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Fourth Report on the Implementation of SEC Organizational Reform Recommendations

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As Required by Section 967 of the  
*Dodd–Frank Wall Street Reform and Consumer Protection Act*



This is a report prepared by the staff of the U.S. Securities and Exchange Commission. The Commission has expressed no view regarding the analysis, findings, or conclusions contained herein.

April 30, 2013

**Explanatory Note**

*The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) directed the U.S. Securities and Exchange Commission (SEC) to engage an independent consultant to conduct a broad and independent assessment of the SEC's internal operations, structure, funding, and the agency's relationship with Self-Regulating Organizations (SROs). Issued in March 2011, the consultant's study provided recommendations designed to increase the SEC's efficiency and effectiveness. This document is the last of four agency reports to Congress provided pursuant to the requirements of section 967(c) of the Dodd-Frank Act. Section 967(c) requires periodic reports on the "implementation of the regulatory and administrative recommendations contained in" the consultant's report required by section 967(b) of the Dodd-Frank Act.*

*The Commission has expressed no view as to whether or how any recommendation contained in that consultant's report should be implemented. Moreover, no Commissioner other than the former Chairman<sup>1</sup> has had any substantive involvement in the "Mission Advancement Program" (MAP) or the activities of the SEC staff and contractors outlined in this report. The Commission has not endorsed any assessment, determination, method, analysis, finding, or conclusion contained herein. The Commission was not consulted on the decision to hire the consultant advising as to the MAP project or the cost and scope thereof.*

*The MAP is the responsibility of the SEC's Chief Operating Officer, who reports directly to the Chairman. The Commission has not made any determination that this report is accurate or complete. The Commission's vote to provide this report to the Congress does not imply any concurrence in or endorsement of any aspect of this report or the activities it describes.*

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<sup>1</sup> Chairman Walter, previously acting in her capacity as Commissioner, had limited involvement until she assumed the Chairman's Office on December 14, 2012. Chairman White was sworn in on April 9, 2013.

**Table of Contents**

***Explanatory Note*** ..... 2

***Introduction***..... 4

***Completed Recommendations***..... 6

1. Workstream 2A: Reorganizing the Office of Administrative Services (OAS) ..... 6

2. Workstream 2A: Reorganizing the Office of Financial Management (OFM) ..... 7

3. Workstream 2A: Reorganizing the Office of Human Resources (OHR) ..... 11

4. Workstream 2A: Creating the Office of the Chief Data Officer (OCDO) ..... 13

5. Workstream 2E: Implementing a Continuous Improvement Program (CIP) ..... 14

6. Workstream 3A: Transforming the Office of Information Technology (OIT) and enhancing the SEC’s technology capabilities ..... 15

7. Workstream 3C: Creating a Technology Center of Excellence ..... 17

8. Workstream 3H: Hiring staff for priority positions ..... 18

9. Workstream 3G: Developing a capability to monitor and manage market risk ..... 18

10. Workstream 2B: Conducting a Regional Organizational Assessment (ROA) ..... 20

***Workstream Decision Process Completed Outside the ESC Governance Process*** ..... 22

11. Workstream 2C: Seeking flexibility from Congress on Dodd-Frank-mandated Offices ..... 22

12. Workstream 3E: Accelerating the roll-out of the SEC’s Evidence-Based Performance Management (EBPM) system ..... 22

13. Workstream 5A: Conducting an outcome-oriented performance measures feasibility study .... 23

14. Workstream 3H: Hire staff for priority skill positions – administrative skills ..... 24

15. Workstream 3G: Enhancing the SEC’s Operational Risk Management capabilities ..... 24

***Analysis, Design and/or Recommendations in Process*** ..... 25

16. Workstream 1A/B: Reprioritizing mission activities ..... 26

17. Workstream 2D: Reviewing the Commission/staff interaction process and delegation of authority ..... 26

18. Workstream 3D: Restructure OHR (Workforce Planning) ..... 26

19. Workstream 4ABC: Strengthen Oversight of Self-Regulatory Organizations (SROs); Centralize and Coordinate Self-Regulatory Organization Interactions ..... 27

***Two-Year Program Summary*** ..... 29

***Conclusion*** ..... 34

***Appendix A: Acronym List*** ..... 35

## **Introduction**

The SEC's mission is to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. Currently, the SEC oversees 11,000 investment advisers, close to 4,600 broker-dealers with in excess of 160,000 branch Offices, and 9,700 mutual funds and exchange traded funds. The agency also is responsible for reviewing the disclosures and financial statements of more than 9,000 reporting companies, and reviewing certain filings by public issuers engaging in public offerings, business combinations, and proxy solicitation. In addition, the SEC oversees approximately 460 transfer agents, 17 national securities exchanges, 9 nationally recognized statistical ratings organizations (NRSROs), as well as the Public Company Accounting Oversight Board (PCAOB), Financial Industry Regulatory Authority (FINRA), Municipal Securities Rulemaking Board (MSRB), the Securities Investor Protection Corporation (SIPC). The agency also currently has new or expanded responsibilities over the derivatives markets, hedge fund and other private fund advisers, municipal advisors, credit rating agencies and clearing agencies.

In March 2011, the Boston Consulting Group (BCG) issued a report mandated by Section 967 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) that recommended a number of improvement initiatives primarily focused on the agency's support infrastructure.<sup>2</sup> The BCG report discussed a variety of challenges facing the agency and suggested approaches to improve the SEC's ability to carry out its mission, ensure the proper mix of skills in its workforce, and improve decision-making.

To assess and make recommendations regarding the approaches outlined by the BCG report, the SEC established the Mission Advancement Program (MAP), which provided a framework for systematically evaluating and implementing change throughout the agency. The BCG approaches were assigned to working groups composed of Division and Office executives and staff. Governed by an Executive Steering Committee (ESC) of senior SEC leaders, the working groups developed recommendations for review, comment, and preliminary approval by the ESC, and final approval by the Chairman prior to full implementation.

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<sup>2</sup> The BCG report is available online at <http://www.sec.gov/news/studies/2011/967study.pdf>.

As of March 2013, recommendations and implementation plans have been completed for 16 of the 20 initiatives examined, and the implementation phase is complete or in process for each. For the remaining four initiatives, the workstreams will continue to work through the analysis and provide recommendations for final approval where appropriate. This document is the last of four agency reports to Congress required pursuant to the requirements of section 967(c) of the Dodd-Frank Act.

Figure 1 provides a summary and status of the MAP initiatives.

**Figure 1: Summary & Status of MAP Initiatives**

<b>Overall Status</b>	<b>Section</b>	<b>Workstream</b>
<b>Workstream Decision Process Complete, and ESC Approved</b>	1	2A: Redesign the Office of Administrative Services (OAS)
	2	2A: Redesign the Office of Financial Management (OFM)
	3	2A: Redesign the Office of Human Resources (OHR)
	4	2A: Stand-up the Office of the Chief Data Officer (OCDO)
	5	2E: Implement a Continuous Improvement Program
	6	3A: Transform OIT and Enhance Technology Capabilities
	7	3C: Create a Technology Center of Excellence
	8	3F: Create a surge capacity plan
	9	3H: Hire Staff for Priority Positions
	10	3G: Enhance Market Risk Management
	11	2B: Conduct a regional Organizational Assessment
<b>Workstream Decision Process Completed Outside the ESC Governance Process</b>	12	2C: Seek flexibility from Congress on Dodd-Frank-mandated Offices
	13	3E: Accelerate roll out of the SEC's EBPM system
	14	5A: Conduct an Outcome-Oriented Performance Measures Feasibility Study
	15	3H: Hire Staff for Priority Positions – Administrative Skills
	16	3G: Operational Risk Management

<b>Analysis, Design and/or Recommendations in Process</b>	17	1A/B: Mission Activity Prioritization
	18	2D: Review Commission / staff interaction processes and Delegations of Authority
	19	3D: Restructure OHR (Workforce Planning)
	20	4ABC: Enhance Self Regulating Organizations (SRO) Oversight

Arranged by status, this report describes each initiative's gains in efficiency, effectiveness, cost savings, or customer focus over the last six months. The report also includes a summary of the improvements the SEC has achieved over the past two years as a result of its implementation of the BCG recommendations.

### **Completed Recommendations**

The workstream recommendations described below are complete and in various stages of implementation.

#### ***1. Workstream 2A: Reorganizing the Office of Administrative Services (OAS)***

In response to this working group's recommendation, the OAS organization was split into two offices. The stand-alone Office of Acquisition (OA) was structured to improve senior management oversight and help strengthen the capacity and workforce of the acquisition function. Launched in June 2012, the new Office of Support Operations (OSO) was created to provide enhanced oversight of the remaining OAS functions as well as the Offices of Freedom of Information Act (FOIA)/Records Management and Security. Legacy OAS functions have been absorbed into both offices' operations. Progress since the last report includes the following:

- As a result of the OA restructure, the position of Director was created July 2012 as a direct report to the Chief Operating Officer (COO), and a Business Management Office was established to provide infrastructure staffing support to the new Director position. The reorganization eliminated the need for contractor support that previously existed, resulting in \$1.2 M cost avoidance in fiscal year 2013 (FY13). OA plans to further reduce contractor support toward the end of FY13.

- In December 2012, the SEC transitioned to an external vendor, PaperClips,etc., for its supply management function. This change has enabled reassignment of staff previously supporting this function, enabled repurposing of space previously used to store supplies, and has improved control over supplies consumed by the agency. Once fully operational, the agency estimates approximately \$250K annual cost savings.
- The General Services Administration (GSA) is now responsible for the procurement and administration of new SEC leases. The SEC works with GSA to plan for SEC Regional Office lease renewals, and to ensure the renewals are consistent with government-wide leasing practices. The following progress has been made over the last six months:
  - GSA procured new leases for SEC Regional Offices in Dallas/Ft. Worth and Miami, effective March 1 and September 1, 2013, respectively.
  - GSA is managing the transition of SEC Regional Offices in Denver and Salt Lake City to federal facilities in 2014 upon expiration of current leases.
  - GSA awarded a lease for new space for the Philadelphia Regional Office in January 2013. The SEC plans to occupy this space in early 2014.
  - Staffing reductions commensurate with the transition of leasing authority to GSA have been realized. Since the transition, the Leasing Specialist function has been reduced from five to two staff members.

## ***2. Workstream 2A: Reorganizing the Office of Financial Management (OFM)***

The OFM reorganization was formally implemented on January 14, 2013. OFM completed transition of transactional financial management functions to a Federal Shared Service Provider (FSSP), implemented enhanced internal controls, and designed and implemented new business processes and technology improvements. These activities have enhanced the agency's financial controls and improved efficiencies. Progress since the last report includes the following:

### *Organizational Structure Changes*

- OFM centralized the program receivables and financial reporting and monitoring functions. Each is governed by an assistant director. This structure enables supervisors

to focus on specific areas (i.e., enhanced review and monitoring to prevent and detect potential issues in a timely fashion), enhancing efficiency, and effectiveness.

### FSSP Transition

As discussed in the Third Report to Congress, the SEC's migration to the Department of Transportation's FSSP was undertaken to gain a modernized technology infrastructure and associated business function improvements. The transition enables the SEC to shift its focus from front-end data entry, system maintenance, and processing to more sophisticated monitoring and data analysis. Ten months into implementation, SEC improvements include the following:

- Several standard financial functions (e.g., invoice processing and monthly reporting of cash receipts and disbursements to Treasury) are now performed by the FSSP. Enhanced internal controls and streamlining of business processes have resulted in time savings for OFM staff and decreased the risk of error in these transactions. OFM formed an account analysis branch to enhance these functions.
- The SEC is integrating the FSSP system with other key data feeder systems. Using FSSP as an automated interface between the procurement and financial systems has strengthened the agency's controls over the timeliness and accuracy of recording obligations. Further, the FSSP has a fully integrated purchase card program that increases the timeliness of – and reduces errors in – recording purchase card transactions.

### Internal Controls

In FY12, the SEC achieved substantial financial management control improvements by successfully remediating three deficiencies previously identified by the General Accountability Office (GAO) as significant: (1) financial reporting and accounting processes, (2) information security, and (3) registrant deposits and filing fees. Initiatives are ongoing to enhance financial controls and improve efficiencies to remediate deficiencies in the areas of budgetary resources, property and equipment. Progress since the last report includes the following:

- OFM designated staff to focus solely on internal controls, enabling the SEC to proactively isolate and mitigate operational risks.



- With the transition to FSSP, the procurement system now interfaces with the financial system. A reconciliation process is in place to detect any interface errors between the two systems.
- OFM enhanced the process for monitoring obligations to more effectively identify amounts to be de-obligated.
- The SEC is implementing tighter control over the physical inventory and asset monitoring processes to ensure property and equipment asset records are accurate, complete, and timely. This includes a quarterly physical inventory and monthly monitoring of additions and disposals.

In addition to addressing previously-identified deficiencies, the SEC began implementing more rigorous continuous monitoring and internal controls programs. In FY13, the SEC initiated a quarterly confirmation process of internal controls over financial reporting. This process will enable management to monitor the effectiveness of SEC's controls more proactively, and to self-identify and correct weaknesses in controls to prevent them from deteriorating over time.

### *Business Process and Technology Improvements*

#### *Filing Fees*

OFM continues to implement significant business process and technology improvements in its filing fees program. These enhancements include the following:

- Conducting an outreach program to the largest EDGAR filers to provide clarity regarding more complex filing rules, thereby proactively reducing the number of filing errors.
- Promoting customer self-service support, such as filer account balance queries via the telephone and electronic refund requests via the EDGAR Filer application.
- Adding a metrics-driven workflow operation that eliminates all paper processing for reviewing filings, billing, and refunding registrants, resulting in more timely service to filers and improved operating efficiencies.

- Developing a comprehensive training program designed to address staff knowledge gaps identified from operational metrics and performance monitoring.

### *Disgorgements and Penalties (D&P)*

OFM continues to partner with the Division of Enforcement (ENF) on initiatives to enhance the processes for collection and distribution of disgorgements and penalties resulting from SEC enforcement actions. As described in the Third Report to Congress, the Office of Collections (OC) and Office of Distributions (OD) were created to handle all collection and distribution functions for the agency. OFM has made significant progress in implementing the following D&P improvements:

- *Continued maturation of the new organizational environment:* OC and OD are both fully established and operational, and the processes through which they interact with OFM have been defined in detailed process manuals. OFM has continued to refine its processes and continues to work closely with OC and OD to develop Service Level Agreements (SLAs) that will guide and structure important inter-organization interactions.
- *Refinement of D&P-specific mission statements and performance metrics:* D&P specific mission statements were refined for OFM, OC, and OD. These mission statements have been paired with supporting performance metrics that will track the efficiency and effectiveness of the three organizations in performing their core mission functions.
- *Development of new technology enhancements:* With the transition to the FSSP, OFM fully migrated to Delphi, a financial system used and maintained by Department of Transportation (DOT) Enterprise Service Center. In response to feedback gathered from staff, OFM continues to train its staff and the staffs of OC and OD on use of Delphi. OFM also is tracking non-SEC payables in Delphi to centralize financial data. Additional planned technology enhancements (e.g., the HUB 2.0 upgrade, the acquisition of an interest calculator, and the deployment of ImageNow 2.0) will provide an even smoother interaction between OFM, OC, and OD, making financial management processes even more secure and reliable.

- *Centralization of regional collections efforts:* OC has successfully triaged regional office collections cases to prioritize and prepare them for litigation by the home office. Centralization provides greater insight into ongoing collections activity and ensures that important cases receive the necessary resources and support.

Benefits of the new D&P processes include the following:

- *Streamlined business processes:* The D&P project has more tightly integrated OC, OD, and OFM, and has successfully reduced the number of business processes from 75 to 60 and produced an efficiency gain of 20 percent. Early benefits of the streamlined process include less duplication of work, reduction in unnecessary or non-value added steps, and increased collaboration among impacted groups.
- *Management insight into performance:* SEC leadership now can gain unprecedented insight into the performance of OFM, OC, and OD through the development of outcome-oriented operational performance metrics. These metrics go well beyond those in the existing Annual Financial Report (AFR) to provide insight into day-to-day processes, and enable SEC leadership to more readily identify and address any risks.

### **3. Workstream 2A: Reorganizing the Office of Human Resources (OHR)**

In response to the BCG report recommendations, a working group conducted an assessment of OHR's structure and its workforce controls, processes, and policies. OHR's implementation of the resulting recommendations has encompassed multiple functions, including workforce analysis and planning, identification and development of high priority skills, human resource (HR) processes and policies, and Employee Based Performance Management (EBPM).<sup>3</sup>

Building on activities initiated last year, OHR continues to make enhancements that enable more efficient and effective human resource support. Progress since the last report includes the following:

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<sup>3</sup> Due to the broad nature of the OHR reorganization, OHR activities are also discussed in the following workstreams: 3H: Hire Staff for Priority Positions, 3E: Accelerate the roll out of the SEC's EBPM system, 3H: Hire staff for Priority Positions – Administrative Skills, and 3D: Restructure OHR (Workforce Planning).

- The SEC continues to improve its use of data on OHR employee skills to “upgrade the talent within the HR function,” as recommended in the BCG report. Strategic functions OHR had not previously performed or had performed only on a limited basis (e.g., data analytics, workforce planning, and compensation guidance) are now included in the new organizational structure and will enable OHR to help managers understand the dynamics of their current workforce, as well as plan for future workforce needs.
- To enable Divisions and Offices to quickly obtain specialized talent, OHR is creating a policy and process for using the Excepted Service Hiring Authority (ESHA) in appropriate circumstances.
- OHR is updating and developing new hiring policies to ensure consistency across HR practices. These hiring policies will be used by OHR managers to convert complex hiring authorities and civil service laws into practicable processes. They will also serve as a resource for employees and managers, thereby reducing inquiries to OHR and enabling staff to focus on core mission responsibilities.
- SEC University (SECU) piloted a competency and skills database in OHR. The purpose of the database is to identify employees with unique skills (e.g., foreign language fluency) not typically associated with their current job roles that may be utilized as needs arise for them. The intent is to reduce the SEC’s reliance on outside contracting support by better leveraging internal talent. Next steps include assessing the pilot and rolling it out to other Divisions and Offices of the SEC.
- OHR has continued to expand its training in the following core competency courses: writing, presentation, project management, SharePoint training, and specific mission-related topics (e.g., FINRA Series 24, audit sampling, asset backed securities). In the first quarter of FY13, SECU offered 196 learning events to 6,344 participants, and conducted assessments for 75 supervisors and managers.
- OHR has made further progress with its business process re-engineering (BPR) project, launched in August 2012, to streamline its business practices and many of its internal processes. OHR is coordinating closely with the SEC Office of Information Technology

(OIT) to design and develop scalable solutions to automate specific HR processes and forms, including Work Schedules, Transit Benefit Requests, Student Loan Repayment, and Awards Recommendations and Approval.

- The Human Capital Management (HCM) group is designed to embed a human capital liaison into each program office to provide increased collaboration and support to each office's program. Dedicated Human Capital Managers enable an in depth understanding of the hiring needs of assigned program offices, enhancing OHR's ability to meet those individual program needs. The HCM group met with each internal OHR group to discuss the role of the HCM. The HCM group also met with each of the key client points of contact for SEC organizations that have an assigned Human Capital Manager (Division of Enforcement, Office of Compliance, Inspections, and Examinations, and Division of Trading and Markets), to more fully communicate the role of the HCM group. The HCM group is now fully functional and continues to routinely assess the need to embed Human Capital Managers in other SEC organizations.
- In October 2012, OHR launched the People Management portal, an intranet location which provides managers with people management tools and resources. The portal equips managers with knowledge across a diverse spectrum of human capital subject matter and places their roles and responsibilities as managers and leaders in the context of SEC and federal guidelines and requirements.

#### ***4. Workstream 2A: Creating the Office of the Chief Data Officer (OCDO)***

Over the last six months, the Office of the Chief Data Officer (OCDO) within the Office of the Chief Operating Officer has continued to add infrastructure and capabilities to establish a more robust data program. Progress since the last report includes the following:

- OCDO has hired two Senior Data Analysts with significant backgrounds in Data Governance, EDGAR data, and Data Warehousing.
- OCDO awarded a Data Management Contract in January 2013 to help establish a robust data management program that will assist Divisions and Offices with their data initiatives and governance models.

- OCDO created a consistent data architecture for SEC.Gov, EDGAR Modernization and Enterprise Data Warehouse (EDW) which will serve as a foundation for future development in these areas.
- To increase our ability to use advanced analytics tools, OCDO implemented a state of the art capability to do analytics on data coming in from multiple sources, including EDGAR, the Tips Complaints and Referrals System (TCR), the HUB, the National Relationship Search Index (NRSI), Blue Sheets, and eDiscovery. This is the first step of a multiphase project that will assist with automated triage, data visualization, and early detection of fraud or abuse with previously unachievable speed and accuracy. It also will enable seamless searches of data sets to examine activities, identify suspicious behavior, and assist in quickly tracing the origin of the fraud or abuse. Installation and configuration of the tool in the development environment, as well as initial testing, is under way.

The SEC is in the process of designing an EDW to combine various streams of currently siloed data that will help the public gain easier access to more usable market data. Progress since the last report includes the following:

- OCDO is in the process of installing and configuring the EDW Appliance, an Extract, Transform, Load (ETL) (data movement) Tool to handle structured and unstructured data, and is installing a Data Security monitoring tool in development, stage, production and Continuity of Operations Planning (COOP) environments.
- OCDO designed a more streamlined approach to provisioning data into the EDW. The first set of data provisioning will focus on EDGAR and FINRA-related data. SEC currently is in the planning phase to document the requirements.

##### ***5. Workstream 2E: Implementing a Continuous Improvement Program (CIP)***

In addition to the ongoing efforts of the CIP described in prior reports, in early FY13, the Office of Information Technology (OIT) began gathering requirements to establish a Business Process Improvement Center of Excellence (BPI CoE), and in February 2013, the SEC competitively awarded a contract to launch it. The placement of the BPI CoE within OIT ensures that all

automation or system-related business processes improvements are fully integrated in the existing SEC information technology (IT) governance structure. The natural collaboration between this new CoE and the CIP will further enhance the agency's ability to address new improvement initiatives in a consistent manner. The BPI CoE will provide the SEC with:

- Business Process Improvement Support: Documenting existing and new processes, facilitating process improvement workshops and meetings, developing metrics, and utilizing appropriate process re-engineering techniques and methodologies.
- Requirements Analyses /Organizational Studies/Program Evaluations: Conducting requirements analyses, organizational studies, program evaluations and training/knowledge management analysis, and developing communications strategies to improve performance of mission and programmatic functions.
- Development of Metrics: Developing and documenting metrics and SLA's for transactional procedures.
- Training Support: Developing training documentation and curriculum on improved processes.

While the BPI CoE is new, preliminary planning has taken place and several business process improvement opportunities have been identified and prioritized for development.

#### ***6. Workstream 3A: Transforming the Office of Information Technology (OIT) and enhancing the SEC's technology capabilities***

OIT continues to implement its technology strategy and advance its Technology Transformation Plan, building on progress over the past two years to bring innovative and efficient tools and processing to the SEC.

Progress since the last report includes the following:

- OIT continues to standardize its enterprise-wide platforms to ensure data is appropriately linked and integrated across the agency. Architecture has been standardized around a set of key technologies. The introduction of rigorous architecture governance to ensure adherence to the standards that have been developed.

- OIT awarded the SEC.gov Modernization contract in the first quarter of FY13. The initial release of the new SEC.gov content management system is scheduled to “go-live” in the production environment late in the third quarter of FY13. This initial release will include an improved SEC.gov website search solution that utilizes GSA’s USA Search feature and an improved user experience with the existing EDGAR Search function.
- OIT is enhancing data management, cloud computing, and complex, predictive analytical capabilities to be used by the Divisions and Offices. Through the EDW contract, OIT is establishing a robust data management program to assist Divisions and Offices with data initiatives. OIT is also utilizing the cloud to store additional SEC.gov content, improve response times, and improve its ability to scale up to meet peak demand. The utilization of the cloud to store content has allowed the SEC to handle dramatic increases in monthly SEC.gov traffic. For example, SEC.gov traffic in February 2012 was 30 million, in February 2013, the number was 78 million. In addition, OIT implemented the Market Information and Data Analytics system (MIDAS), which has been used by multiple Divisions and Offices since January of 2013. MIDAS collects trade data to analyze market crashes, monitors market activities, provides input to the SEC to determine if further investigations are warranted, and will be used to inform rulemaking and policies.
- OIT is standardizing its IT controls by implementing the security controls outlined in National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53, Revision 3, Recommended Security Controls for Federal Information Systems and Organizations.
- OIT continues to make positive progress in closing Office of Inspector General (OIG) and GAO audit findings. During the FY12 financial statement audit, the GAO closed 22 of the findings it issued in prior years. OIT continues to remediate deficiencies identified by OIG engagements, closing 29 items during FY12. Assuming adequate funding, remaining remediation efforts will be ongoing.
- OIT continues to build on the \$12M in “Spend to Save” initiatives reported in FY12. These initiatives include: investing in capacity planning tools that will identify the computing capacity of the enterprise environment, perform data collection to construct



predictive growth models, and ensure right-sizing of the computing environment based on the strategic IT roadmap for future technologies; and identifying and implementing industry-proven technologies that offer increased computing performance, while reducing overall IT operational costs. For example, the SEC invested in Blade Server technology, which offered a reduced data center physical footprint, while significantly increasing computing capabilities.

### ***7. Workstream 3C: Creating a Technology Center of Excellence (CoE)***

The Technology CoE continues to make great progress in its support of SEC Divisions and Offices.

Progress since the last report includes the following:

- The Center has improved the ability of the agency to share innovation across the SEC. For example, the Boston Regional Office's success with a Commercial-off-the-Shelf (COTS) visual data analytics tool was a key input to the SEC's decision to procure the powerful analytics tool for forensic analysis for other regions supporting ENF and the Office of Compliance Inspections and Examinations (OCIE). Other analytical software tools currently are being piloted on a limited basis. If the results are positive, the capability may be deployed more widely in support of complex exams, forensic analysis, and risk based analysis.
- The Center has deployed applications such as eDiscovery and improved courtroom trial presentation capabilities that have improved the efficiency and effectiveness of enforcement litigation activities.
- The Center is collaborating with several Divisions and Offices on a Market Data Analytics review of tools currently being utilized in various SEC Divisions and regions. The review also is identifying new tools in the marketplace that could decrease staff time spent conducting investigations and improve oversight capabilities through relational analyses across disparate data sources, both public and private.

### **8. *Workstream 3H: Hiring staff for priority positions***

BCG recommended that the SEC hire additional staff with high priority skills, building both capacity and capabilities across the agency.

Progress since the last report includes the following:

- OHR underwent an extensive review of its hiring practices and identified 12 key areas where improvements could be made to further improve upon the Agency's ability to hire staff for priority positions. The review of the hiring practices concluded at the end of January 2013. Over the course of the next few months OHR will begin to implement improved processes.
- The OHR Director met with other Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) agencies and the Partnership for Public Service in January 2013 to create a platform for the financial regulatory agencies to discuss human capital priorities within the FIRREA community. These discussions will enable the FIRREA agencies to share human capital best practices and other HR data. Historically, the FIRREA agencies compete against each other in the same pool of talent. However, through increased discussion, collaboration, and sharing of HR data, the agencies can find better ways to recruit talent with the specialized skills each agency needs.
- Working with SEC senior leadership, OHR created a new SEC-wide on-boarding program. The program transitioned from a one-day format to a new two-day orientation that includes employee training and new managers/supervisors training. This new program ensures there is a consistent agency-wide approach to on-boarding new SEC staff.

### **9. *Workstream 3G: Developing a capability to monitor and manage market risk***

The SEC has engaged in and completed multiple activities in its Divisions and Offices to address the BCG Report's finding that the SEC should increase its "risk-IQ" by increasing personnel and technological resources dedicated to risk analyses within the Division of Risk, Strategy, and Financial Innovation (RSFI) and by embedding additional resources and capabilities within other Divisions and Offices. Progress over the last six months includes:

*Activities within the Division of Risk, Strategy, and Financial Innovation (RSFI)*

The Office of Quantitative Research (OQR) within RSFI is responsible for the development of custom analytics intended to inform monitoring programs across the SEC. It continues to build analytic models and tools dedicated to stronger risk analysis.

- OQR staff have begun to routinely leverage the XBRL tagged content from operating companies' annual and quarterly financial statements to produce custom analyses that complement traditional commercial data sources. The quantity of XBRL data coming into the SEC via EDGAR has more than doubled, from 10 million discrete data items in calendar year 2011 to 20 million in calendar year 2012. This data supported multiple projects, including continuous screening of registration statements, annual analysis of post-retirement benefit obligations, research comparing segment disclosures across industries, companies doing business in China, and the Accounting Quality Model (AQM) project which assists staff tasked with reviewing financial information in detecting anomalies. The team dedicated to XBRL efforts doubled its support in 2012 from three staff to six.
- As Business Owner of the TCR system, OQR produced regular reports on the submission, handling and disposition of TCRs (including Whistleblower TCRs). In addition, OQR provides data analysis and risk monitoring, and has contributed to program governance by highlighting anomalies and trends.

*Activities within Other Divisions and Offices*

- The Division of Investment Management (IM) has established the Office of Risk and Examinations Group (REG). REG is responsible for, among other things, conducting rigorous quantitative and qualitative financial analysis of the investment management industry. One of REG's primary projects is to develop the SEC's capability to systematically monitor the risk-taking activities of Investor Advisor and Investor Companies (IAs/ICs). REG is working to identify strategically important IA/IC positions and create risk analytics on the positions to measure, monitor, and report the market risks of IA/ICs. The project is expected to be substantially completed in calendar year 2013. REG is also working to develop an examination program to meet its mission. To

date, REG has onboarded three staff members, has one offer in process, and is actively recruiting for additional positions, with the goal of staffing the office with eight risk specialists and five examiners.

- The Risk Supervised Broker-Dealer Program expanded and refined the Market Report which summarizes key market risk areas. The Market Report analyzes equity markets, financial institutions' stock prices and credit default swaps (CDS) spreads, sovereign CDS spreads, exchange rates, U.S. Treasury market yields, credit markets, and commodity markets. The Market Report is used by broker-dealer supervision staff, and distribution of the report has expanded in Trading and Markets (TM) to help other staff keep informed of the broad market.

#### ***10. Workstream 2B: Conducting a Regional Organizational Assessment (ROA)***

In response to a BCG recommendation stating that the SEC should make fundamental decisions about its organizational design, internal operations and regional model, a ROA working group was established. The working group included an Enforcement Subcommittee, a National Exam Program Subcommittee and a Regional Operations Subcommittee. The workstream's progress since the last report includes the following:

##### *Enforcement Subcommittee*

On October 2012, the Enforcement Subcommittee officially established an internal Advisory Committee which focused on evaluating and improving specific aspects of ENF operations: priorities, structure, technology and human capital. The Advisory Committee has created 11 project teams across the four subcommittees to assess and recommend national program process improvement initiatives. The project teams have started meeting, and are working on establishing governance around the recommendations and projects that result from these early discussions.

##### *National Exam Program (NEP) Subcommittee*

The NEP Subcommittee was established to increase the effectiveness and efficiency of the Exam Program and to define a clear reporting structure for its national program. The Subcommittee chose three primary focus areas: resource allocation, risk assessment process, and clarification of roles and responsibilities between the Home Office and the regions.

### *NEP Focus Area 1 – Resource Allocation*

- During the first quarter of FY13, the NEP continued to allocate new hiring authority and vacancies to the programs and offices with the greatest need. Using a risk-based approach to identify those needs, the NEP has hired 62 new examiners and support personnel. NEP hired a Training Manager to work with SECU and NEP management to revamp the examiner training program, both in terms of technical content and delivery mechanisms. The NEP also hired a Communications Manager to develop and implement an effective internal communications strategy for the NEP, leveraging existing processes and new technologies to inform and educate staff across the country.

### *NEP Focus Area 2 – Risk Assessment Process*

- The NEP continues to enhance and improve its shared, national risk framework and its communication with Commission Divisions and Offices, as well as other regulators.

### *NEP Focus Area 3 – Clarification of Roles and Responsibilities*

- The NEP implemented several organizational and process changes to clarify roles and responsibilities for its major programs. The NEP Leadership Team continues to utilize the established governance process to review and clarify the roles of the Home Office and regions.

### *Regional Operations Subcommittee*

As reported in the Third Report to Congress, The Regional Operations Subcommittee evaluated the SEC's regional operating model to improve how the SEC manages and supports operational functions (i.e., human capital, financial management, information technology, facilities, and security) in its Regional Offices. Its assessment considered the optimal alignment of responsibilities among Regional Offices, the Enforcement and Exam national programs, and support functions, as well as the clarification of the roles and responsibilities of the Assistant Regional Director of Operations (ARDO) position. The subcommittee worked with the Office of the Chief Operating Officer (OCOO), ENF and OCIE senior leadership to clarify roles and responsibilities between Regional Offices, Home Office, and the OCOO.

The Subcommittee has begun evaluating current roles and responsibilities in all operational areas to develop implementation plans for each regional office and headquarters operations function. Once finalized, these implementation plans will be executed under the leadership of the ENF and OCIE Managing Executives, in coordination with the OCOO.

### **Workstream Decision Process Completed Outside the ESC Governance Process**

The following workstream decisions were completed outside of the ESC process. Many of these initiatives were already in progress at the time of the BCG study.

#### ***11. Workstream 2C: Seeking flexibility from Congress on Dodd-Frank-mandated Offices***

As stated in the Third Report to Congress, the SEC has established an Office of Minority and Women Inclusion, an Office of Credit Ratings, and the Office of Municipal Securities, with directors on-board in all three Offices. The process for hiring the Investor Advocate continues.

#### ***12. Workstream 3E: Accelerating the roll-out of the SEC's Evidence-Based Performance Management (EBPM) system***

The EBPM was successfully implemented in 2012. All non-bargaining unit members have been placed into the system and will receive pay-for-performance in FY13. Bargaining unit members have also been placed into the EBPM system, although they still receive a Rating of Record of Acceptable/Unacceptable. Transition to EBPM has already made a positive impact. Employees are receiving useful performance feedback that is clearly related to critical job elements and managers have become more aware of their responsibilities as leaders in addition to their roles as technical experts.

Over the last six months the following progress has been made to further institutionalize the EBPM and strengthen a performance management culture:

- An electronic version of the EBPM system is being piloted. The system will allow for greater speed, communication, and management of all aspects of EBPM.
- An internal audit of the EBPM system was conducted to determine managers' compliance with EBPM procedures and the quality of manager and employee narratives.

Results from the audit will enable the SEC to determine where and how to adjust its policies, communications, and training to improve compliance and effectiveness.

- All Senior Officers (SOs) were transitioned to EBPM. Senior Officer training was conducted and the first annual performance cycle for using the system was completed.
- Negotiation with the National Treasury Employees Union (NTEU) has begun regarding potential changes to the compensation structure and the potential implementation of pay-for-performance for bargaining unit employees. The proposed changes include merit pay raises and performance bonuses for employees who make extraordinary contributions to carrying out the mission of the SEC.

***13. Workstream 5A: Conducting an outcome-oriented performance measures feasibility study***

In FY12, the SEC began updating existing performance metrics. Over last six months, this initiative has been building on momentum gained through development of outcome-oriented goals and indicators.

Progress since the last report includes the following:

- The Chairman's Quarterly Operating Report (CQOR) was created to establish a performance measure monitoring process for the agency. The agency's Performance Improvement Officer meets quarterly with the Chairman's Office to review the status of performance measures (e.g., timeliness of responsiveness to investor contact, leadership competency gaps, percentage of transaction dollars settled on time each year, number of non-US regulators trained, etc.), and recommends action plans, as necessary, to achieve them.
- The Office of Financial Management (OFM) continues to improve its internal controls related to requesting, documenting, reporting, and reviewing performance measures. OFM implemented a new procedure to formalize and document any requested changes to existing performance metrics. The process also enables OFM to review any such changes and ensure new or revised measures are outcome-oriented.

- SEC will begin drafting a strategic plan aimed at advancing performance and management efficiencies. Once complete, the strategic plan will enable the SEC to continue development of performance goals and indicators that are outcome-oriented, and will inform decisions related to agency operations, resource allocations, major new acquisitions, and investments in IT and human capital. The SEC expects to publish the new strategic plan in February 2014.
- In parallel to the development of the strategic plan, the SEC is developing a bi-annual review process to ensure the strategic plan aligns with agency strategic objectives and performance goals, and addresses any changes in agency priorities or legislation.

***14. Workstream 3H: Hire staff for priority skill positions – administrative skills***

Since the Third Congressional Report, contractor resources were hired in late 2012 to finalize the initial assessment of the skills gaps of the agency’s administrative workforce and to develop a comprehensive strategy that addresses those gaps. Each recommendation will address culture and change management needs, propose timelines, and suggest an implementation sequence appropriate to the recommendation. Upon completion, OHR will work with key leadership within the Divisions and Offices to implement the recommendations.

***15. Workstream 3G: Enhancing the SEC’s Operational Risk Management capabilities***

The Operational Risk Management (ORM) Program Office’s mission is to enhance the agency’s ability to proactively identify, correct, and mitigate operational risk. Since its inception in the spring of 2011, the office has worked to cultivate an environment that minimizes operational risk, mitigates and effectively manages identified risks, and ensures corrective action plans are established and executed.

Progress since the last report includes the following:

- In FY12, the SEC reported an Unqualified Statement of Assurance reflecting the overall effectiveness of internal controls. GAO concurred and reported overall effectiveness of internal controls in the FY12 independent audit report.



- The SEC continued to build the internal ORM capability by hiring senior ORM leadership and staff to continue operationalizing the program's vision.
- The SEC established the ORM Oversight Committee to assist the agency in achieving its strategic and operational objectives by increasing operational risk awareness and fostering the continued development of a culture that supports enhanced operational risk identification and management. The Committee's mission is to monitor the operational risk environment, including high priority risk areas, and to provide direction and guidance on risk management systems, processes, structures and procedures.
- The SEC expanded the Management Assurance process to include 100 percent participation from Divisions and Offices. This process helps to identify, assess, respond to, control, and monitor risks at the Division and Office levels. An improved agency-wide framework and structure is under development.
- The SEC updated the Governance Risk and Compliance (GRC) tool first deployed in fiscal year 2011 (FY11) to enhance cataloging of information about risks, controls, deficiencies, and corrective action plans. In total, the GRC captured and catalogued more than 460 operational risks and 812 related controls during FY12. Additional improvements include the ability to better capture corrective action plans. These collective enhancements not only made the GRC a more user-friendly resource, but also improved the quality of risk and control data across the agency
- Future plans to further operationalize ORM include: (1) improving policies to effectively manage operational risk; (2) reviewing the risk appetite and tolerances established for Divisions and Offices; (3) recommending an overall risk appetite for the Commission; (4) continuing to identify, prioritize, and manage top agency operational risks identified; and (5) understanding the extent to which the operational risks align with the strategic initiatives, risk appetite and risk tolerance of the Commission.

### **Analysis, Design and/or Recommendations in Process**

The following workstreams are at various stages of their analysis and/or recommendations.

***16. Workstream 1A/B: Reprioritizing mission activities***

The SEC established a working group to address the BCG report's recommendation that the SEC evaluate and reprioritize its mission critical activities agency-wide and realign resources accordingly. As stated in the Third Report to Congress, eight activities were identified where reprioritization was likely to have the greatest impact, and which therefore warranted further study to determine the appropriate scope for potential changes. The working group is now meeting with the relevant Offices and Divisions to document impact assessments of these activities.

***17. Workstream 2D: Reviewing the Commission/staff interaction process and delegation of authority***

Due to limited resources and the need to address other SEC priorities, the working group postponed further efforts to implement the draft recommendations regarding periodic review of existing delegations and advance notice of significant exercises of delegated authority with Commissioners and staff. As priorities shift, the SEC may reevaluate the availability of resources and refocus on this matter.

***18. Workstream 3D: Restructure OHR (Workforce Planning)***

The SEC continues to undertake workforce analysis and planning activities to better understand and respond to the gap between Division and Office workload and the workforce available to fulfill it. These improvements in workforce planning constitute a significant step forward for the agency.

Progress since the last report includes the following:

- In September 2012, OHR updated the workforce profile data that was initially developed and introduced as a workforce planning tool to the SEC. The workforce profile identified gaps in the workforce, served as an effective tool for recruitment actions, and helped to assess future workforce needs. Each Office received its own updated profile along with instructions on how to obtain the greatest value from it. OHR also required each Office to submit a report providing its 2013 workforce plans.

- The SEC has retained the services of an expert in workforce planning and has begun sourcing for a succession planning professional. In conjunction with the current staff and the workforce planning information that has been constructed, disseminated, and implemented, these experts will help to create an effective, centralized workforce planning function. Executives and managers across the SEC will now have access to data and planning information to staff their organizations more effectively.

***19. Workstream 4ABC: Strengthen Oversight of Self-Regulatory Organizations (SROs);  
Centralize and Coordinate Self-Regulatory Organization Interactions***

Two task forces formed under the auspices of an SRO working group comprised of OCIE and TM staff have completed evaluation of the current SRO regulatory structure and oversight. Task Force 1 reviewed and analyzed the disclosures that SROs make, both to the public and the SEC, regarding regulatory operations. To date, the Task Force has developed a list of potential new disclosures. Implementation would require rulemaking by the Commission. Task Force 2 reviewed and analyzed the feasibility of defining metrics and standards to assist the SROs in preparing for SEC oversight. To date, the Task Force determined that OCIE staff observations regarding existing better practices, such as enterprise risk management frameworks, and certain governance practices at the various exchanges, could be developed into discussion points for the exchanges and could serve as a prospective template for the exchanges to develop their own set of improved practices.

***Oversight of FINRA and other SROs***

OCIE staff finalized a review of FINRA, focused on the substantive issues relating to national securities associations set forth in Dodd-Frank Section 964.

Progress since the last report includes the following:

- The final report is close to completion. The report will include a risk-based framework for identifying areas for examination at FINRA, and a process for conducting such examinations. Next steps include examining FINRA based on the results of that oversight. Several examinations based on this increased oversight are currently underway.

- OCIE has devoted a full time employee to monitor and develop risk assessments of FINRA and any new markets (e.g., securities-based swap execution facility) that would register under the Dodd-Frank Act with the Commission.

OCIE also has enhanced its real-time oversight of the exchanges by devoting a full time employee to non-FINRA SRO monitoring and risk assessment.

#### *Increasing Communication and Outreach*

The working group developed an SRO Communications Plan in response to concerns expressed to BCG by the SROs regarding communication with SEC staff. Progress since the last report includes:

- OCIE and TM staff will hold the 2013 SRO Outreach Conference in May 2013 (the original March date for the conference was rescheduled due to inclement weather).
- SEC staff collaborated with the SROs regarding the agenda and format of the conference. The agenda will include a joint panel of TM, OCIE, and SRO staff that will be dedicated to discussing SRO rule filings. In connection with this panel discussion, SEC staff expect to provide written materials to the SROs with additional guidance to assist them in preparing certain types of rule change proposals, including new order types and fees. SEC staff also will solicit feedback from SROs regarding rule filing matters for which they seek further guidance. One of the key objectives at the conference will be a discussion of the possible better practices identified by Task Force 2.

#### *Rule Review Process Enhancement*

TM staff continues to assess how to enhance the post-Dodd-Frank SRO rule change review process in a manner that allows it to progress efficiently, while assuring adequate review of each proposal with opportunities for input from relevant parties.

Progress since the last report includes:

- TM analyzed and is planning enhancements to the electronic form filing system for SRO rule changes, including ways to capture and reflect in the system more information on filings.

- TM staff continued to prepare and circulate to Commissioners' Offices and key senior staff a written dashboard of noteworthy SRO rule changes. The dashboard has been expanded to include additional information on SRO rules that are effective on a pilot basis to assist the Commission in tracking outstanding pilot programs. The report has assisted the staff in informing and engaging the Commission on important proposals early in the review process.

### Staff Skills and Tools

TM staff, in partnership with SEC University, continues to conduct a needs assessment to inform the development of a training program to enhance the skills of, and the tools available to, TM staff. The focus groups planned at the time of the Third Report to Congress have now been conducted. The results of those sessions have informed the preparation of a survey that will be circulated to TM staff to solicit targeted feedback on their training and skill development needs and concerns. After the training needs assessment has been completed and a training program has been developed, TM will consider the development of appropriate metrics to assess staff performance.

### **Two-Year Program Summary**

Over the last two years, the SEC's leadership and staff have used the BCG report and the creation of MAP to improve the agency's mission and support operations. Led by staff from Divisions and Offices, 20 working groups followed a disciplined process to identify potential organizational changes and make a positive impact on the efficiency, structure, and capabilities of the SEC.

Specifically, the SEC has realized benefits across the following four key themes outlined early in the MAP management agenda.

- *Optimize the agency's organizational structure:* Restructure Divisions and Offices to align with the SEC's strategic direction, clarify purpose, reduce duplication of effort, and eliminate organizational confusion.

- *Improve controls & efficiency:* Develop internal mechanisms to locate cost savings, enhance operational risk management, gather data, and clarify or streamline business processes within Division and Offices.
- *Enhance the workforce:* Identify and improve resources to meet the organization's dynamic need for talent.
- *Strengthen capabilities:* Provide the organization with the tools to execute its core function of overseeing the markets and market participants.

The accomplishments in the workstreams have resulted in systemic organizational change that has increased the agency's efficiency and effectiveness. In a climate of limited resources and competing priorities, the SEC quickly and efficiently responded to the BCG study and developed a rigorous program to implement real change for the agency. The SEC was able to develop a comprehensive approach and translate complex recommendations into action plans. The governance structure allowed for transparency both within the agency and to Congress, so that recommendations were appropriately communicated. While the SEC has made great strides in building these internal capabilities, the agency also recognizes that meaningful organizational improvement is a continuous process, and that prolonged effort over several years is required to successfully operationalize the improvements and realize the benefits of the work completed during the past two years.

## **Two-Year Highlights**

### *Optimize the Agency's Organizational Structure*

The SEC restructured the OFM, OAS, and OHR to align the organizations, better define roles, accountabilities and decision rights, and provide improved services to the program Offices. Part of the restructuring process included transitioning to external service providers. This included moving to a FSSP to gain a modernized financial management infrastructure, transitioning to the procurement and administration of all new leases to GSA to reduce operational risk, and outsourcing the SEC's supply management function to provide better management control over administrative supply expense.

The SEC also created the OCDO to better gather, distribute, and utilize the SEC's diverse information on markets and institutions and improve its overall enterprise data management capability. Overall, the support functions of the SEC under the COO are operating in a more cost efficient manner and with improved customer service as a result of the recommendations implemented by the MAP program.

In addition to examining support operations, the SEC also took a critical look at its regional operations and regulatory activities, which led to improved collaboration between the regions and headquarters. Following the 2010-2011 reorganizations of the Division of Enforcement and OCIE, the SEC created the ROA working group to evaluate the effectiveness of the organizational design, support operations, and regional model. The ROA working group consisted of four subcommittees that resulted in: (1) further enhancements to the Enforcement program by establishing an internal Advisory Committee focused on continuous improvements; (2) increased efficiency and effectiveness of OCIE's Exam Program based on an improved approach to resource allocation and clarification of roles and responsibilities between the Home Office and the regions; (3) a regional growth strategy focused on strategically placing staff for the SEC using the current regional office footprint; and (4) an improved model for providing operational support in the regions.

The agency also continues to evaluate and analyze its mission critical activities. Additionally, the SEC identified a set of eight activities that could be stopped, delegated, scaled back or expanded and is continuing to conduct impact assessments for each activity. Given the sensitive nature of this effort, the working group leading this workstream has been careful and deliberate with any decisions. The agency has continued to evaluate these activities in its preparation to provide recommendations to the Chairman.

#### *Improve Controls & Efficiency*

The SEC created the CIP to provide a structure to identify, evaluate, and launch initiatives designed to enhance the agency's efficiency. In FY12, the CIP tracked and catalogued a total of \$18.2 million in realized savings or cost avoidance. Over the last two years, the CIP working group has focused on institutionalizing the CIP capability across the agency, working collaboratively with the Divisions and Offices. It is also coordinating with the OIT and its

substantial cost savings/avoidance “Spend to Save” initiative. In addition to cost savings, the SEC has launched a number of improvement initiatives (e.g., streamlining employee on-boarding processes) that have enabled the agency to create a culture of continuous improvement throughout the agency. Further, operationalizing the BPI CoE will promote a continuous improvement culture by providing expert resources, frameworks, and tools to address improvement initiatives in a consistent manner.

To address deficiencies in internal controls, the SEC created the ORM Program Office that is working to enhance the agency’s ability to proactively identify, correct, and mitigate operational risk. Since its inception in the spring of 2011, the Office has worked to cultivate an environment that minimizes operational risk, mitigates and effectively manages identified risks, and ensures corrective actions are established and executed. In FY12, the GAO determined that for the second consecutive year the SEC had no material weaknesses in internal controls regarding financial reporting. The SEC also developed outcome-oriented performance metrics to measure the agency’s progress toward achieving the agency’s mission. This resulted in the publication of improved performance measures and indicators for the Division of Enforcement and updated performance measures and indicators across the agency for internal management reporting and tracking.

Over the past two years, the SEC has strengthened its relationships with SROs through increased oversight and by establishing a centralized approach to SRO interactions. The SEC conducted a systematic evaluation of the current SRO regulatory structure and oversight that led to additional risk based examinations of SROs. OCIE staff also conducted a review of FINRA that was focused on the substantive issues relating to national securities associations set forth in Section 964 of the Dodd-Frank Act. To help facilitate collaboration and clarify rule filing guidance, the SEC conducted its first ever SRO Outreach Conference in January 2012 and is planning a second conference in May 2013.

#### *Enhance the SEC’s Workforce*

To address the SEC’s continuously evolving need for talent, OHR has focused on improving the recruiting and hiring functions, resulting in a 38 percent improvement in total vacancy announcements advertised over FY11 totals and a 100 percent improvement in the number of



processed applications. The SEC upgraded the talent within OHR, addressing strategic functions that OHR has not previously performed or had performed only on a limited basis, specifically, data analytics, workforce planning, and compensation guidance. OHR also developed the agency's first Human Capital Plan, a key strategic document outlining people-related priorities that link human resource activities to broader mission needs. The plan identifies five high-level goals and supports each goal with key initiatives. Most initiatives in the plan are scheduled to be implemented by the end of FY13, though the agency's efforts have been limited by the funding constraints associated with the Continuing Resolution and sequestration. Additionally, OHR launched the Human Capital Manager program in early 2012, hiring dedicated staff to service the Divisions and Offices by enhancing customer recruiting and hiring support. The SEC also improved its ability to hire staff with high priority skills, including hiring individuals in the Division of Corporation Finance, OCIE, and the Division of Enforcement with experience in structured finance, financial instrument valuation, quantitative algorithms, automated high-frequency trading, and municipal derivative products.

To better manage the SEC's current workforce, the SEC implemented an Employee Based Performance Management (EBPM) system. This system improved the agency's previous performance management process by moving from a pass/fail rating scale to a five-point rating scale to allow for a stronger differentiation among levels of performance. As of October 2012, the system became fully operational for non-bargaining unit staff. The implementation of EBPM, along with a new compensation system, will provide a critical foundation for implementing pay-for-performance in the future by recognizing and rewarding employees based on their performance. The SEC also created a Surge Response Plan to help the agency quickly scale its workforce up and down to respond to changing mandates or market conditions (e.g., a severe market disruption).

#### *Strengthen the SEC's Capabilities*

To acquire tools needed to improve the agency's ability to oversee the markets and market participants, the SEC developed an improved capacity to monitor and manage market risk and transformed its supporting IT structure. The Division of RSFI established the Office of Quantitative Research to develop custom analytics intended to inform monitoring programs across the SEC. RSFI also developed an analytical model that uses performance data to identify

hedge fund advisers worthy of further review by either OCIE or Enforcement's Asset Management Unit. OIT developed automated solutions to analyze information obtained from the Electronic Blue Sheets Platform (equity trade data from clearing brokers). The SEC also invested in modernizing its overall IT systems, which included a centralized system for tips and complaints, enforcement and examination management systems, and risk analysis tools. To further improve core operations and implement the agency's new responsibilities, the SEC embarked on a multi-year Technology Transformation Plan called "Working Smarter" to: (1) ensure the SEC's business processes are streamlined, integrated, and implemented with the best technology; (2) reduce costs and increase efficiencies and effectiveness; (3) deliver better services to both employees and the public; and (4) provide greater accountability, transparency, and security. Some of the key results included the procurement and installation of an Enterprise Data Warehouse, modernization of SEC.gov, and enhancements of the EDGAR filer system to increase, enhance, and optimize the quality of data and information received by internal and external users.

### **Conclusion**

The BCG report provided the SEC with an opportunity to assess and implement improvements to the agency's core infrastructure through redesigning its organizations, enhancing risk management capabilities and internal controls, strengthening the agency's workforce, updating processes to improve customer service, improving the management of resources, and building valuable technology capabilities. SEC staff believes it has responded appropriately to these recommendations.

The agency has transitioned into an organization that applies the principles of continuous improvement, collaboration, and coordination in executing its mission across all of its Divisions and Offices. While this is the last of the statutorily mandated reports, the SEC will continue to seek improvements by implementing and operationalizing the spirit of recommendations stemming from the BCG study.

**Appendix A: Acronym List**

AFR	Annual Financial Report
AQM	Accounting Quality Model
ARDO	Assistant Regional Director of Operations
ATM	All Things Management
BCG	Boston Consulting Group
BPR	Process Re-Engineering
CIP	Continuous Improvement Program
COO	Chief Operation Officer
COOP	Continuity of Operations Planning
COTS	Commercial-Off-The-Shelf
CQOR	Chairman’s Quarterly Operating Report
D&P	Disgorgements and Penalties
DOT	Department of Transportation
EBPM	Employee Based Performance Management
EBPM	Evidence-Based Performance Management
EDW	Enterprise Data Warehouse
ENF	Division of Enforcement
ESC	Executive Steering Committee
ESHA	Excepted Service Hiring Authority
FINRA	Financial Industry Regulatory Authority
FIRREA	Financial Institutions Reform, Recovery and Enforcement Act
FOIA	Freedom of Information Act
FSSP	Federal Shared Service Provider
GAO	Government Accountability Office

GRC	Governance Risk and Compliance
GSA	General Services Administration
HCAC	Human Capital Advisory Committee
HCM	Human Capital Management
HR	Human Resource
IA	Investment Advisor
IC	Investment Company
IM	Investment Management
IT	Information Technology
MAP	Mission Advancement Program
MIDAS	Market Information and Data Analytics System
MSRB	Municipal Securities Rulemaking Board
NEP	National Exam Program
NIST	National Institute of Standards and Technology
NRSI	Name Relationship Search Index
NTEU	National Treasury Employees Union
OA	Office of Acquisition
OAS	Office of Administrative Services
OC	Office of Collection
OCDO	Office of the Chief Data Officer
OCOO	Office of the Chief Operating Officer
OD	Office of Distribution
OFM	Office of Financial Management
OHR	Office of Human Resources
OIG	Office of Inspector General

OIT	Office of Information Technology
OQR	Office of Quantitative Research
ORM	Operational Risk Management
OSO	Office of Support Operations
PCAOB	Public Company Accounting Oversight Board
POC	Point of Contact
REG	Risk and Examinations Group
ROA	Regional Organizational Assessment
RSFI	Risk, Strategy, and Financial Innovation
SEC	U.S. Securities and Exchange Commission
SECU	SEC University
SIPC	Securities Investor Protection Corporation
SP	Special Publication
SRO	Self Regulating Organizations
SRP	Surge Response Plan
TCR	Tips Complaints and Referrals System
TM	Trading and Market