

U.S. SECURITIES AND
EXCHANGE COMMISSION

Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

10.01.23 TO 03.31.24



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2023 THROUGH MARCH 31, 2024



OIG MISSION

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

- conducting independent and objective audits, evaluations, and other reviews of SEC programs and operations;
- conducting independent and objective investigations of potential criminal, civil, and administrative violations that undermine the ability of the SEC to accomplish its statutory mission;
- preventing and detecting fraud, waste, and abuse in SEC programs and operations;
- identifying vulnerabilities in SEC systems and operations and making recommendations to improve them;
- communicating timely and useful information that facilitates management decision making and the achievement of measurable gains; and
- keeping Congress, the Chair, and the Commissioners fully and currently informed of significant issues and developments.

“Our ongoing work
involves matters of
significant public
interest and impact.”

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ABBREVIATIONS

Agency or SEC	U.S. Securities and Exchange Commission
CAT	consolidated audit trail
CIGFO	Council of Inspectors General on Financial Oversight
CIGIE	Council of Inspectors General on Integrity and Efficiency
DFIU	Digital Forensics and Investigative Unit
Dodd-Frank	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
DOC	Department of Commerce
DOJ	Department of Justice
EXAMS	Division of Examinations
FDIC	Federal Deposit Insurance Corporation
FISMA	Federal Information Security Modernization Act of 2014
FY	fiscal year
IG	Inspector General
NPI	nonpublic information
NRC	Nuclear Regulatory Commission
OA	Office of Audits
OI	Office of Investigations
OIG	Office of Inspector General
PII	Personally Identifiable Information
T&M	time-and-materials



OFFICE OF
INSPECTOR GENERAL

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

DEBORAH J. JEFFREY
INSPECTOR GENERAL

MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present this Semiannual Report to Congress, highlighting the accomplishments of the U.S. Securities and Exchange Commission Office of Inspector General (SEC OIG) from October 1, 2023, to March 31, 2024. The OIG focuses on the most significant challenges facing the SEC and strives to prevent and detect fraud, waste, and abuse that could impede the Agency's mission. During this reporting period, our [Office of Audits](#) (OA) issued three audit and evaluation reports and worked with SEC management to close nine recommendations made in prior reports. Our [Office of Investigations](#) (OI) completed or closed 11 investigations, with three referrals to the Department of Justice (DOJ) and three referrals to management for administrative action. This oversight work reflects our commitment to strengthen the SEC's programs and operations for the benefit of the nation's capital markets and investors.

Our ongoing work involves matters of significant public interest and impact. For example, our auditors are currently reviewing aspects of the SEC's rulemaking process, which has been the subject of multiple congressional hearings, as well as the SEC's controls for safeguarding the individual securities transaction information contained in the Consolidated Audit Trail. Recently, they have begun a deep-dive into the Agency's examinations of broker-dealers. Interdisciplinary teams are reviewing issues related to mobile devices and information security practices. Our investigators are actively engaged in pursuing criminal, civil, and administrative misconduct. And, in the next reporting period, we will be hiring a Deputy Inspector General for Investigations, to guide us in a new direction.

The SEC plays a pivotal role in the prosperity of our capital markets and the investing public. The current budget environment of flat Agency appropriations, rising costs, new technologies and investment vehicles, and increasing operational tempo poses challenges for the SEC in meeting its critical mission. In such an environment, active oversight is critical to ensure the effective use of resources and mitigation of risks. OIG's dedicated staff will continue to perform the needed oversight, to help the SEC succeed in its work.

SEC OIG greatly appreciates the support that we have received from Congress and the Agency and pledge to work closely with both as we accomplish our common goals on behalf of our stakeholders.

Respectfully submitted,

A handwritten signature in blue ink that reads "Deborah J. Jeffrey".





MANAGEMENT AND ADMINISTRATION

AGENCY OVERVIEW

The SEC's mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The SEC strives to promote capital markets that inspire public confidence and provide a diverse array of financial opportunities to retail and institutional investors, entrepreneurs, public companies, and other market participants. Its core values consist of integrity, excellence, accountability, teamwork, fairness, and effectiveness. On November 29, 2022, the SEC issued its [Strategic Plan: Fiscal Years \(FY\) 2022-2026](#), identifying its goals to (1) Protect the investing public against fraud, manipulation, and misconduct; (2) Develop and implement a robust regulatory framework that keeps pace with evolving markets, business models, and technologies; and (3) Support a skilled workforce that is diverse, equitable, inclusive, and fully equipped to advance Agency objectives.

The SEC is responsible for overseeing the nation's securities markets and certain primary participants, including broker-dealers, investment companies, investment advisers, clearing agencies, transfer agents, credit rating agencies, and securities exchanges, as well as organizations such as the Financial Industry Regulatory Authority, Municipal Securities Rulemaking Board, and the Public Company Accounting Oversight Board. Under the Dodd-Frank Wall Street Reform and Consumer

Protection Act of 2010 (Dodd-Frank), the Agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisors.

The SEC accomplishes its mission through six main divisions—Corporation Finance, Enforcement, Examinations, Investment Management, Trading and Markets, and Economic and Risk Analysis—and 25 functional offices. The Agency's headquarters are in Washington, DC, and it has 11 regional offices located throughout the country. As of March 2024, the SEC employed 4,606 full-time equivalent employees.

OIG STRATEGIC GOALS AND ADMINISTRATION

Three strategic goals support the OIG's oversight mission: (1) Delivering results that promote integrity, efficiency, and effectiveness in the SEC's programs and operations; (2) Advancing an inclusive and dynamic OIG culture that inspires high performance; and (3) Improving the effectiveness and efficiency of our processes through continuous innovation, collaboration, and communication.

In anticipation of a new strategic plan, we are undertaking new outreach to the SEC's Divisions and Regional Offices. Further, based on 13 years of

experience, we are considering ways to increase the effectiveness of the Employee Suggestion Program created by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Finally, we have begun the process for recruiting a Deputy Inspector General for Investigations, a key position currently filled in an Acting capacity by Counsel to the Inspector General Katherine Reilly.

OIG OUTREACH

Members of our senior management regularly met with the Commissioners and senior officers from various SEC divisions and offices to foster open communication at all levels between the Agency and us. Through these efforts, we kept up to date on significant, current matters that were relevant to our work, and we obtained Agency management's input on what it believes are the areas presenting the greatest risks or challenges, allowing us to plan for future work. We brief senior Agency leaders on relevant findings and the Agency's progress in implementing our recommendations. The constructive working relationship between Agency leaders and the OIG promotes, continuous improvement in the SEC's programs and operations.

We prioritize educating SEC employees on our mission, as well as employees' responsibility to refer allegations of fraud, waste, abuse, and misconduct to us. To ensure we reach all SEC employees, we participate in the SEC's new employee orientation sessions to give an overview of our office, its

mission, and the role each SEC employee plays in maintaining the Agency's integrity and efficiency. In support of our oversight, the SEC regularly reminds all staff of their legal obligation to cooperate with all OIG inquiries, including providing access to SEC employees, facilities, systems, and equipment, as well as our right to access all Agency information, even that which may be classified, privileged, confidential, or otherwise exempt from disclosure under the law. These statements from the SEC Chair and the Chief Operating Officer also make clear that SEC employees have the right to communicate directly with us without seeking permission from anyone within the Agency, that the OIG protects whistleblower confidentiality and pursues allegations of retaliation for protected conduct. The SEC issues these statements annually, with the next one to be published this summer.

Additionally, we continued to promote to SEC staff the Employee Suggestion Program as established under Dodd-Frank, to encourage suggestions for improvements in the SEC's work efficiency, effectiveness, and productivity, and the use of its resources and to receive from SEC employees allegations of waste, abuse, misconduct, or mismanagement. Moreover, OI delivers a fraud awareness briefing program throughout the SEC on an as-needed basis. These briefings serve to educate SEC employees on our mission and programs, as well as to help the SEC identify specific vulnerabilities in the programs they oversee.



COORDINATION WITH OTHER AGENCIES

During this semiannual reporting period, we coordinated our activities with those of other agencies, pursuant to Section 4(a) (4) of the Inspector General (IG) Act of 1978, as amended.

Specifically, we participated in the meetings and activities of the Council of Inspectors General on Financial Oversight (CIGFO), which was established by Dodd-Frank. The chairman of CIGFO is the IG of the U.S. Department of the Treasury. Other members of the Council, in addition to the IGs of the SEC and the U.S. Department of the Treasury, are the IGs of the Board of Governors of the Federal Reserve System, the Commodity Futures Trading Commission, the Department of Housing and Urban Development, the Federal Deposit Insurance Corporation (FDIC), the Federal Housing Finance Agency, the National Credit Union Administration, and also the Special IG for the Troubled Asset Relief Program. As required by Dodd-Frank, CIGFO meets at least once every 3 months. At CIGFO meetings,

members share information about their ongoing work, with a focus on concerns that may apply to the broader financial sector and ways to improve financial oversight.

We also actively participated in a number of activities within the Council of Inspectors General on Integrity and Efficiency (CIGIE) such as: monthly meetings of the IGs; the Deputy IG Working Group; the Assistant IGs for Investigations Working Group; the Audit Committee; the Federal Audit Executive Council; and the Freedom of Information Act Working Group. Our attorney staff participated in the Council of Counsels to IGs. OA staff also participated on a number of CIGIE working groups, including those related to external peer reviews, information technology, and monetary impacts. Office of Operations and Management staff participated in committee meetings related to diversity, equity, and inclusion efforts within the OIG community, and OA staff assisted staff from the Federal Reserve Board OIG and the FDIC OIG with benchmarking requests.

Finally, OI coordinated with law enforcement partners across the government to meet its mission of preventing and detecting fraud, waste, abuse, and criminal conduct within SEC's programs and operations. During this reporting period, OI staff collaborated with other law enforcement organizations in carrying out the implementation of Executive Order 14074, *Advancing Effective,*

Accountable Policing and Criminal Justice Practices To Enhance Public Trust and Public Safety, which President Biden issued on May 25, 2022. OI also provided assistance to and coordinated with the Pandemic Response Accountability Committee to assist in investigating allegations of fraud related to pandemic funding.



AUDITS, EVALUATIONS, AND OTHER REVIEWS

OVERVIEW

The Office of Audits (OA) conducts, coordinates, and supervises independent audits and evaluations of the SEC's programs and operations to assess agency performance; to help detect and deter waste, fraud, abuse, and mismanagement; and to promote economy, efficiency, and effectiveness at the SEC's headquarters and 11 regional offices. Audits are performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Evaluations follow CIGIE's Quality Standards for Inspections and Evaluations.

Audits and evaluations provide essential accountability and transparency for government programs. Our independent audit and evaluation reports identify deficiencies and recommend corrective actions to improve programs and operations. Typically, OA assesses whether:

- resources are safeguarded and appropriately managed;
- governing laws, regulations, and policies are complied with;
- funds are expended properly;
- government programs are achieving their objectives and desired outcomes;

- government services are provided effectively, efficiently, economically, ethically, and equitably; and
- information provided by the Commission to the public and others is reliable.

OA also monitors the Agency's progress in taking corrective actions in response to our recommendations and works with other OIG components to independently assess Agency operations.

COMPLETED AUDITS, EVALUATIONS, AND OTHER REVIEWS¹

Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014, Report No. 580

[Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations, Report No. 581](#)

[Final Management Letter: Evaluation of the U.S. Securities and Exchange Commission's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019](#)

¹ Per the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263 § 5273, we are providing links to the reports posted on the SEC OIG website, in lieu of summaries.

ONGOING AUDITS AND EVALUATIONS

Audit of Aspects of the SEC's Rulemaking Process and Related Internal Controls

We have initiated an audit to assess aspects of the SEC's rulemaking process and related internal controls. The overall objective of the audit is to review the SEC's processes for (1) giving interested persons an opportunity to participate in rulemaking; and (2) assessing and documenting the impact(s) of proposed rules on competition, efficiency, and capital formation. We will also review Agency actions to ensure staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules.

We expect to issue a report in FY 2025.

Audit of the SEC's Controls Over Time-and-Materials and Labor-Hour Contracts

We have in process an audit of the controls over time-and-materials (T&M) and labor-hour contracts. The objective of this audit is to assess the SEC's controls over T&M contracts (including labor-hour contracts) and determine whether those controls ensure compliance with applicable laws, regulations, and SEC policies and procedures. Specifically, we are assessing (1) the factors the Office of Acquisitions considered when awarding T&M contracts; (2) the measures taken to reduce the SEC's use of T&M contracts when possible and appropriate; and (3) the surveillance of T&M contracts, including through use of a Quality Assurance Surveillance Plan and coordination between contracting officers, contracting officer representatives, and program offices.

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

Audit of the SEC's Controls for Safeguarding Consolidated Audit Trail Data

We are currently performing an audit of the SEC's controls for safeguarding consolidated audit trail (CAT) data available to SEC users. The objective of this audit is to determine whether the SEC's information security controls for safeguarding CAT data available to SEC users and responding to CAT security events within the SEC's environment comply with select requirements established in National Institute of Standards and Technology SP 800-53, Security and Privacy Controls for Information Systems and Organizations. As part of the audit, we will review SEC processes and significant internal controls (including policies and procedures) related to securing CAT data, requesting access to CAT data, extracting and sharing CAT data, and logging and monitoring SEC user access.

We expect a report will be issued during the next reporting period.

Evaluation of the Division of Examinations' Oversight of Broker-Dealer Examinations

We have initiated an evaluation to determine whether the SEC's Division of Examinations (EXAMS) is effectively overseeing its broker-dealer examinations. Specifically, we will determine whether EXAMS (1) effectively uses risk-based strategies in the selection and scoping of broker-dealer examinations; (2) performs and documents broker-dealer examinations in accordance with applicable policies and procedures; and (3) monitors and assesses results of examinations to enhance oversight of broker-dealer compliance and accurately measure EXAMS' performance.

We expect a report will be issued during the next reporting period.

Audit of the SEC's Efforts to Recruit and Retain a Highly Skilled Workforce and Address Related Challenges

We have initiated an audit to assess the SEC's strategies for recruiting and retaining employees and efforts to address challenges in filling vacancies. Specifically, we will (1) determine the extent to which the SEC has implemented leading human capital management practices and governmentwide guidance related to recruitment and retention; and (2) evaluate the mechanisms used by the SEC to assess the effectiveness of its recruitment and retention strategies.

We expect a report will be issued in FY 2025.

Fiscal Year 2024 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014

The Federal Information Security Modernization Act of 2014, as amended (FISMA) requires IGs to annually assess the effectiveness of Agency information security programs and practices and to report the results to the Office of Management and Budget and the Department of Homeland Security. This assessment includes testing and assessing the effectiveness of Agency information security policies, procedures, practices, and a subset of Agency information systems. To comply with FISMA, we have initiated an evaluation of the SEC's information security programs and practices. We contracted with Sikich CPA LLC (formerly, Cotton & Company Assurance and Advisory, LLC) to conduct this independent evaluation.

The resulting report will be issued in FY 2025.





INVESTIGATIONS

OVERVIEW

The Office of Investigations (OI) investigates allegations of criminal, civil, and administrative misconduct relating to SEC programs and operations. The subject of an investigation may be an SEC employee, contractor, consultant, or any person or entity involved in alleged wrongdoing affecting the Agency. Substantiated allegations may result in criminal prosecutions, fines, civil penalties, administrative sanctions, and/or personnel actions.

OI conducts investigations in accordance with the *CIGIE Quality Standards for Investigations* and applicable guidelines issued by the United States Attorney General. OI is committed to ensuring that its investigations are independent, fair, thorough, and timely.

In conducting investigations, OI works closely with SEC divisions and offices and law enforcement agencies. We partner with the DOJ, United States Attorney's Offices, and state and local prosecutors throughout the nation. When our investigators discover vulnerabilities or internal control deficiencies in the course of their work, we promptly report these issues to SEC management for corrective actions via Management Implication Reports.

Managing the OIG Hotline, which is available 24 hours a day, 7 days a week, to receive and process tips and complaints about fraud, waste, or abuse related to SEC programs and operations, is a critical OI responsibility. The Hotline allows individuals to report their allegations to us directly and confidentially, secure in the knowledge that we will protect their identity consistent with the IG Act. During this reporting period, we added the capability for our Hotline to receive complaints in Spanish.

OI's Digital Forensics and Investigations Unit (DFIU) performs digital forensic acquisitions, extractions, and examinations, increasingly important in support of investigatory work. The DFIU also conducts network intrusion and exploitation investigations, as well as other investigations involving threats to the SEC's information technology infrastructure.

REPORT ON INSTANCES OF WHISTLEBLOWER RETALIATION

Whistleblowers are an essential source of information, and the OIG is committed to their protection. For this semiannual reporting period, we have no instances of whistleblower retaliation to report.

SELECT CLOSED INVESTIGATIONS, INCLUDING SUBSTANTIATED ALLEGATIONS AGAINST SENIOR GOVERNMENT EMPLOYEES

SEC Employee Disclosed Personally Identifiable Information

We initiated an investigation after receiving an allegation that an employee inadvertently disclosed Personally Identifiable Information (PII) when they sent a mass email to numerous investors of a company that was under investigation. The employee self-reported to the SEC Security Operations Center that they intended to blind carbon copy each investor, but inadvertently carbon copied them instead, exposing all of the identities on the “cc” line. Our investigation confirmed the facts and the exposure of PII. The SEC determined that this incident was a breach of the Privacy Act and notified the affected recipients.

We referred the matter to SEC management for administrative action, and the employee received an oral counseling.

SEC Employee Sent SEC Nonpublic Information to a Non-SEC Email Address

We investigated an allegation that a former SEC employee transmitted SEC nonpublic information (NPI), without authorization, to their personal email account and to their counsel. The SEC terminated the employee’s employment with the SEC in February 2022, and the alleged unauthorized NPI transfer was discovered during the course of the employee’s litigation with the Agency regarding their termination. The employee admitted sending emails containing NPI to their personal email address. The information transferred included highly confidential files, declarations, and recommendations. We determined that the employee sent 18 unencrypted emails to their personal email account that contained or attached NPI and/or PII, in violation of SEC policies. We determined further that the employee’s counsel had signed non-disclosure agreements in connection with litigation with the SEC, which contained provisions requiring that counsel protect SEC NPI.

During our investigation, the Agency and employee settled the litigation, and the employee agreed to be placed in Leave Without Pay status retroactively from February 2022 through December 2023 and to resign voluntarily.



REVIEW OF LEGISLATION AND REGULATIONS

Section 4(a) of the IG Act directs the OIG to review existing and proposed legislation and regulations relating to the programs and operations of the SEC, and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of SEC programs and operations, as well as any impact on the prevention and detection of fraud and abuse in such programs and operations. Although the SEC's Office of Legislative Affairs

and Office of General Counsel review proposed or enacted legislation that could affect the SEC's activities, the OIG independently conducts reviews in accordance with the IG Act. During this reporting period, we reviewed relevant legislation and proposed and final regulations and made no recommendations to the Agency concerning their impact on the economy and efficiency of the SEC's programs and operations.





PEER REVIEW

IGs undergo periodic peer reviews to ensure that their operations meet the professional standards of the IG community. The results of a peer review must be included in the Semiannual Report of the reviewed office, which must also identify any recommendations that have not been fully implemented. The OIG that conducts a peer review must likewise identify the outstanding and unimplemented recommendations pertaining to the office that it reviewed. The specific statutory requirements appear in Section 5 of the IG Act.

MOST RECENT PEER REVIEWS OF THE SEC OIG

The results of the most recent peer reviews of the Offices of Audit and Investigation confirm the rigor of the SEC OIG's oversight, which ensures that the SEC is accountable to the public.

PEER REVIEW OF AUDIT OPERATIONS

The FDIC OIG conducted the most recent assessment of our OA's system of quality control for the three-year period ending March 31, 2021. The review focused on whether we established and complied with a system of quality control that was suitably designed to provide us with a reasonable assurance of conforming to applicable professional standards.

On September 24, 2021, the FDIC OIG issued its report, concluding that OA's operations and system of quality control met applicable government auditing standards in all material respects. On the basis of its review, the FDIC OIG gave us a peer review rating of "pass." (Federal audit organizations can receive a rating of "pass," "pass with deficiencies," or "fail.") The FDIC OIG identified two findings and made four recommendations that were not considered to be of sufficient significance to affect the peer review rating. As of November 2021, we had completed corrective actions to address the four recommendations. Furthermore, there are no outstanding recommendations from previous peer reviews of our audit organization.

The peer review report is available on our website at <https://www.sec.gov/files/Peer-Review-System-Review-Report-On-SEC-OIG-Audit-Organization.pdf>. The next peer review of our audit function is scheduled to be completed in the next reporting period.

PEER REVIEW OF EVALUATION OPERATIONS

The Department of Commerce (DOC) OIG conducted the most recent assessment of our inspection and evaluation work for the three-year period ending September 30, 2023. The review

focused on assessing the extent to which we met the standards of the CIGIE Blue Book, dated December 2020. The assessment included a review of our internal policies and procedures to ensure compliance with CIGIE Blue Book standards. It also included a review of selected evaluation reports issued from October 1, 2020, through September 30, 2023, to determine whether the reports complied with Blue Book standards and our internal policies and procedures.

On March 7, 2024, the DOC OIG issued its report, concluding that our policies and procedures generally were consistent with the Blue Book standards addressed in the external peer review. In addition, the DOC OIG found that the two reports reviewed generally complied with Blue Book standards. The DOC OIG did not make any recommendations.

The external peer review report is available on our website at [Peer Review: External Peer Review Report for the SEC OIG Inspection and Evaluation Function](#). The next peer review of our inspection and evaluation function is scheduled to be completed in fiscal year 2027.

PEER REVIEW OF INVESTIGATIVE OPERATIONS

The U.S. Nuclear Regulatory Commission (NRC) OIG conducted a peer review of our investigative operations in 2023. The NRC OIG conducted its review in conformity with the *Quality Standards for Investigations* and the *Quality Assessment Review Guidelines for Investigative Operations of Federal Offices of Inspector General* established by CIGIE and the *Attorney General Guidelines for Offices of Inspectors General With Statutory Law Enforcement Authority*.

On May 17, 2023, the NRC OIG concluded that the OIG's investigative operations met the quality standards established by CIGIE and other applicable guidelines and statutes. Furthermore, the NRC OIG concluded that our system of internal policies and procedures provides reasonable assurance that we conform to professional standards in the planning, execution, and reporting of our investigations.



MANAGEMENT DECISIONS

STATUS OF RECOMMENDATIONS WITH NO MANAGEMENT DECISIONS

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

REVISED MANAGEMENT DECISIONS

No management decisions were revised during the period.

AGREEMENT WITH SIGNIFICANT MANAGEMENT DECISIONS

We agree with all significant management decisions regarding audit and evaluation recommendations.

REPORTS FOR WHICH NO AGENCY COMMENT WAS RETURNED WITHIN 60 DAYS

There were no audit or evaluation reports issued before the beginning of this reporting period for which no Agency comment was returned within 60 days of providing the report to the Agency.

INSTANCES WHERE THE AGENCY UNREASONABLY REFUSED OR FAILED TO PROVIDE INFORMATION TO US OR ATTEMPTED TO INTERFERE WITH OUR INDEPENDENCE

During this reporting period, there were no instances in which the Agency unreasonably refused or failed to provide information to us or attempted to interfere with our independence.

Table 1: List of Reports: Audits and Evaluations

Information Security	
12/20/2023	Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014
Report No. 580	
Human Capital Management	
1/29/2024	Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations
Report No. 581	
Financial Management	
3/19/2024	Final Management Letter: Evaluation of the SEC's FY 2023 Compliance With the Payment Integrity Information Act of 2019
N/A	

Table 2: Reports With Recommendations on Which Corrective Action Has Not Been Completed

During this most recent semiannual reporting period, SEC management provided the OIG with documentation to support the implementation of OIG recommendations. In response, the OIG closed nine recommendations related to four Office of Audits reports. The following table lists recommendations issued before the commencement of this semiannual reporting period that remain open. (“Redacted text” indicates recommendations that include one or more redactions of nonpublic information.)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
546 - Audit of the SEC's Compliance With the Federal Information Security Modernization Act for Fiscal Year 2017	12	3/30/2018	Redacted Text
562 - Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	6	9/30/2020	Redacted Text
574 - Fiscal Year 2022 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014	6	11/15/2022	Redacted Text

Table 3: Summary of Investigative Activity for the Reporting Period of October 1, 2023, to March 31, 2024

The data contained in this table was compiled from our investigations case management system.

Investigative Caseload	Number
Cases Open at Beginning of Period	22
Cases Completed but Not Closed* at Beginning of Period	2
Cases Opened During Period	13
Cases Closed During Period**	9
Cases Completed but Not Closed at End of Period	3
Open Cases at End of Period	25
Investigative Reports Issued During the Reporting Period	5

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

** Of the 9 cases closed during this reporting period, 4 involved allegations that were unsubstantiated. Of the 9 cases closed in this reporting period, 4 involved senior government employees (SGEs).² Of the 4 cases involving SGEs, 2 involved allegations that were unsubstantiated.³

Criminal and Civil Investigative Activities	Number
Referrals for Criminal Prosecution to DOJ	3
Accepted	1
Indictments/Informations	4
Arrests	2
Convictions	0
Referrals for Criminal Prosecution to State and Local Prosecuting Authorities	0
Referrals for Civil Action to DOJ	0
Referrals for Civil Action to State and Local Prosecuting Authorities	0

Monetary Results	Number
Criminal Fines/Restitutions/Recoveries/Assessments/Forfeitures	\$791,500
Criminal Seizures	\$0
Civil Fines/Restitutions/Recoveries/Penalties/Damages/Forfeitures	\$0

2 According to IG Act Section 405 (a)(6)(A), an SGE is “an officer or employee in the executive branch... who occupies a position classified at or above GS-15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS-15 of the General Schedule...” As an independent agency, the SEC has independent pay setting authority, and its pay scale is generally higher than the General Schedule, which can result in more SEC employees being categorized as SGEs in accordance with the IG Act.

3 One case involved an allegation that a SGE invited another employee to participate in a fraudulent investment scheme, and the other case involved an allegation that a SGE made threatening statements to a contractor.

Table 3: Summary of Investigative Activity for the Reporting Period of October 1, 2023, to March 31, 2024 (Continued)

Administrative Investigative Activities	Number
Removals, Retirements, and Resignations	2
Suspensions	0
Reprimands/Warnings/Other Actions	1

Complaints Received	Number
Hotline Complaints	331
Total Complaints During Period	581
Complaints referred to other parties during this reporting period	38

Executive Order on Advancing Effective, Accountable Policing & Criminal Justice Practices to Enhance Public Safety	Number
Use of force incidents involving SEC OIG personnel	0
No-knock entries conducted by SEC OIG personnel	0

Table 4: References to Reporting Requirements of the IG Act⁴

Inspector General Act Reporting Requirement	Page(s)
Review of legislation and regulations	13
Significant problems, abuses, and deficiencies and associated reports	7, 12
Identification of each recommendation made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation	18
Summary of significant investigations closed during the reporting period	12
Total number of convictions resulting from investigations	19
Listing of each audit, evaluation or inspection issued during the reporting period	7, 18
Total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period	N/A
Information regarding any management decision made during the reporting period with respect to any audit, inspection, or evaluation issued during a previous reporting period	17
Results of peer review conducted of SEC OIG	15-16
Date of the last peer review conducted by another OIG	15-16
List of outstanding recommendations made from any previous peer review of SEC OIG that remain outstanding or have not been fully implemented	N/A
A list of any peer reviews conducted by the IG of another OIG during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented	N/A
Statistical table showing the total number of investigative reports issued during the reporting period	19
Statistical table showing the total number of persons referred to the DOJ for criminal prosecution during the reporting period	19
Statistical table showing the total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	19
Statistical table showing the total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities	19

4 5 U.S.C. §§ 404–405, formerly cited as 5 U.S.C. App. 3 §§ 4-5. Please note, the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263 § 5273 amended the semiannual reports requirements and those requirements have not yet been codified.

Table 4: References to Reporting Requirements of the IG Act (Continued)

Inspector General Act Reporting Requirement	Page(s)
Description of the metrics used for developing the Data for the Statistical Tables Under Paragraph 17	19
Report on each investigation conducted involving a senior government employee or senior official where allegations of misconduct were substantiated	12
Instances of whistleblower retaliation	11
Attempts by the establishment to interfere with the independence of the OIG	17
Each inspection, evaluation, and audit conducted by the OIG that is closed and was not disclosed to the public	N/A
Each investigation conducted by the OIG involving a senior government employee that is closed and was not disclosed to the public	12, 19

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REPORT FRAUD, WASTE, OR ABUSE

To report suspected fraud, waste, or abuse in SEC programs or operations, as well as SEC staff or contractor misconduct, use our online OIG hotline complaint form, <https://www.govcomhotline.com/SEC>, or call (833) 732-6441. This number is answered 24 hours, 7 days a week.

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

EMPLOYEE SUGGESTION PROGRAM

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

COMMENTS AND IDEAS

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



U.S. SECURITIES AND EXCHANGE COMMISSION

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