



Securities and Exchange Commission

**Management Report to Accompany the
Semiannual Report of the Inspector
General**

for the period October 1, 2013 through March 31, 2014

May 2014

U.S. SECURITIES AND EXCHANGE COMMISSION MANAGEMENT REPORT TO ACCOMPANY THE SEMIANNUAL REPORT OF THE INSPECTOR GENERAL

(October 1, 2013 – March 31, 2014)

Section 5(b) of the Inspector General Act of 1978, as amended, requires the Commission to transmit to the appropriate committees or subcommittees of the U.S. Congress a Management Report, containing certain statistical tables and any comments deemed appropriate, to accompany the Office of Inspector General's (OIG's) Semiannual Report. This Management Report presents the required information for the reporting period of October 1, 2013 through March 31, 2014.

I. Overview of SEC Audit Follow-up Activities

The SEC's audit follow-up efforts continue to play a significant role in the effective management of the agency's operations and the accomplishment of its mission. During the six-month period ending March 31, 2014, SEC divisions and offices closed 27 recommendations with the OIG's concurrence.

The Office of the Chief Operating Officer (OCOO) is responsible for the agency's systems of audit follow-up, resolution, and corrective action. To ensure timeliness of resolution decisions and corrective actions, the OCOO continued to hold regular meetings with select SEC offices and received regular progress reports from all SEC divisions and offices with open audit recommendations. The OCOO also maintained continuous liaison with the Office of the Inspector General to facilitate the resolution and closure process.

II. Reports with Monetary Savings

Sections 5(b)(2) and (3) of the Inspector General Act require the SEC Management Report to include statistical tables summarizing the progress that the agency has made in responding to audit, inspection, and evaluation reports containing "disallowed costs" and "recommendations that funds be put to better use."

Disallowed Costs. Whenever OIG questions whether costs incurred by the agency are necessary, supported by adequate documentation, or in accordance with law, regulation, or contracts governing the use of funds, SEC management will review the facts and determine whether such costs should be officially disallowed. If the SEC agrees that such costs should not be charged to the government, the agency will then take appropriate action, such as commencing collection efforts to recover the disallowed costs.

Funds Put to Better Use. Whenever OIG recommends specific dollar amounts that it believes can be saved by improving the efficiency of agency operations, SEC management will review the facts and determine whether to implement such recommendations. "Funds put to

better use” refers to the specific dollar value of cost savings that the SEC has agreed can and should be implemented through appropriate corrective action.

Table 1 (below) presents the required information on audit, inspection, and evaluation reports with disallowed costs or recommendations that funds be put to better use. The SEC began and ended the period with no open reports with monetary findings.

Table 1: Status of Final Action on Audit, Inspection, and Evaluation Reports with Disallowed Costs or Funds Put to Better Use

Audit, Inspection, and Evaluation Reports	Number	Dollar Value of Disallowed Costs	Dollar Value of Funds Put to Better Use
A. For which final action had not been taken by the beginning of the reporting period (10/1/13)	0	\$0	\$0
B. On which management decisions were made during the reporting period (10/1/13 –3/31/14)	0	\$0	\$0
C. For which final action was taken during the reporting period	0	\$0	\$0
(i) Dollar value of disallowed costs that were recovered through collection, offsets, property in lieu of cash, or otherwise	0	\$0	\$0
(ii) Dollar value of disallowed costs that were written off by management	0	\$0	\$0
(iii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed	0	\$0	\$0
D. For which no final action has been taken by the end of the reporting period (3/31/14)	0	\$0	\$0

III. Reports More than One Year Old with Pending Corrective Action

Section 5(b)(4) of the Inspector General Act requires the SEC Management Report to include a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year. Table 2 (below) presents the required information.

Table 2: Audits and Other Reports More than One Year Old

(Reporting Period October 1, 2013 through March 31, 2014)

Report No./Title	Report Date	Funds Put to Better Use	Disallowed Costs	Status of Final Action
489, Federal Information Security Management Act (FISMA) 2010 Assessment	3/3/11	\$0	\$0	7 of 8 recommendations from this report have been closed. Logical integration of HSPD-12 access cards has presented challenges government-wide. The SEC actively participates with an inter-agency task force dedicated to solving the associated problems and finding a workable solution. The Office of Information Technology is actively working this project with a pilot scheduled to begin in June 2014 and full agency deployment by calendar year-end.
501, Federal Information Security Management Act 2011 Assessment	2/2/12	\$0	\$0	11 of 13 recommendations have been closed. One of the two remaining recommendations is a duplicate of the open recommendation in audit 489 discussed above. The other is being addressed as part of a comprehensive OIT security policy review project. The target completion date is April 30, 2014.
512, 2012 FISMA Executive Summary Report	8/11/11	\$0	\$0	12 of 13 recommendations from this report have been closed. Final action was delayed on the remaining recommendation due to additional guidance from OMB and the government-wide Continuous Monitoring Program. The target completion date is April 30, 2014.
514, Audit of the SEC's Filing Fees Program	3/29/13	\$0	\$0	3 of 4 recommendations have been closed. An ongoing review of registrant accounts is on track to be completed in June 2014 and to close the remaining open recommendation.