



Appalachian
Regional
Commission

Office of Inspector General

External Peer Review Report
October 20, 2020

To: Carl W. Hoecker, Inspector General,
Securities and Exchange Commission

This required external peer review was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Inspection and Evaluation Committee guidance as contained in the CIGIE *Guide for Conducting Peer Reviews of Inspection and Evaluation Organizations of Federal Offices of Inspector General*, September 2019. The peer review was conducted from July 28, 2020 through October 14, 2020.

The CIGIE External Peer Review Team (Review Team) assessed the extent to which the Securities and Exchange Commission's (SEC) Office of Inspector General (OIG) met CIGIE *Quality Standards for Inspection and Evaluation* (Blue Book) standards, January 2012, specifically: Quality Control; Planning; Data Collection and Analysis; Evidence; Records Maintenance; Reporting; and Follow-up. This assessment included a review of the SEC OIG's internal policies and procedures implementing the seven required CIGIE Blue Book standards. It also included a review of selected inspection and evaluation reports issued between July 1, 2017 through June 30, 2020, to determine whether the reports complied with the seven covered Blue Book standards and the SEC OIG's internal policies and procedures. We determined that the SEC OIG's policies and procedures generally met the seven Blue Book standards addressed in the external peer review. The two reports reviewed generally met the Blue Book standards and complied with the SEC OIG's internal policies and procedures.

We have issued a Letter of Comment dated October 20, 2020 (Enclosure 1) that sets forth specific findings, recommendations, observations, suggestions, and best practices identified during the peer review. The SEC OIG management officials provided a written response to our Summary Report (Enclosure 2) in which they concurred with our conclusions.

A handwritten signature in blue ink that reads "Philip M. Heneghan".

Philip M. Heneghan
Inspector General
Appalachian Regional Commission

www.arc.gov
1666 CONNECTICUT
AVENUE, NW, SUITE 700
WASHINGTON, DC 20009-1068
PH. 202 884 7675

ENCLOSURE 1: Letter of Comment, Scope and Methodology

The Review Team selected the following two reports for review: *The SEC's Office of Broker-Dealer Finances Provides Effective Oversight, But Opportunities To Improve Efficiency Exist*, 559, dated February 26, 2020; and *Evaluation of the SEC's FY 2019 Compliance With the Improper Payments Elimination and Recovery Act of 2010*, 561, dated April 27, 2020. The peer review period was July 1, 2017 – June 30, 2020. Ten reports were published during the review period and two were chosen for review. The Review Team conducted no onsite visits due to COVID-19 restrictions, but relevant personnel were available via email, teleconference, or videoconference to answer any questions and all workpapers were available remotely.

RESULTS AND FINDINGS

INTERNAL POLICIES AND PROCEDURES: Based on the Review Team's assessment, the SEC OIG's policies and procedures sufficiently address the seven required Blue Book standards.

COMPLIANCE WITH STANDARDS: The following is a summary of the Review Team's assessment of the two SEC OIG reports against the seven Blue Book standards included in this review. We found no evidence of non-compliance with the seven Blue Book standards. The CIGIE standards for inspection work are the following:

QUALITY CONTROL: *"Each OIG organization that conducts inspections should have appropriate internal quality controls for that work."* Key elements of this standard include establishing mechanisms for quality control, documenting those mechanisms, and ensuring adequate supervision.

Finding: The reviewed reports met both the Quality Control standard and the associated internal policies and procedures.

PLANNING: *"Inspections are to be adequately planned."* Key elements of this standard include creating a work plan, coordination (both internal and external), and research.

Finding: The reviewed reports met both the Planning standard and the associated internal policies and procedures.

DATA COLLECTION AND ANALYSIS: *"The collection of information and data will be focused on the organization, program, activity, or function being inspected, consistent with the inspection objectives, and will be sufficient to provide a reasonable basis for reaching conclusions."* This standard requires covered I&E organizations to describe the project's sources of data and information in the supporting documentation, ensure information is appropriately scoped, employ procedures to ensure data reliability and validity, and ensure that the confidentiality of sources and sensitive information is safeguarded. Key elements of the standard related to data analysis include ensuring that data is reviewed for accuracy and reliability, information is appropriately presented and documented, procedures provide for supervisory review, and findings satisfy objectives.

Finding: The reviewed reports met both the Data Collection and Analysis standard and the associated internal policies and procedures.

EVIDENCE: *“Evidence supporting inspection findings, conclusions, and recommendation should be sufficient, competent, and relevant and should lead a reasonable person to sustain the findings, conclusions, and recommendations.”* Key elements of this standard include ensuring that evidence is sufficient to persuade a knowledgeable person of the validity of the related Findings and Recommendations, is collected and evaluated using reasonable methods, and has a logical relationship to the issue(s) being addressed.

Finding: The reviewed reports met both the Evidence standard and the associated internal policies and procedures.

RECORDS MAINTENANCE: *“All relevant documentation generated, obtained, and used in supporting inspection findings, conclusions, and recommendations should be retained for an appropriate period of time.”* Key elements of this standard include ensuring that supporting information is effectively organized, provides a record of the nature and scope of the inspection, and provides sufficient information for supervisors to manage and evaluate staff; and that the organization has policies and procedures for document retention.

Finding: The reviewed reports met both the Records Maintenance standard and the associated internal policies and procedures.

REPORTING: *“Inspection reporting shall present factual data accurately, fairly, and objectively and present findings, conclusions, and recommendations in a persuasive manner.”* Key elements of this standard include ensuring that reporting is timely, accurate, and objective; provides sufficient context, describes objectives, scope, and methods; uses clear and concise language; and includes a statement that the inspection was conducted in accordance with the standards. The standard also requires that findings are supported by evidence, conclusions are logical inferences, and recommendations describe what should be corrected.

Finding: The reviewed reports met both the Reporting standard and the associated internal policies and procedures.

FOLLOW-UP: *“Appropriate follow-up will be performed to ensure that any inspection recommendations made to Department/Agency officials are adequately considered and appropriately addressed.”* Key elements of this standard include that the I&E organization determines whether agency officials take action to correct problems, performs follow-up work as appropriate to verify management actions, and considers prior recommendations and need for follow-up when planning and conducting new inspections.

Finding: The reviewed reports met both the Follow-up standard and the associated internal policies and procedures.

Observation: The SEC OIG follows OMB Circular A-50 and is currently formalizing its follow-up process with a desk guide.



OFFICE OF
INSPECTOR GENERAL

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

October 15, 2020

Philip M. Heneghan
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW, Suite 700
Washington, DC 20009-1068

Dear Mr. Heneghan:

Thank you for the opportunity to comment on the Draft External Peer Review Report, dated October 15, 2020, on the U.S. Securities and Exchange Commission's Office of Inspector General's inspection and evaluation organization for the period ended June 30, 2020. We are pleased that your independent review of our inspection and evaluation organization determined that our policies and procedures generally met the seven Blue Book standards covered in the external peer review, and the two reports reviewed generally met the Blue Book standards and complied with our internal policies and procedures.

We appreciate your efforts in conducting this review. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at (202) 551-6083 or sharekr@sec.gov.

Sincerely,

A handwritten signature in blue ink that reads "Carl W. Hoecker".

Carl W. Hoecker
Inspector General