch and by Congress. Specifically, GAO has reported:

> "Critical government systems have continued to age and become either obsolete or extremely costly to maintain. Key management challenges – such as a lack of disciplined project planning and program oversight – continue to hamper effective acquisition and management of the government's IT assets."

Highlighting this risk, based on information gathered regarding the agency's oversight of its data center contracts, the OIG investigated the Chief Executive Officer (CEO) of an information technology services company for allegedly defrauding the SEC.[31] In 2026, the now former CEO entered into a criminal Deferred Prosecution Agreement, and he and the company settled a civil False Claims Act matter, agreeing to pay $1.8 million.[32]

To enhance oversight, the OIG and the agency have discussed how the SEC approaches suspension and debarment of contractors that fail to act responsibly. As a result, this year for the first time, the SEC referred a contractor for suspension and debarment. Suspension is a temporary exclusion from federal contracting, typically for up to a year, used when immediate action is necessary to protect the government's interest pending the completion of an investigation or legal proceeding. Debarment results in a longer exclusion from federal contracting, usually for no more than three years.

While the OIG's and the agency's renewed focus on contractor oversight, including pursuing suspension and debarment remedies, presents opportunities to identify mismanaged contracts and inadequate oversight, additional training and resources are

[30] U.S. Government Accountability Office, *High-Risk Series: Heightened Attention Could Save Billions More and Improve Government Efficiency and Effectiveness* (GAO-25-107743, February 2025).

[31] U.S. Securities and Exchange Commission, Office of Inspector General, *Audit of the SEC's Management of Its Data Centers* (Report No. 543; September 29, 2017).

[32] U.S. Department of Justice Press Release, *AiNET Corp. and Deepak Jain Agree to Pay $1.8M to Resolve Allegations of Submitting False Claims to the U.S. Securities and Exchange Commission for Data Center Services* (August 24, 2026).

required. To that end, in 2026 OIG organized, and OA attended a joint training on identifying fraudulent behavior taught by a member of the Department of Justice Procurement Collusion Strike Force. We are also reviewing whether there are instances of misuse of information by contractor personnel, either through the unauthorized use of non-approved information systems or the utilization of SEC information for personal gain. Unlike SEC employees, contracted employees are not required to pre-clear trades or report their holdings, despite having, in many cases, identical access to information.

To assist the SEC in identifying areas for cost savings, particularly in contract management, the OIG has implemented a cash awards program, authorized under 5 U.S.C. § 4512, which allows SEC employees to share in cost savings that arise from disclosures to the OIG of fraud, waste, and mismanagement within the SEC. In the six months since the OIG introduced the program, the OIG has received an uptick in disclosures from SEC employees that could result in cost savings to the SEC, particularly related to cost savings for contracted goods and services.

Ongoing and Anticipated OIG Work

In FY 2027, we will initiate reviews of the SEC's contracting officers' representative program, contract pre-award process, controls over contractor offboarding, and safeguarding of nonpublic information from insider threats, including contractor employees. We will also monitor contract management issues significant to the objectives of other planned audits and evaluations, as applicable.

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 the OIG Hotline at (833) SEC-OIG1 or by filing a complaint online as indicated below.

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

SEC OIG Hotline

CALL THE 24/7 TOLL-FREE OIG HOTLINE

833-SEC-OIG1