



U.S. Securities and Exchange Commission

Management Report to Accompany the Office of Inspector General Semiannual Report to Congress

For the period October 1, 2022 through March 31, 2023

May 2023

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October 1, 2022 – March 31, 2023

Section 5(b) of the Inspector General Act of 1978, as amended, (Inspector General Act), requires the Commission to transmit to the appropriate committees or subcommittees of the U.S. Congress a Management Report, containing certain statistical tables and any comments deemed appropriate, to accompany the Office of Inspector General's (OIG's) Semiannual Report.¹ This Management Report presents the required information for the reporting period of October 1, 2022 through March 31, 2023.

I. Overview of SEC Audit Follow-up Activities

The SEC is committed to timely completion of corrective actions on OIG audit, inspection, and evaluation recommendations. At the commencement of this semiannual reporting period, there were 31 open OIG recommendations. During the period, management succeeded in obtaining OIG concurrence to close 18 recommendations. Of the 18 closed recommendations, management submitted 11 (or 61 percent) requests for closure in less than one year. The SEC also received 4 new OIG reports during the reporting period containing a total of 32 recommendations for improving the agency's processes and programs. At period-end, final action was pending on 45 recommendations from 10 reports. One of those recommendations was pending OIG concurrence for closure.

II. Reports on Instances of Whistleblower Retaliation

Section 5(b)(3) of the Inspector General Act requires the SEC Management Report to include a statement with respect to any settlement agreement entered into by the agency with an official found by the Inspector General to have engaged in retaliation against a whistleblower. The SEC has no such settlement agreements to report.

III. Reports with Monetary Savings

Section 5(b)(2) of the Inspector General Act requires the SEC Management Report to include statistical information regarding any management decision or final action taken on each audit, inspection, or evaluation report on which final action had not been taken before the reporting period. The information required to be reported includes the dollar value of any "disallowed cost" or "recommendation that funds be put to better use."

The Inspector General Act defines a "disallowed cost" as a cost questioned by the OIG that agency management has decided should not be charged to the agency. The Inspector General Act defines "recommendation that funds be put to better use" to mean an OIG recommendation that funds could be used more efficiently if management took actions to implement and complete the accompanying recommendation. During the reporting period, OIG did not issue a report that

¹ The SEC's Management Response is based on the requirements of Section 5 of the Inspector General Act as amended by the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, § 5273, Dec. 23, 2022, 136 Stat. 2395, 3241.

contained any questioned costs or any recommendations that funds be put to better use. In addition, there are no outstanding management decisions on questioned costs or recommendations that funds be put to better use identified in OIG reports from prior reporting periods.

Additional information regarding management decisions and final actions taken during the reporting period for reports on which final action had not been taken before the reporting period began is included below in the next section and Table 1.

IV. Reports with Pending Corrective Action

Section 5(b)(4) of the Inspector General Act requires the SEC Management Report to include a statement with respect to each audit, inspection, and evaluation report on which a management decision has been made but final action has not been taken. Table 1 presents the required information.

Table 1. Reports Pending Final Action at Start of Reporting Period
(Reporting Period October 1, 2022 through March 31, 2023)

Report No./Title for the 11 Reports with Pending Final Action at Start of Period	Report Date	Status of Final Action <i>Final Action Completed: 5 Reports/ Pending at End of Period: 6 Reports</i>
Report 546: Audit of SEC's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2017	3/30/2018	Nineteen of the report's 20 recommendations have been closed with OIG's concurrence. Completion of corrective actions on the remaining recommendation is anticipated in fall 2023.
Report 549: The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework	9/11/2018	Final action taken during reporting period.
Report 552: Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	12/17/2018	Final action taken during reporting period.
Report 559: The SEC's Office of Broker-Dealer Finances Provides Effective Oversight, But Opportunities To Improve Efficiency Exist	2/26/2020	Two of the three recommendations have been closed with OIG concurrence. The SEC's Division of Trading and Markets has completed corrective action on the remaining recommendation and anticipates closure by the end of summer 2023.
Report 562: Opportunities Exist To Improve the SEC's Management of Mobile Devices and Services	9/30/2020	Three of the seven recommendations have been closed with OIG concurrence. Corrective actions addressing the remaining four recommendations are in progress, with anticipated completion by the end of calendar year 2023.
Report 563: Fiscal Year 2020 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	12/21/2020	Five of the seven recommendations have been closed with OIG concurrence. OIT anticipates completion of the two remaining recommendations in fall 2023.
Report 568: Additional Steps Are Needed For the SEC To Implement a Well-Defined Enterprise Architecture	9/29/2021	Final action taken during reporting period.

Report No./Title for the 11 Reports with Pending Final Action at Start of Period	Report Date	Status of Final Action <i>Final Action Completed: 5 Reports/ Pending at End of Period: 6 Reports</i>
Report 570: Fiscal Year 2021 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014	9/29/2021	Four of the report's eight recommendations have been closed with OIG's concurrence. As of May 1, 2023, corrective actions addressing three recommendations have been completed, two of which are being prepared for submission for OIG review in a formal request for recommendation closure. One recommendation was under OIG review for closure. Corrective actions addressing the remaining recommendation are in progress, with anticipated completion in summer 2023.
Report 571: Registered Investment Adviser Examinations: EXAMS Has Made Progress To Assess Risk and Optimize Limited Resources, But Could Further Improve Controls Over Some Processes	1/25/2022	Final action taken during reporting period.
Report 572: The SEC Can Improve in Several Areas Related to Hiring	2/28/2022	As of May 1, 2023, ten of the report's eleven recommendations were closed with OIG's concurrence. Corrective actions on the remaining recommendation have been completed and submitted for OIG review in a formal request for recommendation closure.
Report 573: OASB Complied With Statutory Requirements But Can Improve As It Matures	8/30/2022	Final action taken during reporting period.

All management decisions for the listed reports were made during prior reporting periods. For the 5 reports listed in Table 1 for which final action was taken during the reporting period, none of the reports involved any questioned costs or recommendations that funds be put to better use.

Section 5(b)(4)(A) of the Inspector General Act states that a report may be excluded from the list of reports pending final action if (i) a management decision was made on that report within the preceding year or (ii) the report is under formal administrative or judicial appeal or management has decided to pursue a legislative solution. In this report, the SEC did not exclude any such reports from this list.