

U.S. SECURITIES AND
EXCHANGE COMMISSION

REPORT NO. 572
FEBRUARY 28, 2022

OFFICE OF
INSPECTOR
GENERAL

OFFICE OF AUDITS

The SEC Can Improve in Several
Areas Related to Hiring



OFFICE OF
INSPECTOR GENERAL

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

M E M O R A N D U M

February 28, 2022

TO: Kenneth Johnson, Chief Operating Officer

FROM: Carl W. Hoecker, Inspector General 

SUBJECT: *The SEC Can Improve in Several Areas Related to Hiring*, Report No. 572

Attached is the Office of Inspector General (OIG) final report detailing the results of our audit of the Office of Human Resources' controls over the U.S. Securities and Exchange Commission's (agency) hiring actions. The report contains 11 recommendations that should help the Office of Human Resources further strengthen its controls over the agency's hiring actions, including recommendations to improve the reliability of hiring action data, assessment of hiring timelines, compensation program, and staffing case file documentation requirements.

On February 2, 2022, we provided management with a draft of our report for review and comment. In its February 23, 2022 response, management concurred with our recommendations. We have included management's response as Appendix IV in the final report.

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

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

Attachment

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EXECUTIVE SUMMARY

The SEC Can Improve in Several Areas Related to Hiring

REPORT NO. 572 | FEBRUARY 28, 2022

WHY WE DID THIS AUDIT

According to the U.S. Government Accountability Office (GAO), effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control. In its fiscal year (FY) 2018-2022 strategic plan, the U.S. Securities and Exchange Commission (SEC or agency) also recognized that its success is dependent on an effective, highly skilled workforce.

At the SEC, the Office of Human Resources (OHR) provides leadership for the agency's strategic human capital management by administering programs, establishing policies, and ensuring compliance with federal regulations.

We conducted this audit to assess OHR's controls over the SEC's hiring actions. Specifically, we sought to determine whether OHR's controls ensured that the SEC's hiring actions complied with applicable requirements in all material respects; and that OHR assessed the timeliness of agency hiring actions based on reliable data.

WHAT WE RECOMMENDED

We made 11 recommendations to further strengthen the SEC's controls over hiring actions, including recommendations to improve (1) the reliability of WTTS data, (2) assessments of the agency's hiring timelines, (3) the agency's compensation program, and (4) staffing case file documentation requirements.

Management concurred with our recommendations, which will be closed upon completion and verification of the proposed actions.

WHAT WE FOUND

We determined that the SEC can improve in several areas related to hiring. First, management can improve its controls to ensure Workforce Transformation and Tracking System (WTTS) data fields are accurate, consistent, and complete. We found that:

- 83 of the 91 hiring actions sampled (or about 91 percent) had at least one data entry issue in the WTTS data fields we reviewed, and almost 9 percent of the WTTS data entries we reviewed were either inaccurate, inconsistent, or incomplete;
- the SEC's WTTS data continued to include unannotated anomalies; and
- certain hiring actions were not consistently identified in WTTS.

These conditions occurred because (1) OHR's WTTS job aid did not include sufficient instructions regarding the dates and information expected in key WTTS data fields, and (2) some data fields were not included on the WTTS reports used by OHR staff to ensure the SEC's hiring action data was accurate, complete, and consistently recorded. As a result, OHR can further improve the reliability of the SEC's WTTS data to assist in workforce management and internal and external reporting of agency hiring information.

In addition, our assessment of OHR's quarterly Service Level Commitment (SLC) reviews found that (1) OHR did not perform SLC reviews in a consistent manner, (2) the review process was inefficient and prone to inaccuracies, and (3) SLC reviews did not align with the SLC presented to and agreed upon by the other SEC divisions and offices. This occurred because OHR did not establish clear guidance, including in the SLC itself, for the variety of hiring types and scenarios that can occur, or how to measure each one. The organization also did not ensure it could measure the SLC steps, as presented, in WTTS and did not effectively use the WTTS reporting capabilities in its SLC reviews. As a result, OHR limited its ability to rely on the SLC and SLC reviews as key controls for efficiently and effectively identifying areas of needed improvement in the SEC's hiring process, and for collaborating with the divisions and offices OHR serves.

Furthermore, we found that the SEC's pay-setting guidance needs improvement and OHR can clarify the new hire pay-setting information shared both internally and externally. Specifically, (1) the pay-setting information available to SEC employees and hiring officials was not comprehensive, (2) the internally published pay matrices were outdated, and (3) publicly advertised SEC salary information was misleading for new hires. We also identified inaccuracies in some of the underlying pay band information included in the 2021 pay matrices, and other pay-setting concerns. Incomplete, outdated, and misleading new hire pay-setting guidance and information have caused confusion and may have limited hiring officials' ability to review and respond to pay-setting requests. Although it does not appear that inaccurate information in the 2021 pay matrices impacted any newly hired SEC employee's pay, it could have had certain hiring scenarios occurred.

We also concluded that OHR generally complied with the key hiring authority requirements tested; however, staffing case files for 18 of 32 attorney hiring actions we reviewed (about 56 percent) lacked supporting documentation, including proof of law degrees and/or bar membership. This occurred because OHR did not clarify review processes and documentation requirements for attorney qualifications. In addition, OHR's internal reviews of staffing case files needed improvement. As a result, the SEC risked hiring attorneys who did not meet all qualifications required for their position.

Lastly, we identified a matter that did not warrant recommendations related to (1) the SEC's SLC as compared to the Office of Personnel Management's end-to-end hiring process model timelines, and (2) feedback from the SEC divisions and offices OHR serves. We discussed this matter with agency management for their consideration.

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Abbreviations

EOD	entrance on duty
eOPF	electronic official personnel folder
ESHA	Excepted Service Hiring Authority
FTE	Full-time equivalent
FY	fiscal year
GAO	U.S. Government Accountability Office
HCSG	Human Capital Strategy Group
HR	human resources
HRTIM	HR Technology and Information Management
NCA	noncompetitive appointment
NTEU	National Treasury Employees Union
OHR	Office of Human Resources
OIG	Office of Inspector General
OPM	Office of Personnel Management
PSR	pay setting request
SARF	Staffing Action Request Form
SEC or agency	U.S. Securities and Exchange Commission
SECR	SEC Administrative Regulation
SLC	Service Level Commitment
SO	Senior Officer
SOP	standard operating procedure
TAG	Talent Acquisition Group
TRG	Total Rewards Group
USAS	USA Staffing
WTTS	Workforce Transformation and Tracking System

Background and Objective

BACKGROUND

According to the U.S. Government Accountability Office (GAO), effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control.¹ GAO has also acknowledged the critical role strategic human capital management plays in maximizing the government's performance and assuring its accountability to Congress and to the nation as a whole.² Moreover, in the March 2021 update to its High-Risk Series, GAO again recognized Strategic Human Capital Management as a high-risk area needing attention by Congress and the executive branch.³

With respect to the U.S. Securities and Exchange Commission (SEC or agency), its fiscal year (FY) 2018-2022 strategic plan recognized that the agency's success depends on an effective, highly skilled workforce.⁴ Following an agency-wide hiring freeze between FY 2017 through FY 2019 quarter 2, the SEC has gained nearly 150 full-time equivalents (FTEs)⁵ in recent years. Moreover, the SEC's FY 2022 Congressional Budget Justification sought to add 65 positions to the agency's workforce and requested funds for 4,658 FTEs, which represents an increase of about 247 FTEs compared to the FY 2020 level.⁶ Given the recent and planned increases in SEC staffing and the importance of the agency's workforce, generally, the SEC must have adequate controls to effectively manage its hiring actions,⁷ including its hiring data, and ensure compliance with applicable requirements.

Roles, Responsibilities, and the SEC's Hiring Process. The SEC's Office of Human Resources (OHR) provides leadership for the agency's strategic human capital management. Among other things, OHR administers programs (such as compensation and benefits), establishes policies, and ensures compliance with federal regulations related to hiring actions. OHR also serves as the SEC's liaison to the U.S. Office of Personnel Management (OPM) and others in matters relating to human capital management. Figure 1 includes the OHR groups and branches involved in aspects of the SEC's hiring process that we discuss further in this report.

¹ U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 10, 2014).

² U.S. Government Accountability Office, *Human Capital: Improving Federal Recruiting and Hiring Efforts* (GAO-19-696T; July 30, 2019).

³ U.S. Government Accountability Office, *HIGH-RISK SERIES: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP; March 2, 2021).

⁴ U.S. Securities and Exchange Commission, *Strategic Plan, Fiscal Years 2018 – 2022*; October 11, 2018.

⁵ The term "FTE" is used to quantify employment as a function of hours worked rather than by the number of individual employees. One FTE is also known as one work year and is equivalent to 2,080 hours of work. The number of FTEs in an agency is calculated by determining the total number of regular straight time hours (in other words, not including overtime or holiday hours) worked by employees and dividing that figure by the number of compensable hours applicable to each fiscal year.

⁶ U.S. Securities and Exchange Commission, *Fiscal Year 2022 Congressional Budget Justification and Annual Performance Plan; Fiscal Year 2020 Annual Performance Report*; May 28, 2021.

⁷ Throughout this report, the term "hiring actions" includes personnel actions that result in (a) hiring external candidates to be new SEC employees, and (b) selecting existing SEC employees to fill vacant positions, including through promotions (also referred to as "internal hires"). See Appendix I of this report for more information about the population of hiring actions included in our audit.

FIGURE 1. OHR Groups and Branches Involved in Aspects of SEC Hiring



Source: Office of Inspector General (OIG)-generated based on OHR’s organizational chart and interviews with OHR personnel.

^a HCSG and HRTIM do not have a direct role in SEC hiring, but support TAG.

Between FY 2019 and FY 2021, quarter 2, OHR completed 906 hiring actions, excluding OIG actions. Almost half (about 48 percent) of those 906 actions related to attorneys. The remaining hiring actions related to securities compliance examiners, accountants, information technology specialists, administrative personnel, and other positions.

To ensure the SEC’s hiring process is efficient and effective, among other things, OHR:

- works to achieve established timeframes for each step in the hiring process (codified in a document referred to as the “Service Level Commitment [SLC]”);⁸
- collects and analyzes hiring action data;
- employs pay-setting processes for SEC hiring of SK and senior officer (SO) employees;⁹ and
- guides hiring officials on the hiring authorities available to fill positions at the SEC.

We discuss each of these topics in the sections that follow.

⁸ OHR has established SLCs to enhance accountability and improve delivery of a variety of HR processes. Throughout this report, “SLC” refers to the SLC for the SEC’s hiring and pay-setting processes.

⁹ SK employees (either supervisory or nonsupervisory) are in the SEC’s pay plan grades SK-1 through SK-17. SOs are executive positions in the SEC’s pay plan grades SO-1 through SO-3. Throughout this report, we use the terms “pay” and “salary” interchangeably.

SLC Timeframes. The SEC’s SLC, which includes target timeframes for each of the 25 steps in the SEC’s hiring process, establishes a partnership between OHR and the other SEC divisions and offices, as well as mutually agreed-upon service levels, monitoring methods, and organizational responsibilities to enhance accountability and improve the delivery of hiring services. By following the SLC, OHR expects to complete each SEC hiring action within 101 business days. As Figure 2 shows, the SLC (dated July 2017) measures six key phases in the SEC’s hiring process, beginning with an approved hiring request and ending with the selectee’s¹⁰ entrance on duty (EOD) date established in an appointment letter.¹¹

FIGURE 2. Key Phases of the SEC’s Hiring Process and Corresponding SLC Target Dates^a



Source: OIG-generated based on the July 2017 SLC and information from OHR.

^a This figure depicts, at a high level, the overall process for advertising and filling vacant positions at the SEC. However, each phase of the process includes multiple steps and some hiring actions involve unique circumstances that may not be depicted.

^b TAG began performing pay determinations for SOs and internal hires around March 2020 and March 2021, respectively.

^c Although not specified in the SLC, ethics and security clearances are generally applicable to external selectees only. For internal selectees, the hiring timeline generally ends at the issuance of an offer letter.

In response to a 2020 business process improvement initiative, OHR management created a working group to propose updates to the SLC. The working group analyzed SEC hiring actions from FY 2019 and FY 2020, benchmarked the SLC timeframes against the hiring timeframes of two other federal financial regulators, and noted that the steps associated with the pre-job consultation phase and following the job posting period (including the process for making a tentative selection from a certificate of eligible

¹⁰ A selectee is an individual selected for appointment to a position by the hiring official and to whom OHR extends an offer of employment.

¹¹ EOD is the process by which a person completes the necessary paperwork and is sworn in as an employee.

candidates¹²) negatively impacted the SEC's time-to-hire metrics. As a result, the working group recommended changes to the SLC, including changes to previously established hiring timeframes. On October 1, 2021, OHR began piloting the updated SLC and plans to collect data for about a year to identify potential process improvements. In Finding 2 and the Other Matter of Interest section of this report, we discuss our assessment of the July 2017 SLC and SLC-related process, as well as changes to the SLC.

OHR Online Resources and Systems Related to Hiring. To support the SEC's hiring process, OHR maintains online resources and relies on a variety of information systems, including:

- *Workforce Transformation and Tracking System (WTTS)* – WTTS is a workforce management tool managed by the U.S. Department of the Interior that captures the end-to-end employee hiring process and integrates in real-time with federal personnel and staffing solutions to track the SEC's vacancies and hiring actions. WTTS can support workforce projections, planning scenarios, OHR's internal reporting of hiring action data to other SEC divisions and offices, and external reporting of agency hiring information, including through the SEC's annual Congressional Budget Justification. In addition, according to the U.S. Department of the Interior, WTTS can improve workforce management by providing automated processes to assist in planning, reporting, and tracking activities for prospective and actual hires.
- *HR4Me Pay Setting Request (PSR) Module* – HR4Me is an OHR portal, which houses the PSR module. Since July 2016, OHR has used the HR4Me PSR module to automate salary determination, approval, and incentive management processes for SEC hiring actions.
- *askHR* – askHR is OHR's searchable knowledge base and customer service portal for agency HR information and requests. SEC hiring officials use askHR to submit requests for new positions or reassignments, and all agency personnel can use the system to access and review relevant policies and procedures, published pay-setting matrices, employees' archived and current pay charts, the SLC, and a "hiring toolkit," among other things.
- *USA Staffing (USAS)* – Managed by OPM, USAS automates recruitment, application, and selection tasks. OHR personnel use the system to post job announcements to *USAJobs*¹³ and perform related staffing management tasks. Certain job announcement and selectee information from USAS interfaces with WTTS.
- *Electronic Official Personnel Folder (eOPF)* – An official personnel folder is created when an employee begins federal service, and is maintained throughout the employee's career. HR officials ensure each employee's folder includes relevant HR records and documents. On behalf of all federal agencies, OPM developed eOPF as an electronic form of the folder.

Hiring Action Data Collection and Analyses. To begin the process to fill a vacancy, an SEC hiring official submits to OHR a Staffing Action Request Form (SARF). OHR receives and validates the staffing

¹² Eligible candidates are those applicants who meet the minimum qualifications requirements for a position and are, therefore, eligible for consideration.

¹³ *USAJobs* is the United States government's official website for listing civil service job announcements with federal agencies.

need, initiating a hiring action in WTTS. HR specialists manually enter into WTTS information about the position in question and data related to key points in the hiring process. This includes (1) the date the hiring action was initiated and sent to OHR staffing personnel; (2) information about the job announcement; (3) dates related to issuance and return of the certificate of eligible candidates; (4) dates related to selectee pay-setting and security and ethics clearance processes; and (5) information about the corresponding offer and appointment letter. TAG Staffing Branch personnel are the primary users of WTTS, and they generate WTTS reports to track the status of each hiring action and to provide status updates to hiring officials in the other SEC divisions and offices, which OHR serves. Quarterly, TAG Staffing Branch personnel compare key dates from a WTTS-generated report to OHR's SLC to evaluate the timeliness of the SEC's hiring process.

In response to previous OIG reviews (further discussed on page 7 of this report), OHR refined its processes and procedures related to WTTS data entry and staffing case file management. The following controls were in place at the time of our audit:

- A WTTS job aid and reference sheet, designed to help HR specialists accurately and completely enter WTTS data.
- Weekly and bi-weekly reviews and validations of WTTS data by TAG officials, which include all open hiring actions.
- Staffing case file checklists that HR specialists use during the hiring process and which OHR team leads review to ensure HR specialists upload all required documents to staffing case files. The TAG Branch Chief reviews and signs the final checklist.¹⁴
- HCSG monthly audits of staffing case files to ensure the files include all required documents.

Pay-Setting Processes and Controls. In 2002, Congress enacted the Investor and Capital Markets Fee Relief Act to, among other things, help the SEC attract and retain qualified employees.¹⁵ The Act allowed the agency to implement a new compensation system with unique pay scales comparable to those of other federal financial regulators.¹⁶ As part of this system, the SEC's compensation agreement with the National Treasury Employees Union (NTEU) governs annual pay raises and certain benefits for SEC employees once they are onboard. Although NTEU represents only bargaining unit employees, the SEC uses the same pay chart—referred to hereafter as the “SK Employee Pay Chart”—for both non-bargaining unit and bargaining unit SK employees (that is, the majority of SEC employees). The SK Employee Pay Chart reflects any annual “across-the-board” pay increases negotiated by the agency and NTEU.

¹⁴ The checklists include: Section 1 – Job Opportunity Posting; Section 2 – Issuing a Certificate; Section 3 – Audit/Offer Letters; and Section 4 – Close Out. Additionally, there is a Cancellation/No Selection Made checklist, which is applicable if the vacancy has been cancelled or the division/office did not make a selection from an issued certificate of eligible candidates.

¹⁵ Pub. L. No. 107-123, § 8, 115 Stat. 2390, 397-400 (2002).

¹⁶ For further information, see U.S. Securities and Exchange Commission, *Pay Parity Implementation Plan and Report*, March 6, 2002.

Additionally, in 2014, the SEC began using “pay matrices” to set selectees’ starting salaries.¹⁷ We visited the SEC’s compensation program page on the agency’s public website (*sec.gov*) in August 2021 and noted that it explained that the pay matrices are intended to consistently and objectively set salaries based on the experience—both “relevant” and “specialized”—that each selectee brings to the position.¹⁸ However, a hiring action cannot result in a selectee salary that is less than the minimum salary provided for in the SK Employee Pay Chart. Therefore, TRG personnel¹⁹ must occasionally adjust minimum “base pay”²⁰ amounts in the SEC’s pay matrices to reflect the across-the-board pay increases annually negotiated by the agency and NTEU.²¹ Importantly, the remaining base pay ranges in the pay matrices are not adjusted to mirror SEC employees’ current salaries. In April 2021, after the negotiated annual pay increases, TRG personnel updated the ranges in the pay matrices, referred to hereafter as the “2021 pay matrices.”²² Although OHR has access to the 2021 pay matrices in the HR4Me PSR module, the pay matrices OHR published through the askHR portal are dated January 2017.

As of October 2021, there were four 2021 pay matrices in the HR4Me PSR module (corresponding to SK positions and job requirements), and each pay matrix had four quartiles (corresponding to a selectee’s years of relevant and specialized experience).²³ The quartiles were further divided into multiple experience-based categories (referred to hereafter as “experience-based categories” or “categories”), each with a different base pay. In total, there were 515 experience-based categories among the SEC’s 4 different 2021 pay matrices.²⁴

After evaluating the job announcement or position description, as well as the relevant and specialized experience of the candidate selected to fill a vacant position, TRG personnel use pay matrix information to establish a new hire’s salary recommendation for most SEC hiring actions.²⁵ Then, through the HR4Me

¹⁷ Initially, the pay matrices applied to the starting salaries of both new SEC employees and certain internal hires, including promotions. As of January 2019, the agency stopped applying the pay matrices to internal hires (and instead began applying standard percentage salary changes), and used the pay matrices only to establish the starting salary of new SEC employees. However, employees selected for a job announcement posted before January 2019 had their salary set using the previous practice.

¹⁸ Relevant experience includes experience not directly related to the duties of the position being filled but which nonetheless prepares the candidate for success in the position. Specialized experience is technical experience directly related to the duties of the position being filled. Notably, in November 2021, the SEC updated the compensation program information on *sec.gov*, to include revising the explanation of how the SEC uses the pay matrices to set salaries.

¹⁹ TRG personnel indicated that, for about the past four years, they relied on one individual to perform these duties. On January 16, 2022, OHR assigned another individual to assist with these duties.

²⁰ Base pay is determined by the selectee’s experience, and does not include additional pay based on locality. Furthermore, the pay increases do not include merit promotion increases or bonuses provided to SEC employees.

²¹ TRG personnel explained that, although they generally adjust minimum base pay amounts to reflect across-the-board pay increases, the minimum salary has not increased since 2019.

²² TRG personnel updated some of the 2021 pay matrices base pay amounts in September and October 2021 to correct the inaccuracies we noted in this report’s Finding 3.

²³ According to TRG personnel, the four pay matrices are described as: (1) One Grade – Used for one-grade interval jobs, such as clerical and technical positions; (2) Specialized – Used for SEC mission-critical occupations, such as financial economist, staff accountants, securities compliance examiner, and information security positions; (3) Attorney – Used for attorneys; and (4) All Others – Used for occupations not covered by the other three pay matrices.

²⁴ In comparison, the January 2017 pay matrices had about 560 experience-based categories.

²⁵ As previously stated, TAG is now responsible for pay-setting related to the SEC’s SO employees and to internal hires. Furthermore, the SEC’s Chief Human Capital Officer retains authority to issue exceptions to pay-setting practices.

PSR module, TRG personnel forward the salary recommendation to the responsible hiring official for review and concurrence.²⁶ Between FY 2019 and FY 2021, quarter 2, TRG personnel processed 1,174 PSRs.²⁷ In addition, in August 2020, OHR hired a contractor to assess the SEC's compensation program. In July 2021, the contractor issued a report to OHR that recommended improving the agency's overall compensation program (specifically, updating the structure of the agency's pay matrices). We discuss these topics further in Finding 3 of this report.

Use of Various Hiring Authorities. A hiring authority is the law, executive order, or regulation that allows an agency to hire a person into the federal civil service. At the beginning of the hiring process (during the "Pre-job Consultation Phase," previously shown in Figure 2), hiring officials and HR specialists discuss, among other things, the hiring authorities available for use, whether to advertise a vacant position internally or externally, and which hiring authority will provide the best source of qualified candidates. Between FY 2019 and FY 2021, quarter 2, the SEC used the following hiring authorities most frequently:

1. Merit promotion of current and former federal employees in the competitive service considered for employment based on personal merit;
2. Excepted service, Schedule A, which allows agencies to non-competitively appoint individuals (including eligible veterans) who have disabilities, attorneys, law clerks, and others;
3. SEC-specific excepted service hiring authority (ESHA);²⁸ and
4. Government-wide direct hiring authority, which allows agencies to expedite filling positions OPM classifies as hard-to-fill, such as those related to acquisitions or information technology security.

Prior OIG Work. During a 2016 audit, we compared the agency's SLC timeframes to hiring data from WTTS and performed limited testing of the data. As reported in August 2016, we found that OHR did not monitor hiring actions according to timeframes in the SLC, and WTTS data contained data entry errors and other anomalies and, therefore, may not have been reliable to measure the timeliness of the SEC's hiring process.²⁹ Then, in 2018, we reported that, although OHR had worked to improve the accuracy of the SEC's WTTS data, OHR could maintain more detailed information within WTTS and should consider reviewing the SLC for potential process improvements.³⁰ As of the date of this report, all prior OIG recommendations related to the SEC's hiring process were closed.

²⁶ Salary recommendations include the total offered salary, that is, base pay plus locality pay.

²⁷ Although there were 906 completed hiring actions during the same period, TRG personnel processed more PSRs because some requests were associated with hiring actions that were not completed. For example, hiring officials may have withdrawn employment offers or selectees may not have accepted offers.

²⁸ Provided under 5 U.S.C. § 3114, ESHA provides the SEC a streamlined process for the external hiring of accountants, economists, securities compliance examiners, information technology specialists, and any approved position that requires specialized knowledge of financial and capital market formation or regulation, financial market structures or surveillance, or information technology.

²⁹ U.S. Securities and Exchange Commission, Office of Inspector General, *Final Closeout Memorandum: Audit of the SEC's Hiring Practices* (August 19, 2016). This audit was terminated and did not result in recommendations.

³⁰ U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Made Progress But Work Remains to Address Human Capital Management Challenges and Align With the Human Capital Framework* (Report No. 549; September 11, 2018).

OBJECTIVE

The overall objective of this audit was to assess OHR's controls over the SEC's hiring actions. Specifically, we sought to determine whether OHR's controls ensured that SEC hiring actions complied with applicable requirements in all material respects; and that OHR assessed the timeliness of agency hiring actions based on reliable data.

The population of hiring actions covered by our audit included the 906 SEC hiring actions completed between October 1, 2018, and March 31, 2021 (that is, FY 2019 through FY 2021, quarter 2), excluding those actions completed by the OIG. To address our audit objective, among other work performed, we (1) interviewed OHR personnel, including senior leadership; (2) reviewed applicable federal requirements and SEC regulations, policies, and procedures; (3) obtained WTTS data for the SEC hiring actions included in our population and tested samples of hiring actions; (4) assessed compliance with applicable hiring authority, documentation, and new hire pay-setting requirements; and (5) analyzed OHR's staffing case files, internal case file reviews, and SLC reviews applicable to our scope period.

In addition, in August 2021, we administered a voluntary, anonymous web-based survey to 180 SEC hiring officials from across the SEC's divisions, offices, and regional offices. Among other things, we used the survey results to supplement our review of the timeliness and tracking of the SEC's hiring actions, and OHR's guidance regarding hiring options and new hire pay-setting. We received 120 responses (including 113 complete responses and 7 partially complete responses), for a response rate of about 67 percent.

Appendix I of this report includes additional information about our scope and methodology, including sampling methodologies, our review of relevant internal controls, and prior coverage. Appendix II provides results of our survey not discussed elsewhere in this report. Finally, Appendix III summarizes our analysis of the timeliness of the SEC's hiring process for a subset of the hiring actions included in our audit.

Results

FINDING 1. OHR CAN FURTHER IMPROVE CONTROLS OVER WTTS DATA RELIABILITY TO ENHANCE WORKFORCE MANAGEMENT AND REPORTING

Federal internal control standards state that common control activities to achieve organizational objectives and respond to risks include reviews by management at the functional or activity level.³¹ Additionally, management should use quality information—information that is, among other things, accurate and complete—to achieve the entity’s objectives.³² Expanding on prior OIG work, we reviewed OHR’s controls over SEC hiring action data maintained in WTTS, to include reviews of WTTS reports at various TAG staff and management levels on at least a bi-weekly basis and a WTTS job aid to guide data entry. We determined that management can improve its controls to ensure WTTS data fields necessary for workforce management and reporting are accurate, consistent, and complete. To assess the accuracy, consistency, and completeness of the SEC’s WTTS data (that is, the data’s reliability), we selected and reviewed a non-statistical sample of 91 of the 906 SEC hiring actions in our population (or about 10 percent). Our assessment included comparing WTTS data for selected hiring actions to source documents maintained in OHR’s staffing case files. Through our testing, we found that:

- 83 of the 91 hiring actions in our sample (or about 91 percent) had at least one data entry issue in the WTTS data fields we reviewed, and almost 9 percent of all WTTS data entries we reviewed were either inaccurate, inconsistent, or incomplete (with 5 WTTS data fields contributing to about 80 percent of the deficiencies we identified);
- the SEC’s WTTS data continued to include unannotated anomalies; and
- TAG staff did not consistently identify in WTTS certain hiring actions.

These conditions occurred because (1) OHR’s WTTS job aid did not include sufficient instructions regarding the dates and information expected in key WTTS data fields, and (2) some data fields were not included on the WTTS reports used by OHR staff to ensure the SEC’s hiring action data was accurate, complete, and consistently recorded. As a result, OHR can further improve the reliability of the SEC’s WTTS data to assist in workforce management and internal and external reporting of agency hiring information. We discuss each of the conditions we observed in the sections that follow.

Some WTTS Data Entries Were Inaccurate, Inconsistent, or Incomplete

To address our objective, we selected 91 SEC hiring actions to review and we focused on 29 WTTS data fields used in OHR’s internal reviews and/or that we could validate with supporting documents from staffing case files.³³ For each hiring action reviewed, we traced the data entries in the selected WTTS

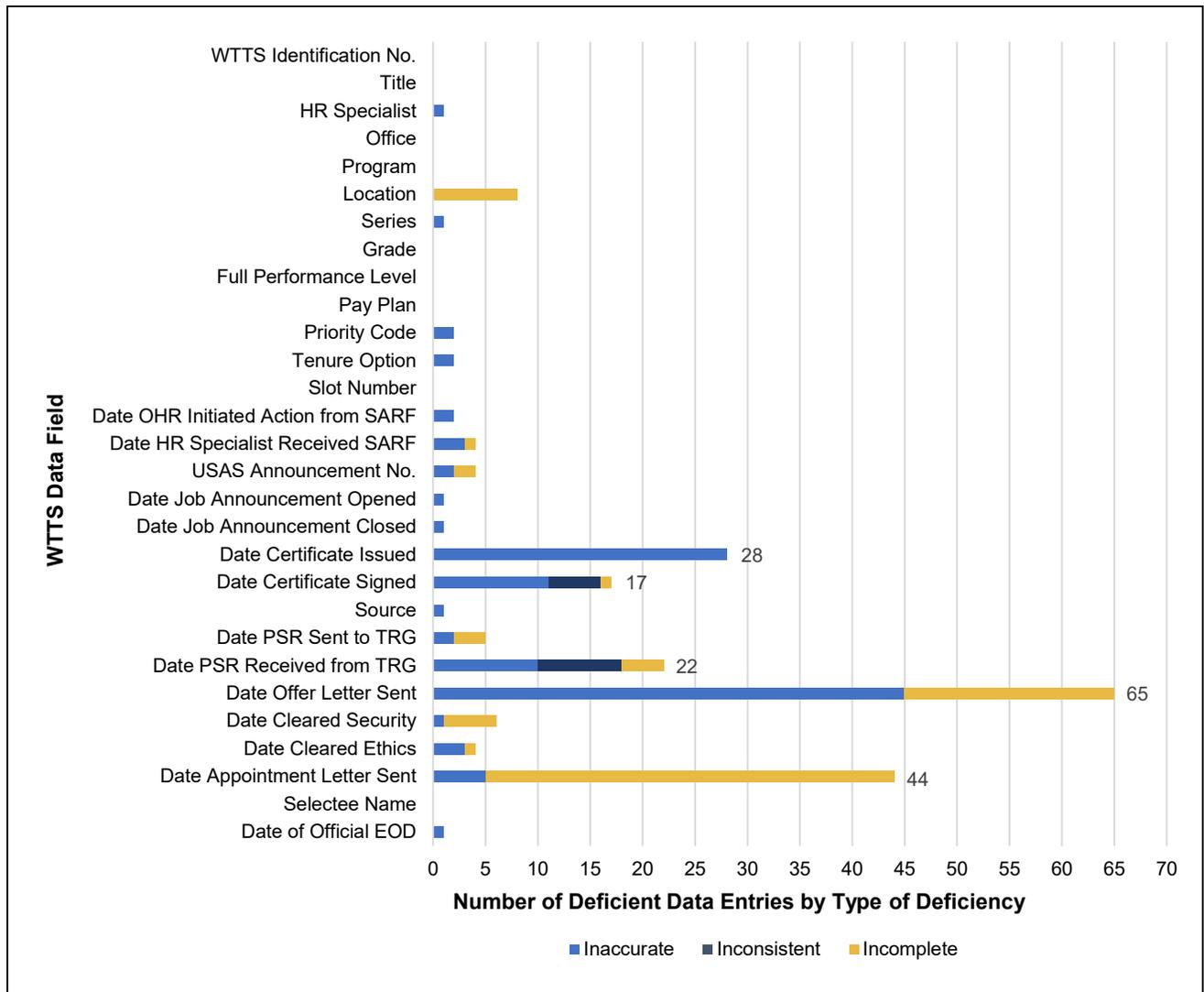
³¹ Management compares actual performance to planned or expected results throughout the organization and analyzes significant differences (GAO-14-704G; 10.03).

³² GAO-14-704G; Principle 13, *Use Quality Information*.

³³ We generally did not include data fields automatically populated by WTTS, and some data fields were not applicable or required for each hiring action we reviewed. Additionally, although security and ethics clearance dates did not apply to the internal hires we reviewed, because these fields contained the entry “internal,” we verified that reported information was accurate.

data fields to source documents when available, and we followed up with OHR personnel as needed. Overall, we determined that 83 of the 91 hiring actions in our sample (or about 91 percent) had at least one data entry issue in the WTTTS data fields reviewed. Moreover, 219 of the 2,563 WTTTS data entries assessed (or almost 9 percent) either (1) did not match source documents (that is, they were inaccurate); (2) were based on varying dates in the source documents (that is, they were inconsistent); or (3) were blank (that is, they were incomplete). Although we found these types of deficiencies in a majority of the WTTTS data fields we reviewed (20 of 29), 5 WTTTS data fields had a higher number of inaccurate, inconsistent, and/or incomplete (in other words, deficient) data entries and contributed to about 80 percent of the deficient data entries we identified. These five data fields track information related to issuing and signing certificates of eligible candidates, processing PSRs, and transmitting selectees' offer and appointment letters, as Figure 3 shows.

FIGURE 3. Summary of WTTTS Data Fields Reviewed and Deficient Data Entries Identified



Source: OIG-generated based on WTTTS data from our scope period, staffing case files, and information obtained from OHR.

OHR officials explained that their goal is to have a 90-percent accuracy rate in WTTS data to ensure the accuracy and completeness of the data. Although the error rate we identified (about 9 percent) in the non-statistical sample we reviewed was within the 90-percent goal,³⁴ we found that certain WTTS data fields contained a comparatively higher number of deficient data entries. OHR used four of these data fields in its SLC review process to assess hiring action timeliness during the review period, contributing to inaccuracies and inefficiencies, as Finding 2 further discusses.

Certain WTTS data fields contained a comparatively higher number of deficient data entries

We determined that the deficiencies in certain WTTS data fields occurred because OHR did not have clear guidance applicable to those data fields and that clarifying guidance could further improve the usefulness and reliability of the SEC's WTTS data. Specifically, the WTTS job aid lacked detailed information regarding the preferred or authoritative source(s) of certain information. Furthermore, the job aid did not specify which HR4Me PSR module workflow dates staff should use for data fields related to pay-setting, and what information management expected staff to input for internal offer letters. Additionally, the WTTS reports that TAG personnel used to perform bi-weekly reviews of hiring actions were missing the offer and appointment letter date fields. According to TAG and HRTIM officials, they met in late 2021 to discuss updating the WTTS reports. The TAG Branch Chief clarified that these updates, in part, aim to help staff identify which WTTS data fields staff need to fill out.

WTTS Data Continued To Include Unannotated Anomalies

Anomalies in WTTS data may occur for a variety of reasons and may or may not indicate data entry or other errors. For example, when comparing the logical relationship between key dates for hiring actions documented in WTTS, we noted the data may indicate that (1) job announcements closed before OHR initiated hiring actions in WTTS upon receiving hiring officials' requests to fill vacant positions (accomplished by sending OHR a SARF); (2) hiring officials selected candidates before OHR issued certificates of eligible candidates; (3) OHR issued certificates of eligible candidates before corresponding job announcements closed; and (4) OHR sent candidate names to the SEC's personnel security office for background checks before OHR contacted the selected candidate with a tentative offer. As part of our 2018 evaluation, we recommended that OHR management require staff to use the notes features in WTTS to explain such data anomalies when they occur. As in 2018, we performed tests of the logical relationships between entries in certain WTTS data fields for the 906 hiring actions included in our population. Table 1 summarizes the 241 anomalies we found.

³⁴ Although OHR identified about 60 data fields included in the SEC's WTTS configuration, our results were based on a review of 29 data fields, as applicable, for 91 sampled hiring actions. Therefore, we can only opine on the accuracy of those tested WTTS data entries.

TABLE 1. Results of Logical Relationship Testing of Applicable Hiring Actions in Our Population

WTTS Data Fields Compared	No. of Anomalies	Anomalies (%)	No. of Anomalies from Data Entry Errors
Date OHR Initiated Action from SARF vs. Date Job Announcement Closed	198	21.9%	0
Date Certificate Issued vs. Date Certificate Signed	8	0.9%	8
Date Job Announcement Closed vs. Date Certificate Issued	6	0.7%	6
Tentative Selection Date vs. Date Sent to Security	2	0.2%	1
Dates Missing in Tests Above	27	3.0%	27
Total	241	26.6%^a	42

Source: OIG-generated based on WTTS data from our scope period, staffing case files, and information obtained from OHR.

^a Percentages do not total because of rounding.

Of the 241 anomalies identified, we found that 42 resulted from data entry errors.³⁵ We validated the circumstances of the remaining anomalies by reviewing OHR’s staffing case files and/or inquiring of TAG personnel. We determined that most of the anomalies were caused by (1) multiple selections made from a single certificate (an approved practice), (2) the need to re-initiate hiring actions because of WTTS system issues and selectees declining the SEC’s offer letter, and (3) other circumstances explained by TAG officials. However, as was the case during our 2018 evaluation, we could not locate notes in WTTS to explain many of the anomalies. For example, WTTS did not include notes explaining why job announcements for 132 hiring actions closed before OHR received a corresponding SARF to fill the vacant positions in the first place.

In response to our 2018 evaluation, OHR updated its WTTS job aid to state, “Notes MUST be used to annotate anomalies” We interviewed all eight HR specialists in TAG’s Staffing Branch and learned that they use the WTTS notes to communicate hiring action status updates, but notes may be overwritten with each new status update. Three of the eight HR specialists mentioned using notes to document the anomalies we observed. Because HR specialists can input notes in two different WTTS data fields, an HR specialist team lead suggested that staff use one field for changing status updates and the other field to explain anomalies, which we agree would help OHR managers and staff more easily reconstruct or review each hiring action, when needed. Overall, we determined that management could improve the WTTS job aid to further clarify the notes requirements.

TAG Staff Inconsistently Identified in WTTS Certain Hiring Actions

Finally, we found that TAG staff inconsistently identified in WTTS certain hiring actions, including noncompetitive appointments (NCA) and internal reassignments. Although not all steps in the hiring process applied to these types of hiring actions, the WTTS job aid did not specify what staff should enter (or not enter) in the applicable WTTS data fields, or when staff should leave a data field blank or

³⁵ Data entry errors occurred mainly in WTTS data fields related to certificates and source (that is, internal hiring actions mislabeled as external hiring actions).

populated with “N/A.” Inconsistently identifying hiring actions makes it difficult for reviewers to determine whether blank WTTS data fields are expected or an indication of missing data.³⁶ As Finding 2 of this report discusses further, certain fields are required for OHR’s assessment of hiring action timeliness, and unintended blanks in WTTS data can add time and effort to those processes.

We reviewed all 26,274 WTTS data entries for the 29 data fields and 906 hiring actions included in our population and determined that 1,191 data entries (or about 5 percent) were blank. Moreover, 600 of the 906 hiring actions (or about 66 percent) included at least one blank WTTS data field. Although some blank fields should have been labeled “N/A,” TAG officials determined that other blank fields were oversights because of manual data entry. Because HR specialists not only use the WTTS reports in their

*Unintended blanks in WTTS can
add time and effort to
OHR’s review processes*

bi-weekly reviews but also provide them to hiring officials during status update meetings, an enhanced report format that ensures staff consistently identify hiring actions and WTTS data fields as applicable and completed could help all parties better monitor hiring actions.

Improved Controls Could Help Achieve Management Objectives

Management reviews of quality information—information that is, among other things, accurate and complete—to achieve the entity’s objectives and to report reliable information about agency operations are key aspects of federal internal control standards. Because OHR uses certain hiring action dates in its internal reviews and calculations, ensuring TAG staff accurately, consistently, and completely record those dates in WTTS could yield more accurate assessments of the SEC’s hiring process and improve the agency’s workforce management activities. Indeed, our assessment of the timeliness of the SEC’s hiring process was hindered, in part, by inaccuracies in the SEC’s WTTS data. (We discuss these issues further in Finding 2 and Appendix III of this report). In addition, OHR captures certain hiring action dates to support reporting to the hiring officials and SEC divisions and offices OHR serves. For example, the SEC’s Office of the Ethics Counsel relies on accurate WTTS data when ensuring SEC employees are timely identified as confidential financial disclosure report filers. Office of the Ethics Counsel management informed us that they have occasionally observed problems with inaccuracies in WTTS data. This has, at times, delayed the Office of the Ethics Counsel’s identification of confidential financial disclosure filers, which can result in filers not being able to meet regulatory required deadlines. WTTS data also informs the SEC’s annual Congressional Budget Justification. Therefore, enhancing the reliability of WTTS data can help improve the agency’s internal and external reporting efforts.

In 2022, OHR is planning to implement an HR dashboard that will interface with WTTS and provide hiring action tracking information internally to OHR, as well as to SEC division and office hiring officials. In our survey of agency hiring officials, we asked whether they would find a dashboard or similar tool useful, and

³⁶ According to an HRTIM official, WTTS reporting features allow the system to automatically populate data fields with “N/A” if specific conditions are met.

a majority of the respondents answered “Yes.”³⁷ However, the usefulness of the dashboard will depend, in part, on the reliability of the underlying WTTS data.

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

To improve the reliability of the SEC’s WTTS data, we recommend that OHR:

Recommendation 1:

Update the WTTS job aid to include detailed instructions regarding the dates and information expected in key WTTS data fields, particularly those used in OHR’s internal reviews, and specifically related to (a) issuance and return of certificates, (b) pay-setting dates, (c) offer and appointment letter dates, and (d) HR specialist notes.

Management’s Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR has begun work related to this recommendation, including updating the WTTS job aid in December 2021, to include instructions for entering information in key WTTS data fields. OHR also plans to implement the use of an additional notes feature in WTTS to improve tracking of explanations for data anomalies and, once this feature is implemented, update the WTTS job aid with detailed instructions. Management’s complete response is reprinted in Appendix IV.

OIG’s Evaluation of Management’s Response. Management’s proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 2:

Reassess process(es) for performing internal quality reviews of WTTS data and, as necessary, update the format of WTTS reports to ensure they clearly capture the information required for OHR internal reviews and external reporting.

Management’s Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR has begun work related to this recommendation, including reviewing the WTTS job aid in December 2021, and identifying areas of improvement to the WTTS report format. Furthermore, OHR is evaluating its information systems capability to implement the necessary WTTS report updates to ensure dates and key information are included in the appropriate fields required for internal and external reporting. OHR will also reassess process(es) for performing internal quality reviews of WTTS data. Management’s complete response is reprinted in Appendix IV.

OIG’s Evaluation of Management’s Response. Management’s proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

³⁷ Of the 113 responses to this question, about 57 percent of respondents answered “Yes,” about 39 percent answered “Maybe,” and about 4 percent answered “No.” Additionally, one respondent noted that the dashboard’s usefulness would depend on the data fields included and whether OHR solicited input from the divisions and offices on their needs. Other respondents expressed interest in tools that would provide hiring officials with greater, real-time insight on the status, next steps, and expected timelines for their hiring actions, and bringing together information from multiple HR systems.

FINDING 2. AN UPDATED SLC AND SLC REVIEW PROCESS BASED ON CLEAR GUIDANCE COULD HELP IDENTIFY AREAS FOR IMPROVEMENT

The July 2017 SLC includes 25 hiring process steps and requires that, on a regular basis, OHR compare its actual levels of service, with respect to the hiring process, to the agreed-upon target levels (hereafter referred to as “SLC reviews”) and quarterly report the results. We evaluated the results of OHR’s SLC reviews, led by TAG personnel, from the first quarter of FY 2019 through the second quarter of FY 2021 and found that:

- OHR did not perform SLC reviews in a consistent manner,
- the review process was inefficient and prone to inaccuracies, and
- SLC reviews did not align with the SLC presented to and agreed upon by other SEC divisions and offices.

This occurred because OHR did not establish clear guidance, including in the SLC itself, for the variety of hiring types and scenarios that can occur, or how to measure each one. The organization also did not ensure it could measure the SLC steps, as presented, in WTTS and did not effectively use the WTTS reporting capabilities in its SLC reviews. As a result, OHR limited its ability to rely on the SLC and SLC reviews as key controls for efficiently and effectively identifying areas of needed improvement in the SEC’s hiring process, and for collaborating with the divisions and offices OHR serves. As OHR pilots an updated SLC in FY 2022 (based, in part, on the results of prior SLC reviews), management has opportunities to address these concerns.

OHR Did Not Consistently, Efficiently, or Effectively Perform SLC Reviews, or Ensure Reviews Reflected Agreed-Upon Measures

When analyzing OHR’s SLC reviews, which included about 700 of the 906 hiring actions in our population,³⁸ we found that the organization did not perform the reviews in a consistent or efficient manner, making the reviews prone to inaccuracies (in other words, ineffective). Furthermore, the SLC reviews included measures of timeliness that did not align with the SLC phases and steps presented to and agreed upon by the other SEC divisions and offices.

SLC Reviews Were Inconsistent. We observed that OHR did not consistently (1) include hiring actions in its SLC reviews, (2) ensure the reviews accounted for the variety of hiring types and scenarios encountered, and (3) incorporate compensation-related information in the SLC reviews. For example:

- We identified about 50 hiring actions that TAG personnel did not include in the FY 2019 and FY 2020 SLC reviews, but should have, because the selectee’s EOD date occurred in a different

³⁸ According to TAG personnel, they excluded from SLC reviews those hiring actions that did not follow standard processes, such as reassignments and SO-related actions. Furthermore, we identified some hiring actions that TAG did not include in SLC reviews but should have, as the next section discusses.

year than when the action was initiated,³⁹ and some NCA actions that were inadvertently excluded. We also identified four hiring actions that TAG personnel should not have included in an SLC review, but did.

- Although not specified in guidance, TAG personnel explained that, for certain hiring types and scenarios,⁴⁰ staff must adjust dates in the quarterly SLC reports to make SLC review calculations function properly. We determined that TAG staff did not consistently perform these adjustments. Furthermore, TAG staff did not remove certain non-applicable hiring actions when averaging some SLC step measurements and instead included them as “0”; therefore, the averages appeared shorter. For example, for about 40 NCA actions, staff did not consistently adjust date fields associated with job announcement and certificate SLC steps to indicate they were not applicable, nor did they remove the NCA actions from the average calculations of these steps.
- Although TAG officials lead OHR’s SLC reviews, each quarter, TRG personnel support the reviews by separately calculating information related to the compensation management phase of the hiring process. However, TRG personnel base calculations on pay-setting information from the HR4Me PSR module and not WTTS data, as not all compensation-related data is maintained in WTTS by TAG staff. This resulted in some inconsistencies and unintended gaps.

The SLC Review Process Was Inefficient and Prone to Inaccuracies. To perform OHR’s SLC reviews, TAG staff and management must first update the SLC report generated by WTTS to correct the types of inaccurate, inconsistent, and incomplete WTTS data and anomalies discussed in Finding 1 of this report. Such updates can be time-consuming and require TAG staff to research the WTTS data entries in question to determine the appropriate corrective action. TAG personnel did not always perform these updates consistently in the SLC reviews we evaluated. Furthermore, for compensation-related steps, TRG personnel manually link pay-setting information from the HR4Me PSR module to hiring action records from WTTS because the systems do not have a common identifier. In the SLC reviews we evaluated, this added time to the SLC review process and caused inaccuracies. In one example, TRG personnel erroneously labeled a hiring action as “Not Applicable” and omitted it from the compensation step in the SLC review. Additionally, in some instances where selectees had multiple PSRs in the HR4Me system, it appears that TRG personnel included in SLC reviews information from previous PSRs.

SLC Reviews Did Not Align With SLC Information Presented to and Agreed Upon by Other SEC Divisions and Offices. The purpose of the SLC is to establish a partnership between OHR and the other SEC divisions and offices, which OHR serves, including “mutually agreed upon service levels, monitoring methods, and organizational responsibilities.” We compared the results of OHR’s SLC reviews to the SLC itself and identified some differences. For example, the SLC reviews produced measurements in calendar days, not business days as the SLC specifies. In addition, the SLC reviews did not reflect additional time needed when (1) a hiring official chose to use a subject matter expert to help review candidates’ job applications, and (2) a selectee requested a salary reconsideration. Furthermore, the SLC reviews broke

³⁹ TAG personnel explained that they realized this error and, for FY 2021, they adjusted applicable practices to include hiring actions in SLC reviews by EOD.

⁴⁰ Examples include NCAs that do not have applicable job announcement and certificate dates, internal hiring actions for which the hiring timeline generally ends at issuance of an offer letter, and hiring actions for which the SARF needed to be replaced.

down some phases and steps in the hiring process differently than how they are presented in the SLC. Although we acknowledge that this practice may create more useful measurements for TAG's purposes, it does not align with the SLC shared with OHR's stakeholders.

OHR Can Clarify the SLC, Related Guidance, and SLC Review Process and Better Leverage WTTS

The conditions we observed occurred because OHR did not establish clear guidance to account for the variety of hiring types and scenarios that can occur. Specifically, neither the 2017 SLC itself nor TAG's *SLC Analysis Process Guide* (2017)—developed to assist staff performing SLC reviews—specified which hiring actions the SLC applied to, or how the SLC and corresponding target timeframes may vary based on hiring circumstances, such as situations in which hiring officials made more than one selection from a single certificate.⁴¹ The lack of established processes and guidance for how to measure varying hiring circumstances limited opportunities for automating the WTTS SLC report, as we discuss further below. We discussed our observations with OHR management, and TAG officials explained that, moving forward, they will determine how to handle these scenarios and plan to update the organization's SLC review guidance.

<p><i>OHR did not ensure it could measure the SLC steps, as presented, in WTTS</i></p>	<p>In addition, OHR did not ensure it could measure the SLC steps, as presented, in WTTS or effectively use the WTTS reporting capabilities in its SLC reviews. Although the overall SLC phases matched dates in WTTS, OHR did not track some start and end dates for individual steps. Moreover, the availability of some WTTS data fields contributed to differences in OHR's measurement of certain hiring phases when compared to the SLC. Lastly, OHR used compensation information from the HR4ME PSR module, as not all related dates were in WTTS, which (as previously discussed) required TRG personnel to perform separate analyses. Despite these issues and the complexity of the SLC review format, OHR staff and management continued to use the format. During our audit, in November 2021, TAG and HRTIM officials explained they plan to update the SLC review process based on available WTTS data to streamline the process and to assist with automation. However, OHR must first take action to ensure the SEC's WTTS data is sufficiently reliable, as Finding 1 discusses.</p>
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The SEC Could Better Identify Areas of Improvement in Its Hiring Timelines With an Updated SLC and SLC Review Process

Among other things, the SLC is intended to increase the efficiency and effectiveness of the SEC's hiring process. Reviews of actual hiring action timelines compared to target timelines established in the SLC and mutually agreed upon by OHR and the other SEC divisions and offices could assist in identifying and, as needed, addressing delays in specific phases and steps of the process. However, OHR cannot accomplish these goals based on an SLC that is not fully measureable or on SLC reviews that are inconsistent, inefficient, or ineffective. We sought to assess the timeliness of the SEC's hiring actions

⁴¹ TAG's *SLC Analysis Process Guide* specified that voluntary reassignments were not included in SLC reviews and provided instructions for updating some internal selection dates, but did not account for other scenarios.

based on the July 2017 SLC and a subset of the population of hiring action data from our scope period; however, our review was hindered because of the aforementioned concerns, as Appendix III of this report further explains. As OHR pilots an updated SLC in FY 2022 (further discussed on page 33 of this report) based, in part, on the FY 2019 and FY 2020 SLC reviews, management has opportunities to address these concerns.

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

To improve assessments of the SEC's hiring timelines as OHR pilots a new SLC, we recommend that OHR:

Recommendation 3:

Update the SLC available to SEC employees based on information gathered from the pilot to ensure that the SLC clearly presents the hiring process in phases and steps that are (a) measurable in WTTS, and (b) useful to measure and enhance the efficiency and effectiveness of the SEC's hiring process.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will update the SLC available to the SEC divisions/offices based on information gathered from the pilot, which is expected to last through September 30, 2022. OHR will ensure the updated SLC presents a view of the phases of the hiring process and includes steps that are measurable in WTTS, and useful to measure and enhance the efficiency and effectiveness of the SEC's hiring process. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 4:

Reassess the SLC review process and accompanying guidance to (a) align with the updated SLC phases and steps, once codified; (b) ensure consistency in measuring hiring actions that may enter the process at different points or include steps that do not apply, (c) determine whether pay-setting data fields in WTTS can be used to gain efficiencies when measuring the compensation SLC phase, and (d) make better use of automated features in the WTTS reporting tools to reduce manual updates, which are prone to errors.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will (a) reassess the SLC review process and accompanying guidance to align with the updated SLC phases and steps, once codified, (b) ensure consistency in measuring hiring actions that may enter the process at different points or include steps that do not apply, and (c) determine whether pay-setting data fields in WTTS can be used to gain efficiencies when measuring the compensation SLC phase. OHR also plans to make better use of automated features in the WTTS reporting tools to reduce manual updates, which are prone to errors. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

FINDING 3. OPPORTUNITIES EXIST FOR OHR TO STRENGTHEN NEW HIRE PAY-SETTING CONTROLS AND INFORMATION-SHARING PRACTICES

According to SEC Administrative Regulation (SECR) 6-38, *Pay-Setting for SK Positions* (SECR 6-38), it is the agency's policy to set pay for candidates selected for SEC positions in a transparent manner using fair criteria, adhering to the merit system principles.⁴² As previously mentioned, the SEC established pay matrices as its consistent and objective criteria to set new SK employee pay commensurate with a candidate's experience. SEC employees, including hiring officials, can access the pay matrices (dated January 2017) and the pay-setting regulation for new hires via askHR, and the SEC posts compensation information on its public website (*sec.gov*). However, we found that the SEC's pay-setting guidance needs improvement and that OHR can clarify the new hire pay-setting information shared both internally and externally. Specifically, during our audit, (1) the pay-setting information available to SEC employees and hiring officials was not comprehensive, (2) the internally published pay matrices were outdated, and (3) publicly advertised SEC salary information was misleading for new hires. We also identified inaccuracies in some of the underlying pay band information included in the 2021 pay matrices, and other pay-setting concerns, suggesting a need to review the current pay matrices and strengthen OHR's controls over new hire pay-setting processes. Incomplete, outdated, and misleading new hire pay-setting guidance and information have caused confusion and may have limited hiring officials' ability to review and respond to PSRs. Moreover, although it does not appear that inaccurate information in the 2021 pay matrices impacted any newly hired SEC employee's pay, it could have had certain hiring scenarios occurred. As OHR reviews the compensation recommendations made by the external contractor, management has opportunities to address concerns with the SEC's new hire pay-setting processes.

Pay-Setting Guidance and Information Sharing, Both Internal and External, Need Improvement

In our survey, we asked hiring officials what areas OHR could improve upon when overseeing SEC hiring actions. Pay-setting was the single most common area identified.⁴³ Furthermore, survey respondents commented that it would be beneficial to obtain training on OHR's processes and standards to understand pay determination for new hires. Also, during our survey, multiple respondents commented on a lack of clarity and documentation associated with the pay-setting process and expressed confusion about how the agency's pay matrices work, and one respondent reported being unable to find a policy explaining the pay-setting process.⁴⁴ Additionally, around 27 percent of survey respondents indicated that

⁴² SECR 6-38 does not apply to SEC employees assigned to SO, Executive Schedule, or Administrative Law Judge positions. The current version of the regulation became effective on August 26, 2020. Because our audit covered hiring actions completed between October 1, 2018, and March 31, 2021, we also reviewed the previous version, dated January 29, 2016, noting no material differences other than (a) OHR no longer uses pay matrices to calculate pay for internal hiring actions, and (b) the approval or disapproval of all pay-setting requests that result in an increase over 10 percent of a candidate's current or previous salary was transferred from the Chief Operating Officer to the Chief Human Capital Officer.

⁴³ Of the 68 respondents who answered this question, 22 (or about 32 percent) identified pay-setting as an area of improvement. The remaining respondents identified a variety of other areas including outreach and recruitment efforts to a broader pool of diverse and/or qualified candidates, reporting and tracking of hiring data, and timeliness.

⁴⁴ These responses were provided as part of additional comments to the survey question: "Please rate your response to this statement: The pay setting process for hires (both external and internal) is clearly and accurately outlined in SEC regulations, policies, and procedures," which received 113 responses. Of those, about 5 percent strongly agreed; about 35 percent agreed; about 27 percent neither agreed nor disagreed; about 11 percent disagreed; about 8 percent strongly disagreed; and the remaining nearly 15 percent answered "I don't know."

they did not know which pay-setting matrix applied to the positions in their division or office. As we discuss in the sections that follow, OHR's pay-setting guidance available to SEC employees and hiring officials and information sharing, both internal and external to the agency, need improvement.

Comprehensive Pay-Setting Policies and Procedures Were Not Available to SEC Employees and Hiring Officials. Although SECR 6-38, available on the SEC's internal website, provides general information on the SEC's pay-setting process, it does not offer detailed information on OHR's processes for determining the starting salaries for newly hired SEC employees. Furthermore, we did not find any OHR policy or procedures available to SEC employees or hiring officials that explained or described the four pay matrices used to set new hire pay. TRG personnel explained that pay matrices are matched to the type of work required for the job position. For example, TRG personnel may determine salary for a selectee entering in an Information Technology Specialist position using the All Other pay matrix or the Specialized pay matrix, depending on the job requirements. TRG personnel acknowledged that a written crosswalk between candidate experience, job requirements, and applicable pay matrix was not available. Clearer information on how OHR uses the pay matrices to set newly hired employees' pay may address some of the concerns reported to us by hiring officials.

Furthermore, TRG has an SK pay-setting standard operating procedure (SOP),⁴⁵ which describes the new hire pay-setting process for SK positions and, if shared, may clarify some of the confusion reported to us by some hiring officials. For example, TRG's internal SOP clarifies that "unless otherwise specified, the applicable pay matrix will be used when setting pay for all new appointments to the SEC. The matrix used for pay-setting will depend on the type of position being filled." It also describes general processes for pay-setting. Specifically, it indicates that TRG staff review the candidate's resume, position description, and/or job announcement to assess the selectee's relevant and specialized experience along with the "appropriate" matrix to recommend the selectee's starting salary. Furthermore, the SOP states, "external selectees who are within 60 days or less from meeting an additional year of experience may be credited the additional year." Nonetheless, TRG personnel explained that OHR had no plans to make the SOP available agency-wide, although it may be included as an attachment the next time OHR updates SECR 6-38. We noted that SECR 6-38 requires hiring officials to "Comply with the policy and procedures prescribed for pay-setting at the SEC." Arguably, hiring officials' ability to comply is limited without access to the relevant pay setting guidance.

Pay Matrices Available in askHR Were Outdated. According to SECR 6-38 and the *PSR Module User Guides*,⁴⁶ hiring officials, or their designee(s), shall review all proposed pay matrix recommendations (that is, PSRs) issued by OHR through the HR4Me PSR module and respond (such as concur, non-concur, etc.) in a timely manner. However, during our scope period, OHR may have limited hiring officials' ability to fulfill these duties. Instead of sharing with hiring officials the most up-to-date pay matrices (2021 pay

⁴⁵ OHR-SOP-020, *Pay-Setting for SK Positions* (March 10, 2021).

⁴⁶ The *PSR Module User Guide* (July 2016) describe the steps the HR staffing specialists, TRG personnel, hiring officials, Chief Human Capital Officer, and Chief Operating Officer use to interact with the HR4Me PSR module.

matrices as of October 2021),⁴⁷ OHR made only outdated pay matrices (the ones from January 2017) available through askHR.⁴⁸ OHR stored the 2021 pay matrices in HR4Me, but made them accessible only to OHR staff with certain roles.

As previously stated, a hiring action cannot result in a selectee salary that is less than the minimum salary provided for current SEC employees in the SK Employee Pay Chart. Therefore, TRG personnel must occasionally adjust minimum base pay amounts in the SEC's pay matrices to reflect the across-the-board pay increases annually negotiated by the agency and NTEU. We compared the January 2017 and the 2021 pay matrices and found that annual updates to certain base pay amounts in the SK Employee Pay Chart affected the SK series base pay amount and/or experience-based categories in some quartiles of the 2017 pay matrices to some degree.⁴⁹ Specifically, we found 280 differences between the January 2017 and the 2021 pay matrices.⁵⁰ For example, according to the January 2017 Specialized pay matrix, the base pay for an SK-13 selectee with up to 2 years of *relevant* experience and up to 1 year of *specialized* experience was \$84,961, and the base pay for an SK-13 selectee with 3 or more years of *relevant* experience and up to 1 year of *specialized* experience was slightly more at \$85,911. In contrast, because of necessary updates to keep pace with the minimum salary in the SK Employee Pay Chart, the 2021 Specialized pay matrix combined the experience-based requirements to provide the same salary (\$87,012) for SK-13 selectees with up to 1 year of *specialized* experience, and no longer mentioned *relevant* experience.

Although TRG personnel acknowledged that some experience-based categories were combined in prior years because of the necessary updates, they stated that the January 2017 pay matrices are current and have not changed. As previously mentioned, we found more than 200 differences between those pay matrices and the ones from 2021 which are available in the HR4Me PSR module. Therefore, we maintain our observation that OHR has not made up-to-date pay matrix information available in askHR. On January 11, 2022, TRG personnel explained that they were reviewing recommendations received from the contractor hired to assess the SEC's compensation program, which may result in changes to OHR's processes for updating the pay matrices. Furthermore, TRG personnel indicated that, going forward, OHR will incorporate updates to the pay matrices on askHR.

The complexity of the pay matrices and lack of reviews over annual updates in the HR4Me PSR module (discussed on page 25) made it challenging for OHR to recognize the extent of the updates compared to the pay matrices available to hiring officials. Moreover, TRG personnel stated that OHR could not make

⁴⁷ As previously mentioned, TRG personnel updated the 2021 pay matrices in September and October 2021 to correct the inaccuracies we noted in this report finding.

⁴⁸ As of January 6, 2022, the January 2017 pay matrices were still posted to OHR's askHR "Pay Setting Matrices" page, and an askHR search for "2021 pay matrices" produced no meaningful results.

⁴⁹ We were only able to compare changes between the 2017 pay matrices and the 2021 pay matrices, as OHR did not maintain a history of pay matrices changes made in HR4Me for the years in between.

⁵⁰ The 280 differences were among the four pay matrices and included differences in base pay, experience-based pay categories, and/or changes in information presented in the quartiles.

changes to the pay matrices until the 2019 compensation agreement went in effect, as the pay matrices before then were negotiated with NTEU and additional changes would require negotiations.⁵¹

Publicly Advertised Maximum Salary Information Was Misleading for New Hires. Through the agency's public website (*sec.gov*), those interested in applying to work at the SEC can access SEC compensation program information, to include base pay ranges and locality pay rates for SK employees (derived from the aforementioned SK Employee Pay Chart). SEC job announcements on *USAJobs* also publicly advertised the same salary ranges for SK positions, adjusted for locality. However, these publicly advertised base pay and salary ranges reflected the higher earning potential for *current* SEC employees and not the lower maximum salary available to newly hired SK employees upon entry, as dictated by the agency's pay matrices.⁵² When asked about this, TRG personnel stated that advertising the entire salary range for a particular grade is a standard practice across the public sector. Nonetheless, Table 2 compares the maximum 2021 base pay amounts at each SK grade level and demonstrates that the amounts advertised on *sec.gov* and *USAJobs* (and available to current SEC employees) were between \$3,253 and \$21,488 higher (or, on average, about 11.5 percent higher) than the amounts achievable by a newly hired SK employee upon entry based on the agency's pay matrices.

TABLE 2. Comparison of Advertised and Achievable Maximum 2021 Base Pay for Newly Hired SK Employees

SK Grade Level	A. Maximum 2021 Base Pay Publicly Advertised	B. Maximum Base Pay Achievable by Newly Hired SK Employees per 2021 Pay Matrices ^a	Difference Between Columns A. & B.	
			In Dollars	By Percentage
1	\$31,650	\$28,397	\$3,253	11.5%
2	\$35,589	\$31,930	\$3,659	11.5%
3	\$38,828	\$34,838	\$3,990	11.5%
4	\$43,579	\$39,098	\$4,481	11.5%
5	\$50,945	\$45,909	\$5,036	11.0%
6	\$56,784	\$51,172	\$5,612	11.0%
7	\$64,031	\$57,667	\$6,364	11.0%
8	\$70,911	\$63,405	\$7,506	11.8%
9	\$79,471	\$71,527	\$7,944	11.1%
10	\$87,518	N/A ^b	N/A ^b	N/A ^b
11	\$103,430	\$92,042	\$11,388	12.4%
12	\$123,970	\$110,319	\$13,651	12.4%
13	\$147,415	\$132,289	\$15,126	11.4%
14	\$169,266	\$151,900	\$17,366	11.4%
15	\$182,809	\$164,052	\$18,757	11.4%
16	\$193,775	\$173,879	\$19,896	11.4%
17	\$209,277	\$187,789	\$21,488	11.4%

Source: OIG-generated based on SK employee 2021 base pay information posted to *sec.gov* (and retrieved on August 18, 2021) and base pay amounts from the SEC's 2021 pay matrices for SK positions.

^a This column presents the highest base pay for each SK grade level from all four 2021 pay matrices.

^b This SK grade level is not used in the SEC's 2021 pay matrices.

⁵¹ OHR's Chief Counsel informed us that changes to the pay matrices do not need to be negotiated with NTEU because they do not affect current SEC employees. TRG staff clarified that this began with the 2019 compensation agreement when the agency stopped using the pay matrices to set SEC employees' salaries.

⁵² As noted before, the Chief Human Capital Officer can approve exceptions to the SEC's pay-setting practices.

Moreover, our comparison of the lowest maximum salaries and the highest maximum salary between the four 2021 pay matrices found variances of \$318 through \$7,450 at certain SK levels. For instance, the SK-12 level had a \$7,450 variance among the four pay matrices. As Table 2 shows, the highest salary per the pay matrices at every SK level was still lower than the highest pay selectees likely expected to receive based on information publicly advertised.

Interviews with HR specialists and hiring officials' survey feedback supported our observation that publicly advertised maximum salary information was misleading for new hires. For example, an HR staffing specialist noted that the SEC salary ranges, as publicly advertised, often caused candidates to assume they would receive the salary at the top of the range. Some survey respondents also explained that candidates with extensive years of experience have been confused when they were not offered a salary closer to the highest range advertised on the job announcement. According to survey respondents, during our scope period, some selectees requested pay reconsideration because of disagreements with their salary offers.⁵³ In addition, a 2020 business process improvement initiative, conducted to identify targeted improvements to help OHR streamline hiring programs, found a need to clarify salary ranges on job announcements as part of its compensation program recommendations.

We discussed with TRG personnel potential updates to the compensation information available on *sec.gov* and *USAJobs* announcements to provide better transparency related to new hire pay. On November 19, 2021, OHR revised the compensation language the SEC uses on its *USAJobs* announcements. The announcement template now states:

The overall salary range listed above is provided for informational purposes as it represents the full range that is applicable to current employees in this occupation/grade; however, a selectee's initial pay is always set below the maximum rate of the range.

Furthermore, on November 15, 2021, the SEC updated the compensation language on *sec.gov* to state:

Note that upper end of the salary range is generally applicable only to candidates with significant years of work experience.

However, the *sec.gov* language conflicts with the information provided in the *USAJobs* announcement and our observations, as the maximum salary achievable upon entry for a selectee, per the pay matrices, is lower than the maximum salary range for current SEC employees.

Pay Matrix Inaccuracies and Other Concerns Suggest OHR Should Strengthen Controls Over New Hire Pay-Setting Processes

As part of the SEC's risk assessment process, OHR recognized in its FY 2019 and FY 2020 risk control matrices the negative financial and political ramifications, as well as issues of inequity, that might result from failing to set new hire pay or incentives in accordance with applicable policy and procedures. We

⁵³ These responses were provided as part of the survey question: "How often do your selectees request pay reconsideration?" which received 107 responses. Of those, about 2 percent stated "Always," about 6 percent indicated "More than half of the time," about 21 percent stated "About half the time," about 52 percent indicated "Less than half the time," and the remaining nearly 20 percent answered "Never."

selected and tested the pay determinations for a non-statistical sample of 40 hiring actions (about 4 percent of the actions included in our population)⁵⁴ to validate whether OHR's pay-setting decisions complied with SEC regulations, policies, and procedures. Although we determined that the pay-setting decisions from our sample aligned with the applicable SK pay matrices, SO pay charts, and SEC regulations, policies, and procedures, we identified broader pay-setting control issues. These issues included (1) inaccurate information in the 2021 pay matrices, (2) unexplained differences between the January 2017 and 2021 Attorney pay matrices at the SK-11 grade level, and (3) OHR's elimination, in some instances, of requirements for more experience to achieve higher base pay in the 2021 pay matrices.

Inaccuracies Existed in Some Underlying 2021 Pay Band Information. During our review of the 2021 pay matrices, we identified inaccuracies in some base pay amounts. It does not appear that these inaccuracies impacted pay-setting for any SEC employee hired between July 2016 and September 2021. However, this was because the SEC did not hire any new employees under certain scenarios and within the affected experience-based categories during that timeframe. The inaccuracies we identified were as follows:

- One pay plan category required less experience but provided a higher base pay.⁵⁵
- One pay plan category provided a base pay that was lower than the minimum 2021 SEC employee base pay for the same grade level.⁵⁶
- Eleven categories among the supervisory series (SK-15 and SK-17)⁵⁷ reflected an increase below the standard 8 percent that should have been added to the minimum base pay.⁵⁸
- Eight SK levels did not reflect the correct across-the-board pay increases from FY 2017 through 2021.⁵⁹

TRG personnel agreed with our observations and, in September and October 2021, updated the affected experience-based categories in the HR4Me PSR module to reflect the correct salary information.

Federal internal control standards state, "Management should design control activities to achieve objectives and respond to risks."⁶⁰ Control activities are an integral part of an agency's planning, implementing, and reviewing process. Controls over information processing, such as edits checks of data entered, segregation of duties, and appropriate documentation of transactions are some of the most

⁵⁴ Sampled hiring actions included 32 new hires, 5 internal movements including promotions and lateral moves, and 3 SO actions.

⁵⁵ The pay plan category in question was the SK-3 pay plan grade, quartile 1 of the 2021 One Grade pay matrix, which specified that an individual with 2 years of relevant experience would enter the SEC at a higher salary than someone with 3 years of experience.

⁵⁶ The pay plan category in question was the SK-5 pay plan grade, quartile 1 of the 2021 All Others pay matrix.

⁵⁷ Within the four 2021 pay matrices, SK-15 and SK-17 pay plan grades, there were 108 experience-based categories.

⁵⁸ The Specialized, Attorney, and All Others pay matrices available in askHR indicate that, for the SK-15 and SK-17 pay plan grades, new hire base pay is set by adding 8 percent to the base pay that the candidate would have received at the next lower pay grade (SK-14 and SK-16).

⁵⁹ The SK levels in question were in the SK-15 and SK-17 pay plan grade of the Specialized, Attorney, and All Others pay matrices; the SK-3 pay plan grade of the One Grade pay matrix, and the SK-5 pay plan grade of the All Others pay matrix.

⁶⁰ GAO-14-704G; Principle 10, *Design Control Activities*.

common control activity categories identified by GAO. The issues we observed occurred because TRG lacked sufficient controls over updates to SK pay matrices in the HR4Me PSR module. Specifically, for about the past four years, TRG relied on one individual to compute annual pay increases, update the pay matrices, and manually enter the increases in the system. Although the OHR Legal Policy Office performed quality reviews of pay increase computations reflected in the SK Employee Pay Chart, there were no edit checks of the updated amounts manually entered by TRG staff into the HR4Me PSR module. Additionally, when TRG staff entered updates in the system, the previous values were overwritten and documentation of the updates were not maintained; therefore, no history exists to review the changes from prior years. Moreover, TRG lacks policies and procedures to document pay increase computation and validation practices. On January 16, 2022, OHR assigned another person to assist with updates to the pay matrices. TRG personnel informed us that, in the future, one individual will enter changes to the pay matrices in the HR4Me PSR module and another individual will validate the system entries.

Salary Difference for SK-11 Attorney Position Was Not Carried Forward. We also found that, in the January 2017 Attorney pay matrix, the SK-11 minimum base pay was set higher (or \$1,702 more) than the SK-11 minimum base pay shown in the other pay matrices from the same period. However, OHR did not carry forward this salary difference to the 2021 Attorney pay matrix as the difference was reduced to \$263. When asked, TRG personnel could not explain why the SK-11 attorney starting salary was set at a higher amount in the January 2017 pay matrix. Therefore, we cannot determine whether OHR intentionally established the salary difference to attract attorneys in the SK-11 pay plan grade during 2017, or whether the additional salary offered was an error.

Pay Matrix Updates Reduced and/or Eliminated Requirements for More Experience To Achieve High Base Pay in Some Instances. Increases to only the pay matrices' minimum base pay amounts—to align with updated SEC pay range minimums over the years—and the lack of increases to higher base pay categories reduced and/or eliminated, in some instances, requirements for more experience to achieve higher base pay in the 2021 pay matrices. For example, according to the January 2017 One Grade pay matrix, an SK-5 selectee with only 1 or 2 years of relevant experience would have been offered a base pay of \$32,517, whereas an SK-5 selectee with at least 3 years of relevant experience would have been offered a base pay of \$573 more. In comparison, according to the updated 2021 One Grade pay matrix, SK-5 selectees with up to 2 years of relevant experience and those with 3 or more years of relevant experience would be offered the same base pay (\$33,302). We asked TRG personnel whether the SEC intended to phase out the higher salary amounts for additional experience as time went on. TRG personnel explained they were not part of the pay matrices' creation, so they were unaware whether this was the intention of the agency when the pay matrices were developed. By continuing the practice of reducing and/or eliminating experience categories in its pay matrices, the SEC is at risk of not setting pay for selectees in a transparent manner, as its SECR 6-38 pay-setting policy requires. Furthermore, over time, this practice may impact the agency's ability to attract talent.

As previously discussed, OHR hired a contractor to assess the SEC's overall compensation program. TRG personnel explained that the contractor made recommendations regarding the agency's pay matrices. Specifically, the contractor's report recommended to "(1) update the pay-setting amounts in the matrices to align with the current pay range. The pay-setting amounts should move in conjunction with

the pay range adjustments; and (2) simplify the pay-setting matrices.” On January 11, 2022, TRG officials informed us that they are working with the contractor to implement these recommendations.

Strengthening Controls Over Pay-Setting for New Hires Could More Effectively Attract Talent

OHR can clarify and update the pay-setting information it shares both internally and externally to reflect actual processes and information used to establish pay for new hires. Because hiring officials are responsible for approving selectees’ starting salary, it is important that officials have the most current pay-setting guidance and pay matrix information. In addition, unclear and misleading information about new hire salaries increases the chance that selectees will request reconsideration of their initial salary offer, which delays the hiring process and could hinder the SEC’s ability to attract and hire qualified candidates. Moreover, issues we identified in the 2021 pay matrix suggest a need to strengthen OHR’s controls over new hire pay-setting processes. Without a formal validation process, OHR remains at risk of errors in processes related to pay setting, which could impact a selectee’s salary. Finally, whether intentional or not, OHR’s pay-setting practices are phasing out increases in salaries commensurate with higher levels of experience for certain SK experience-based categories. Without clear, accurate, and up-to-date pay-setting information and practices, the SEC may not be able to effectively attract and onboard quality candidates to meet its strategic goals.

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

To improve the SEC compensation program, we recommend that OHR:

Recommendation 5:

Update the pay-setting guidance for SK positions to clarify the pay-setting process, including the mapping of the four pay matrices to job requirements, and establish plans to provide recurring workshops for hiring officials to explain and clarify pay-setting processes.

Management’s Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will work with the compensation contractor to design and update the pay matrices, as appropriate, and update guidance and/or develop new guidance. Furthermore, once refinements are introduced and implemented, OHR will communicate and educate stakeholders/users on pay-setting processes. Management’s complete response is reprinted in Appendix IV.

OIG’s Evaluation of Management’s Response. Management’s proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 6:

Revise the policy regarding pay-setting for SK positions to require that TRG ensures it always shares the most current pay matrices with SEC employees and hiring officials, and immediately share the current pay matrices with hiring officials.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will revise its policy to indicate that current pay matrices will be made available to SEC staff. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 7:

Update the salary information presented to possible candidates on *sec.gov* to align with the SEC's pay language included in job announcements posted to *USAJobs*.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will update the salary information so that the language in job announcements and *sec.gov* align accordingly. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 8:

Establish a written process for (a) calculating and validating changes to the SEC's pay matrices before and after entering salary information in the HR4Me PSR module, and (b) ensuring that historical salary data is recorded and retained.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will (a) document the office's processes to calculate and validate changes to the SEC's pay matrices in the HR4Me PSR module, and (b) develop a written procedure and process to retain and store historical salary data. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Recommendation 9:

Evaluate, in conjunction with the compensation contractor's July 2021 recommendations, whether changes to the current pay matrix structure are needed to ensure salary amounts are commensurate with the years of experience—both relevant and specialized—that each candidate brings to the position.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will work (1) with the compensation contractor to design and update the pay matrices, as appropriate, and update guidance and/or develop new guidance, and (2) document and retain the methodology used by the contractor. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

FINDING 4. MANAGEMENT OF STAFFING CASE FILES NEEDS IMPROVEMENT TO VERIFY AND DOCUMENT QUALIFICATIONS FOR ATTORNEY HIRES

We tested hiring actions for compliance with hiring authorities, reviewed supporting documentation in OHR's staffing case files, and evaluated OHR's staffing case file quality reviews to assess applicable controls and determine whether OHR met requirements established by federal guidance, SEC regulations and operating procedures, and internal checklists. We concluded that OHR generally complied with the key hiring authority requirements tested.⁶¹ However, HR specialists did not always document the qualifications of the attorneys hired. Specifically, staffing case files for 18 of 32 attorney hiring actions we reviewed (or about 56 percent) lacked supporting documentation, including proof of law degrees and/or bar membership.⁶² This occurred because OHR did not clarify review processes and documentation requirements for attorney qualifications. In addition, when performing staffing case file quality reviews, HCSG staff did not always ensure that HR specialists documented selectees' proof of bar membership. As a result, the SEC risked hiring attorneys who did not meet all qualifications required for their position.

Requirements Applicable to Attorneys

According to OPM's *Handbook of Occupational Groups and Families* and the applicable position classification standard, occupations within the federal General Attorney series (series 0905) require admission to the bar. Furthermore, the SEC's attorney job announcements posted to *USAJobs* and solicitations for attorney applications through *sec.gov*⁶³ specify that attorney candidates must (1) possess a law degree (as evidenced by official transcripts), and (2) be an active member of the bar in good standing (hereafter referred to as "active bar membership"). Attorneys selected to fill vacancies must meet these qualification requirements before EOD. Although not specified in OHR's procedures, TAG's Branch Chief explained that OHR staff document attorney qualifications differently depending on whether the hiring action was external or internal to the SEC.

For *external* hiring actions, TAG personnel stated that HR specialists request that selectees provide a copy of their transcripts and evidence of active bar membership before establishing an EOD date, and OHR staff should store the documents in the corresponding staffing case file.

For *internal* hiring actions, HR specialists are not required to maintain selectee transcripts in the staffing case files if transcripts are available in eOPF. In addition, TAG personnel stated that they do not review internal selectees' proof of active bar membership. Moreover, they were unaware whether internal selectees' original proof of active bar membership (from when the selectees were hired into the SEC) would be available in eOPF. OHR personnel explained that, through the job announcement process, candidates must self-certify that they possess a law degree and are an active member of the bar in good

⁶¹ Some of the key requirements tested related to job announcements and posting times, job series and grade, and candidates' documentation of required education and professional certifications.

⁶² We reviewed OHR's staffing case files for additional job series/occupations including financial and operational risk analyst, security specialist, securities compliance examiner, staff accountant, financial economist, contract specialist, supervisory and non-supervisory information technology specialist, and statistician. For these job series/occupations, we did not note any instances in which OHR's staffing case files were missing required documentation detailed in corresponding job announcements.

⁶³ For attorney advisor positions at the SK-13 grade level and below, the SEC is allowed to hire candidates through NCA procedures. This means that an application to an existing job announcement is not required and candidates can submit their resumes directly to an SEC division or office mailbox.

standing. Furthermore, OHR staff noted that all SEC attorneys are required to keep bar membership in good standing and upload supporting information annually in HR4Me throughout their employment with the agency. Based on these self-certification requirements, TAG personnel consider the employee's self-certification sufficient support for *internal* attorney hiring actions.

To ensure required documents are reviewed and stored in the staffing case files, HR specialists use checklists for hiring actions announced through *USAJobs* (USAS checklist) and NCA actions (NCA checklist). For our scope period, we observed that different versions of the USAS checklist required different supporting documents for the period we reviewed, and did not distinguish between requirements for internal and external hiring actions. For example, the USAS checklist (dated April 3, 2019) required HR specialists to upload only an official transcript to the staffing case file, whereas the June 2020 version required HR specialists to upload "Basic Requirement Documentation (bar membership, transcripts, etc.)." Moreover, the June 2020 USAS checklist gave HR specialists the option of marking a check box indicating that the basic requirement documents were available in eOPF. A TAG official stated that, before this change, transcripts and bar documents were required to be in the staffing case files. Furthermore, TAG personnel clarified that the new eOPF option in the USAS checklist pertains only to *internal* hires, as *external* hires would not have an eOPF established or accessible as of their EOD date.

Finally, OHR has an internal quality control process to review the adequacy and completeness of the staffing case files. For example, an HCSG staff member reviews a monthly sample of case files to ensure compliance with documentation requirements. For the USAS hiring actions in our scope period, the HCSG official used an internal checklist (dated August 2019) to perform case file quality reviews.⁶⁴ In June 2021, 1 year after TAG's USAS checklist was updated, the HCSG staff modified the USAS case file checklist to include a review of proof of active bar membership for external attorney candidates.

Staffing Case Files Did Not Support Qualifications for Some Attorneys Hired

As described below, we reviewed the staffing case files for 32 judgmentally selected attorney hiring actions from the population of hiring actions included in our audit and found that 18 (or about 56 percent) lacked supporting documentation, including proof of law degrees and/or active bar membership.

First, we reviewed 25 hiring actions, including 11 actions to hire attorneys, from the total population included in our audit to determine whether OHR complied with applicable federal requirements and SEC policies, procedures, and guidance associated with the legal authorities used for the sampled hiring actions. Although OHR generally complied with key hiring requirements in the legal authorities, we found HR specialists did not always ensure that staffing case files for attorney hiring actions included documents to support selectee's qualifications. Specifically, staffing case files for 6 of the 11 attorney hiring actions we reviewed (or about 55 percent) did not include proof of a law degree (that is, transcripts) and/or proof of active bar membership at the time of our audit. Two of the six hiring actions were external hires, and corresponding staffing case files for both were missing proof of active bar membership. Of the

⁶⁴ The quality checklist is based on TAG's Staffing Checklists. The HCSG internal review performed in FYs 2019 and 2020 identified some missing or incorrect transcripts in the staffing case files reviewed.

remaining four internal hiring actions, two were missing proof of active bar membership, and two were missing both selectees' transcripts and proof of active bar membership.

Next, we reviewed 27 additional hiring actions, including 21 actions to hire attorneys, as part of our evaluation of OHR's internal case file quality review process. We found that staffing case files for 12 of the 21 attorney case files (or about 57 percent) did not contain selectees' transcripts and/or proof of active bar membership. Of these 12, one was an external hire, and the corresponding staffing case file was missing proof of active bar membership. The remaining 11 were internal hires; two corresponding staffing case files were missing selectees' transcripts, 5 were missing proof of active bar membership, and 4 were missing both selectees' transcripts and proof of active bar membership.

We discussed our observations with OHR management, which was subsequently able to obtain the majority of the missing documentation.⁶⁵ For all three external hires in question, OHR obtained and provided proof of active bar membership and uploaded the documents to the staffing case files *after* our inquiry. For the 15 internal hires in question, we concluded that, in 3 instances, transcripts were not available in eOPF. Therefore, the transcripts should have been located in the staffing case files or requested of the employee as part of the HR specialist's review before EOD. Moreover, in five instances, proof of active bar membership was not in the employees' eOPF. We acknowledge that, for internal hires, OHR does not require evidence of bar membership to be reviewed or stored in the staffing case files, and we were able to verify employees' good standing status at the time of our review. However, we were unable to determine whether, in all instances, OHR personnel verified selectees' bar membership status *before* the individuals became SEC employees, because the information was not available in the staffing case files or in eOPF.⁶⁶

Attorneys are not required to submit proof of active bar membership as part of the annual self-certification process

According to TRG personnel, SEC attorneys are not required to submit proof of active bar membership as part of the annual attorney self-certification process. However, TRG personnel explained that they check state websites to determine whether a professional dues

reimbursement request is valid and can be approved for SEC employees. Under the current processes, if an attorney does not submit a professional dues reimbursement request, then OHR relies only on the attorney's self-certification; thus, the attorney's status as a member of the bar in good standing may remain unverified by OHR personnel. Therefore, we believe OHR would benefit from evaluating its review process for internal attorney position movements to ensure OHR verifies and documents selectees' qualifications before EOD.

⁶⁵ As of January 12, 2022, OHR had requested but not received transcript support for two of the internal hires we reviewed.

⁶⁶ Based on the documentation provided by OHR, we were unable to verify active bar membership prior to EOD for 6 of the 15 internal case files reviewed.

OHR Can Clarify Documentation Requirements To Support Attorney Hiring and Refine Internal Case File Review Procedures

The conditions we observed occurred because, although OHR established an SEC regulation for attorney hiring,⁶⁷ the organization did not have a written SOP to address processes for verifying attorney education requirements and proof of active bar membership, or provide guidance on where to file these required documents.⁶⁸ We also determined that the HCSG reviewer was not checking for proof of active bar membership during quality reviews of USAS case files until June 2021, when the internal case file checklist was updated. Because OHR personnel did not always upload transcripts and proof of active bar membership to selectees' staffing case files, we could not confirm whether HR specialists verified the qualifications of the attorneys hired. As such, the SEC risks hiring unqualified personnel, which could cause legal and/or reputational harm.

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

To improve OHR's management of staffing case files and ensure HR specialists acquire, review, and maintain the appropriate supporting documentation for attorney hiring actions, we recommend that OHR:

Recommendation 10:

Establish written standard operating procedures that outline documentation requirements for attorney hiring and establish, to the extent necessary, nuances between internal and external attorney hiring actions and verification procedures.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will establish written standard operating procedures that outline documentation requirements for attorney hiring and establish, to the extent necessary, nuances between internal and external attorney hiring actions and verification procedures, to include the process for verifying transcripts and relevant documents in an employee's eOPF for internal selections. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

⁶⁷ SECR 6-58, *Attorney Hiring* (December 3, 2018), establishes the SEC's policy for hiring attorneys at the SK-17 and below grade levels under the excepted service, Schedule A, hiring authority of 5 CFR § 213.3102(d).

⁶⁸ During our audit, TAG personnel explained that they are establishing an SOP to outline the process for reviewing documentation relevant to attorney hiring actions.

Recommendation 11:

Evaluate and, as needed, update the process for reviewing for internal attorney position movements to ensure that selected candidates are current, active members of the bar in good standing before EOD.

Management's Response. Management concurred with the recommendation. According to the Chief Human Capital Officer, OHR will evaluate, and as needed, update, the process for reviewing internal attorney position movements. Management's complete response is reprinted in Appendix IV.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive. The recommendation will be closed upon completion and verification of the proposed actions.

Other Matter of Interest

During our audit, we identified a matter that did not warrant recommendations. We presented the matter, described below, to OHR management for their consideration as OHR works to update the SLC.

SLC Start and End Points and Feedback From SEC Hiring Officials Highlight Areas for Additional Improvement

In 2008, OPM sought to transform the federal hiring experience and launched initiatives, including an end-to-end hiring “roadmap” model. The model outlined the federal hiring process beginning with validating a hiring need and ending with a new employee’s EOD, with an overall target for completion of about 80 calendar days. Although OPM’s model explains that it is based on a generic process that may vary from agency to agency, the model can help agencies identify and diagnose needed improvement. Additionally, OHR management has previously stated that it aims to resemble OPM’s 80-day hiring model as closely as possible.⁶⁹

OHR established the SEC’s SLC in 2015 to align with the OPM hiring model and agency-specific new hire pay and compensation procedures.⁷⁰ As previously stated, the SLC establishes a partnership between OHR and other SEC divisions and offices, as well as mutually agreed-upon service levels, monitoring methods, and organizational responsibilities to enhance accountability and improve the delivery of hiring services. In 2017, OHR updated the SLC, moving the timeline end point from a selectee’s EOD to the issuance of the appointment letter. Although OPM’s hiring model suggests 14 days for EOD, OHR found it was taking longer for SEC new hires to enter on duty, particularly newly hired attorneys who requested delayed start dates because of casework or to receive bonuses. As a result, OHR officials sought to change the SLC end point to a process they could control. Although the SEC has discretion to develop its own hiring timelines, we noted that the agency’s 101-business day SLC has longer timeframes and an earlier end point than OPM’s 80-calendar day model.

Furthermore, OHR began piloting a new SLC in October 2021. Among other changes,⁷¹ OHR moved the start of the hiring timeline to the point in the process where OHR receives a signed job analysis from the responsible hiring official (versus the point at which the HR specialist receives an OHR-approved SARF submitted by a hiring official,⁷² kicking off the process to fill a vacancy). For our sample of 91 hiring actions, the process for OHR approvals of a submitted SARF *before* the SLC timeline start point averaged about 7 business days. With the new timeline start point, the pilot SLC covers even less of the hiring process, as the development of a job analysis and other pre-posting documents had a target of

⁶⁹ OHR response to U.S. Securities and Exchange Commission, Office of Inspector General, *The SEC Made Progress But Work Remains to Address Human Capital Management Challenges and Align With the Human Capital Framework* (Report No. 549; September 2018).

⁷⁰ Notably, the SEC is not subject to the Chief Human Capital Officers Act of 2002 which requires agencies to report timeliness metrics to OPM.

⁷¹ For example, one notable change included a distinction in the hiring timeline targets between internal and external hiring actions, with a 56-business day target for internals versus a 95-business day target for externals.

⁷² The SARF submitted by the hiring official must receive approvals from the TAG Workforce Alignment, Classification, and Position Management Branch before reaching the Staffing Branch HR specialist.

6 business days in the 2017 SLC. OHR officials explained this update was because hiring officials were often not prepared and indecisive on the hiring area of consideration, causing delays. Additionally, the pilot SLC timeline continued to end at appointment letter issuance, rather than EOD. For our sample of 91 hiring actions, this process averaged about 14 business days. Because the pilot SLC starts later and ends earlier than OPM's hiring model, the pilot SLC may not provide an accurate and complete measurement of the SEC's overall hiring process.

When we surveyed SEC hiring officials, we asked whether the SLC (containing the agency's hiring timeline target of 101 business days) is an accurate representation of the hiring process. Although most of the 115 respondents to this question (about 54 percent) answered "Yes" and only about 12 percent answered "No," the remaining 34 percent stated that they had not reviewed the SLC, despite the requirement for HR specialists to send hiring officials the SLC as part of each hiring action.⁷³ Moreover, we noted that the results of OHR's quarterly SLC reviews—including time-to-hire metrics, which may be of interest to agency hiring officials—are shared with the Chief Operating Officer, but are not available to other SEC divisions and offices.

We also asked hiring officials about their satisfaction with hiring timeliness. Although the majority of the responses to this question (about 62 percent of the 115 responses) were positive, some respondents provided additional comments noting delays in issuing certificates and offer letters, and the time between the selection decision date and the new hire's EOD date. Moreover, we asked hiring officials if they believed there were any steps in the hiring process that were untimely. About 32 percent of the 117 respondents answered "Yes," providing additional comments on a variety of steps, including those previously mentioned. Some respondents noted delays in position approval and classification, ethics and security clearances, and pay-setting, whereas others listed steps, such as resume reviews and interviews, for which they required additional time.

We noted that, as of November 2021, OHR had not shared the new SLC with other SEC divisions and offices, which OHR serves. As reflected in our survey results, some hiring officials never reviewed the July 2017 SLC and/or noted concerns with steps in the hiring process, including steps not currently captured in the SLC such as EOD. Determining which hiring process steps are value-added to measure for stakeholders across the agency would foster collaboration and help identify further areas of improvement to enhance the efficiency and effectiveness of the SEC's hiring. As OHR pilots changes to the SLC and before the organization finalizes the next version of the document, we encourage management to refer to OPM's hiring model for best practices, and to seek and consider the feedback of the other SEC divisions and offices, including feedback on the SLC start and end points.

⁷³ The SLC in effect at the time we sent the survey was dated July 2017.

Appendix I. Scope and Methodology

We conducted this performance audit from April 2021 through February 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Objective and Scope

Our overall objective was to assess OHR's controls over the SEC hiring actions that occurred between October 1, 2018, through March 31, 2021 (that is, FY 2019 through FY 2021, quarter 2). Specifically, we sought to determine whether OHR's controls ensured that SEC hiring actions complied with applicable requirements in all material respects; and that OHR assessed the timeliness of agency hiring actions based on reliable data. We performed detailed tests of information from our scope period, and remained abreast of developments in relevant processes and controls throughout our audit.

Methodology

To address our objective, among other work performed, we interviewed OHR personnel, including senior leadership, to gain an understanding of the SEC's controls over hiring actions. In addition, we:

- reviewed applicable federal requirements and SEC regulations, policies, procedures, and guidance related to WTTS data entry, pay-setting, and hiring timelines, among other topics;
- conducted walkthroughs of WTTS and the HR4Me PSR module;
- analyzed OHR's staffing case files, internal case file quality reviews, and SLC reviews applicable to our scope period; and
- reviewed several non-statistical, random or judgmentally selected samples of the 906 SEC hiring actions included in our population.⁷⁴ Because almost half (about 48 percent) of those 906 actions related to hiring attorneys, certain samples included larger numbers of attorney hiring actions. The sections that follow discuss each sample and sample methodology.

To assess WTTS data reliability, we selected a non-statistical sample of 91 hiring actions (or about 10 percent of the total population)⁷⁵ and tested for accuracy and completeness across 29 data fields captured in WTTS, as Figure 3 on page 10 shows. For each hiring action sampled, we traced WTTS data entries to source documents when available.

⁷⁴ According to OHR's records, 918 SEC hiring actions were completed between FY 2019 and FY 2021 quarter 2. We excluded from our audit 12 OIG hiring actions completed during this period, resulting in a population of 906 SEC hiring actions.

⁷⁵ First, we stratified the population, noting that FY 2019 and FY 2020 each represented about 45 percent of the total, and FY 2021, quarters 1 and 2, represented the remaining almost 10 percent. Next, we randomly selected 38 hiring actions from both FY 2019 and FY 2020 and 9 hiring actions from FY 2021, quarters 1 and 2. We then judgmentally added six hiring actions from across the scope period because the actions appeared to include potential anomalies—unexpected blank fields, inconsistent dates, and inconsistent position titles, among others—warranting further review.

To assess compliance with hiring authority requirements, we selected and reviewed a non-statistical, judgmental sample of 25 hiring actions (or about 3 percent of the total population). We selected the sample using a risk-based approach and considering the most frequent hiring authorities used by the SEC. Table 3 shows the types of hiring authorities (and the number of hiring actions for each authority) included in our review.

TABLE 3. Hiring Authority Sample

Hiring Authority Type	No. of Sampled Hiring Actions
Merit Promotion	5
Excepted Service, Schedule A, for Attorneys	7
ESHA	5
Direct Hire Authority	5
Excepted Service, Schedule A, for Law Clerks	1
Multiple Hiring Authorities	2
Total	25

Source: OIG-generated based on WTTS data for SEC hiring actions that occurred in FY 2019 through FY 2021, quarter 2.

To determine whether HR specialists complied with documentation requirements, we selected and reviewed a non-statistical, judgmental sample of 27 hiring action case files (or about 3 percent of the total testing population). The majority of these case files (21 of 27) related to attorney hiring actions. For each attorney hiring action included in our hiring authority and case file samples, we verified whether OHR properly determined and documented that selectees had a law degree and maintained active bar membership in good standing, as required.

Finally, to test for compliance with pay-setting requirements, we randomly selected and reviewed a non-statistical sample of 40 hiring actions (or about 4 percent of the total population) using a judgmental risk-based approach and representing a variety of hiring actions and pay-setting requirements. Half of the sampled hiring actions related to attorney vacancies, whereas the rest were vacancies in other occupations.

Although these samples were non-statistical and our results cannot be projected to the total population for each test performed, the evidence we gathered helped support our findings, conclusions, and recommendations.

In addition, for each of the 906 hiring actions included in our population, the OIG’s Data Analytics Group performed the following analyses:

- Reviewed position titles and series as reported in WTTS and compared to OPM guidance to identify any potential anomalies.
- Identified blank entries in the 29 WTTS data fields included in our audit.
- Compared WTTS data to data from OHR’s SLC reviews.

- Assisted with the preparation of visuals (see Appendix III) used in our assessment of the timeliness of the SEC's hiring process for a subset of the hiring actions included in our audit.

Lastly, in August 2021, we administered a voluntary, anonymous web-based survey to 180 SEC hiring officials to assess aspects of the hiring process. Appendix II provides a summary of some of the survey results not discussed elsewhere in this report.

Internal Controls

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

Control Environment. We assessed the control environment established by OHR by reviewing organizational structure information and assignment of responsibilities as they relate to controls over SEC hiring actions. As previously stated, we reviewed relevant federal requirements and SEC regulations, policies, and procedures; and we interviewed OHR management and personnel from various groups to gain an understanding of the control environment.

Risk Assessment. We obtained and reviewed OHR's 2019 and 2020 management self-assessment and risk controls matrices to identify risks and controls related to the SEC's hiring actions. OHR identified the following risks applicable to our objective, which we considered as we planned and performed our work:

1. If the agency's hiring processes do not comply with applicable laws and regulations, the agency may be subject to legal and financial ramifications.
2. If OHR makes data entry errors when processing forms/requests, the agency may suffer negative legal and financial ramifications.
3. If an employee's pay setting or incentive(s) are not established in accordance with applicable policy and procedures, the agency may experience issues of inequity that may cause negative financial and political ramifications.

Control Activities. We identified and tested key control activities related to the SEC's hiring actions, as this report discusses. As Findings 1 and 2 describe, we found deficiencies in the SEC's WTTS data and unannotated anomalies, as well as inconsistent SLC reviews, which suggests OHR's control processes in this area could be enhanced. Furthermore, although TRG personnel informed us that OHR's legal group performs a quality check of annual salary updates, we identified inaccuracies in the SEC's 2021 pay matrices, as Finding 3 discusses. Lastly, although TAG has checklists to guide the review and retention of HR documents, and HCSG conducts quality reviews of staffing case files, we found that some attorney case files were missing required documentation, as outlined in Finding 4.

Information and Communication. OHR communicates policies and procedures related to SEC hiring and hiring actions through internal systems, such as askHR, and externally through *sec.gov* and *USAJobs*. Through recurring meetings, TAG personnel also share the status of specific hiring actions with hiring officials. However, each of our four findings discusses opportunities for OHR to clarify its communication and information-sharing.

Monitoring. We reviewed OHR’s internal control documentation and standard operating procedures, and discussed with OHR management its roles and responsibilities for monitoring processes associated with the SEC’s hiring actions. We identified reports generated from WTTS used to assist both internal and external monitoring of hiring actions, as well as OHR assessments of timeliness. However, as Findings 1 and 2 discuss, inaccurate, inconsistent, and incomplete information in WTTS contributed to inefficiencies during OHR’s SLC reviews. Furthermore, because OHR performed SLC reviews inconsistently, the organization cannot effectively monitor hiring action timeliness.

Based on the work performed, as noted in this report, we identified areas of potential improvement related to internal control deficiencies that were significant within the context of our objective. Our recommendations, if implemented, should correct the weaknesses we identified.

Data Reliability

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

“Applicability for audit purpose” refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit’s research objectives.

“Completeness” refers to the extent to which relevant data records and fields are present and sufficiently populated.

“Accuracy” refers to the extent that recorded data reflect the actual underlying information.

To address our objective, we relied on computer-processed data. Specifically, we relied on hiring action entries and pay-setting information found in WTTS and the HR4Me PSR module, respectively. To assess the reliability of data from our scope period, we interviewed responsible OHR personnel, reviewed relevant system documentation, obtained a walkthrough of the WTTS system and the HR4Me PSR module, and performed data validation tests. We tested the computer-processed data for duplicative records and to identify blank fields. Furthermore, we reviewed the pay band information in the HR4Me PSR module for accuracy.

Based on our assessment, we found the data sufficiently reliable for the purpose of this audit. However, we identified (1) blank fields in the WTTS data, (2) inaccurate, inconsistent, or incomplete WTTS entries; and (3) computation errors in some pay categories included in pay matrices available through the HR4Me PSR module. Although these issues did not materially affect the reliability of the data in the context of our objective, they indicate opportunities for improvement, as Findings 1, 2, and 3 discuss. Furthermore, although we were able to answer our audit objective, the WTTS data inaccuracies hindered our efforts to assess the timeliness of the SEC’s hiring process for a subset of hiring actions included in our audit, as Appendix III discusses.

Prior Coverage

Between 2016 and 2021, the SEC OIG and GAO issued the following reports of particular relevance to this audit:

SEC OIG:

- *Review of the SEC's Pay Transition Program* (15-ONR-0281-R, January 27, 2016).
- *Final Close-out Memorandum: Audit of the SEC's Hiring Practices* (August 19, 2016).
- *The SEC Made Progress But Work Remains to Address Human Capital Management Challenges and Align With the Human Capital Framework* (Report No. 549 September 11, 2018).

GAO:

- *Federal Hiring: OPM Needs to Improve Management and Oversight of Hiring Authorities* (GAO-16-521, August 2, 2016).
- *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges* (GAO-17-65, December 29, 2016).
- *Human Capital: Improving Federal Recruiting and Hiring Efforts* (GAO-19-696T; July 30, 2019).
- *Securities and Exchange Commission: Personnel Management Shows Improvement, but Action Needed on Performance Management System* (GAO-20-208, December 19, 2019).
- *HIGH-RISK SERIES: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas* (GAO-21-119SP, March 2, 2021).

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

Appendix II. Selected Survey Results

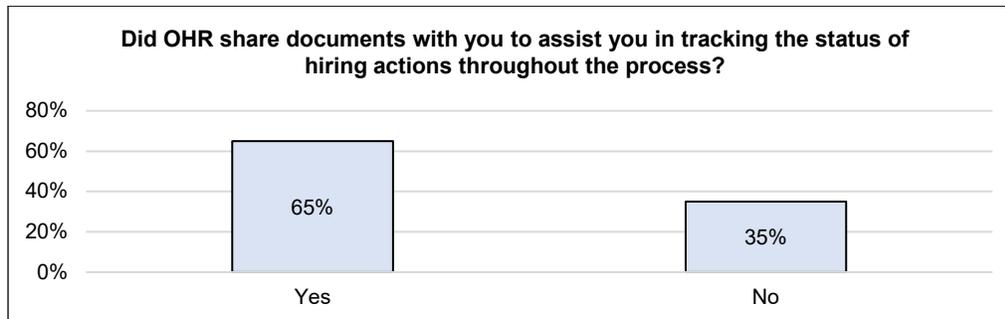
As previously stated, we administered a voluntary, anonymous web-based survey to 180 SEC hiring officials, requesting their feedback on a variety of topics for hiring actions from our scope period (October 1, 2018, through March 31, 2021). We received 120 responses (including 113 complete responses and 7 partially complete responses), for a response rate of about 67 percent. The survey contained 25 multiple choice questions and allowed respondents to provide additional details when answering each question. Notably, respondents represented the majority of the SEC’s divisions, offices, and regional offices that had a hiring action during our scope period.⁷⁶ This appendix includes examples of some survey questions and responses not captured elsewhere in this report, but is not all-inclusive.

FIGURE 4. Survey Question – Use of Hiring Authorities. The responses to the question shown below indicated that the 118 SEC hiring officials, used a variety of hiring authorities, but most frequently used merit promotion (internal and external), ESHA, and excepted service, Schedule A, for attorneys and/or law clerks.



Source: OIG-generated based on 118 hiring officials’ responses to this question.

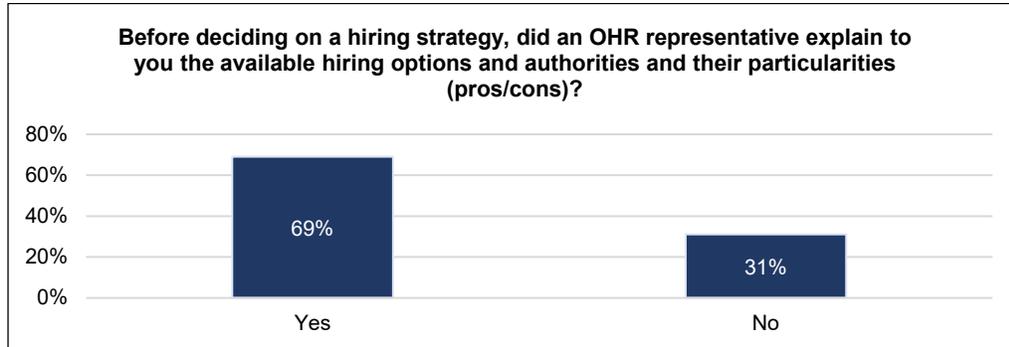
FIGURE 5. Survey Question – Tracking of Hiring Actions. Most (65 percent) of the 118 responses to the question shown below indicated that OHR helped SEC hiring officials track their hiring actions. Some respondents noted that OHR provided interview guidance and templates, certificates of eligible candidates, applicant materials, and other status documents. Other respondents indicated that the respondents themselves kept track of their offices and/or divisions hiring actions, or that they needed to reach out to OHR to obtain the status of hiring actions.



Source: OIG-generated based on 118 hiring officials’ responses to this question.

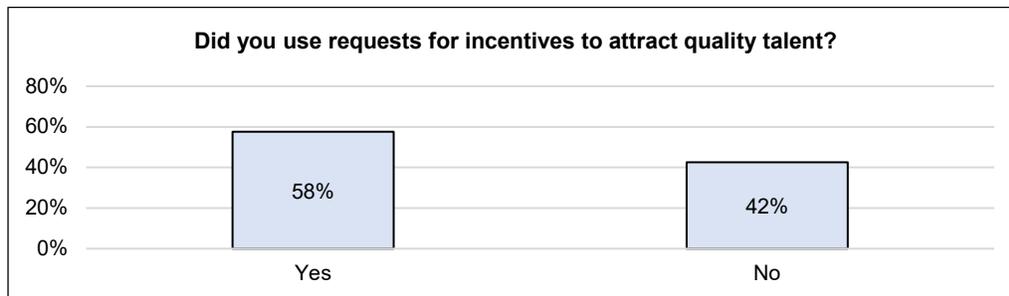
⁷⁶ The survey was not sent to OHR and OIG personnel to maintain impartiality in the results.

FIGURE 6. Survey Question – OHR Guidance on Hiring Options. Most (about 69 percent) of the 114 responses to the question shown below indicated that OHR provided SEC hiring officials guidance on hiring options and authorities before officials decided on a hiring strategy. Some respondents noted that they obtained guidance from askHR and through meetings with OHR. Other respondents stated that hiring officials requested guidance from HR specialists.



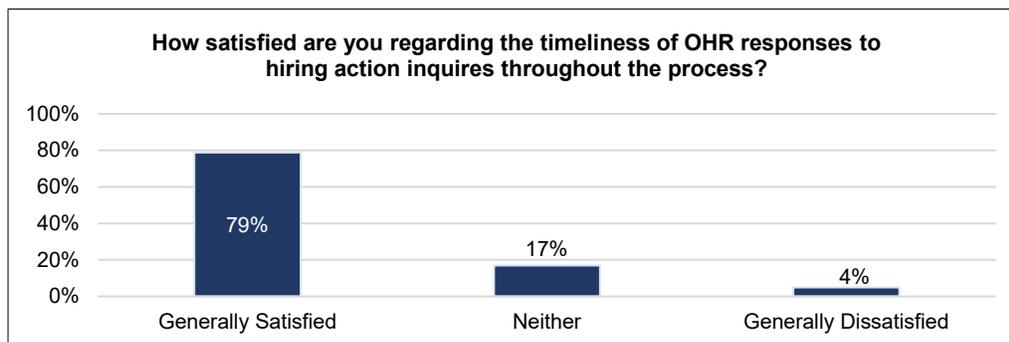
Source: *OIG-generated based on 114 hiring officials' responses to this question.*

FIGURE 7. Survey Question – New Hire Incentives. Most (about 58 percent) of the 113 responses to the question shown below indicated that SEC hiring officials requested incentives to attract the most qualified talent. Some respondents indicated that they requested “leave accrual” incentives for new hires. Other respondents stated that they were not aware that they could request incentives, or were not knowledgeable of possible incentives.



Source: *OIG-generated based on 113 hiring officials' responses to this question.*

FIGURE 8. Survey Question – Communication. Most (about 79 percent) of the 118 responses to the question shown below indicated that SEC hiring officials were generally satisfied with OHR’s responsiveness throughout the hiring process. One respondent indicated that, in the last 5 years, OHR has improved in this area. Other respondents noted that the HR specialist assigned to their division or office is “very responsive.” Conversely, some respondents stated that getting information sometimes required actively and repeatedly following up with OHR staff.



Source: *OIG-generated based on 118 hiring officials' responses to this question, combining responses of “extremely satisfied” and “satisfied” and “extremely dissatisfied” and “dissatisfied” into the general results presented.*

Appendix III. OIG Assessment of Hiring Action Timeliness

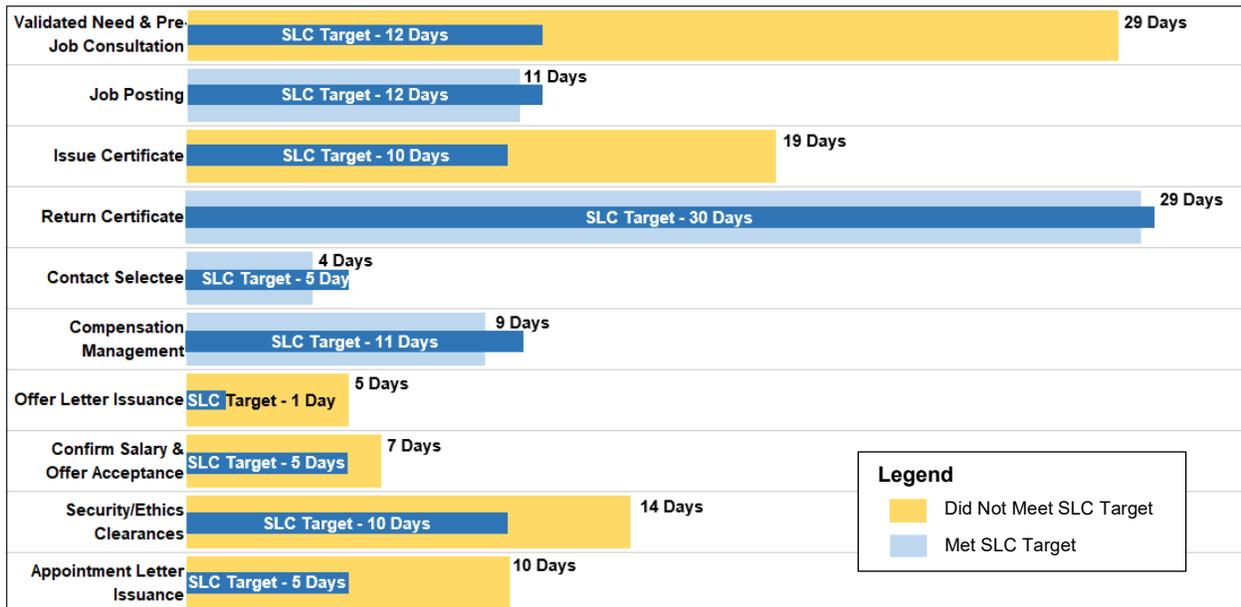
We sought to assess the timeliness of the SEC's hiring process for a subset of the hiring actions included in our audit. However, as Findings 1 and 2 discuss, we identified inaccuracies in the SEC's WTTS data, as well as a lack of consistent and established processes to account for the variety of hiring action types and scenarios included in the data. As a result, we used source information to correct some WTTS data fields (such as those with negative numbers) and SLC step measurements (such as for NCAs or multiple selections made from a single certificate). We also included in our assessment about 50 hiring actions that TAG personnel did not include in the FY 2019 and FY 2020 SLC reviews, but should have. This appendix summarizes the results of our assessment notwithstanding the data reliability issues we identified.

OIG Results. After consulting with TAG officials to exclude from our analysis non-standard hiring actions, we assessed 750 of the 906 hiring actions in our population (or about 83 percent). We based our assessment on OHR-maintained data, corrected some WTTS data fields and SLC step measurements as stated above, and compared hiring actions against timeframes and targets established in the July 2017 SLC, capturing some steps differently using WTTS data to better assess organizational responsibilities. Because the pilot SLC established different timeframes for external and internal hiring actions, we performed separate analyses for each type (of the 750 hiring actions we reviewed, 438 were external and 312 were internal). We determined that the 750 hiring actions, on average, were completed within the SLC target of 101 business days. These hiring actions averaged about 95 business days for external hiring actions, from the validated need (request for eligible candidate) to appointment letter issuance, and about 67 business days for internal hiring actions, from validated need through internal offer letter issuance.

However, as Figures 9 and 10 show, certain steps in the SEC's hiring process (particularly, those associated with pre-job consultation and offer letter issuance), on average, took longer than expected.⁷⁷ We also determined that certificate issuance, selectee salary confirmation, ethics and security clearance processes, and issuance of appointment letters for *external* candidates, on average, took longer than expected.

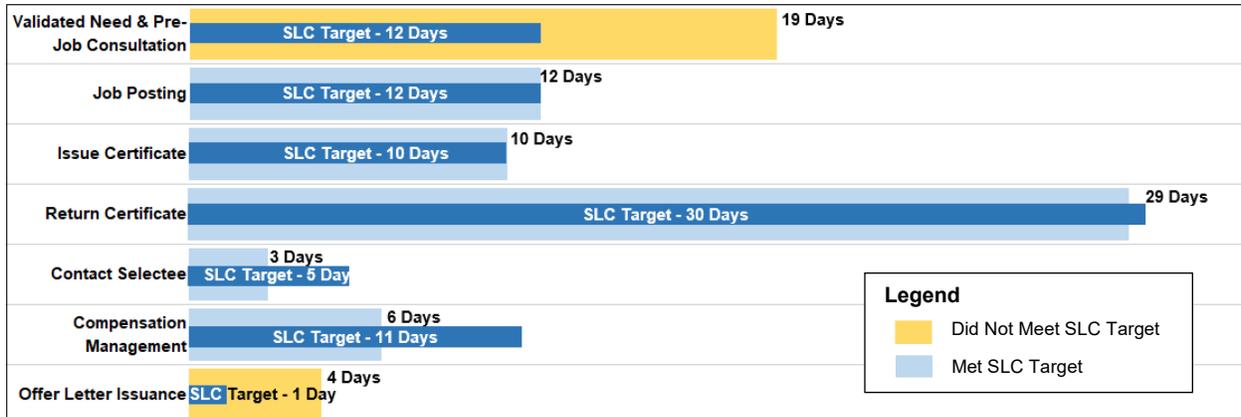
⁷⁷ The sum of the averages in Figures 9 and 10 will not total to the overall SLC timeline due to certain hiring types and scenarios, like NCAs and multiple selections, and because some processes may happen concurrently.

FIGURE 9. Analysis of Average Number of Business Days to Complete External Hiring Actions (by Hiring Process Step)



Source: *OIG-generated based on WTTS data and SLC reviews from our scope period, the July 2017 SLC, staffing case files, and information provided by OHR for the 438 external hiring actions included in our population of 906 SEC hiring actions.*

FIGURE 10. Analysis of Average Number of Business Days to Complete Internal Hiring Actions (by Hiring Process Step)⁷⁸

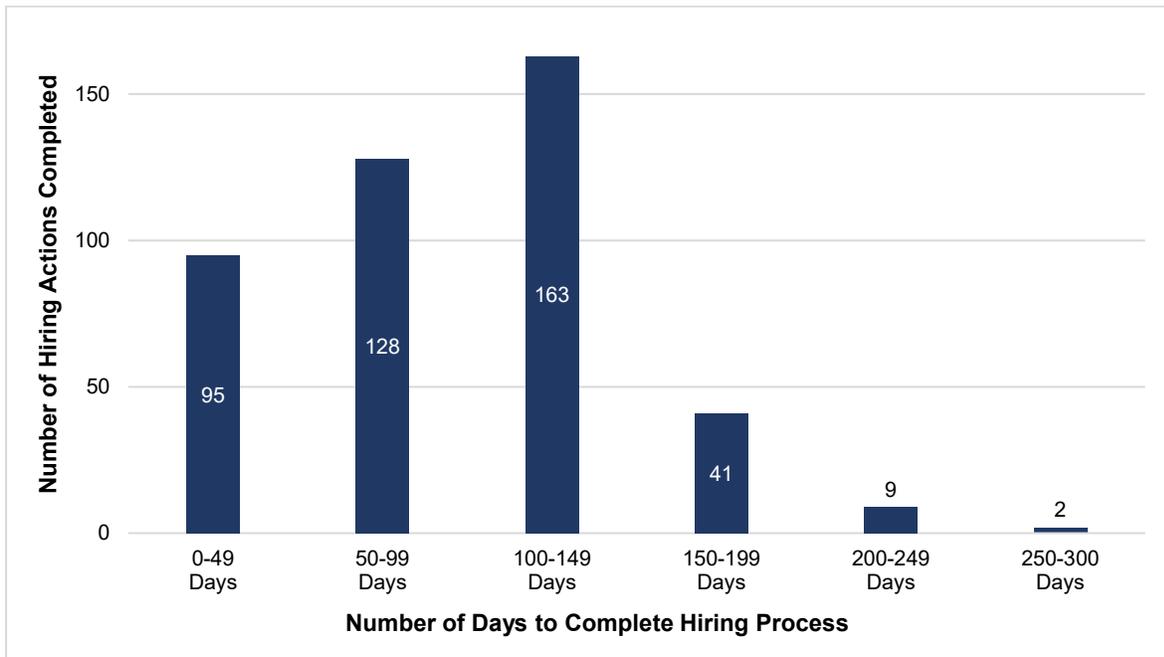


Source: *OIG-generated based on WTTS data and SLC reviews from our scope period, the July 2017 SLC, staffing case files, and information provided by OHR for the 312 internal hiring actions included in our population of 906 SEC hiring actions.*

Figures 11 and 12 also show how many business days (in increments of 50) it took to for each of the 750 hiring actions we reviewed to complete the hiring process, from the validated need (request for eligible candidate) to appointment letter issuance.

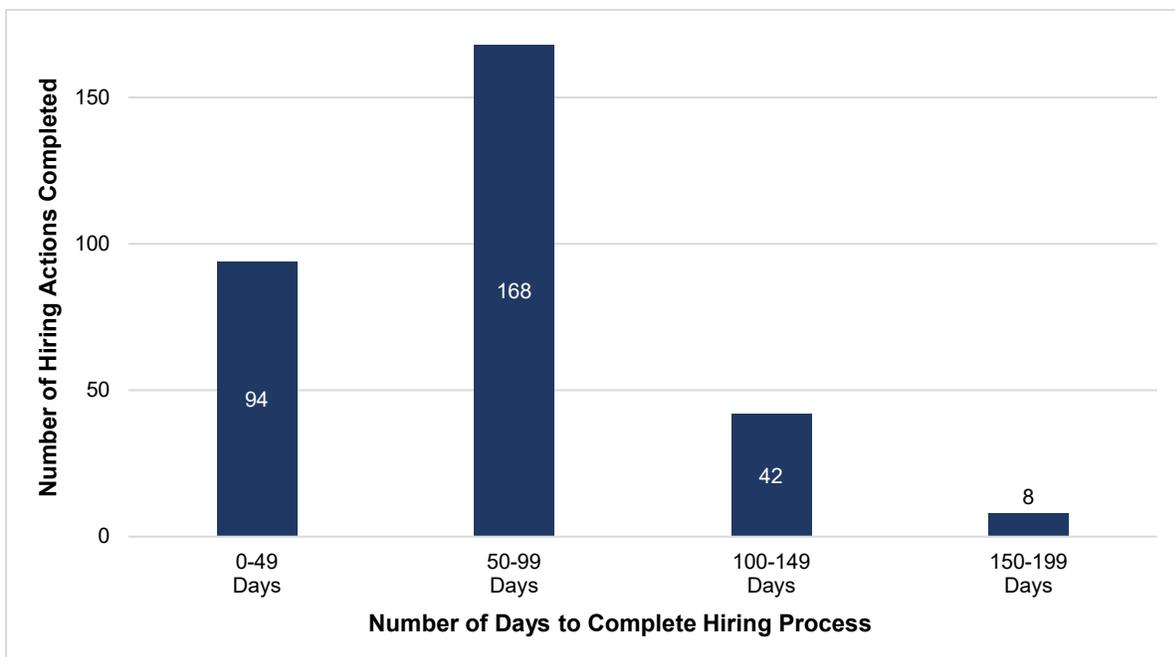
⁷⁸ Internal hiring actions generally would end at the internal offer letter issuance, as presented in Figure 10. Although there were a few exceptions in our data, their results did not significantly impact the timelines after offer letter issuance to include here.

FIGURE 11. Analysis of Total Time to Complete External Hiring Actions (in Business Days)



Source: *OIG-generated based on WTTS data and SLC reviews from our scope period, the July 2017 SLC, staffing case files, and information provided by OHR for the 438 external hiring actions included in our population of 906 SEC hiring actions.*

FIGURE 12. Analysis of Total Time to Complete Internal Hiring Actions (in Business Days)



Source: *OIG-generated based on WTTS data and SLC reviews from our scope period, the July 2017 SLC, staffing case files, and information provided by OHR for the 312 internal hiring actions included in our population of 906 SEC hiring actions.*

Appendix IV. Management Comments

MEMORANDUM

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

FROM: Jamey McNamara
Chief Human Capital Officer

RE: Management Response to Draft OIG Report, “The SEC Can Improve in Several Areas Related to Hiring”

DATE: February 23, 2022

McNamara, James
Digitally signed by McNamara, James
Date: 2022.02.23 11:47:35 -0500

Thank you for the opportunity to review and comment on the Office of Inspector General’s (OIG) memorandum on the audit of the SEC’s hiring practices. I believe the memorandum contains useful recommendations that will help strengthen hiring practices at the SEC.

I appreciate the OIG’s recognition that over the last several years, the Office of Human Resources (OHR) has taken steps to improve the hiring process. We concur with the recommendations identified in your report and are committed to continually improving this critical process for the agency.

The following are management’s response to each of the recommendations provided in the OIG report. OHR will also consider the other matters of interest identified in the Report.

Recommendation 1: Update the WTTS job aid to include detailed instructions regarding the dates and information expected in key WTTS data fields, particularly those used in OHR’s internal reviews, and specifically related to (a) issuance and return of certificates, (b) pay-setting dates, (c) offer and appointment letter dates, and (d) HR specialist notes.

Response: Concur. OHR has already begun much of the work relating to this recommendation. In December 2021, the WTTS job aid was updated to include instructions for entering information in key WTTS data fields such as issuance and return of certificates, pay-setting dates, and offer and appointment letter dates. OHR will implement the use of an additional notes feature in WTTS that will improve the tracking of explanations for data anomalies. OHR will update the WTTS job aid with detailed instructions once this feature has been implemented. OHR will aim to complete this additional review and update of the WTTS job aid by May 31, 2022.

Recommendation 2: Reassess process(es) for performing internal quality reviews of WTTS data and, as necessary, update the format of WTTS reports to ensure they clearly capture the information required for OHR internal reviews and external reporting.

Response: Concur. OHR has already begun much of the work relating to this recommendation. OHR reviewed the WTTS job aid in December 2021 and identified

areas of improvement to the format of WTTS reports. OHR is currently evaluating its information system capabilities so that necessary updates can be implemented. OHR will further reassess process(es) for performing internal quality reviews of WTTS data, and evaluate the capabilities of the reporting system to format the WTTS report fields to ensure dates and key information are included in the appropriate fields required for internal reviews and external reporting. In conjunction with updating the WTTS job aid in Recommendation 1, OHR intends to reassess process(es) and update the format of WTTS reports by May 31, 2022.

Recommendation 3: Update the SLC available to SEC employees based on information gathered from the pilot to ensure that the SLC clearly presents the hiring process in phases and steps that are (a) measurable in WTTS, and (b) useful to measure and enhance the efficiency and effectiveness of the SEC's hiring process.

Response: Concur. OHR will update the SLC available to SEC divisions/offices based on information gathered from the pilot. The SLC pilot is expected to last through September 30, 2022. OHR will ensure the updated SLC presents a view of the phases of the hiring process and includes steps that are measurable in WTTS, and useful to measure and enhance the efficiency and effectiveness of the SEC's hiring process. OHR has already identified key data fields in WTTS that are necessary to measure and enhance the efficiency and effectiveness of the hiring process and will identify additional fields as necessary, based on information gathered from the pilot. Once OHR has completed its evaluation of the pilot, OHR will update the SLC and provide SEC divisions/offices with an updated document. The estimated completion date is the end of first quarter of fiscal year (FY) 2023.

Recommendation 4: Reassess the SLC review process and accompanying guidance to (a) align with the updated SLC phases and steps, once codified; (b) ensure consistency in measuring hiring actions that may enter the process at different points or include steps that do not apply, (c) determine whether pay-setting data fields in WTTS can be used to gain efficiencies when measuring the compensation SLC phase, and (d) make better use of automated features in the WTTS reporting tools to reduce manual updates, which are prone to errors.

Response: Concur. OHR will reassess the SLC review process and accompanying guidance to align with the updated SLC phases and steps, once codified. OHR will ensure consistency in measuring hiring actions that may enter the process at different points or include steps that do not apply. OHR will determine whether pay-setting data fields in WTTS can be used to gain efficiencies when measuring the compensation SLC phase. OHR will make better use of automated features in the WTTS reporting tools to reduce manual updates, which are prone to errors. OHR is currently evaluating the WTTS reporting tool to ensure key data fields can provide consistent data (i.e. dates represented as business days vs calendar days). OHR is also working to identify data fields in WTTS that may be auto-populated in the WTTS reporting tool to reduce manual data entry. In addition, OHR is exploring whether additional data fields in USA Staffing are compatible for a data feed into WTTS. Finally, OHR will reassess the entire SLC review process and accompanying guidance to align with the items outlined above, once the updated SLC is codified. The estimated completion date is the end of first quarter of FY 2023.

Recommendation 5: Update the pay-setting guidance for SK positions to clarify the pay-setting process, including the mapping of the four pay matrices to job requirements, and establish plans to provide recurring workshops for hiring officials to explain and clarify pay-setting processes.

Response: Concur. In September 2021, after a contractor completed a comprehensive assessment of the compensation program, OHR accepted a set of recommendations to refine pay-setting processes. OHR is now working with the contractor to design and update the pay matrices, as appropriate, and update guidance and/or develop new guidance. Once refinements are introduced and implemented, OHR will communicate and educate stakeholders/users on pay-setting processes. A cycle or cadence and delivery methodology to educate hiring managers/stakeholders will be defined based on user preferences and demand. The estimated completion date is fourth quarter of FY 2022.

Recommendation 6: Revise the policy regarding pay-setting for SK positions to require that TRG ensures it always shares the most current pay matrices with SEC employees and hiring officials, and immediately share the current pay matrices with hiring officials.

Response: Concur. OHR will revise its policy to indicate that current pay matrices will be made available to SEC staff. The estimated completion date is fourth quarter of FY 2022.

Recommendation 7: Update the salary information presented to possible candidates on *sec.gov* to align with the SEC's pay language included in job announcements posted to *USAJobs*.

Response: Concur. OHR will update salary information so that language in job announcements and *sec.gov* align accordingly. The estimated completion is second quarter of FY 2022.

Recommendation 8: Establish a written process for (a) calculating and validating changes to the SEC's pay matrices before and after entering salary information in the HR4Me PSR module, and (b) ensuring that historical salary data is recorded and retained.

Response: A – Concur. OHR has processes to calculate and validate changes to the SEC's pay matrices in the HR4Me PSR module. We currently are in the process of documenting the procedures in writing.

B – Concur. While the HR4Me system is not designed to store historical data, OHR will develop a written procedure and process to retain and store historical salary data. The data will be stored outside HR4Me. The estimated completion is third quarter of FY 2022.

Recommendation 9: Evaluate, in conjunction with the compensation contractor's July 2021 recommendations, whether changes to the current pay matrix structure are needed to ensure salary amounts are commensurate with the years of experience—both relevant and specialized—that each candidate brings to the position.

Response: Concur. Work described in the response to Recommendation 5 includes validation of the refined pay matrices. The methodology used by the contractor will be clearly documented and retained. The estimated completion is fourth quarter of FY 2022.

Recommendation 10: Establish written standard operating procedures that outline documentation requirements for attorney hiring and establish, to the extent necessary, nuances between internal and external attorney hiring actions and verification procedures.

Response: Concur. OHR will establish written standard operating procedures that outline documentation requirements for attorney hiring and establish, to the extent necessary, nuances between internal and external attorney hiring actions and verification procedures. This would include the process for verifying transcripts and relevant documents in an employee's eOPF for internal selections. OHR intends to complete its draft of the standard operating procedures and submit a copy to the necessary stakeholders for concurrence/approval by June 30, 2022.

Recommendation 11: Evaluate and, as needed, update the process for reviewing for internal attorney position movements to ensure that selected candidates are current, active members of the bar in good standing before EOD.

Response: Concur. OHR will evaluate, and as needed, update, the process for reviewing internal attorney position movements. OHR will aim to evaluate, and make any necessary updates to the process for reviewing internal attorney position movements by May 31, 2022.

Thank you for the consideration that you and your staff have shown OHR during this engagement. We are confident that the efforts underway will drive ongoing improvement in the hiring process. If you have any questions or would like to further discuss this response, please contact Mark Reinhold, Deputy Chief Human Capital Officer.

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Comments and Suggestions

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

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