

# OTHER INFORMATION

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## Program Evaluations and Research

Internal and external evaluations play a significant role in monitoring and improving SEC program performance. Through objective measurement and analysis, agency managers determine the extent to which programs are achieving mission objectives allowing them to direct SEC resources accordingly.

**Dodd-Frank Act Section 967 Agency Wide Assessment.** In FY 2011, the SEC procured the services of Boston Consulting Group (BCG) to review the internal operations and structure of the agency in four areas: organizational structure, personnel, technology, and relationships with self-regulatory organizations (SROs). BCG undertook the evaluation utilizing various tools such as document reviews, analyses, and interviews. The evaluation came to four main conclusions or recommended actions for the SEC to: aggressively assess its programs in order to dedicate enough resources to the most urgent program activities; modify its organization structure, roles, and governance to enhance efficiency, effectiveness, and collaboration; invest in infrastructure to build out technology and human resources; and develop initiatives to strengthen its relationship with SROs.

**Office of Compliance, Inspections, and Examinations (OCIE) Program Evaluation.** In FY 2011, OCIE performed a “top-down” evaluation process to determine whether the office consistently conducts exams with professional competence and integrity. The process included uncovering risks to the examination program, determining whether controls exist to mitigate those risks, and collecting information about the operation of controls. The assessment team documented the key controls and parties necessary to achieve OCIE’s objective

of conducting exams with competence and integrity and produced a process flow chart to map how controls and staff are integrated in the examination process. The program evaluation concluded that the key supervisory controls have been implemented and operate effectively.

In FY 2013 and FY 2014, OCIE plans to continue its on-going improvement process across strategy, structure, people, process, and technology whereby OCIE is continually evaluating the program and looking for areas to improve effectiveness and efficiency (particularly in response to an ever-changing and evolving market environment and regulatory landscape).

**Division of Corporate Finance (CF) Program Evaluation.** CF shares responsibility with the OCIE and the Enforcement Division (ENF) to annually review key processes across their three program areas. As a result of these assessments, CF has documented its key processes, implemented improved supervisory controls and simplified some processes. CF is currently conducting an assessment of data accuracy and validation processes that will ensure that the data, which forms the basis for workload planning and performance reporting, is accurate. During FY 2013, CF plans to add staff to conduct filing review evaluations, helping the Division to determine whether to implement process changes to the full disclosure program in FY 2014 and beyond.

Furthermore, the new Office of Disclosure Standards will help CF maintain more effective controls to conduct corporate financial securities filing reviews in a consistent and professional manner and evaluate the outcomes of those reviews. CF anticipates the new office to be operational in FY 2013.

### SEC PROPOSALS ON USE OF EVIDENCE AND EVALUATION

OMB Focus Areas	SEC Proposals for Action
Focus 1: Building Evidence of What is Working and What is Not	The SEC has contracted with the BCG to perform an independent evaluation on operations. Additionally, the SEC is currently assessing data accuracy and validation issues to help ensure the data, which forms the basis for workload planning and performance assessment, are accurate.
Focus 2: Acting on Evidence	The SEC anticipates the launch of the Office of Disclosure Standards in FY 2013 based on a finding that the agency does not have a process to evaluate the outcomes of corporate financial securities filings reviews.
Focus 3: Building Agency Capacity	The SEC’s Continuous Improvement Program (CIP) identifies areas of weakness and tracks efforts to reduce redundancies and maximize efficiencies.

## Cross-Agency Collaborations

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Because securities activities routinely cross regulatory, market segment, and national boundaries, the SEC places great emphasis on building and maintaining close partnerships with other entities. The SEC works closely with other regulatory and enforcement jurisdictions, both within the United States and beyond, through groups such as the Financial Stability Oversight Committee (FSOC), the International Organization of Securities Commissions (IOSCO), and the Financial Stability Board. The agency also frequently engages in joint, bilateral action with other international, national, or state jurisdictions on specific rulemaking activities, regulatory initiatives, and enforcement investigations and cases. The SEC and the Financial Industry Regulatory Authority (FINRA) regularly communicate to discuss strategic initiatives, examination coordination, risk assessment efforts, rule-making issues, industry risks, etc. This type of collaboration is ultimately intended to make oversight of broker-dealers more effective and efficient and to improve compliance within the industry. Further, the SEC's OCIE recently enhanced its inter-regulator Summit of Securities Regulators, increasing the frequency with

which it convenes and expand the group of regulators such that now includes FINRA, the Chicago Board of Options Exchange (CBOE), the Chicago Stock Exchange (CHX), the Municipal Securities Rulemaking Board, the North American Securities Administrators Association, the Federal Reserve Board, various Federal Reserve Banks, and the Commodities Futures Trading Commission (CFTC). The first meeting of the expanded group took place in FY 2012 and provided an opportunity to discuss issues and concerns regarding registrants, current regulatory developments, and to identify common risks and collaboration opportunities.

In addition to these collaborative efforts, there are a number of formal and informal efforts that take place among SEC staff and other regulators. These include periodic meetings to discuss mutual areas of interest in the financial markets and the oversight of certain entities. The SEC also continually works to develop and improve formal sharing agreements (through Memorandum Of Understandings) with a number of these other regulators.

## Efficiencies and Effectiveness

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The SEC continues to make changes that positively impact mission accomplishment and agency operations. These improvements, especially those targeting efficiency, transparency, and responsible management of Federal resources, also reinforce the Chairman's commitment to support legislation such as the e-Government Act, Clinger-Cohen Act, and Executive Order 13589 – Promoting Efficient Spending.

As the SEC considers future budget challenges, it is leveraging the success of the Continuous Improvement Program (CIP) to identify additional efficiency opportunities. In formulating the FY 2014 request, the initiatives set forth below in the area of Information Technology, Enforcement and Corporate Finance are offered as examples of the innovations the SEC is taking to improve its programs, operations, and the mission essential services it provides the nation's investors and markets. While some of these activities generate savings, some produce

efficiencies resulting in reduced administrative burdens and increased resources to focus on mission accomplishment. Others reflect innovations that once launched will assist SEC in avoiding new costs altogether.

The Office of Information Technology (OIT) has consistently demonstrated its ability to transform its business operations through innovation. The success of the following efforts are anticipated to have lasting positive impact on SEC programs, services, and operations for years to come:

- The "Spend to Save" initiative is expected to yield \$15.5 million in savings during FY 2012. Activities under this initiative include more robust infrastructure support contracts, upgrades to data storage systems, alternative data center power configurations, as well as contracting for webcasting to more cost effectively deliver videoconferencing and online presentations.

Savings generated by this initiative are reallocated to provide more effective IT infrastructure and technologies to the divisions and offices.

- OIT's multi-year technology transformation plan called "Working Smarter" will ensure the SEC's business processes are streamlined, integrated, and implemented with the best technology to reduce costs and increase efficiencies and effectiveness; deliver better services to both employees and the public; and provide greater accountability, transparency, and security. Leveraging modern, reliable, and innovative technologies and predictive analytics will transform the way the SEC performs its mission and provide a proactive view into how technology impacts capital markets. By ensuring that people "work smarter," the SEC will derive significant and measurable performance improvements in core operations and increase value through the use of automated processes.
- Phase one of the EDGAR Modernization Initiative includes an Enterprise Data Warehouse (EDW). The EDW infrastructure eliminates current silos of data and empowers investors and the general public to access valuable market data. SEC investigators are able to leverage the EDW to better analyze EDGAR filing data, in conjunction with other SEC data, to identify outliers meriting further investigation. While the overall effort to implement the EDW and modernize EDGAR will span several years, the iterative nature of the delivery model will enable the SEC to realize significant business value from this investment during FY 2013 and incrementally thereafter.

The Enforcement Program has undertaken initiatives intended to increase efficiency and effectiveness in the administration and support of our mission functions. The initiatives can be categorized as either process-driven or IT development. Examples of process initiatives include efforts to increase competition in expert services, the update to Tips, Complaints

and Referrals (TCR) intake and triage capabilities, centralization of processing of document productions, and the process redesign and centralization of post-judgment functions. Examples of IT initiatives include upgrades to the eDiscovery system, development of a document management system to serve as a consolidated repository for work products across the program, deployment of a knowledge management system, and updates to our case management system. All initiatives include a focus on measurement and reporting to enable timely monitoring of processes, and reporting of gains in time, resource, or cost efficiency.

Additionally, there are a variety of other initiatives underway that serve to increase the agency's effectiveness and efficiency, including:

- The continued restructuring of several divisions and offices across the SEC to enhance productivity, enhance customer service, strengthen mission support, and address known areas of weakness.
- Implementation of re-engineered business processes to reduce administrative burdens, which allows staff time and resources to focus on more mission essential program priorities and activities.
- Increased collaboration to effect a change in the work culture and environment to facilitate innovation, partnership, and accountability.

Finally, the CF began an annual assessment to document and review key processes to ensure continuous process improvements as well as data accuracy for workload planning and performance measurement. One conclusion from a recent assessment resulted in the approval for the creation of the Office of Disclosure Standards, which will help CF maintain more effective controls to conduct corporate financial securities filing reviews in a consistent and professional manner and evaluate the outcomes of those reviews.

## Management Reviews

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The SEC reviews performance data on a quarterly basis through the Chairman's Quarterly Operating Report (CQOR), which was created to establish a performance measure monitoring process for the agency. Once per quarter, during an in-person meeting with SEC's Performance Improvement Officer, the Chairman's Office reviews the status of each performance goal and indicator and determines whether the agency is on target for achieving the performance goal for the fiscal year.

The report includes the quarterly result for each performance goal or indicator and the progress achieved towards meeting the target for the fiscal year. Furthermore, the report includes analysis of those goals and indicators that are not reportable, and milestones achieved toward being able to report on them by the due date of the SEC's Agency Financial Report (AFR). If the agency is not on course to achieve the performance goal, a plan for improving performance is requested of the responsible division or office.

## Management Challenges

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For a discussion of the major management challenges, please refer to the Inspector General's Statement on Management and Performance Challenges in the 2012 SEC AFR, accessed at [www.sec.gov/about/secpar/secifr2012.pdf](http://www.sec.gov/about/secpar/secifr2012.pdf). In this letter,

the Inspector General identifies issues for consideration by SEC management. The letter is immediately followed in the AFR by management's response to the identified challenges.

## Hyperlinks to Other Information and Resources

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SEC 2010-2015 Strategic Plan . . . . .	<a href="http://www.sec.gov/about/secstratplan1015f.pdf">www.sec.gov/about/secstratplan1015f.pdf</a>
Annual Performance and Financial Reports . . . . .	<a href="http://www.sec.gov/about/annrep.shtml">www.sec.gov/about/annrep.shtml</a>
Prior Year Congressional Budget Justifications . . . . .	<a href="http://www.sec.gov/about/budgetreports.shtml">www.sec.gov/about/budgetreports.shtml</a>
Investor.gov . . . . .	<a href="http://www.investor.gov">www.investor.gov</a>
SEC Office of the Whistleblower . . . . .	<a href="http://www.sec.gov/whistleblower">www.sec.gov/whistleblower</a>
SEC Enforcement Actions . . . . .	<a href="http://www.sec.gov/spotlight/enf-actions-fc.shtml">www.sec.gov/spotlight/enf-actions-fc.shtml</a>
The Laws that Govern the Securities Industry . . . . .	<a href="http://www.sec.gov/about/laws.shtml">www.sec.gov/about/laws.shtml</a>

