



Office of Inspector General

# SEMIANNUAL REPORT TO CONGRESS

U.S. SECURITIES  
AND EXCHANGE  
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04.01.16 TO 09.30.16

OFFICE OF INSPECTOR GENERAL  
SEMIANNUAL REPORT TO CONGRESS

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APRIL 1, 2016 THROUGH SEPTEMBER 30, 2016



**T**he mission of the Office of Inspector General (OIG) is to promote the integrity, efficiency, and effectiveness of the critical programs and operations of the U.S. Securities and Exchange Commission (SEC or agency). We accomplish this mission by the following:

- Communicating timely and useful information that facilitates management decision-making and achieving measurable gains;
- Conducting independent and objective audits, evaluations, and other reviews of SEC programs and operations;
- Conducting independent and objective investigations of potential criminal, civil, and administrative violations that undermine the ability of the SEC to accomplish its statutory mission;
- Identifying vulnerabilities in and making recommendations to improve SEC programs and operations;
- Keeping the Commission and Congress fully and currently informed of significant issues and developments; and
- Preventing and detecting fraud, waste, and abuse in SEC programs and operations.



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# ABBREVIATIONS

Agency/SEC	U.S. Securities and Exchange Commission
CF	Division of Corporation Finance
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DATA Act	Digital Accountability and Transparency Act of 2014
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOJ	U.S. Department of Justice
Enforcement	Division of Enforcement
ESP	Employee Suggestion Program
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act of 2014
FOIA	Freedom of Information Act
FY	Fiscal Year
GAO	U.S. Government Accountability Office
IG	Inspector General
IT	Information Technology
NARA	National Archives and Records Administration
OCIG	Office of Counsel to the Inspector General
OCOO	Office of the Chief Operating Officer
OEC	Office of the Ethics Counsel
OHR	Office of Human Resources
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OMS	Office of Municipal Securities
OSS	Office of Security Services
SPO	Special Police Officer
SRO	Self-Regulatory Organization
TM	Division of Trading and Markets
Treasury	U.S. Department of the Treasury
USAO	United States Attorney's Office





## MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to present this Semiannual Report to Congress as Inspector General (IG) of the SEC. This report describes the work of the SEC OIG from April 1, 2016, to September 30, 2016, and reflects our responsibility to report independently to Congress and the Chair and Commissioners. The audits, evaluations, investigations, and other reviews that we describe illustrate the OIG's efforts to promote the efficiency and effectiveness of the SEC and demonstrate the impact that our work has had on the agency's programs and operations.

During this semiannual reporting period, we issued our new Strategic Plan for Fiscal Years (FYs) 2017 through 2019. Our Strategic Plan provides an overview of the OIG's goals and objectives for this time period and is the culmination of a months-long process that included input from the entire OIG staff. Our approach is to strive for continued excellence with our results, people, and processes. We will do this by (1) producing relevant, timely, and impactful results; (2) maintaining high staff morale through employee engagement and transparent decision-making; and (3) leveraging technology to share information and foster collaboration.

We also enhanced our counsel function by establishing the Office of Counsel to the Inspector General (OCIG) and adding two attorney positions. The

OCIG provides timely and accurate legal advice to the IG and OIG components. Additionally, we enhanced our Digital Forensics and Investigations Unit, which we established during the previous reporting period, by hiring an additional cyber agent and an Information Technology (IT) specialist. We also added a management and program analyst as well as two auditors.

During this reporting period, the OIG's Office of Audits issued several reports that recommended improvements in SEC programs and operations. For example, on June 22, 2016, we issued a report on our audit of the management of the SEC's protective security force contract. Although we did not identify any concerns with the performance of the Special Police Officers (SPOs) assigned to the contract at

the SEC's Headquarters, we found that the SEC's Office of Security Services (OSS) did not ensure that the contracted security firm met all contract terms and Federal best practices. We identified certain improvements the SEC could make to enhance its oversight of the protective security force contract.

On June 30, 2016, we issued a final management letter that summarized the results of our evaluation of the SEC Division of Enforcement's (Enforcement) coordination related to a Federal civil action. We determined that the SEC has processes and systems for coordinating enforcement actions internally and, when appropriate, across agency divisions and offices. However, we found that the SEC must rely on staff judgment to coordinate investigations and we identified a missed opportunity to timely share information. We noted that the SEC had enhanced its processes for coordinating Enforcement investigations and recommended certain corrective actions to further strengthen the SEC's policies and procedures for coordinating investigations.

On September 28, 2016, we reported on our audit of the SEC's process for reviewing Self-Regulatory Organizations' (SROs) proposed rule changes. We determined that the Division of Trading and Markets (TM) and the Office of Municipal Securities (OMS) policies and procedures for reviewing and processing SROs' proposed rule changes were consistent with statutory requirements. However, we identified improvements that could be made related to documenting the basis for rejecting proposed rule changes, as well as improvements to information security controls and contingency planning documents.

On September 30, 2016, we issued a report on our audit of the SEC's IT requirements-gathering process. We found that although the Office of Information Technology (OIT) had commenced a new requirements gathering initiative, OIT had not fully designed and implemented the SEC's IT requirements-gathering process, and opportunities exist to improve OIT's oversight of the SEC's IT

investments and their underlying requirements. We made seven recommendations designed to improve the requirements-gathering process.

The Office of Audits also worked with SEC management to close 12 recommendations made in OIG reports issued during this and previous semiannual reporting periods.

The Office of Investigations completed or closed 22 investigations during this reporting period. We investigated various allegations, including the failure to report or pre-clear securities holdings and transactions, inappropriate hiring of a contractor and sharing of a password, obstruction of an SEC examination and investigation, unauthorized disclosure of nonpublic information, providing false testimony and statements, assault, and improper use of the SEC seal. Our investigations resulted in 13 referrals to the U.S. Department of Justice (DOJ), and 5 referrals were accepted for possible prosecution. We also made five referrals to agency management for corrective administrative action.

In closing, I remain firmly committed to executing the OIG's mission of promoting the integrity, efficiency, and effectiveness of the SEC's programs and operations and to reporting our findings and recommendations to Congress and the Chair and Commissioners. We will continue to collaborate with SEC management to assist the agency in addressing the challenges it faces in its unique and important mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. I appreciate the significant support that the OIG has received from Congress and the agency. We look forward to continuing to work closely with the SEC Chair, Commissioners, and staff, as well as Congress, to increase efficiency and effectiveness in the SEC's programs and operations.



Carl W. Hoecker

*Inspector General*



## MANAGEMENT AND ADMINISTRATION

### AGENCY OVERVIEW

**T**he SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC strives to promote a market environment that is worthy of the public's trust and characterized by transparency and integrity. Its core values consist of integrity, excellence, accountability, effectiveness, teamwork, and fairness. The SEC's goals are to establish and maintain an effective regulatory environment; foster and enforce compliance with the Federal securities laws; facilitate access to the information investors need to make informed investment decisions; and enhance the Commission's performance through effective alignment and management of human, information, and financial capital.

Currently, the SEC is charged with overseeing about 27,000 market participants, including more than 12,000 investment advisers, almost 10,700 mutual funds and exchange traded funds, almost 4,300 broker-dealers, and about 400 transfer agents. The agency also oversees 20 national securities exchanges, 10 credit rating agencies, 6 active registered clearing agencies, and 2 exempt clearing agencies, as well as the Public Company Accounting Oversight Board, the Financial Industry Regulatory Authority, the Municipal Securities Rulemaking Board, the Securities Investor Protection Corporation, and the

Financial Accounting Standards Board. In addition, the SEC is responsible for selectively reviewing the disclosures and financial statements of about 9,000 reporting companies.

The SEC accomplishes its mission through 5 main divisions—Corporation Finance, Enforcement, Investment Management, Trading and Markets, and Economic and Risk Analysis—and 23 functional offices. The SEC's headquarters is in Washington, District of Columbia, and there are 11 regional offices located throughout the country. As of September 2016, the SEC employed 4,611 fulltime equivalent employees.

### OIG STAFFING, RESOURCES, AND ADMINISTRATION

During this semiannual reporting period, the OIG continued to add key staff to enhance its audit, investigative, legal, and program support functions. Specifically, the OIG established the new OCIG and added two attorneys. The OCIG provides timely and accurate legal advice to the IG and OIG components. We also enhanced our Digital Forensics and Investigations Unit by hiring an additional cyber agent and an IT specialist. Furthermore, we added two auditors and a management and program analyst.

We also continued the strategic planning efforts we began during the previous reporting period that solicited input from the entire OIG staff. These efforts culminated in the issuance of our new Strategic Plan for FYs 2017 through 2019, which sets forth the OIG's goals and objectives for this time period. Our approach is to strive for continued excellence with our results, people, and processes. We will accomplish this by (1) producing relevant, timely, and impactful results; (2) maintaining high staff morale through employee engagement and transparent decision making; and (3) leveraging technology to share information and foster collaboration.

### OIG OUTREACH

The IG met regularly with the Chair, Commissioners, and senior officers from various SEC divisions and offices to foster open communication at all levels between the OIG and the agency. Through these efforts, the OIG kept up to date on significant, cur-

rent matters that were relevant to the OIG's work. Furthermore, these regular communications enabled the OIG to obtain agency management's input on what it believes are the most important areas for future OIG work. The OIG continually strives to keep apprised of changes to agency programs and operations and keeps SEC management informed of the OIG's activities and concerns raised during its work.

In addition, the OIG continued its SEC outreach program, the goal of which is to increase OIG visibility and further enhance SEC employees' understanding of the OIG's roles, responsibilities, and functions. The program also educates employees on the applicable ethics requirements and their obligations to report fraud, waste, and abuse to the appropriate authorities. The OIG briefs new employees at the SEC's biweekly new employee orientation sessions.



## CONGRESSIONAL REQUESTS AND BRIEFINGS

**T**he OIG continued to keep Congress fully and currently informed of OIG activities through briefings, reports, meetings, and responses to Congressional inquiries. Throughout the semiannual reporting period, the OIG briefed Congressional staff about OIG work and issues impacting the SEC.

For example, on May 25, 2016, the OIG responded to a standing request from the Chairman of the U.S. Senate Committee on Homeland Security and Governmental Affairs, and the Chairman of the U.S. Senate Committee on the Judiciary, that the OIG respond to certain questions on a semiannual basis. These questions related to, among other things, outstanding unimplemented recommendations; closed investigations, evaluations, and audits that were not disclosed to the public; and descriptions of any attempts to interfere with IG independence or to restrict or significantly delay IG access to agency information. We provided the requested information for the period from October 1, 2015, through March 31, 2016, and reported that we had no instances to report of any attempts to interfere with IG independence or to restrict or significantly delay IG access to information.

Additionally, on July 22, 2016, the OIG received a request from several Members of Congress asking the OIG, as well as the U.S. Government Accountability Office (GAO), to inquire into the SEC's efforts to implement 2010 Commission Guidance Regarding Disclosure Related to Climate Change. We are coordinating our response with GAO.

Furthermore, on August 1, 2016, the IG and senior OIG staff attended an event honoring National Whistleblower Appreciation Day, which occurs annually on the 30th of July. Senate Resolution 522 (passed on July 8, 2016) encourages Federal agencies to recognize National Whistleblower Appreciation Day by informing Government employees and contractors, as well as the public, about the legal right to report crimes and other misconduct to the appropriate authorities and acknowledging the contribution of whistleblowers to combat waste, fraud, abuse, and violations of law and regulations.

Finally, on September 22, 2016, the OIG received a request from the U.S. House of Representatives Committee on Financial Services asking the OIG to investigate the improper disclosure of material, nonpublic, and confidential enforcement information. We have initiated an investigation in response to the request.



## COORDINATION WITH OTHER OFFICES OF INSPECTOR GENERAL

**D**uring this semiannual reporting period, the SEC OIG coordinated its activities with those of other OIGs, pursuant to Section 4(a)(4) of the Inspector General Act of 1978, as amended.

Specifically, the OIG participated in the meetings and activities of the Council of Inspectors General on Financial Oversight (CIGFO), which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). The chairman of CIGFO is the IG of the U.S. Department of the Treasury (Treasury). Other members of the Council, in addition to the IGs of the SEC and Treasury, are the IGs of the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Department of Housing and Urban Development, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency (FHFA), the National Credit Union Administration, and also the Special IG for the Troubled Asset Relief Program. As required by Dodd-Frank, CIGFO meets at least

once every 3 months. At the CIGFO meetings, the members share information about their ongoing work, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight.

The SEC IG also attended meetings of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and continued to serve as the Chairman of the CIGIE Investigations Committee. The mission of the Investigations Committee is to advise the IG community on issues involving criminal investigations and criminal investigations personnel and to establish criminal investigative guidelines.

In addition, the Office of Audits continued to participate in activities of the CIGIE Federal Audit Executive Council. OIG staff also participated in the activities of the Deputy Inspectors General group, the Council of Counsels to the Inspectors General, the CIGIE Training Institute's Audit, Inspection and Evaluation Academy, and the CIGIE Freedom of Information Act (FOIA) Working Group.



# AUDITS AND EVALUATIONS

## OVERVIEW

The OIG Office of Audits conducts, coordinates, and supervises independent audits and evaluations of the agency's programs and operations at the SEC's headquarters and 11 regional offices. The Office of Audits also hires, as needed, contractors and subject matter experts, who provide technical expertise in specific areas, to perform work on the OIG's behalf. In addition, the Office of Audits monitors the SEC's progress in taking corrective actions on recommendations in OIG audit and evaluation reports.

Each year, the Office of Audits prepares an annual audit plan. The plan includes work that the Office selects for audit or evaluation on the basis of risk and materiality, known or perceived vulnerabilities and inefficiencies, resource availability, and information received from Congress, internal SEC staff, GAO, and the public.

The Office conducts audits in compliance with generally accepted government auditing standards issued by the Comptroller General of the United States. OIG evaluations follow the CIGIE *Quality Standards for Inspection and Evaluation*. At the completion of an audit or evaluation, the OIG issues an independent report that identifies deficiencies and makes recommendations, as necessary, to correct those deficiencies or increase efficiencies in an SEC program or operation.

## COMPLETED AUDITS AND EVALUATIONS

### Evaluation of the SEC Division of Enforcement's Coordination Related to a Federal Civil Action

A Federal court in a civil action filed by the SEC issued an opinion and order that discussed a perceived lack of coordination of SEC investigations with overlapping factual circumstances. The court suggested that the SEC examine agency procedures for ensuring that such investigations are properly coordinated and that scarce agency resources are deployed efficiently.

The OIG evaluated Enforcement's coordination of investigations to determine whether the SEC has processes and systems for ensuring that Enforcement investigations are coordinated internally and, when appropriate, across SEC divisions and offices. We also assessed the SEC's efforts to coordinate the Enforcement investigation that was the subject of the Federal court's opinion and order.

We determined that the SEC has processes and systems for coordinating enforcement actions internally and, when appropriate, across agency divisions and offices. We also found that the SEC must rely on staff judgment to coordinate investigations and that Enforcement staff judgment led to an instance of

untimely information-sharing during the investigation at issue. However, Enforcement management stated that earlier information-sharing would not have changed the theory of liability or remedies Enforcement staff pursued in the investigation. Finally, we found that by adding an alert function to the Hub, the web-based application accessible to all Enforcement staff that tracks information about all Enforcement matters, the SEC had enhanced its processes for coordinating Enforcement investigations, reducing the likelihood of untimely information-sharing in the future.

We issued our final management letter on June 30, 2016, and made three recommendations for corrective action to further strengthen the SEC's policies and procedures for coordinating investigations. Management concurred with the recommendations, and one recommendation was closed before the end of the reporting period. The remaining recommendations were pending but will be closed upon completion and verification of corrective action.

The final management letter is available on our website at <https://www.sec.gov/oig/reportspubs/OIG-Final-Management-Letter--Evaluation-of-the-SEC-Division-of-Enforcements-Coordination-Related-to-a-Federal-Civil-Action.pdf>.

### Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2015 (Report No. 535)

The SEC's information systems process and store significant amounts of sensitive, nonpublic information, including information that is personally identifiable, commercially valuable, and market-sensitive. The SEC's information security program protects the agency from the risk of unauthorized disclosure, modification, use, and disruption of this sensitive, nonpublic information. Without these controls, the agency's ability to accomplish its mission could be inhibited, and privacy laws and regulations that protect such information could be violated. To comply with the Federal Information Security

Modernization Act (FISMA) of 2014, which amended the Federal Information Security Management Act of 2002, the OIG assessed the SEC's implementation of FISMA information security requirements.

The SEC's OIT has overall management responsibility for the SEC's IT program, including information security. Since FY 2014, OIT has improved in key information security program areas, including implementing personal identity verification to the maximum extent practicable, establishing multi-factor authentication for external systems, and improving identity and access management.

However, we found that (1) OIT's risk management program did not effectively monitor risks associated with system authorizations, and (2) OIT's configuration management program did not ensure that system owners adhered to baseline configuration requirements. These weaknesses existed, in part, because OIT management did not effectively implement the OIT Risk Committee tasked with managing risk from individual information systems, and did not establish adequate controls to ensure effective, consistent implementation of OIT's risk and configuration management programs.

In addition, we found that OIT had not fully addressed some areas of potential risk identified in prior Federal Information Security Management Act evaluations. Specifically, SEC systems continued to operate without current authorizations, user accounts were not always deactivated in accordance with policy, continuous monitoring review procedures were developed but not consistently implemented, and some policies and procedures remained outdated or inconsistent. As a result, these areas continued to pose potential risk to the agency.

Furthermore, we identified three other matters of interest related to the agency's IT environment. We determined that the SEC did not always

(1) update business impact analyses to reflect major

system changes, (2) update contingency planning documents to reflect changes in alternate site locations, and (3) track security awareness training. We encouraged OIT management to consider these matters and ensure that sufficient controls exist in these areas.

The OIG issued a final report to the agency on June 2, 2016. To improve the SEC's information security program, we urged management to take action on all outstanding recommendations from prior year evaluations and areas of potential risk identified in the FY 2015 report. We also made four new recommendations that addressed support for risk-based decisions, OIT Risk Committee functionality, and configuration management requirements. Management concurred with the recommendations, and two recommendations were closed before the end of the reporting period. The remaining recommendations were pending but will be closed upon completion and verification of corrective action.

Because the report contains sensitive information about the SEC's information security program, we are not releasing the report publicly. A summary of the report is available on our website at <http://www.sec.gov/oig/reportspubs/Audit-of-the-SECs-Compliance-with-the-Federal-Information-Security-Modernization-Act-for-Fiscal-Year-2015.pdf>.

### Management of the SEC's Protective Security Force Contract Needs Improvement (Report No. 536)

The safety and security of about 4,200 Federal employees and contractors at the SEC's Headquarters depend on the security program managed by the SEC's OSS. The success of this program depends, in part, on the actions of SPOs assigned to the SEC's protective security force contract. The District of Columbia Metropolitan Police Department licenses the SPOs, who are required to follow District of Columbia Municipal Regulations in exercising their duties. SPO duties include controlling building access; monitoring security and safety

systems; and patrolling to observe, detect, report, and respond to suspected or apparent security violations. If the services provided do not comply with the contract or the contract is not properly managed, SEC employees, property, and contractor personnel may be at risk of harm.

We initiated this audit to determine whether contractor personnel, including SPOs, complied with applicable policies, procedures, regulations, and contract terms, and to assess the SEC's monitoring of the contractor's performance at the SEC's Headquarters. We did not identify any concerns with the performance of the SPOs at the SEC's Headquarters. However, we found that OSS did not ensure that the contractor met all contract terms and followed Federal best practices. Specifically, the Contracting Officer's Representative allowed the contractor to deviate from contract terms about SPO training and testing and Federal best practices, relying instead on the less stringent SPO licensing requirements of the District of Columbia Metropolitan Police Department. In addition, the SEC paid for SPO training that the contractor did not provide. Based on information provided by the agency's Office of Acquisitions and OSS, the difference in contractually required versus actual training hours resulted in questioned costs of about \$177,000.

In addition, we found that OSS did not ensure that the contractor met all contract terms relating to contract deliverables, quality control practices, and weapons inventories. For example, the contractor did not provide some required periodic reports, including reports about SPO training and weapons. The contractor also maintained incomplete and inaccurate firearms information, including inaccurate firearm serial numbers, and for almost a year, the Contracting Officer's Representative did not have an accurate list of all firearms on-site. As a result, the SEC did not ensure that the contractor performed adequate quality inspections or provided accurate information for proper contract oversight.

Finally, we found that post orders, which define the specific duties that SPOs are to perform at certain locations throughout the SEC's Headquarters, needed improvement. Although most of the information in the post orders appeared sufficient and appropriate for SPOs to understand their duties, some information was inconsistent among all post orders, post orders for one post conflicted with the contract, and post orders for another post were incomplete. This could result in inconsistent or improper performance of SPO duties or responses to emergencies.

We issued our final report on June 22, 2016, and made four recommendations to improve the SEC's oversight of its protective security force contract. These recommendations address improvements to ensure contractor compliance with contract terms and communication between the Office of Acquisitions and OSS. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action.

Because the report contains sensitive information about the SEC's security posture, we are not releasing the report publicly. A summary of the report is available on our website at <https://www.sec.gov/oig/reportspubs/Management-of-the-SECs-Protective-Security-Force-Contract-Needs-Improvement.pdf>.

#### Audit of the SEC's Process for Reviewing Self-Regulatory Organizations' Proposed Rule Changes (Report No. 537)

Privately funded nongovernmental entities, referred to as SROs, conduct much of the day-to-day oversight for the U.S. securities markets and broker-dealers under their jurisdiction. SROs, including national securities exchanges, registered securities associations, and registered clearing agencies, establish rules that govern member activities.

The SEC reviews SROs' proposals for new rules and changes to existing rules (referred to as proposed

rule changes) to ensure compliance with applicable SEC rules and regulations and the Securities Exchange Act of 1934, as amended by Dodd-Frank. The SEC must review and then either approve or disapprove SROs' proposed rule changes according to certain requirements and within specified timeframes. Proper review of SROs' proposed rule changes helps the agency achieve its mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. The SEC's TM and OMS are responsible for reviewing SROs' proposed rule changes.

The OIG conducted an audit of the SEC's process for reviewing proposed rule changes submitted by SROs. We determined that TM and OMS policies and procedures were consistent with statutory requirements for reviewing and processing proposed rule changes. In addition, SROs we surveyed were generally satisfied with the system used to file SROs' proposed rule changes and reported that TM and OMS staff (1) applied processes for reviewing and processing proposed rule changes consistently, and (2) communicated effectively with SROs and other stakeholders when the agency initiated proceedings to determine whether to disapprove an SRO's proposed rule change.

We also reviewed TM's and OMS' processing of 345 of the 3,494 proposed rule changes received by the SEC in FYs 2014 and 2015 and found that TM and OMS staff complied with statutory requirements and generally complied with agency policies and procedures. However, TM and OMS staff did not consistently document the basis for rejecting proposed rule changes, as required by agency policy. As a result, we determined that the SEC, in some cases, may not have a complete historical record for proposed rule changes received in FYs 2014 and 2015.

In addition, we found that the information security controls for the system used to file and track SROs' proposed rule changes need improvement. We also

found that contingency planning controls for the system were inadequate.

We issued our final report on September 23, 2016, and made seven recommendations for corrective action. The recommendations included the need to better document TM's and OMS' basis for rejecting SROs' proposed rule changes, and needed improvements in system information security controls and contingency planning documents. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action.

Because this report contains sensitive information about the SEC's information security program, we are not releasing it publicly at this time. A redacted version of the report's Executive Summary is available on our website at <https://www.sec.gov/oig/reportspubs/Audit-of-the-SECs-Process-for-Reviewing-Self-Regulatory-Organizations-Proposed-Rule-Changes.pdf>.

#### Audit of the SEC's Information Technology Requirements-Gathering Process (Report No. 538)

According to GAO, Federal Government IT projects frequently incur cost overruns and schedule slippages and contribute little to mission-related outcomes, in part, because of ineffective management, including poor requirements gathering. In 2011, GAO identified requirements management as a leading practice to manage IT modernization efforts, stating that disciplined processes for developing and managing IT requirements can improve the likelihood that systems will meet user needs and perform as intended. Between October 1, 2013, and November 25, 2015, the SEC obligated more than \$521 million for 692 IT investments, including investments to modernize the agency's systems. If the SEC does not have a disciplined process for developing and managing IT requirements, the SEC risks cost overruns and schedule delays in its

efforts to maintain and modernize its IT systems. Moreover, agency IT investments may not meet user needs.

We conducted an audit to evaluate the SEC's IT requirements-gathering process. Specifically, we sought to determine whether the SEC's IT requirements-gathering process was (1) sufficiently designed and complied with applicable Federal laws, regulations, and industry guidelines; and (2) consistently applied in accordance with Federal and agency policies and facilitated the effective and efficient procurement or development of IT projects.

We determined that the SEC's OIT has overall management responsibility for the agency's IT capital planning and investment control process, which includes the IT requirements-gathering process. In September 2015, OIT initiated efforts to establish a Requirements Center of Excellence. By August 2016, OIT had rolled out the Requirements Center of Excellence framework. However, OIT has not fully designed and implemented the SEC's IT requirements-gathering process, and opportunities exist to improve OIT's oversight of the SEC's IT investments and their underlying requirements.

Specifically, we reviewed a sample of 17 development, modernization, and enhancement investments and 8 steady state investments. We found that although OIT policies and procedures addressed elements of IT requirements-gathering, OIT did not consistently document or validate detailed, measurable requirements, particularly for development, modernization, and enhancement investments. In addition, OIT did not always ensure that investments were managed by integrated project teams and certified individuals, where necessary, or define project team members' roles and responsibilities for IT requirements-gathering. We also found that investment documents did not always demonstrate that OIT integrated security requirements into development, modernization, and enhance-

ment investment planning and initiation phases. Furthermore, OIT did not consistently review and coordinate IT investments—particularly steady state investments, investments to acquire technology equipment, and certain IT support services investments—to prevent redundancy. For two investments, governance authorities did not review and approve changes to the investments’ baselines before implementation.

As a result, OIT did not always comply with Federal regulations, Federal and industry guidelines, and its own policies and procedures. In addition, two IT investments we reviewed were delayed between 6 and 15 months from their initial completion dates (one incurring additional costs of about \$1.9 million to further define requirements and continue project development and implementation), and the SEC may not realize any cost savings from an effort to consolidate some contracts for IT support services. Furthermore, the SEC may not have optimized its technology equipment purchases. We also questioned \$24,230 paid to a contractor hired to gather requirements during a period when the corresponding project had no specific requirements-gathering activity. Finally, we determined that the SEC spent about \$1 million to develop requirements that, according to the business sponsor, may in part need to be re-worked once a dependency (a separate system component) is completed, and about \$600,000 for a project that was put on hold. We encouraged management to leverage the results of our audit as OIT continues its efforts to fully design and implement the SEC’s requirements-gathering process and improve the oversight of the SEC’s IT investments.

We issued our final report on September 30, 2016, and made seven recommendations to improve the SEC’s IT requirements-gathering process. These included recommendations that management continue its efforts to design and implement an IT requirements-gathering process or framework; define roles and responsibilities for IT requirements-gathering; assess the potential risks and benefits, including potential cost savings, from the consolida-

tion effort; and update existing policies and procedures. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action.

The report, with certain sensitive information redacted, is available on our website at <https://www.sec.gov/oig/reportspubs/Audit-of-the-SECs-Information-Technology-Requirements-Gathering-Process.pdf>.

## OTHER AUDITS AND PROJECTS

### Inspector General’s Report on Covered Systems

In accordance with the Cybersecurity Act of 2015, the OIG reported to Congressional committees of jurisdiction information about the SEC’s covered systems on August 11, 2016. The term “covered system” means a national security system as defined in 40 U.S.C. § 11103 or a Federal computer system that provides access to personally identifiable information. SEC information systems meet the definition of “covered system” because the systems provide access to personally identifiable information.

To respond to the Cybersecurity Act’s reporting requirements, the OIG interviewed SEC OIT personnel, including the Chief Information Security Officer, and reviewed information for a sample of the SEC’s covered systems. We reported the following information for the SEC’s covered systems based on the requirements of the Cybersecurity Act:

- Description of logical access policies and practices.
- Description and list of the logical access controls and multifactor authentication used to govern privileged users’ access.
- Reasons for not using logical access controls and multifactor authentication if applicable.
- Description of information security management practices including policies and procedures used to conduct inventories of software and licenses, capabilities used to monitor and detect exfiltration and other threats, description of how moni-

toring and detecting capabilities are used, and reasons why monitoring and detecting capabilities are not used, if applicable.

- Description of policies and procedures used to ensure entities, including contractors, providing services to the SEC are implementing the information security management practices identified in the Cybersecurity Act.

Because the report contains sensitive information about the SEC's information security program, we are not releasing it publicly. A summary of the report is available on our website at <https://www.sec.gov/oig/reportspubs/Inspector-Generals-Report-on-Covered-Systems-August-11.pdf>.

### Audit of the SEC's Hiring Practices

As discussed in our previous Semiannual Report, the OIG initiated an audit to determine whether the SEC's hiring practices facilitated the efficient selection of high-quality candidates to help SEC divisions and offices meet mission requirements. Specifically, we sought to determine whether (1) the Office of Human Resource's (OHR) hiring policies and procedures complied with applicable Federal laws and regulations; (2) OHR's internal controls for ensuring timeliness and quality of hires were operating effectively; and (3) OHR used hiring data to monitor the SEC's hiring processes to identify improvements in the timeliness and quality of hires.

Because OHR had not fully implemented systems to reliably monitor the timeliness and quality of agency hiring, and because OHR plans to reassess the SEC's hiring process and predetermined hiring timelines, we terminated the audit. Although we did not complete an audit in accordance with generally accepted government auditing standards, on August 19, 2016, we reported to management observations based on the work completed.

We noted that OHR has improved the SEC's hiring process during the last few years. For example, in

response to a May 2010 Presidential Memorandum on improving the Federal recruitment and hiring process, OHR developed a Service Level Commitment that established the service levels (that is, hiring timelines), monitoring methods, and organizational responsibilities for the SEC's hiring process. OHR also developed quality-of-new-hire surveys and implemented the Workforce Transformation Tracking System to monitor agency hiring from end to end.

However, we identified opportunities for further improvements. Specifically, we determined that OHR did not have an effective method for assessing the timeliness of the SEC's hiring process, including maintaining reliable hiring data and monitoring hiring actions according to timelines established in the Service Level Commitment. In addition, OHR did not analyze quality-of-new-hire survey results to improve the SEC's hiring process. GAO reported in 2004 that, when the SEC faces challenges in hiring, the agency struggles to meet mission requirements.

Therefore, we urged OHR, as part of its reassessment of the agency's hiring process, to implement an effective system based on reliable data to conduct comprehensive assessments of the SEC's hiring process. Doing so could further improve the hiring process and increase the likelihood that SEC divisions and offices hire highly qualified candidates in a timely fashion to meet mission requirements. We requested that management provide us with the results of its reassessment within 45 days of completion of the review and also asked for additional related information by January 6, 2017. In response to a draft of our management letter, OHR described recent corrective measures it had taken to improve the hiring process.

The management letter is available on our website at <https://www.sec.gov/oig/reportspubs/OIG-Final-Closeout-Memorandum---Audit-of-the-SECs-Hiring-Practices-08-19-16.pdf>.

## ONGOING AUDITS AND EVALUATIONS

### Readiness Review of the SEC's Progress Toward Compliance with the Digital Accountability and Transparency Act of 2014

The Digital Accountability and Transparency Act of 2014 (DATA Act) requires that Federal agencies report financial and payment data in accordance with data standards established by the Treasury and the Office of Management and Budget (OMB). The data reported will be displayed on a public website. In addition, the DATA Act requires that an agency OIG review statistical samples of the data submitted by the agency under the DATA Act and report on the completeness, timeliness, quality, and accuracy of the data sampled and the use of the data standards by the agency. Although the first OIG report is due to Congress in November 2016, the DATA Act does not require agencies to submit spending data until May 2017.

The OIG has initiated a review of the SEC's progress and readiness in complying with the DATA Act by the mandated deadline of May 2017. The objective of the readiness review is to gain an understanding of the processes, systems, and controls that the SEC and its shared services provider, the U.S. Department of Transportation's Enterprise Services Center, have implemented, or plan to implement, to report the SEC's expenditures and link its Federal contract, loan, and grant spending information in accordance with the requirements of the DATA Act.

We expect to report on the results of our readiness review in the next reporting period.

### Audit of the Division of Corporation Finance's Management of Requests for No-Action and Interpretive Letters, Exemptions, and Waivers

The SEC's Division of Corporation Finance (CF) responds to inquiries and provides guidance to enable market participants to understand obliga-

tions under the securities laws. Specifically, CF provides advice to companies, investors, and their advisors by issuing, among other things, no-action and interpretive letters. In a no-action letter, the staff states that it would not recommend that the Commission take enforcement action against a requester based on the facts and representations contained in the individual's or entity's incoming request. In an interpretive letter, the staff responds to a request for clarification of certain rules, regulations, or securities laws. Additionally, the Commission has delegated to CF authority to grant and deny requests for exemptions and waivers related to the requirements of a rule or statute.

Entities and individuals can request no-action and interpretive letters, exemptions, and waivers through the SEC's public website or by mail, e-mail, or fax. Between January 2014 and June 2016, CF received almost 2,000 requests of this nature.

The OIG has initiated an audit of CF's management of requests for no-action and interpretive letters, exemptions, and waivers. The objective of the audit is to assess CF's effectiveness in managing the requests it receives. Specifically, we will (1) determine whether CF has developed and implemented policies and procedures to manage requests for no-action and interpretive letters, exemptions, and waivers, in compliance with applicable laws and regulations; and (2) evaluate CF's processes for managing requests for no-action and interpretive letters, exemptions, and waivers and the internal controls related to consistency, timeliness, and public availability.

We expect to issue a report summarizing our findings during the next reporting period.

### Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2016

FISMA, which amended the Federal Information Security Management Act of 2002, provides both a comprehensive framework to ensure the effectiveness of security controls over information resources that support Federal operations and assets and a mechanism for oversight of Federal information security programs. FISMA also requires agencies to develop, document, and implement an agency-wide information security program to provide information security for the data and information systems that support the operations and assets of the agency.

In addition, FISMA requires IGs to annually assess the effectiveness of agency information security

programs and practices and to report the results to OMB and the Department of Homeland Security. This assessment includes testing and assessing the effectiveness of agency information security policies, procedures, practices, and a subset of agency information systems.

To comply with FISMA, the OIG initiated an audit of the SEC's information security programs and practices. The objective of the audit is to assess the SEC's compliance with FISMA for FY 2016 based on guidance issued by OMB, the Department of Homeland Security, and the National Institute of Standards and Technology.

We expect to issue a report summarizing our findings during the next reporting period.



# INVESTIGATIONS

## OVERVIEW

The OIG Office of Investigations investigates allegations of criminal, civil, and administrative violations relating to SEC programs and operations by SEC employees, contractors, and outside entities. These investigations may result in criminal prosecutions, fines, civil penalties, administrative sanctions, and personnel actions.

The Office of Investigations conducts investigations in accordance with the CIGIE *Quality Standards for Investigations* and applicable Attorney General guidelines. The Office of Investigations continues to enhance its systems and processes to meet the demands of the OIG and to provide high quality investigative work products.

Investigations require extensive collaboration with separate SEC OIG component offices, other SEC divisions and offices, and outside agencies, as well as coordination with the DOJ and state prosecutors. Through these efforts, the Office of Investigations is able to thoroughly identify vulnerabilities, deficiencies, and wrongdoing that could negatively impact the SEC's programs and operations.

The Office of Investigations manages the OIG Hotline, which is available 24 hours a day, 7 days a week, to receive and process tips and complaints about fraud, waste, or abuse related to SEC pro-

grams and operations. The Hotline allows individuals to report their allegations to the OIG directly and confidentially.

## STATUS OF PREVIOUSLY REPORTED INVESTIGATIONS

**Allegations of Time and Attendance Fraud, Requesting and Downloading Proprietary Trading Code, and Improper Termination (Case No. 14-0007-I)**

As discussed in our previous Semiannual Report, the OIG investigated allegations contained in multiple complaints that a supervisory employee (1) committed time and attendance fraud; (2) terminated an employee for asking questions during an SEC examination of a registrant and for voicing an opinion; and (3) unnecessarily requested proprietary trading code from registrants and downloaded this proprietary trading code onto a personal computer.

The OIG investigation substantiated the allegations regarding time and attendance policy violations and determined that the subject was paid about \$125,000 in regular salary for more than 1,200 work hours that the subject did not work or account for. Furthermore, although the subject's supervisor was advised of the alleged time and attendance violations, the supervisor delayed taking action.

The OIG investigation found no evidence that the subject came into possession of proprietary trading code. However, the OIG investigation also determined that the subject (1) was untruthful with the subject's supervisor and the OIG about the nature of foreign travel; (2) misrepresented commuting costs when applying for transit benefits and received about \$400 in transportation subsidies that the subject was not entitled to receive; and (3) did not properly clear the sale of a security in accordance with the SEC's supplemental ethics rules. Finally, the OIG obtained conflicting evidence about the reasons for the removal of the terminated employee, and learned that the Merit Systems Protection Board had dismissed the employee's appeal of his termination.

The subject resigned from the SEC while the OIG investigation was ongoing. On April 6, 2015, the OIG presented the facts of this case to a United States Attorney's Office (USAO). On April 7, 2015, the USAO declined prosecution based on insufficient dollar loss and potential venue challenges.

The OIG reported the results of the investigation to SEC management for informational purposes and to assist management in determining whether corrective action may be warranted relating to certain deficiencies the OIG identified in supervisory controls.

During this reporting period, management responded by noting that since the time that the subject's time and attendance issues became known, the SEC has implemented system improvements that strengthen supervisors' abilities to track their employees' time and attendance. Management's response also identified several planned improvements to time and attendance controls.

#### Alleged Violations of Travel Procedures (Case No. 14-0033-1)

As discussed in previous semiannual reports, the OIG investigated a complaint that an SEC senior attorney inappropriately purchased airline tickets

without using the SEC's travel system and paid more than the Government fare for the tickets.

The OIG investigation determined that the attorney had a medical accommodation on file that allowed for travel upgrades to seats with extra legroom. However, we found instances where the attorney did not follow the Office of Financial Management's procedures for purchasing upgrades. The investigation also determined that, after these instances, the Office of Financial Management provided guidance to the attorney, who then made reservations properly. Additionally, there was no loss to the Government.

The OIG determined that the issues raised would be more appropriately handled by management and referred the complaint to management for any appropriate inquiry and/or corrective action. The OIG did not present the matter to DOJ because the evidence did not substantiate a violation of Federal criminal law.

During this reporting period, management responded that it had counseled the employee in writing about the employee's use of the SEC's travel system.

#### Possession of Prohibited Holdings (Case No. 14-0231-1)

As discussed in our previous Semiannual Report, the OIG investigated allegations that an SEC attorney held shares of stock in two companies that the SEC's supplemental ethics rules prohibit SEC employees from owning.

The investigation determined that the SEC Office of the Ethics Counsel (OEC) had instructed the attorney to divest the prohibited holdings. About 17 months after OEC's instruction, the attorney requested permission to sell one of the prohibited holdings. OEC advised the attorney to request a waiver from an existing restriction on selling this security, and OEC granted the waiver. However, the attorney did not divest this prohibited holding until 2 years after OEC granted the waiver. The

investigation also found that the attorney had not sold the shares of the other prohibited holding that were held by the state in which the attorney resides. Furthermore, the investigation developed evidence that the attorney held shares of a third company for more than 3 years after it became prohibited. After the OIG notified the attorney of the prohibited holding, the attorney received approval from OEC and divested this prohibited holding.

The OIG reported the results of its investigation to SEC management to determine whether corrective administrative action may be warranted. In response, management issued a counseling memorandum to the employee and directed the employee to immediately divest the remaining prohibited holding.

#### Allegations of Prohibited Personnel Practices (Case No. 14-0741-I)

As discussed in our previous Semiannual Report, the OIG investigated a complaint that two SEC supervisors considered a candidate for a vacancy despite the employees being personally connected to the candidate. The investigation determined that the candidate was married to one of the supervisors and was ultimately selected for the position. The candidate's spouse provided information to the candidate about the job posting before it was announced to the public. Furthermore, the spouse provided the candidate with a business article that was used in interviews for the position several days before the candidate's interview, whereas other candidates received the article only about 1 hour before their interviews.

The investigation also found that the other supervisor had met the candidate at several social events before the candidate applied for the position. This supervisor admitted distributing the candidate's resume to staff during the hiring process and attempting to conceal the candidate's name on the resume. Moreover, this supervisor, who was the selecting official for the position, attended the

candidate's interview but did not participate in the interviews of the other applicants.

Additionally, the investigation discovered that the candidate's spouse sent nonpublic e-mails from the spouse's SEC e-mail account to the candidate's personal e-mail account before the SEC hired the candidate.

On May 13, 2015, the OIG presented the facts of this investigation to a USAO for consideration of criminal prosecution. On June 8, 2015, the USAO declined prosecution of the matter.

The OIG reported the results of the investigation to SEC management to determine whether corrective administrative action may be warranted. The OIG also referred the facts of the investigation to the U.S. Office of Special Counsel, pursuant to 5 U.S.C. §§ 1212 and 2302.

During this reporting period, management notified the OIG that one supervisor was suspended for 10 days and the other supervisor agreed to resign.

#### Inappropriate Relationship With a Subordinate Employee (Case No. 15-0290-I)

As discussed in our previous Semiannual Report, the OIG investigated an allegation that a supervisor at a regional office maintained an inappropriate relationship with a subordinate employee. After management became aware of the relationship, the subordinate employee was removed from the other employee's supervision.

The investigation determined that the two employees developed a romantic relationship about the same time one of the employees was promoted and began supervising the other employee. During two performance appraisal periods while the romantic relationship was ongoing, the supervisor was the subordinate's rating official. Also, during the period that the subordinate was under the other employee's

supervision, the subordinate employee received five performance awards, but the supervisor was not the recommending official for any of the awards.

In addition, the investigation determined that on at least three occasions while the subordinate employee was under the other employee's supervision, the subordinate gave the supervisor gifts in excess of \$10, which the supervisor accepted. The subordinate denied giving the gifts in exchange for any type of preferential treatment; the supervisor denied exhibiting any favoritism toward the subordinate because of their relationship.

Finally, the investigation revealed that the subordinate charged to a Government-issued travel charge card lodging expenses associated with personal time that the subordinate used after attending official SEC training, in violation of SEC policy. However, the subordinate paid the lodging expenses, and there was no loss to the Government.

In January 2016, the OIG reported the results of its investigation to SEC management to determine whether corrective administrative action may be warranted. During this reporting period, management notified the OIG that the supervisor had entered into a settlement agreement providing that the supervisor serve a 15-day suspension and be reassigned to another team. In addition, the subordinate employee received a letter of counseling. The OIG did not present the matter to DOJ because the evidence did not substantiate a violation of Federal criminal law.

#### Repeated Harassing Communications (Case No. 16-0005-I)

As discussed in our previous Semiannual Report, the OIG investigated allegations that a private citizen had been harassing various SEC divisions/offices and employees since about 2011. Specifically, the individual routinely e-mailed and telephoned the SEC, and left profane and inappropriate voicemail messages alleging that the SEC had failed to take proper action concerning an investment fraud scheme.

Although a pretrial diversion agreement was reached in 2014, when the agreement ended in 2015, the individual recommenced the harassing activities. The OIG then coordinated its investigative activities with the Federal Bureau of Investigation and the USAO for the Eastern District of California.

On December 3, 2015, the United States District Court for the Eastern District of California issued an arrest warrant for the individual. On December 18, 2015, the OIG and Federal Bureau of Investigation arrested the individual. On August 10, 2016, the Court denied the defendant's motion to dismiss the indictment, and the criminal proceedings remained pending at the end of the reporting period.

## COMPLETED INVESTIGATIONS

#### Failure To Report or Pre-Clear Holdings and Transactions and Possession of Prohibited Holdings (Case No. 14-0011-I)

The OIG investigated allegations that an employee had not reported or pre-cleared any of the securities holdings or transactions of the employee's spouse since the two married in 2007. The investigation determined that the employee's spouse had two brokerage accounts that the employee did not report to the SEC. Additionally, the employee did not pre-clear or report transactions in these accounts, which included securities that SEC employees are prohibited from owning under the SEC's supplemental ethics rules. Furthermore, these accounts were active margin accounts that held derivatives, both of which are prohibited for SEC employees to hold either personally or through an imputed interest. The employee also had disqualifying financial conflicts of interest with respect to two matters to which the employee was assigned. And the employee did not report the employee's own personal accounts or the transactions in those accounts.

Moreover, the investigation discovered that the employee sent nonpublic information to a personal e-mail account on 26 occasions and to the employ-

ee's spouse's e-mail account on 2 occasions. Furthermore, the employee used access to a Government system for purposes that were not work-related.

The OIG referred the facts of the investigation to a USAO, which declined prosecution of the matter. The OIG then reported the results of the investigation to SEC management to determine whether corrective action may be warranted. Management's response was pending at the end of the reporting period.

#### Alleged Inappropriate Hiring of a Contractor and Sharing of Password (Case No. 14-0779-I)

The OIG investigated allegations that an SEC supervisor inappropriately hired a close personal friend as a contractor. It was further alleged that this supervisor misused SEC system passwords by providing them to a subordinate employee.

The investigation determined that an individual who was hired as a subcontractor to an SEC contractor was the supervisor's personal friend and that the supervisor had recommended hiring this individual. However, the contracting firm vetted the subcontractor and determined that the subcontractor possessed the appropriate experience for the task. The investigation also found that the supervisor recommended approval of an extension to the task order to allow for additional work by the subcontractor.

The investigation further found that the supervisor provided a personal SEC network password to a subordinate employee, who used the password to access the supervisor's user account in contravention of SEC rules.

The supervisor retired from the SEC during the investigation and declined to be interviewed. The OIG reported the results of its investigation to man-

agement to determine whether corrective administrative action may be warranted. Management spoke with the subordinate employee about the use of the supervisor's password and determined that no additional action was necessary. The OIG did not present the matter to DOJ because the evidence did not substantiate a violation of Federal criminal law.

#### Allegations of Making False Statements and Obstructing an Examination and an Investigation (Case No. 14-0832-I)

The OIG investigated allegations that a former officer of a registrant made false statements and obstructed an SEC examination and Enforcement investigation of the firm related to publishing false investment returns.

The investigation determined that the firm maintained two portals that it used to communicate about company business and that the firm had not provided documents from one of these portals during the SEC examination of the firm. Additionally, the investigation determined that during the examination and subsequently during the Enforcement investigation, the former officer failed to disclose that the company used this portal to discuss company business.

The OIG reported the results of its investigation to a USAO, which declined prosecution of the matter.

#### Unauthorized Disclosure of Nonpublic Information (Case No. 15-0419-I)

The OIG investigated allegations that nonpublic SEC information about an SEC Enforcement investigation of a company was leaked to a newspaper and appeared in a news article. During its investigation, the OIG interviewed numerous current and former staff who had access to information disclosed in the article. The OIG also reviewed SEC phone, Blackberry, and e-mail records for these individuals.

The OIG investigation determined that nonpublic information about the Enforcement investigation was included in the news article. However, the OIG was unable to determine which individual or individuals improperly disclosed nonpublic SEC information to the newspaper.

#### Allegation of Providing False Testimony (Case No. 16-0175-I)

The OIG investigated an allegation that a former employee of a company that was the subject of an SEC enforcement action provided false testimony while under oath before a U.S. Bankruptcy Court. It was alleged that the former employee filed an affidavit with the U.S. Department of Labor that contained statements that contradicted the former employee's testimony before the U.S. Bankruptcy Court.

The investigation substantiated, and the former employee admitted, that statements that the former employee made in a sworn affidavit to U.S. Department of Labor contradicted the former employee's court testimony. The former employee denied lying in either the court testimony or the sworn affidavit; however, the former employee was unable to explain the discrepancy between the court testimony and the sworn affidavit. The investigation also determined that the former employee withdrew the U.S. Department of Labor complaint.

The OIG presented the facts uncovered during the investigation to a USAO, which declined prosecution of the matter.

#### Allegations of Failure To Pay for Parking and Assault (Case No. 16-0178-I)

The OIG investigated allegations that an SEC contractor failed to pay for parking at the SEC headquarters parking garage, which is managed by a private company, and punched a parking garage attendant who tried to get the contractor to pay for parking.

The investigation determined that the contractor acknowledged that there were times that the contractor failed to pay for parking within an 8-month period. The investigation developed no evidence that the contractor punched or threatened the parking garage attendant.

The OIG reported the results of its investigation to SEC management to determine whether corrective administrative action may be warranted. Management's response was pending at the end of the reporting period.

#### Unauthorized Transmission of Nonpublic Information (Case No. 16-0209-I)

The OIG investigated allegations that an SEC attorney transmitted nonpublic information from a personal e-mail account to the attorney's official SEC work e-mail account.

The investigation determined that the attorney transmitted nonpublic information from a personal non-secure e-mail account. Specifically, the attorney admitted using a personal e-mail account to transmit an e-mail and an attachment that contained nonpublic information regarding a fraud investigation on which the attorney was working to the attorney's official work e-mail account. The OIG confirmed that the attorney deleted the e-mail and attachment from both the attorney's personal e-mail account and personal computer. A cursory search of the attorney's personal e-mail account yielded negative results for any additional SEC-related messages.

The OIG reported the results of its investigation to SEC management to determine whether corrective administrative action may be warranted. In response, management counseled the employee concerning the employee's use of a personal e-mail account to transmit nonpublic information. The OIG did not present the matter to DOJ because the evidence did not reveal a violation of Federal criminal law.

### Falsification of Prior Employment Information (Case No. 16-0219-I)

The OIG investigated allegations that an employee falsified and misrepresented the circumstances surrounding the employee's prior employment information on Federal employment forms when the employee applied for an SEC position about 6 years earlier.

The investigation determined that the employee inaccurately answered questions on Federal employment forms relating to whether the employee had left a previous job by mutual agreement because of specific problems or following allegations of misconduct. The OIG learned that the employee had signed a confidential separation agreement with the employee's previous employer about 4 months before applying to the SEC, after an internal investigation into allegations of misconduct. However, the employee answered, "No," to the relevant questions on the forms. The employee informed the OIG that the employee followed the advice of legal counsel in answering these questions. During the OIG investigation, the employee's counsel could not recall speaking with the employee about the employment forms.

The OIG reported the results of its investigation to SEC management to determine whether corrective administrative action may be warranted. Management's response was pending at the end of the reporting period.

### Improper Use of the SEC Seal and Misrepresentation (Case No. 16-0449-I)

The OIG investigated allegations that a former intern used the SEC seal on the intern's law firm's website and that language on the firm's website suggested the intern was an SEC representative or agent.

The investigation substantiated the allegations, and the OIG sent a cease-and-desist letter to the former intern. The SEC seal and the language suggesting that the intern was an SEC representative or agent were subsequently removed from the intern's law firm's website. During an interview with the OIG, the former intern expressed no intention of breaking the law or using the SEC seal in the future.



## REVIEW OF LEGISLATION AND REGULATIONS

**D**uring this reporting period, the OIG reviewed and monitored the following legislation and regulations:

### Public Law 114-113

Consolidated Appropriations Act, 2016 (enacted on December 18, 2015), Division B, Title V, General Provisions, section 535 (requiring the head of any executive branch department, agency, board, commission, or office funded by the Act to submit annual reports to the IG or senior ethics official for any entity without an IG, regarding the costs and contracting procedures related to each conference held by any such department, agency, board, commission, or office during FY 2016 for which the cost was more than \$100,000; and requiring the head of any executive branch department, agency, board, commission, or office funded by the Act to notify the IG or senior ethics official for any entity without an IG within 15 days of the date of any conference for which the cost was more than \$20,000), Division N, Title I, section 107(b) (requiring a biennial interagency report to Congress from certain IGs, in consultation with the IG of the Intelligence Community and the Council of Inspectors General on Financial Oversight, detailing executive branch compliance with the Act over the most recent 2-year period, with the first report due in 2018), and Division N, Title IV, section 406 (mandating IGs to report to the appropriate committees of jurisdiction

on their agencies' policies and practices regarding covered systems, including Federal computer systems providing access to personally identifiable information or national security systems).

### Public Law 114-185

FOIA Improvement Act of 2016 (enacted on June 30, 2016) (requiring agencies to, among other things, establish a minimum of 90 days for requesters to file an administrative appeal and provide dispute resolution services at various times throughout the FOIA process, codifying the foreseeable harm standard for withholding information, amending Exemption 5 to include a 25-year sunset provision for protection of privileged pre-decisional inter- or intra-agency memoranda; creating a new Chief FOIA Officers Council; and adding two new elements to agency annual FOIA reports).

### Public Law 114-186

Fraud Reduction and Data Analytics Act of 2015 (enacted on June 30, 2016) (requiring OMB to establish guidelines for Federal agencies to establish financial and administrative controls to identify and assess fraud risks and to design and implement control activities to prevent, detect, and respond to fraud, including improper payments; and to incorporate into those guidelines the practices identified in the July 2015 GAO report "Framework for Managing Fraud Risks in Federal Programs").

### S. 795

A Bill to Enhance Whistleblower Protection for Contractor and Grantee Employees (introduced on March 18, 2015, and passed by the Senate as amended on June 23, 2016) (seeking to extend Federal contractor whistleblower protections to employees of: (1) personal services contractors working on defense contracts (currently, the protections apply to employees of defense contractors, subcontractors, grantees, or subgrantees), and (2) personal services contractors or subgrantees working on federal civilian contracts (currently, the protections apply to employees of civilian contractors, subcontractors, or grantees); and seeking to make permanent the civilian contractor protections, which are currently in effect as a pilot program) (related to H.R. 5920, A Bill to Enhance Whistleblower Protection for Contractor and Grantee Employees).

### S. 1378

Bonuses for Cost-Cutters Act of 2015 (introduced on May 19, 2016, and reported to the Senate with amendment on May 25, 2016) (seeking among other things to: (1) expand the awards program for disclosures by Federal employees of fraud, waste, or mismanagement that result in cost savings to the employee's agency to include identification of surplus funds or unnecessary budget authority; (2) direct that savings resulting from the identification of such funds or budget authority be deposited in the Treasury and used to reduce a budget deficit or the Federal debt; and (3) permit the head of an agency to retain up to 10 percent of such savings for the purpose of paying cash awards to employees who identify surplus funds or unnecessary budget authority).

### S. 2450

Administrative Leave Act of 2016 (introduced on January 20, 2016, and reported to the Senate with amendment on July 6, 2016) (seeking to prohibit

an agency from placing an employee on administrative leave for more than 5 consecutive days, require agencies to record administrative leave separately from other types of leave, and create investigative or notice leave in lieu of administrative leave).

### S. 3259

Forensic Science and Standards Act of 2016 (introduced on July 14, 2016) (seeking to promote research and standardization of "forensic science," defined broadly to include scientific and technical practice, including all tests, methods, measurements and procedures, applied to the collection, evaluation, and analysis of both physical and digital evidence for use in investigations and legal proceedings and to require the Attorney General to promote the adoption of forensic science standards developed under the Act, including accreditation and certification requirements based on the forensic science standards) (related to H.R. 5795, Forensic Science and Standards Act of 2016).

### H.R. 1557

Federal Employee Antidiscrimination Act of 2015 (introduced on March 24, 2015, passed by the House on July 21, 2015, and reported to the Senate with amendment on July 12, 2016) (seeking, among other things, to (1) amend the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 to strengthen Federal antidiscrimination laws enforced by the Equal Employment Opportunity Commission; and (2) expand accountability in the enforcement of Federal employee rights by prohibiting the implementation or enforcement of nondisclosure policies, forms, or agreements that prohibit or restrict employees from disclosing any information relating to any violation of any law, rule, regulation, mismanagement, gross waste of funds, abuse of authority, substantial and specific danger to public health or safety, or any other whistleblower protection to Congress, the Office of the Special Counsel, or an OIG).

#### H.R. 2395

Inspector General Empowerment Act of 2015 (introduced on May 18, 2015, and passed by the House as amended on June 21, 2016) (seeking to amend the Inspector General Act of 1978 to, among other things: (1) authorize IGs to request access to Federal grand jury materials; (2) grant IGs additional subpoena authority to compel the attendance and testimony of witnesses as necessary (but not to require by subpoena the attendance and testimony of any current Federal employees, as other authorized procedures apply); (3) exempt IG collection of information or performance of computerized comparisons of automated Federal records systems with other Federal or non-Federal records while conducting an authorized audit, investigation, inspection, or other review from requirements of the Computer Matching and Privacy Protection Act of 1988 and the Paperwork Reduction Act; (4) assign the CIGIE Integrity Committee additional responsibilities for receiving, reviewing, and mediating any disputes involving the jurisdiction of more than one Federal agency or entity; (5) grant the CIGIE Integrity Committee authority to investigate allegations of wrongdoing against the Special Counsel or the Deputy Special Counsel; and (6) require the public disclosure of any administrative investigation that confirms misconduct, including any violation of Federal law or significant violation of Federal agency policy, by any senior Government employee, as well as additional semiannual reporting).

#### H.R. 4359

Administrative Leave Reform Act (introduced on January 11, 2016, and passed by the House as amended on April 26, 2016) (seeking to limit the use of administrative leave or any other paid non-duty status for reasons relating to misconduct or poor performance to 14 days per calendar year).

#### H.R. 5485

Financial Services and General Government Appropriations Act, 2017 (introduced on June 15, 2016, and passed by the House on July 7, 2016), Title VI, General Provisions, section 741 (seeking to prohibit making appropriated funds available for a contract, grant, or cooperative agreement with an entity that restricts employees or contractors from lawfully reporting fraud, waste, or abuse to a designated investigative or law enforcement representative of a Federal department or agency that is authorized to receive such information) and section 742 (seeking to prohibit the use of appropriated funds to implement or enforce nondisclosure policies, forms, or agreements that do not contain specific language clarifying that the policy, form, or agreement does not supersede the signatory's obligation, rights, or liabilities to lawfully report fraud, waste, or abuse, receive whistleblower protections, or to communicate with Congress).

#### H.R. 5922

Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2016 (introduced on July 21, 2016) (seeking to (1) prevent improper Federal agency charge card payments by creating a procedure to review and analyze the use of charge cards; (2) require the Director of OMB to develop a strategy to expand the use of data analytics in managing government purchase and travel charge card programs, for the purpose of, among other things, developing a plan to create a library of analytics tools and data sources for use by Federal agencies, including IGs of those agencies; and (3) require the Director of OMB to issue guidance on improving information sharing by government agencies, including IGs, to assist agencies in identifying questionable purchase and travel card transactions and recovering improper payments made with purchase and travel cards) (related to S. 1616, Saving Federal Dollars Through Better Use of Government Purchase and Travel Cards Act of 2015).

# MANAGEMENT DECISIONS

## STATUS OF RECOMMENDATIONS WITH NO MANAGEMENT DECISIONS

Management decisions have been made on all audit and evaluation reports issued before the beginning of this reporting period.

## REVISED MANAGEMENT DECISIONS

No management decisions were revised during the period.

## AGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

The OIG agrees with all significant management decisions regarding audit and evaluation recommendations.

## INSTANCES WHERE THE AGENCY REFUSED OR FAILED TO PROVIDE INFORMATION TO THE OIG

During this reporting period, there were no instances where the agency unreasonably refused or failed to provide information to the OIG.

# TABLES

Table 1. List of Reports: Audits and Evaluations

Date and Report Number	Title	Questioned Costs		Funds Put to Better Use
		Total	Unsupported	
<b>Regulatory Oversight</b>				
6/30/2016 Final Management Letter	Evaluation of the SEC Division of Enforcement's Coordination Related to a Federal Civil Action		N/A	
9/23/2016 537	Audit of the SEC's Process for Reviewing Self-Regulatory Organizations' Proposed Rule Changes		N/A	
<b>Information Technology and Security</b>				
6/2/2016 535	Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2015		N/A	
9/30/2016 538	Audit of the SEC's Information Technology Requirements-Gathering Process	\$24,230	\$24,230	\$0
<b>Human Capital Management</b>				
8/19/2016 Final Closeout Memorandum	Audit of the SEC's Hiring Practices		N/A	
<b>Contract Management</b>				
6/22/2016 536	Management of the SEC's Protective Security Force Contract Needs Improvement	\$177,000	\$177,000	\$0
<b>Totals for the Period</b>		<b>\$201,230</b>	<b>\$201,230</b>	<b>\$0</b>

Table 2. Reports Issued with Costs Questioned or Funds Put to Better Use (Including Disallowed Costs)

	No. of Reports	Value
A. Reports issued prior to this period		
• For which no management decision had been made on any issue at the commencement of the reporting period	0	\$0
• For which some decisions had been made on some issues at the commencement of the reporting period	0	\$0
B. Reports issued during this period	2	\$201,230
<b>Total of Categories A and B</b>	2	\$201,230
C. For which final management decisions were made during this period	2	\$201,230
D. For which no management decisions were made during this period	0	\$0
E. For which management decisions were made on some issues during this period	0	\$0
<b>Total of Categories C, D, and E</b>	2	\$201,230

Table 3. Reports With Recommendations on Which Corrective Action Has Not Been Completed

During this semiannual reporting period, SEC management provided the OIG with documentation to support the implementation of OIG recommendations. In response, the OIG closed 12 recommendations related to 8 Office of Audits reports. The following table lists recommendations open 180 days or more.

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
529 – Federal Information Security Management Act: Fiscal Year 2014 Evaluation	1	2/5/2015	Take all required steps to determine whether systems in operation without a current authorization to operate should be re-authorized, and then either authorize or deactivate the systems as appropriate.
533 – Office of Compliance Inspections and Examinations' Management of Investment Adviser Examination Coverage Goals	1	3/10/2016	Consider using the results of an outside consultant's efficiency study (when complete) and recommendations from an internal Risk and Exam Process Steering Committee to improve investment adviser/investment company program planning and staffing processes.
533 – Office of Compliance Inspections and Examinations' Management of Investment Adviser Examination Coverage Goal	2	3/10/2016	Consider fully implementing GAO's risk-management framework in the investment adviser/investment company program.

Table 3. Continued

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
534 – Audit of the SEC’s Student Loan Repayment Program	1	3/31/2016	Develop a system to maintain complete and accurate information about student loan repayment program participants and benefits paid to ensure the agency (a) does not exceed annual and lifetime limits, and (b) reports accurate annual participation data to the Office of Personnel Management, as required.
534 – Audit of the SEC’s Student Loan Repayment Program	2	3/31/2016	Develop a system to (a) identify student loan repayment program participants who do not fulfill their service agreements; (b) identify participants who left the agency for employment outside the Federal service; (c) determine whether participants are required to repay student loan repayment benefits and, if so, the amounts to be repaid; and (d) monitor the debt collection process.
534 – Audit of the SEC’s Student Loan Repayment Program	3	3/31/2016	Develop a system to maintain a current and accurate list of student loan repayment program participants who received a waiver and the reason for the waiver.
534 – Audit of the SEC’s Student Loan Repayment Program	5	3/31/2016	Develop policies and procedures that define the objectives and responsibilities for the review of student loan repayment program documents.
534 – Audit of the SEC’s Student Loan Repayment Program	6	3/31/2016	Remind personnel managing the student loan repayment program of the importance of their role in ensuring that benefits are awarded only to eligible participants for qualifying loans.
534 – Audit of the SEC’s Student Loan Repayment Program	7	3/31/2016	Obtain evidence from the agency’s calendar year 2015 student loan repayment program participants that their lenders received the agency’s payments and properly credited the employees’ accounts.
534 – Audit of the SEC’s Student Loan Repayment Program	8	3/31/2016	Address prior recommendations by requiring, prior to approving student loan benefits, written justifications to support that an employee is likely to leave the SEC for employment outside of the Federal service if student loan repayment benefits are not approved.
534 – Audit of the SEC’s Student Loan Repayment Program	9	3/31/2016	Update policies and procedures to reflect the agency’s current student loan repayment program and address eligibility requirements by defining “acceptable level of performance” for all employees.

Table 4. Summary of Investigative Activity for the Reporting Period of April 1, 2016, to September 30, 2016

Investigative Caseload	Number
Cases Open at Beginning of Period	47
Cases Completed but Not Closed* at Beginning of Period	8
Cases Opened During Period	29
Cases Closed During Period	18
Cases Completed but Not Closed at End of Period	4
Open Cases at End of Period	62

\* A case is “completed” but not “closed” when the investigative work has been performed but disposition (e.g., corrective administrative action) is pending

Criminal and Civil Investigative Activities	Number
Referrals for Prosecution	13
Accepted (including cases referred in prior periods)	5
Declined	7
Indictments/Informations	0
Arrests	0
Convictions	0

Monetary Results	Number
Criminal—Fines/Restitutions/Recoveries/Assessments/Forfeitures	\$0
Civil—Fines/Restitutions/Recoveries/Penalties/Damages/Forfeitures	\$0

Administrative Investigative Activities	Number
Removals, Retirements, and Resignations	1
Suspensions	2
Reprimands/Warnings/Other Actions	4

Complaints Received	Number
Hotline Complaints	148
Other Complaints	299
Total Complaints During Period	447

Table 5. References to Reporting Requirements of the Inspector General Act

Section	Inspector General Act Reporting Requirement	Pages
4(a)(2)	Review of Legislation and Regulations	23-25
5(a)(1)	Significant Problems, Abuses, and Deficiencies	7-13, 16-22
5(a)(2)	Recommendations for Corrective Action	7-12
5(a)(3)	Prior Recommendations Not Yet Implemented	28-29
5(a)(4)	Matters Referred to Prosecutive Authorities	16-22, 30
5(a)(5)	Summary of Instances Where the Agency Unreasonably Refused or Failed to Provide Information to the OIG	26
5(a)(6)	List of OIG Audit and Evaluation Reports Issued During the Period	27
5(a)(7)	Summary of Significant Reports Issued During the Period	7-13, 19-22
5(a)(8)	Statistical Table on Management Decisions with Respect to Questioned Costs	28
5(a)(9)	Statistical Table on Management Decisions on Recommendations that Funds Be Put to Better Use	28
5(a)(10)	Summary of Each Audit, Inspection or Evaluation Report Over Six Months Old for Which No Management Decision has been Made	26
5(a)(11)	Significant Revised Management Decisions	26
5(a)(12)	Significant Management Decisions with Which the Inspector General Disagreed	26
5(a)(14)(B)	Date of the Last Peer Review Conducted by Another OIG	33



# PEER REVIEWS OF OIG OPERATIONS

## PEER REVIEW OF THE SEC OIG'S AUDIT OPERATIONS

In accordance with generally accepted government auditing Standards and CIGIE quality control and assurance standards, an OIG audit team assesses another OIG's audit function every 3 years. During the reporting period, the SEC OIG did not have an external peer review of its audit function. The National Archives and Records Administration (NARA) OIG conducted the most recent assessment of the SEC OIG Office of Audit's system of quality control for the 3-year period ending March 31, 2015. The review focused on whether the SEC OIG established and complied with a system of quality control that was suitably designed to provide the SEC OIG with a reasonable assurance of conforming to applicable professional standards.

On December 29, 2015, the NARA OIG issued its report, concluding that the SEC OIG complied with its system of quality control and that the system was suitably designed to provide the SEC OIG with reasonable assurance of performing and reporting in conformity with applicable government auditing standards in all material respects. On the basis of its review, the NARA OIG gave the SEC OIG a peer review rating of "pass." (Federal audit organizations can receive a rating of "pass," "pass with deficiencies," or "fail.") The NARA OIG identified findings and recommendations that were not considered to be of sufficient significance to affect the peer review rating. All recommendations from the recent peer review have been addressed and closed. Furthermore, there are no outstanding recommendations from previous peer reviews of the SEC OIG's audit organization.

The peer review report is available on the SEC OIG website at <http://www.sec.gov/oig/reportspubs/Peer->

*Review---System-Review-Report-on-the-Securities-and-Exchange-Commissions-Office-of-Inspector-General-Audit-Organization.pdf.*

## PEER REVIEW OF THE SEC OIG'S INVESTIGATIVE OPERATIONS

During the reporting period, the SEC OIG did not have an external peer review of its investigative operations. The FHFA OIG conducted the most recent peer review of the SEC OIG's investigative operations in FY 2014. The FHFA OIG conducted its review in conformity with the *Quality Standards for Investigations and the Quality Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* established by CIGIE and the *Attorney General Guidelines for Offices of Inspectors General With Statutory Law Enforcement Authority*.

The FHFA OIG issued its report on the SEC OIG's investigative operations in August 2014. In its report, the FHFA OIG noted that the SEC OIG was granted statutory law enforcement authority on June 10, 2014, and that the *Attorney General Guidelines for Offices of Inspectors General With Statutory Law Enforcement Authority* were not applicable prior to that time. The report stated that the SEC OIG had achieved significant progress in strengthening and developing its policies and procedures since receiving statutory law enforcement authority and that the FHFA OIG observed solid implementation of these improved policies and procedures throughout the SEC OIG's investigative operations. The FHFA OIG concluded that the SEC OIG was in compliance with the *Attorney General Guidelines for Offices of Inspectors General With Statutory Law Enforcement* for the period during which they were applicable.

APPENDIX B

# OIG SEC EMPLOYEE SUGGESTION PROGRAM ANNUAL REPORT FISCAL YEAR 2016

## OVERVIEW

The OIG established the OIG SEC Employee Suggestion Program (ESP) in September 2010, pursuant to Section 966 of Dodd-Frank. Section 966 required the SEC IG to establish a suggestion program for SEC employees. In accordance with Dodd-Frank, the SEC OIG has prepared this sixth annual report describing suggestions and allegations received, recommendations made or actions taken by the OIG, and actions taken by the SEC in response to suggestions from October 1, 2015, through September 30, 2016.

Through the ESP, the OIG receives suggestions from agency employees concerning improvements in the SEC's work efficiency, effectiveness, and productivity, and use of its resources. The OIG also

receives allegations by employees of waste, abuse, misconduct, or mismanagement within the SEC through the ESP. To facilitate employees' participation in the ESP, the OIG maintains an electronic mailbox and a telephone number for employees to submit their suggestions or allegations to the OIG. The OIG established formal policies and procedures for the receipt and handling of employee suggestions and allegations under the ESP.

## SUMMARY OF EMPLOYEE SUGGESTIONS AND ALLEGATIONS

Between October 1, 2015, and September 30, 2016, the OIG received and analyzed 34 suggestions or allegations, details of which appear below:

Nature and Potential Benefits of Suggestion*	Number
Increase efficiency or productivity	13
Increase effectiveness	12
Increase the use of resources or decrease costs	14

  

Nature and Seriousness of Allegation*	Number
Mismanagement and/or discrimination	6
Waste of SEC resources	11
Misconduct by an employee	3

Action Taken by the OIG in Response to Suggestion or Allegation*	Number
Memorandum to or communication with the SEC about the suggestion or allegation	24
Referred to OIG Office of Investigations	2
Referred to OIG Office of Oversight and Review	1
Referred to OIG Office of Audits	2
Researched issue, but determined no further action was necessary	1
Other	1

Action Taken by SEC Management*	Number
SEC management took specific action to address the suggestion or allegation	3
SEC decided to secure new technology in response to the suggestion	1
SEC management is considering the suggestion in context of existing procedures	6
SEC management initiated an internal review	0

\*Some suggestions or allegations are included under multiple categories.

## EXAMPLES OF SUGGESTIONS RECEIVED

### Suggestion for Secure Printing Technology (ES 16-0125)

The OIG received a suggestion from an SEC employee suggesting that the SEC adopt a secure printing technology. The employee noted that given the confidential nature of the documents printed at the SEC and the costs of printing, it would be beneficial to adopt technology requiring users to scan their identification badges on the printer to bring up a list of documents in the user's queue in order to then select documents for printing. The employee suggested that this would help avoid confidential documents being left at the printer and also would eliminate the need for printing a cover page. The OIG received suggestions from three additional employees related to the elimination or recycling of cover pages.

After reviewing the suggestion about secure printer technology and discussing it with the Office of the Chief Operating Officer (OCCO), the OIG referred the suggestion to the OCCO for its consideration. In response, the OCCO stated that OIT is seeking to leverage a dynamic printing solution that will allow all users to send their sensitive documents to network printers and have the job printed only when the user is physically standing in front of the printer and applies individual authentication credentials. According to the OCCO, OIT has identified the key requirements for a secure printing solution, as well as several key business and technology challenges that will need to be addressed. Therefore, OIT has established an integrated project team headed by the Innovation Branch to acquire an enterprise-level secure printing solution that allows for simple authentication and printer management. OIT has also set high-level milestones for this project over the next few FYs. If all the milestones are met as

planned, the secure printing solution would go live agency-wide in FY 2018. In addition, OIT informed us that although cover pages are currently necessary for security purposes, implementation of the secure printing solution would eliminate this need.

#### Suggestion To Improve Office of Information Technology Ticket Closeout Process (ES 16-0289)

The OIG received a suggestion from an SEC employee regarding the OIT help desk ticket closeout process. The employee suggested that to address a concern with tickets being closed before the customer's issue has been addressed, OIT should add a step to the closeout process that would require help desk technicians to verify with the employee who made the service request that the issue has been resolved before the service ticket can be closed. The OIG forwarded the suggestion to the OCOO and OIT for consideration.

OIT responded that it was actively engaged in improving protocols for managing support requests received by the OIT Service Desk. According to OIT, the first major improvement is the introduction of an enhanced automated workflow to improve the management and tracking of support requests. The new workflow automatically identifies that an incident or request has been marked as complete and provides an automated notification to the affected user that the incident/request has been put in a "pending confirmation" status. The user will then have the option to confirm completion or request for the incident or request to be reactivated. If the user takes no action, the incident or request will automatically close after 1 week, and a new incident will be required to reopen the ticket.

Additionally, OIT informed us that it recently began a service assurance program to continuously seek opportunities to improve the overall delivery of Service Desk functions. Started in April 2016, the program is primarily focused on quality of service and reporting. According to OIT, initiatives designed to improve quality assurance include regular reviews of service desk tickets to ensure adherence to established processes and periodic monitoring of customer satisfaction. Additionally, ongoing efforts to increase reporting include conducting daily meetings with all Service Desk personnel, the development of operational metrics, and more effective descriptions of service level agreements with the new infrastructure support contractor.

Finally, the response noted that the Chief Information Officer believes that the introduction of enhanced protocols supported by automation, as well as a renewed focus on quality assurance and reporting, will help ensure that all Service Desk tickets are properly managed to completion.

#### Suggestion for Leading Author Series Discussions (ES 16-0325)

The OIG received a suggestion from an SEC employee regarding the SEC's Leading Author Series book discussions that feature leaders in disciplines directly related to the SEC. The employee suggested that the SEC establish a book club and/or offer post-event discussions based on selected books and topics from the Leading Author Series. The employee stated that this would be a good way to make "cross-silo connections" and bridge gaps between offices and divisions. SEC University, which provides many training and development opportunities for SEC staff, agreed with the employee's suggestion and plans to pilot a program of this nature during the 2017 Leading Author Series.

## CONCLUSION

The OIG remains pleased with the effectiveness of the ESP. We have received favorable responses from the agency on suggestions we have submitted for consideration. Some of these suggestions have resulted, or may result, in positive changes that will improve the agency's efficiency and effectiveness or conserve the agency's resources. On March 24, 2016, the OIG held a ceremony to honor employees

who had contributed to the ESP. The IG acknowledged employees' suggestions regarding ink-efficient fonts, two-sided printing, and turning off lights at the end of the work day. The OIG's outreach presentations for SEC employees continue to include information about the ESP and we look forward to receiving additional suggestions for improvements in the SEC's programs and operations.

# OIG GENERAL OFFICE CONTACT INFORMATION

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## REPORT FRAUD, WASTE, OR ABUSE

To report suspected fraud, waste, or abuse in SEC programs or operations, as well as SEC staff or contractor misconduct, use our online OIG hotline complaint form, [www.reportlineweb.com/sec\\_oig](http://www.reportlineweb.com/sec_oig), or call (877) 442-0854. This number is answered 24 hours, 7 days a week.

Information received through the hotline is held in confidence upon request. Although the OIG encourages complainants to provide information on how we may contact them for additional information, we also accept anonymous complaints.

## EMPLOYEE SUGGESTION PROGRAM

The OIG SEC ESP, established under Dodd-Frank, welcomes suggestions by all SEC employees for improvements in the SEC's work efficiency, effectiveness, productivity, and use of resources. The OIG evaluates all suggestions received and forwards them to agency management for implementation, as appropriate. SEC employees may submit suggestions by calling (202) 551-6062 or sending an e-mail to [OIGESPprogram@sec.gov](mailto:OIGESPprogram@sec.gov).

## COMMENTS AND IDEAS

The SEC OIG also seeks ideas for possible future audits, evaluations, or reviews. We will focus on high-risk programs, operations, and areas where substantial economies and efficiencies can be achieved. Please send your input to [AUDPlanning@sec.gov](mailto:AUDPlanning@sec.gov).



This report is available on the Inspector General's website  
[www.sec.gov/oig](http://www.sec.gov/oig)