



U.S. SECURITIES AND
EXCHANGE COMMISSION

Office of Inspector General

SEMIANNUAL REPORT TO CONGRESS

04.01.24 TO 09.30.24

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
OFFICE OF INSPECTOR GENERAL
SEMIANNUAL REPORT TO CONGRESS

APRIL 1, 2024 THROUGH SEPTEMBER 30, 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.

“To provide effective oversight, OIG professionals must have curious minds and remain committed to learning.”

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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
ESP	Employee Suggestion Program
FISMA	Federal Information Security Modernization Act of 2014
FY	fiscal year
Iconix	Iconix Brand Group, Inc.
IG	Inspector General
JV	joint venture
NRC	Nuclear Regulatory Commission
OA	Office of Audits
OEEO	Office of Equal Employment Opportunity
OI	Office of Investigations
OIG	Office of Inspector General
Ph.D.	Doctor of Philosophy
SGE	Senior Government Employee
SDNY	Southern District of New York
USDC	United States District Court



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 April 1, 2024 through September 30, 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 an audit and an evaluation report and worked with SEC management to close 13 recommendations made in prior reports. Our Office of Investigations (OI) completed or closed 14 investigations, with two 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.

I am proud to report that the work of this Office has been recognized by the Council of Inspectors General on Integrity and Efficiency (CIGIE), which selected one of our audit teams to receive an Audit Award for Excellence. The team's work on the Audit of the SEC's Office of Equal Employment Opportunity Programs and Operations (Report No. 581) identified fundamental weaknesses in the programs that protect SEC employees from harassment and discrimination and recommended reforms to strengthen the effectiveness of and restore trust in those programs. Congratulations to Eileen Kao, Auditor Manager; Lucia Fuentes, Auditor; Steve Encomienda, Auditor; and Leann Harrier, Assistant Counsel for their excellent work. I am equally proud that two other audit staff were selected for CIGIE awards for their work on cross-agency committees. Sharice Cole was selected to receive the Barry R. Snyder Award, and Sara Tete Nkongo was selected to receive the Award for Excellence in Information Technology.

To provide effective oversight, OIG professionals must have curious minds and remain committed to learning. In this connection, I want to highlight two key staff members. Special Agent in Charge Bruce McLean recently earned a Doctor of Philosophy (Ph.D.) in Public Administration from Liberty University's Helms School of Government. Bruce successfully defended his dissertation, *A Qualitative Study of Federal Employee Whistleblowing and Reprisal for Whistleblowing*, on September 17, 2024, and his degree was officially conferred on September 27, 2024. And, to fortify our computer forensic capabilities, our office has just welcomed a special agent who holds a Ph.D. in Cybersecurity and Artificial Intelligence. This agent is a published academic author whose research on artificial intelligence and cyber fraud technologies has been cited in scholarly journals.

SEC OIG greatly appreciates the support that we have received from Congress and the Agency. We pledge to work closely with both for the benefit of the American people.

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 26 functional offices. The Agency's headquarters are in Washington, DC, and it has 10 regional offices located throughout the country. As of September 2024, the SEC employed 4,879 full-time equivalents.

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.

During this reporting period we continued our outreach efforts to SEC's Divisions and Regional Offices. We streamlined the intake process for the Employee Suggestion Program (ESP) created by Dodd-Frank. Finally, we nearly completed the recruitment process for a Deputy Inspector General for Investigations. We expect this key position to be filled during the next reporting period.

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 briefed 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, and that the OIG protects whistleblower confidentiality and pursues allegations of retaliation for protected conduct. The SEC issues these statements annually, with the most recent one published this past summer.

Additionally, we continued to promote to SEC staff the ESP 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, the Federal Housing Finance Agency, and the National Credit Union Administration. 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 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, quality assurance, and monetary impacts. Furthermore, one OA staff member served as an adjunct instructor for CIGIE's new and improved Introductory Auditor training course. OA is also representing the SEC OIG on the most recent CIGFO working group effort, which seeks to evaluate the Financial Stability Oversight Council's new guidance and procedures used to designate nonbank financial companies for heightened supervision by the Federal Reserve. Office of Operations and Management staff participated in committee meetings related to diversity, equity, and inclusion efforts within the OIG community.

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 investigations staff from other OIGs to begin the process of updating the

CIGIE Quality Standards for Investigations and Qualitative Assessment Review Guidelines for Investigative Operations for Federal Offices of Inspector General. 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

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 ten 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 over government programs. We issue independent audit and evaluation reports, which identify deficiencies found and make recommendations to correct those deficiencies or increase efficiencies in SEC 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 on recommendations in our audit and evaluation reports and works with other OIG components to independently assess Agency operations.

COMPLETED AUDITS, EVALUATIONS, AND OTHER REVIEWS

[The SEC Missed Opportunities to Lower Contract Risk and More Effectively Manage Time-and-Materials Contracts, Report No. 582](#)

[Enhanced Planning, Performance Measurement and Evaluation, and Information Can Improve Oversight of Broker-Dealer Examinations, Report No. 583](#)

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 a report will be issued during the next reporting period.

[Audit of the SEC's Controls for Safeguarding Consolidated Audit Trail Data](#)

We have initiated an audit over 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 Special Publication 800-53, Security and Privacy Controls for Information Systems and Organizations. The audit scope includes 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.

[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 (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.

We expect a report will be issued in FY 2025.

[Audit of the Division of Corporation Finance's Disclosure Operations](#)

We have initiated an audit to assess whether the Division of Corporation Finance's Disclosure Review Program (1) concentrated its resources on critical disclosures by implementing a risk-based process for selecting and reviewing filers' periodic reports and transactional filings, and (2) met its statutory requirements for reviewing filers' financial statements within the most recent three-year period. The audit scope will include Disclosure Review Program reviews completed in FY 2023 and FY 2024.

We expect a report will be issued in FY 2025.



INVESTIGATIONS

OVERVIEW

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 Violated Ethics Regulations

We initiated an investigation based on allegations that an employee had a possible financial conflict of interest and failed to follow the SEC's supplemental ethics regulations on reporting certain transactions. We found that the employee's holdings in a financial sector fund exceeded the \$50,000 *de minimis* regulatory exemption threshold for sector funds. The employee concurrently worked on a matter involving one of the companies represented in the sector fund, resulting in a possible conflict of interest with the employee's official duties. We also found that the employee failed to report his holdings, failed to pre-clear transactions, and entered transactions with incorrect information. Finally, there were instances in which the employee did not request pre-approval for the initial purchase of securities that were later sold.

On February 16, 2022, we presented the facts regarding this matter to the relevant U.S. Attorney's Office, which declined criminal prosecution on the same day. We referred the matter to SEC management for administrative action, and the employee received a suspension.

SEC Employee Engaged in a Marriage Fraud Scheme

We investigated an allegation that an employee, prior to their employment with the SEC, (1) participated in a fraudulent marriage scheme to provide U.S. citizenship to a Serbian national; and (2) provided false information about this marriage during their background investigation for SEC employment.

We determined that the employee, in coordination with their partner, participated in a fraudulent marriage scheme, in which they each married a

Serbian national for the purpose of providing them with U.S. citizenship. During the interview with our office, the employee lacked candor when they changed many of their responses to substantive questioning only after being confronted with evidence contradicting their statements. We did not find evidence that the employee provided false information about the marriage during their background investigation.

On March 29, 2023, we presented the facts regarding this matter to the relevant U.S. Attorney's Office, which ultimately declined criminal prosecution on April 10, 2023. We referred the matter to SEC management for administrative action, and the employee resigned from SEC.

SEC Employees Failed to Cooperate with an OIG Audit

We investigated allegations that SEC employees who were designated to provide documents and information to OIG auditors failed to cooperate fully with the audit. We found that (1) the employees intentionally removed the auditors' access to a SharePoint site that contained information relevant to the audit; (2) one employee gave false information to the auditors about the reason access was removed; and (3) the other employees involved failed to correct the false information provided. We issued a report to the agency noting that although the employees engaged in this conduct, which violates SEC policies on cooperating with the OIG, the Agency has taken steps to inform and remind all SEC staff of their obligation to cooperate with OIG oversight and our broad authority to access Agency records, information, and personnel. We also found that Agency leadership acted expeditiously to replace the audit liaison as soon as the OIG brought these events to their attention. Agency leadership has reaffirmed to us and to all SEC employees that it does not condone staff actions that interfere with OIG oversight.

SEC Employee Received Excess Locality Pay

We investigated and corroborated allegations that an employee allegedly relocated to North Carolina without prior approval and exclusively teleworked from that location while continuing to receive higher locality pay for Washington, DC, to which the employee was no longer entitled.

We referred the matter to SEC management for administrative action, and the employee was suspended and ordered to repay the locality differential for the time in question.

Iconix Executives Engaged in Securities Fraud, Conspiracy, and Destruction of Records

We initiated this investigation based on allegations that Neil Cole, (now) former Chief Executive Officer for Iconix Brand Group, Inc. (Iconix), and Seth Horowitz, (now) former Iconix Chief Operating Officer, engaged in securities fraud, including false statements and filings to the SEC, and fraudulent accounting practices. We investigated the matter jointly with the Federal Bureau of Investigation.

We determined that beginning in or about 2013, Cole and Horowitz engaged in a scheme that falsely inflated Iconix's reported revenue and earnings per share by orchestrating a series of accounting "round-trip" transactions in which Cole and Horowitz persuaded a joint venture (JV) partner, L&F, to pay inflated buy-in purchase prices for JV interests, with the understanding that Iconix would reimburse L&F for the overpayments it made to Iconix.

In December 2019, Cole and Horowitz were indicted for securities fraud, conspiracy, accounting fraud, and destruction of records in United States District Court (USDC) for the Southern District of New York (SDNY). In December 2019, Horowitz self-surrendered pursuant to a criminal information and pleaded guilty in USDC for SDNY to five counts related to securities fraud, conspiracy, destruction of records, and improperly influencing the conduct of audits. On November 16, 2023, Horowitz was sentenced to time served and ordered to pay an assessment of \$800. No forfeiture or restitution was sought.

Cole was arrested in December 2019. After a criminal trial in USDC for SDNY, Cole was acquitted of conspiracy charges on November 1, 2021, and the jury failed to reach a verdict on the remaining counts. Cole was retried in USDC for SDNY and on November 28, 2022, was convicted of one count of securities fraud, six counts of making false filings with the SEC, and one count of improperly influencing the conduct of audits.

On October 10, 2023, Cole was sentenced to 18 months imprisonment for each convicted count, to run concurrently, followed by three years of supervised release. Cole was also ordered to pay a forfeiture of \$790,200 and an \$800 special assessment. Restitution was ordered, however the USDC for SDNY deferred the determination of restitution to Iconix and requested additional information. On April 26, 2024, Iconix's motion for restitution in the amount of \$7,177,009 was denied on the basis that Iconix was not a victim of Cole's criminal acts.



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

OIGs 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 Audits 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 Export-Import Bank OIG conducted the most recent assessment of our OA's system of quality control for the three-year period ending March 31, 2024. On July 24, 2024, the Export-Import Bank OIG issued its report, concluding that OA's system of quality control was suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements

in all material respects. On the basis of its review, the Export-Import Bank OIG gave us a peer review rating of "pass." (Federal audit organizations can receive a rating of "pass," "pass with deficiencies," or "fail.")

The external peer review report is available on our website at [Peer Review: System Review Report on the U.S. Securities and Exchange Commission's Office of Inspector General Audit Organization](#).

PEER REVIEW OF EVALUATION OPERATIONS

The Department of Commerce (DOC) OIG conducted the most recent assessment of our OA's evaluation work for the three-year period ending September 30, 2023. On March 7, 2024, the DOC OIG issued its report, concluding that OA's evaluation policies and procedures generally were consistent with the CIGIE 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](#).

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.

TABLES

Table 1. List of Reports: Audits and Evaluations

Contract Management	
8/26/2024	The SEC Missed Opportunities to Lower Contract Risk and More Effectively Manage Time-and-Materials Contracts
Report No. 582	
Regulatory Oversight	
9/23/2024	Enhanced Planning, Performance Measurement and Evaluation, and Information Can Improve Oversight of Broker-Dealer Examinations
Report No. 583	

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 13 recommendations related to four OA 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
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
580 - Fiscal Year 2023 Independent Evaluation of the SEC’s Implementation of the Federal Information Security Modernization Act of 2014	1	12/20/2023	Redacted Text

Table 2. Reports With Recommendations on Which Corrective Action Has Not Been Completed
(Continued)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
580 - Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014	3	12/20/2023	Develop and implement vulnerability disclosure-handling procedures that describe the SEC's process for implementing its VDP, in accordance with Department of Homeland Security Binding Operational Directive 20-01.
580 - Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014	4	12/20/2023	Redacted Text
580 - Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014	5	12/20/2023	Update the SEC's system security plans with the latest baseline controls for all FISMA-reportable systems to ensure the SEC is assessing and monitoring the controls in accordance with the level of risk associated with each information security system.
580 - Fiscal Year 2023 Independent Evaluation of the SEC's Implementation of the Federal Information Security Modernization Act of 2014	6	12/20/2023	Redacted Text
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	2	1/29/2024	Coordinate with SEC offices and management who share responsibilities in the anti-harassment program to (a) update the policies and procedures to clarify key terms, roles, and responsibilities; (b) educate program officials on their roles and responsibilities; and (c) ensure established timelines are met.
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity (OEEO) Programs and Operations	11	1/29/2024	Finalize and distribute updated standard operating procedures for all complaint processes and ensure the policies align with OEEO's current processes, to include defining conflict-of-interest cases and steps for processing such cases.
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	12	1/29/2024	Finalize and distribute the SEC administrative regulations for filing complaints of discrimination and the Agency's Conflict-to-Resolution alternative dispute resolution program.

Table 2. Reports With Recommendations on Which Corrective Action Has Not Been Completed
(Continued)

Report Number and Title	Rec. No.	Issue Date	Recommendation Summary
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	13	1/29/2024	Reassess the SEC's equal employment opportunity alternative dispute resolution program to (a) identify and leverage circumstances in which alternative dispute resolution is most successful during both informal and formal complaint processes; and (b) refresh and implement training for SEC managers and employees to encourage higher participation in the Agency's alternative dispute resolution program.
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	14	1/29/2024	Implement the use of participant surveys and/or other methods to solicit feedback from individuals who participated in the equal employee opportunity complaint program.
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	16	1/29/2024	Establish a process to timely coordinate with the Office of Human Resources to ensure No FEAR Act training is assigned and available to the SEC workforce no less than every two years.
581 - Opportunities Exist to Strengthen the SEC's Office of Equal Employment Opportunity Programs and Operations	17	1/29/2024	Evaluate available resources and establish a plan to prioritize new supervisor briefings such that briefings are provided to all new SEC supervisors in a timely manner.

Table 3. Summary of Investigative Activity for the Reporting Period of APRIL 1, 2024 to SEPTEMBER 30, 2024

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

Investigative Caseload	Number
Cases Open at Beginning of Period	25
Cases Completed but Not Closed* at Beginning of Period	3
Cases Opened During Period	5
Cases Closed During Period**	11
Cases Completed but Not Closed at End of Period	2
Open Cases at End of Period	21
Investigative Reports Issued During the Reporting Period	2

* 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 11 cases closed during this reporting period, 5 involved senior government employees (SGEs).¹ Of the 5 cases involving SGEs, 2 involved allegations that were unsubstantiated.²

Criminal and Civil Investigative Activities	Number
Referrals for Criminal Prosecution to DOJ	2
Accepted	0
Indictments/Informations	1
Arrests	3
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

1 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.

2 One case involved an allegation that a former SGE had a post-employment conflict of interest, and the other case involved an allegation that a SGE had potential conflicts related to hiring and travel.

Table 3. Summary of Investigative Activity for the Reporting Period of APRIL 1, 2024 to SEPTEMBER 30, 2024 (Continued)

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

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

Complaints Received	Number
Hotline Complaints	434
Total Complaints During Period	734
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 Act³

Inspector General Act Reporting Requirement	Page(s)
Review of legislation and regulations	12
Significant problems, abuses, and deficiencies and associated reports	7, 9
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	16
Summary of significant investigations closed during the reporting period	10
Total number of convictions resulting from investigations	19
Listing of each audit, evaluation or inspection issued during the reporting period	7, 16

3 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)
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	15
Results of peer review conducted of SEC OIG	13,14
Date of the last peer review conducted by another OIG	13,14
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
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	10,11
Instances of whistleblower retaliation	9
Attempts by the establishment to interfere with the independence of the OIG	15
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	10,19

APPENDIX

OIG SEC EMPLOYEE SUGGESTION PROGRAM ANNUAL REPORT FY 2024

OVERVIEW

The OIG established the OIG SEC ESP in September 2010, pursuant to Section 966 of Dodd-Frank. Section 966 required the IG to establish a suggestion program for SEC employees. In accordance with the reporting requirement in Dodd-Frank, the SEC OIG has prepared this annual report describing suggestions and allegations received, recommendations made or actions taken by the OIG, and actions taken by the SEC in response to suggestions from October 1, 2023, through September 30, 2024.

Through the ESP, the OIG receives suggestions from agency employees concerning improvements in the SEC’s work efficiency, effectiveness, productivity, and use of resources. The OIG’s OI reviews and acts on ESP submissions that allege waste, abuse, misconduct, or mismanagement. SEC employees report their concerns to the ESP via the hotline maintained by the OIG.

SUMMARY OF EMPLOYEE SUGGESTIONS AND ALLEGATIONS

Between October 1, 2023, and September 30, 2024, the OIG received and analyzed 18 suggestions or allegations, details of which are shown below:

Nature and Potential Benefits of Suggestion*	Number
Increase efficiency or productivity	4
Increase effectiveness	4
Increase the use of resources or decrease costs	2

Nature and Seriousness of Allegation*	Number
Mismanagement and/or discrimination	2
Waste of SEC resources	0
Misconduct by an employee	0

Action Taken by the OIG in Response to Suggestion or Allegation*	Number
Memorandum to or communication with the SEC about the suggestion or allegation	7
Referred to OIG Office of Investigations	2
Referred to OIG Office of Audit	1
Researched issues, but determined no further action was necessary	6
Other	0

Action Taken by SEC Management*	Number
SEC management took action to address the suggestion or allegation	2
SEC decided to secure new technology in response to the suggestion	0
SEC management is considering the suggestion in context of existing procedures	0
SEC management initiated an internal review	0

*Some suggestions or allegations are included under multiple categories.

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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://sec.govcomhotline.com>, 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 the OIG Hotline at (833) SEC-OIG1 (732-6441) or by filling out the [OIG online complaint form](#).

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

This report is available on the Inspector General's website
www.sec.gov/oig