



U.S. Securities and Exchange Commission

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

for the period October 1, 2019 through March 31, 2020

May 2020

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October 1, 2019 – March 31, 2020

Section 5(b) of the Inspector General Act of 1978, as amended, 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. This Management Report presents the required information for the reporting period of October 1, 2019 through March 31, 2020.

### I. Overview of SEC Audit Follow-up Activities

The SEC is committed to timely completion of corrective actions on OIG audit recommendations. At the commencement of this semiannual reporting period, there were 39 open recommendations and eight reports. During the period, management successfully closed 13 recommendations and two reports with OIG's concurrence. Management closed 77 percent of these recommendations in less than one year. The SEC also received six new OIG reports containing a total of 34 recommendations for improvement to the agency's processes and programs. Thus, at period-end, final action was pending on 12 reports.

### II. Reports with Monetary Savings

Sections 5(b)(2) and (3) of the Inspector General Act require the SEC Management Report to include statistical tables summarizing the progress that the agency has made in responding to audit, inspection, and evaluation reports containing "disallowed costs" and "recommendations that funds be put to better use."

*Disallowed Costs.* The term "disallowed costs" means a questioned cost that management, in a management decision, has sustained or agreed should not be charged to the agency. For OIG reports that contain questioned or unsupported costs, SEC management will review the facts and determine whether such costs should be sustained or not, and the extent to which those costs should be disallowed. If the SEC agrees that such costs should be disallowed, the agency will then evaluate whether to attempt to recover such costs.

No questioned costs were determined to be disallowed during this reporting period. Management continues to review the questioned and unsupported costs identified in the OIG Report 554: *The SEC Can Better Manage Administrative Aspects of the ISS Contract*. Management is also reviewing the questioned and unsupported costs identified in OIG Report 560: *Controls Over the SEC's Travel Charge Card Program Could Be Strengthened To More Fully Comply With Requirements and Maximize Benefits* issued at the end of the reporting period on March 30, 2020. Management expects to make a final determination before the end of the next semiannual reporting period on whether the questioned and unsupported costs identified in these reports should be disallowed.

Table 1. Status of Final Action on Audit, Inspection and Evaluation Reports  
with Disallowed Costs  
(Reporting Period October 1, 2019 through March 31, 2020)

Audit, Inspection and Evaluation Reports	Number of Reports	Dollar Value of Disallowed Costs
A. For which final action had not been taken by the beginning of the reporting period	0	\$0
B. On which management decisions were made during the reporting period	0	\$0
C. For which final action was taken during the reporting period	0	\$0
(i) Dollar value of disallowed costs that were recovered through collection, offsets, property in lieu of cash, or otherwise		\$0
(ii) Dollar value of disallowed costs that were written off by management		\$0
D. For which no final action has been taken by the end of the period	0	\$0

*Recommendation that Funds be Put to Better Use.* The term “recommendation that funds be put to better use” means a recommendation that funds could be used more efficiently if management took actions to implement and complete the accompanying recommendation. For OIG reports that contain recommendations that funds be put to better use, SEC management will review the facts and determine whether to implement such recommendations.

During the reporting period, OIG issued one report (Report No. 560: *Controls Over the SEC’s Travel Charge Card Program Could Be Strengthened To More Fully Comply With Requirements and Maximize Benefits*) that contained a recommendation that funds be put to better use. Because management concurred with the associated recommendations, that report and its associated monetary value are identified in the table below. Management will update the table in future reporting periods to show progress in implementing these recommendations.

Table 2. Status of Final Action on Audit, Inspection and Evaluation Reports  
with Funds Put to Better Use  
(Reporting Period October 1, 2019 through March 31, 2020)

Audit, Inspection and Evaluation Reports	Number of Reports	Dollar Value of Funds Put to Better Use
A. For which final action had not been taken by the beginning of the reporting period	0	\$0
B. On which management decisions were made during the reporting period	0	\$0
C. For which final action was taken during the reporting period	0	\$0
(i) Dollar value of recommendations that were actually completed		\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		\$0
D. For which no final action has been taken by the end of the reporting period	1	\$124,773

### III. Reports on Instances of Whistleblower Retaliation

Section 5(b)(4) of the Inspector General Act, as amended, 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.

#### IV. Reports More than One Year Old with Pending Corrective Action

Section 5(b)(5) of the Inspector General Act, as amended, requires the SEC Management Report to include a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year. Table 3 presents the required information.

Table 3. Audits and Other Reports More than One Year Old  
(Reporting Period October 1, 2019 through March 31, 2020)

Report No./Title	Report Date	Funds Put to Better Use	Disallowed Costs	Status of Final Action
<b>Report 546: Audit of SEC's Compliance with the Federal Information Security Modernization Act for Fiscal Year 2017</b>	3/30/2018	\$0	\$0	10 of the report's 20 recommendations have been closed with OIG's concurrence. Since the last reporting period, the SEC's Office of Information Technology (OIT) reports that it has made substantial progress in addressing the remaining recommendations, and is currently working to finalize revisions to policies and procedures to address the remaining elements. OIT anticipates closure of the remaining recommendations before the end of the next reporting period.
<b>Report 547: Audit of the SEC's Internal Controls for Retaining External Experts and Foreign Counsel for the Division of Enforcement</b>	6/15/2018	\$0	\$0	6 of the report's 7 recommendations have been closed with OIG's concurrence. The SEC continues to address the remaining recommendation and expects completion before the end of the next semiannual reporting period.
<b>Report 549: The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework</b>	9/11/2018	\$0	\$0	8 of the report's 9 recommendations have been closed with OIG's concurrence. The SEC continues to work on the remaining recommendation, with anticipated completion in spring 2021.
<b>Report 550: Evaluation of the EDGAR System's Governance and Incident Handling Processes</b>	9/21/2018	\$0	\$0	12 of the report's 14 recommendations have been closed with OIG's concurrence. OIT reports that it took actions during the reporting period to address the remaining two recommendations, with some actions taking longer than anticipated due to the need for additional efforts to ensure the remediation activity comports with related actions occurring for policy revisions and other assessment results. OIT anticipates closure of the remaining recommendations before the end of the next reporting period.
<b>Report 552: Fiscal Year 2018 Independent Evaluation of SEC's Implementation of the Federal Information Security Modernization Act of 2014</b>	12/17/2018	\$0	\$0	2 of the report's 11 recommendations have been closed with OIG's concurrence. The SEC continues to implement the remaining recommendations, with anticipated completion of all but one before the end of the next semiannual reporting period. Due to contracting and technology deployment requirements, the anticipated closure for the final recommendation is spring 2022.