United States Government Accountability Office

Report to Congressional Committees

December 2016

# SECURITIES AND EXCHANGE COMMISSION

# Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges

GAO-17-65

# GAO Highlights

Highlights of GAO-17-65, a report to congressional committees

December 2016

# SECURITIES AND EXCHANGE COMMISSION

## Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges

### Why GAO Did This Study

The Dodd-Frank Wall Street Reform and Consumer Protection Act contains a provision for GAO to report triennially on SEC's personnel management. GAO's first report in 2013 (GAO-13-621) identified a number of challenges, such as SEC's lack of a mechanism to monitor supervisors' use of its performance management system, and included seven recommendations.

This report examines (1) employee views on SEC's organizational culture since 2013 and (2) SEC's current personnel management practices. GAO surveyed all SEC employees (staff in its six key divisions and offices, staff in all other offices and divisions, and all senior officers, with response rates of 69, 60, and 70 percent, respectively); evaluated SEC policies and procedures against relevant criteria; and analyzed information on SEC's practices.

### What GAO Recommends

SEC should (1) provide authority to the COO or other official to enhance cross-divisional collaboration and (2) develop and implement training for hiring specialists that is informed by a skills gap analysis. GAO also reiterates the need to address the remaining five prior unaddressed recommendations on workforce planning, performance management, and intra-agency collaboration. SEC agreed with the second recommendation but disagreed with the first one. In particular, SEC disagreed that enhancing the role of the COO would be the optimal means to achieve further enhancements. GAO maintains that this recommendation will help improve cross-divisional communication and collaboration, as discussed in the report.

View GAO-17-65. For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

### What GAO Found

Employee views on the Securities and Exchange Commission's (SEC) organizational culture have generally improved since 2013. Employees GAO surveyed cited improved levels of morale and trust within the agency compared to 2013 and noted that SEC was less hierarchical and risk-averse. However, GAO's survey indicated that SEC still operates in a compartmentalized way and that there is little communication and collaboration between divisions.

SEC made limited progress on improving personnel management. SEC has addressed two of seven recommendations from GAO's 2013 report, but it faces added challenges in cross-divisional collaboration and hiring and promotion.

- *Mechanisms to monitor supervisors' use of performance management system*. Recently, SEC began to monitor how supervisors (1) provide feedback to staff, (2) recognize and reward staff, and (3) address poor performance. SEC's efforts address the related 2013 recommendation.
- *Accountability system*. SEC implemented a system to monitor its human capital programs and inform its human capital goals consistent with Office of Personnel Management (OPM) guidance. SEC's efforts address the related 2013 recommendation.
- *Workforce and succession planning*. SEC has developed a workforce and succession plan in response to two of GAO's recommendations, but the plan does not include some elements of OPM guidance, such as a skills gap analysis for all SEC staff. As a result, SEC continues to lack assurance that all staff have the necessary skills.
- *Performance management.* Although GAO found in 2013 that SEC's performance management system was generally consistent with relevant criteria, SEC redesigned it in 2014 without first examining its effectiveness—a recommendation GAO made in 2013. SEC officials stated they do not plan any future reviews because they are piloting a new system. As a result, SEC lacks assurance that the new system will perform better than the current one.
- *Communication and collaboration*. SEC has made little progress to address GAO's two recommendations related to improving cross-divisional collaboration. While SEC has recognized some staff for collaborating, it has yet to set expectations for all staff to collaborate across divisions as needed or implement relevant best practices to break down existing silos. As a result, SEC staff still report that divisions operate in isolation. Other than the SEC Chair's Office, which has competing demands on its time, no official has authority to affect the daily operations of the entire agency. Other organizations rely on their Chief Operating Officer (COO) to make such changes, but because SEC's COO lacks such authority, the agency will likely continue to face challenges.

In addition, GAO found that because SEC has not identified skills gaps among its hiring specialists, its training of these staff is limited. As a result, SEC lacks assurance that its hiring specialists have the necessary skills to hire and promote the most qualified applicants, in accordance with key principles of an effective control system.

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## Abbreviations

| | |
|---|---|
| CHCO | Chief Human Capital Officers |
| COO | Chief Operating Officer |
| FDIC | Federal Deposit Insurance Corporation |
| FEVS | Federal Employee Viewpoint Survey |
| HCAAF | Human Capital Assessment and Accountability Framework |
| IG | Inspector General |
| IT | Information Technology |
| NCUA | National Credit Union Administration |
| OCIE | Office of Compliance Inspections and Examinations |
| OPM | Office of Personnel Management |
| SEC | Securities and Exchange Commission |

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

December 29, 2016

The Honorable Richard Shelby
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

The Securities and Exchange Commission's (SEC) mission is to protect investors; maintain fair, orderly, and efficient securities markets; and facilitate capital formation. To carry out its mission, SEC requires public companies to disclose meaningful financial and other information to the public, examines firms it regulates, and investigates potential securities law violations. SEC oversees more than 25,000 market participants, including nearly 12,000 investment advisers, approximately 10,500 mutual funds and exchange-traded funds, and nearly 4,500 broker-dealers. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), the agency's jurisdiction was expanded to include certain participants in the derivatives markets, private fund advisers, and municipal advisers, among other changes.[1] The large number of entities SEC oversees, combined with the increased complexity of these entities, underscores the importance of SEC's regulatory oversight of the securities markets.

Effectively carrying out its regulatory responsibilities requires that SEC attract and retain a high-quality workforce. However, because SEC faced a high-profile enforcement failure during the 2007–2009 financial crisis, we and others have previously reported on the personnel management

[1]Pub. L. No. 111-203, 124 Stat. 1376 (2010).

challenges SEC has faced in building and retaining such a workforce.[2] These challenges have included a lack of emphasis on personnel management and weaknesses in linking pay and performance. We most recently reported on SEC's personnel management challenges in 2013. In our July 2013 report, we made seven recommendations to improve SEC's personnel management, including developing comprehensive workforce plans, implementing mechanisms to monitor how supervisors use the performance management system, conducting periodic validations of the performance management system, exploring collaboration practices of leading organizations, and regularly assessing these efforts.[3]

SEC is not unique in facing personnel management challenges. For example, in February 2011, we found a number of cross-cutting skill gaps across the federal government and recommended that actions be taken by the Office of Personnel Management (OPM), federal agencies, and the Chief Human Capital Officers (CHCO) Council to address critical skills gaps that cut across several agencies.[4] In response, OPM and agencies launched several initiatives. For example, in September 2011, OPM and

[2]See GAO, *Securities and Exchange Commission: Greater Attention Needed to Enhance Communication and Utilization of Resources in the Division of Enforcement*, GAO-09-358 (Washington, D.C.: Mar. 31, 2009); *Financial Regulators: Agencies Have Implemented Key Performance Management Practices, but Opportunities for Improvement Exist,* GAO-07-678 (Washington, D.C.: June 18, 2007); *Securities and Exchange Commission: Some Progress Made on Strategic Human Capital Management,* GAO-06-86 (Washington, D.C.: Jan. 10, 2006). Also see Securities and Exchange Commission, Office of Inspector General, *OCIE Regional Offices' Referrals to Enforcement,* public version, OIG-493 (Washington, D.C.: Mar. 30, 2011); *Investigation of the SEC's Response to Concerns Regarding Robert Allen Stanford's Alleged Ponzi Scheme*, public version,OIG-526 (Washington, D.C.: Mar. 31, 2010); *Program Improvements Needed within the SEC's Division of Enforcement*, OIG-467 (Washington, D.C.: Sept. 29, 2009); *Investigation of Failure of the SEC to Uncover Bernard Madoff's Ponzi Scheme*, public version, OIG-509 (Washington, D.C.: Aug. 31, 2009); and *Report on Enforcement Performance Management*, OIG-423 (Washington, D.C.: Feb. 8, 2007). See Boston Consulting Group, *U.S. Securities and Exchange Commission: Organizational Study and Reform* (Washington, D.C.: March 2011); and Robert Tobias, *Evaluation of the U.S. Securities and Exchange Commission's Evidence Based Performance Management System* (Washington, D.C.: June 1, 2012).

[3]See GAO, *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013). Appendix I provides a summary of the status of SEC's implementation of the 2013 recommendations.

[4]See GAO, *High Risk Series: An Update*, GAO-11-394T (Washington, D.C.: Feb. 17, 2011).

the CHCO Council established an interagency working group to identify and mitigate selected skills gaps in mission-critical occupations. Most recently, in January 2015, we recommended that OPM and the CHCO Council incorporate lessons learned from their initial efforts to close skill gaps to strengthen future approaches.[5] Strategic human capital management has remained on our list of high-risk areas since 2001.[6]

Section 962 of the Dodd-Frank Act includes a provision for us to report triennially on SEC's personnel management, including the competence of professional staff; the effectiveness of supervisors; and issues related to employee performance assessments, promotion, and intra-agency communication.[7] This report examines (1) employees' views of SEC's organizational culture and personnel management, and the extent to which these views have changed since our 2013 report and (2) the extent to which selected SEC personnel management practices have been implemented consistent with relevant standards.

To examine employees' views of SEC's organizational culture and the extent to which they have changed since 2013, we implemented three web-based surveys, based largely on our 2013 surveys, of all 4,236 nonsupervisory and supervisory staff and 148 senior officers. The three surveys were of (1) the mission-critical office and divisions, (2) all other offices and divisions, and (3) all senior officers, and their response rates

[5]GAO, *Federal Workforce: OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps*, GAO-15-223 (Washington, D.C.: Jan. 30, 2015). GAO also recommended that OPM (1) strengthen its methodology for identifying and addressing skills gaps, (2) establish a schedule and process for collecting government-wide staffing and competency data, and (3) develop a core set of metrics for use in agencies' HRstat reviews (quarterly data-driven reviews led by each agency's CHCO). All three recommendations remain open.

[6]For our most recent high-risk report, see GAO, *High Risk Series: An Update*, GAO-15-373T (Washington, D.C.: Feb.11, 2015).

[7]Pub. L. No. 111-203, § 962, 124 Stat. 1376, 1908-09 (2010).

were approximately 69 percent, 60 percent, and 70 percent respectively.[8] Our three surveys consisted of both multiple-choice and open-ended questions and the results from the multiple choice questions are detailed in a separate GAO report (GAO-17-95SP). We do not make any attempt to extrapolate the findings to the eligible staff who chose not to complete our surveys.[9]

To determine the extent to which selected SEC personnel management practices have been implemented consistent with relevant standards, we examined a variety of policies and identified the ones that were designed consistent with relevant criteria and tested their implementation.[10] First, we assessed SEC policies, procedures, and other documents related to personnel management against applicable federal regulations, OPM's Human Capital Assessment and Accountability Framework (HCAAF), key human capital practices, our prior work on personnel management and

[8]Our survey population for the mission-critical office and division consisted of employees who were employed at SEC as of September 30, 2015, according to SEC data. The survey population for the other two surveys consisted of employees who were employed at SEC as of February 29, 2016, according to SEC data. As in our July 2013 review, we define the mission-critical office and divisions as those in SEC primarily responsible for implementing the agency's mission: the Office of Compliance Inspections and Examinations, and the Divisions of Corporation Finance, Enforcement, Investment Management, Economic and Risk Analysis, and Trading and Markets (hereinafter, mission-critical office and divisions). The survey of the mission-critical office and divisions included staff in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts). The survey of all other offices and divisions included staff from the rest of the agency (i.e., non-mission-critical office and divisions), but also included staff from the mission-critical office and divisions who were not in one of the five occupational categories listed above.

[9]Of the 4,384 SEC employees we surveyed, 1,492 (34 percent) did not respond to our survey after multiple follow-up attempts.

[10]We selected these personnel management practices based on our prior work and more recent information we obtained from SEC staff. SEC staff identified the following areas of concern during individual interviews with us as well as in responses to our surveys: recognizing and rewarding performance, actions taken to address unacceptable performance, hiring and promotions, and training.

workforce issues, and federal standards for internal control.[11] Second, based on our assessment of SEC documents (e.g., plans, policies, standard operating procedures, and annual reports), interviews with officials from SEC's mission-critical office and divisions and the Office of Human Resources, and discussions with our internal human capital officials, we identified four practices that were designed consistent with relevant OPM criteria and best practices: hiring and promotions, recognizing and rewarding performance, providing feedback, and addressing unacceptable performance. Finally, we tested these four practices to determine whether SEC was implementing them consistent with its policies and procedures. This testing consisted of performing file reviews and data analysis. We also conducted interviews with relevant SEC staff in the Office of Human Resources and the mission-critical office and divisions. As part of this effort, we reviewed actions SEC had taken to address the seven recommendations from our 2013 report related to four personnel management areas: (1) workforce planning, (2) performance management, (3) communication and collaboration, and (4) human capital accountability.[12]

For all objectives, we conducted semi-structured interviews with a nonprobability sample of SEC supervisors selected based on whether they worked in the mission-critical office and divisions, their position and grade level, geographic location, and their willingness to participate. We also interviewed former SEC employees, officials from the SEC Office of Inspector General (IG), and self-selected representatives and members of the SEC employees' union. We selected a nonprobability sample of former employees to interview that reflected the diversity of former employees in terms of pay grade, occupational category, and tenure, among other factors. The views of these officials are not generalizable.

[11]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23015 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202(b)); GAO, *Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance*, GAO-15-191 (Washington, D.C.: Feb. 6, 2015); *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms,* GAO-12-1022 (Washington, D.C.: Sept. 27, 2012); *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies,* GAO-06-15 (Washington, D.C.: Oct. 21, 2005); *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004); *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: March 2003); and *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

[12]GAO-13-621.

We assessed the reliability of all of the data we used during this review and determined they were sufficiently reliable for our purposes, which include describing trends and views on personnel management practices at SEC. To assess the reliability of OPM's Federal Employee Viewpoint Survey (FEVS) data, we examined descriptive statistics and data distribution and we reviewed missing data.[13] We also reviewed FEVS technical documentation, as well as the statistical code OPM uses to generate the index and variance estimates, and we interviewed officials responsible for collecting, processing, and analyzing the data. We used SEC data derived from the Department of the Interior's Federal Personnel/Payroll System to construct our sample frames for the three surveys, test the implementation of various personnel management practices, and develop summary tables in our appendixes.[14] To determine the reliability of these data, we interviewed SEC staff responsible for the data to determine how data were collected, what controls existed over the data, and any limitations on the data. In addition, where possible, we compared data elements to the original source documents to corroborate the accuracy of the data where available. Appendix II provides more information on our scope and methodology.

We conducted this performance audit from July 2015 to December 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

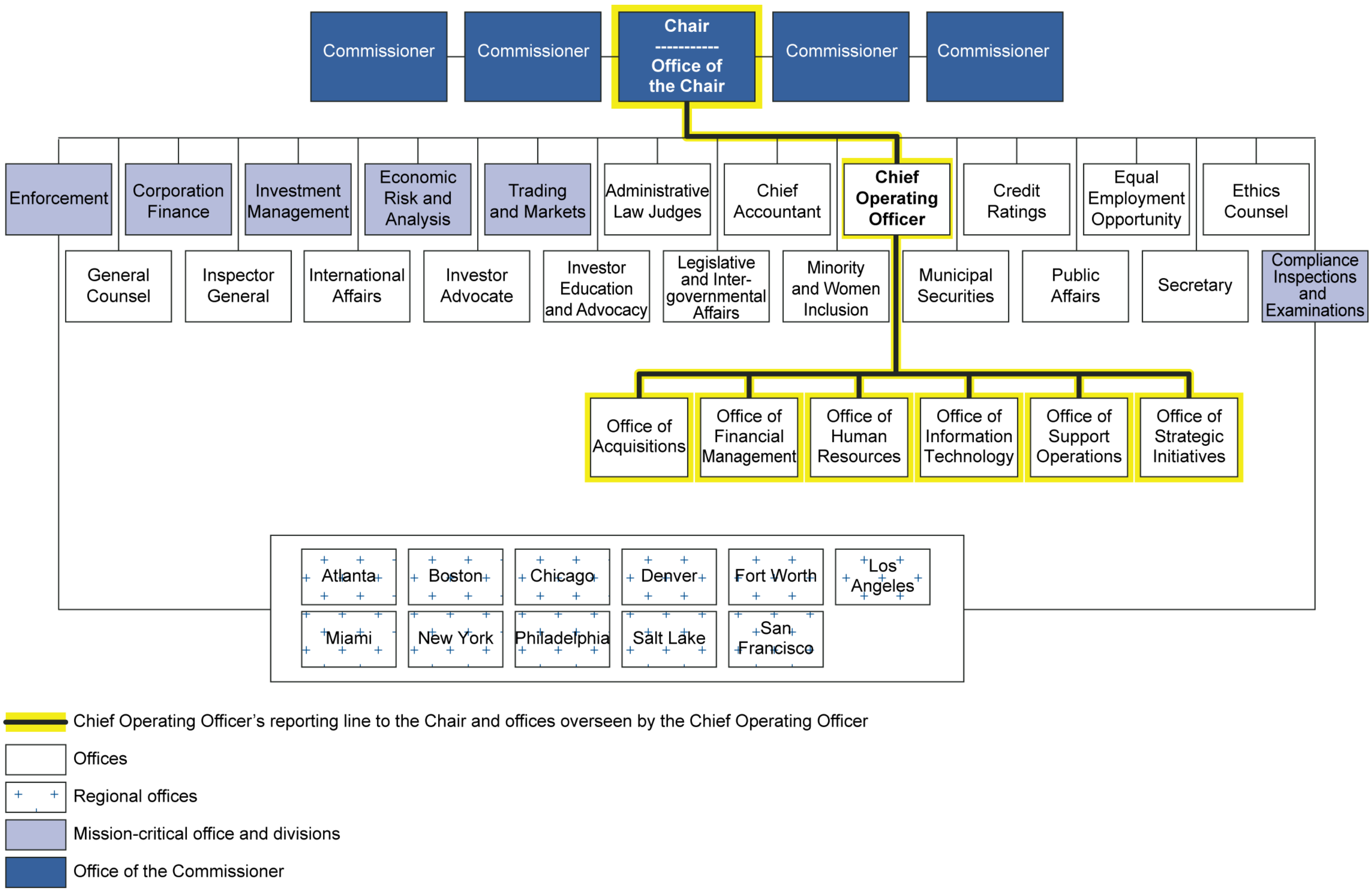
SEC consists of a five-member Commission that oversees the agency's operations and provides final approval over staff interpretation of federal securities laws, proposals for new or amended rules to govern securities markets, and enforcement activities. The Commission, which is headed

[13] OPM's FEVS is an annual survey that provides government employees with the opportunity to share their perceptions of their work experiences, their agencies, and their leaders. For 2016, 407,789 employees responded to the survey.

[14] The Federal Personnel/Payroll System is a mainframe-based personnel and payroll system that supports numerous agencies. The data contained in this system include number of employees, employees' start and separation dates, employees' performance ratings, demographic information, and awards data.

by the SEC Chair, oversees 5 divisions, 23 offices, and 11 regional offices. Figure 1 illustrates SEC's organizational structure.

**Figure 1: Organizational Structure of the Securities and Exchange Commission, as of August 2016**




Source: Securities and Exchange Commission. | GAO-17-65

Note: As in our July 2013 review, we define the mission-critical office and divisions as those in SEC primarily responsible for implementing the agency's mission: the Office of Compliance Inspections and Examinations, and the Divisions of Corporation Finance, Enforcement, Investment Management, Economic and Risk Analysis, and Trading and Markets.

SEC's divisions and offices are organized by functional responsibility. Table 1 summarizes the roles and responsibilities of the one office and five divisions that primarily implement SEC's mission: the Office of Compliance Inspections and Examinations and the Divisions of

Corporation Finance, Enforcement, Investment Management, Economic and Risk Analysis, and Trading and Markets.[15] The mission-critical office and divisions are supported by other offices, such as the Office of Financial Management, the Office of Information Technology, and the Office of Human Resources. The Office of Information Technology supports SEC and its employees in all aspects of information technology (IT) and has overall management responsibility for SEC's IT program, including application development, infrastructure operations and engineering, user support, IT program management, capital planning, security, and enterprise architecture.[16] SEC's Office of Human Resources provides overall responsibility for the strategic management of SEC's personnel management and assesses compliance with federal regulations for areas such as recruitment, retention, leadership and staff development, and performance management. However, certain divisions have internal human resource coordinators that liaise between the Office of Human Resources and their respective division heads. The Office of Information Technology and the Office of Human Resources report to SEC's Office of the Chief Operating Officer (COO), which in turn reports to the Office of the Chair.

[15]Throughout this report, we refer to this office and divisions as "mission-critical office and divisions."

[16]The Office of Information Technology supports cross-divisional efforts related to technology. For instance, SEC's Bluesheet Management System—used by the Division of Enforcement to research specific security information for a selected period of time—is also used by other SEC divisions, including the Divisions of Economic and Risk Analysis and Trading and Markets and the Office of Compliance Inspections and Examinations, among others.

**Table 1: Roles and Responsibilities of Securities and Exchange Commission's Mission-Critical Office and Divisions, as of August 2016**

| Office/Division | Roles and responsibilities |
| --- | --- |
| Office of Compliance Inspections and Examinations | Administers examination and inspection program of the registered entities, including broker-dealers, transfer agents, investment advisers, investment companies, national securities exchanges, clearing agencies, self-regulatory organizations, and the Public Company Accounting Oversight Board. |
| Division of Corporation Finance | Reviews corporate disclosures, assists companies in interpreting SEC's rules, and recommends new rules for adoption. |
| Division of Enforcement | Investigates possible violations of securities laws, recommends Commission action when appropriate, either in a federal court or before an administrative law judge, and negotiates settlements. |
| Division of Investment Management | Regulates investment companies (such as mutual, closed-end, and exchange-traded funds), some insurance products, and federally registered investment advisers. |
| Division of Economic and Risk Analysis | Serves as SEC's "think tank" on economic issues. Associated with the entire range of SEC activities, including policy making, rule making, enforcement, and examination. The division also assists in SEC's efforts to identify, analyze, and respond to risks and trends, including those associated with new financial products and strategies. |
| Division of Trading and Markets | Establishes and maintains standards for fair, orderly, and efficient markets. The division regulates major securities market participants, including the securities exchanges, broker-dealers, self-regulatory organizations, and transfer agents (parties that maintain records of stock and bond owners). |

Source: SEC. | GAO-17-65

To carry out its mission, SEC employs staff with a range of skills and backgrounds, including attorneys, accountants, and economists. As of February 2016, SEC employed 4,674 staff. Of these, approximately 40 percent were attorneys, 21 percent were accountants or financial analysts, and 6 percent were examiners. The remaining 33 percent were other professional, technical, administrative, and clerical staff. From fiscal years 2013 through 2015, SEC hired 1,310 employees.[17] To help SEC attract and retain qualified employees, Congress enacted the Investor and Capital Markets Fee Relief Act (Pay Parity Act) in 2002, which allowed SEC to implement a new compensation system with unique pay scales comparable to those of other federal financial regulators.[18] SEC staff are represented by the National Treasury Employees Union (which we refer to in this report as the SEC employees' union).

[17]During this period, 811 employees left SEC.

[18]Pub. L. No. 107-123, § 8, 115 Stat. 2390, 397-99 (2002).

## Personnel Management Challenges at SEC

Effectively carrying out its regulatory responsibilities requires that SEC attract and retain a high-quality workforce. However, we and others have previously reported on the personnel management challenges SEC has faced in building and retaining such a workforce. These personnel management challenges included challenges related to establishing a constructive organizational culture and developing effective personnel management practices.

For example, a 2011 SEC Inspector General (IG) report found that the level of communication between the Office of Compliance Inspections and Examinations (OCIE) and the Division of Enforcement after a referral—that is, the extent to which noteworthy information from an examination was passed on to the Division of Enforcement for further investigation or action—was not always consistent in the regional offices, which the IG noted can hinder SEC's ability to achieve its mission.[19] In addition, a Boston Consulting Group report also noted in 2011 that SEC's culture impaired communication and collaboration between divisions. According to the report, each division's internal structure was tailored to division-specific needs, and SEC historically placed limited emphasis on using formalized mechanisms for cross-divisional collaboration.[20]

More recently, in July 2013, we found that SEC's organizational culture hindered its ability to effectively fulfill its mission and identified a number of personnel management deficiencies.[21] We also noted that organizations with more constructive cultures generally perform better and are more effective. Within constructive cultures, employees exhibit a stronger commitment to mission focus, accountability, coordination, and adaptability. We found a number of deficiencies in four areas related to SEC's personnel management and made seven recommendations to help SEC address personnel management challenges:

- **Workforce planning:** We found that SEC had not developed a comprehensive workforce plan. In addition, we found that SEC had not developed a comprehensive management succession plan to fill agency supervisory positions. As a result, we recommended that the

[19]See OIG-493. According to IG officials, SEC has addressed the recommendation in this report and now has committees for discussing referrals.

[20]See Boston Consulting Group, *U.S. Securities and Exchange Commission: Organizational Study and Reform.*

[21]GAO-13-621.

Chairman of SEC direct the COO and Office of Human Resources to (1) prioritize efforts to expeditiously develop a comprehensive workforce plan, including a succession plan, and establish time frames for implementation and mechanisms to help ensure that the plans are regularly updated; and (2) incorporate OPM guidance as they develop the workforce and succession plans by developing a formal action plan to identify and close competency gaps and fill supervisory positions and institute a fair and transparent process for identifying high-potential leaders from within the agency.

- **Performance management:** We found that while SEC had performance standards related to supervisors' use of the performance management system, we did not identify specific mechanisms to monitor supervisors' use of the system. In addition, we found no evidence that SEC had validated the system with its staff to help ensure its credibility.[22] As a result, we recommended that the Chairman of SEC direct the COO and Office of Human Resources to (1) create mechanisms to monitor how supervisors use the performance management system to recognize and reward performance, provide meaningful feedback to staff, and effectively address unacceptable performance, for example, by requiring ongoing feedback discussions with higher-level supervisors; and (2) conduct periodic validations (with staff input) of the performance management system and make changes, as appropriate, based on these validations.
- **Communication and collaboration:** We found that although SEC had taken steps to improve intra-agency communication and collaboration, barriers still existed. In addition, we found that staff continued to identify barriers to effective communication and collaboration among the divisions, within the divisions, and between staff and management, contrary to collaborative best practices. As a result, we recommended that the Chairman of SEC direct the COO to (1) identify and implement incentives for all staff to support an environment of open communication and collaboration, such as setting formal expectations for its supervisors to foster such an environment, and recognizing and awarding exceptional teamwork efforts; and (2) explore communication and collaboration best practices and implement those that could benefit SEC.

[22]Validating the system typically refers to obtaining staff input and general agreement on the competencies, rating procedures, and other aspects of the system.

- **Human capital accountability:** We found that SEC had not developed an accountability system to monitor and evaluate its personnel management programs and systems. As a result we recommended that the Chairman of SEC direct the COO and Office of Human Resources to prioritize and expedite efforts to develop and implement a system to monitor and evaluate personnel management activities, policies, and programs, including establishing and documenting the steps necessary to ensure completion of the system.

SEC agreed with our recommendations and acknowledged that improvements could be made in its personnel management. We discuss the progress SEC has made toward addressing these recommendations throughout this report. In addition, appendix I summarizes the status of our 2013 recommendations, as of December 2016.

## OPM's Human Capital Assessment and Accountability Framework

OPM advocates the use of HCAAF, which is a set of tools and strategies available to federal agencies that assist officials in achieving results in personnel management programs.[23] HCAAF is designed to guide the assessment of agency efforts, while allowing enough flexibility for agencies to tailor these efforts to their missions, plans, and budgets. The framework uses five standards for success, lists key questions to consider, and suggests performance indicators for measuring progress and results. The five standards for success are as follows:

- **Strategic alignment:** Agency strategies for human capital management are aligned with mission, goals, and organizational objectives and are integrated into its strategic plan and performance budget.
- **Leadership and knowledge management:** Agency leaders and managers effectively manage people, ensure continuity of leadership, sustain a learning environment that drives continuous improvement in performance, and provide a means to share critical knowledge across the organization.
- **Results-oriented performance culture:** The agency has a diverse, results-oriented, high-performing workforce and a performance management system that effectively differentiates between high and low levels of performance and links individual/team/unit performance to organizational goals and desired results.

[23]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23015 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202(b)).

- **Talent management:** The agency has closed gaps or deficiencies in skills, knowledge, and competencies for mission-critical occupations and made meaningful progress toward closing such gaps or deficiencies in all occupations used in the agency.
- **Accountability:** A data-driven, results-oriented planning and accountability system guides the agency's decisions on human capital management.

OPM has provided some updates to the HCAAF model to federal agencies and recently revised its personnel management regulations (the basis for HCAAF).[24] According to OPM, the revised regulations, which are scheduled to go into effect April 11, 2017, should reinforce existing content and streamline the systems to make the framework more practical to use. The new framework, called the Human Capital Framework, will replace HCAAF and reduce the number of systems from five to four (strategic planning and alignment, talent management, performance culture, and evaluation).

[24]See Personnel Management in Agencies, 81 Fed. Reg. 89357 (Dec. 12, 2016) (revising 5 C.F.R. pt. 250, subpt. B).

## Employee Views of Organizational Culture and Personnel Management Generally Improved, but Views on Cross-Divisional Collaboration Remain Unfavorable

Based on responses to our surveys of all SEC employees, we determined that views of the agency's organizational culture have generally improved since 2013.[25] Organizational culture is the underlying assumptions, beliefs, values, attitudes, and expectations shared by an organization's members that affect their behavior and the behavior of the organization as a whole. In July 2013, we reported that SEC's organizational culture was not constructive and could hinder its ability to effectively fulfill its mission.[26] We previously found that organizations with more constructive cultures generally perform better and are more effective at fulfilling their mission; within constructive cultures, employees also exhibit a stronger commitment to mission focus, accountability, coordination, and adaptability.[27] Although we determined that employee views of SEC's organizational culture have generally improved, employee perceptions about management's efforts to improve cross-divisional collaboration remain low and have not changed since 2013.

### Employees' Views of Organization Culture Generally Improved from 2013 to 2016

While some staff continue to raise concerns, generally employees' views related to morale, trust, hierarchy, and risk aversion have improved since 2013.

[25]We report on the results of our surveys of (1) staff in SEC's mission-critical office and divisions and (2) senior officers from all offices and divisions within SEC. These are the two groups we surveyed in 2013 and compare to our 2016 survey results. As we note, we found that the survey results of staff from the 21 remaining SEC offices and divisions were comparable to the results of these surveys for the questions discussed in this report.

[26]GAO-13-621.

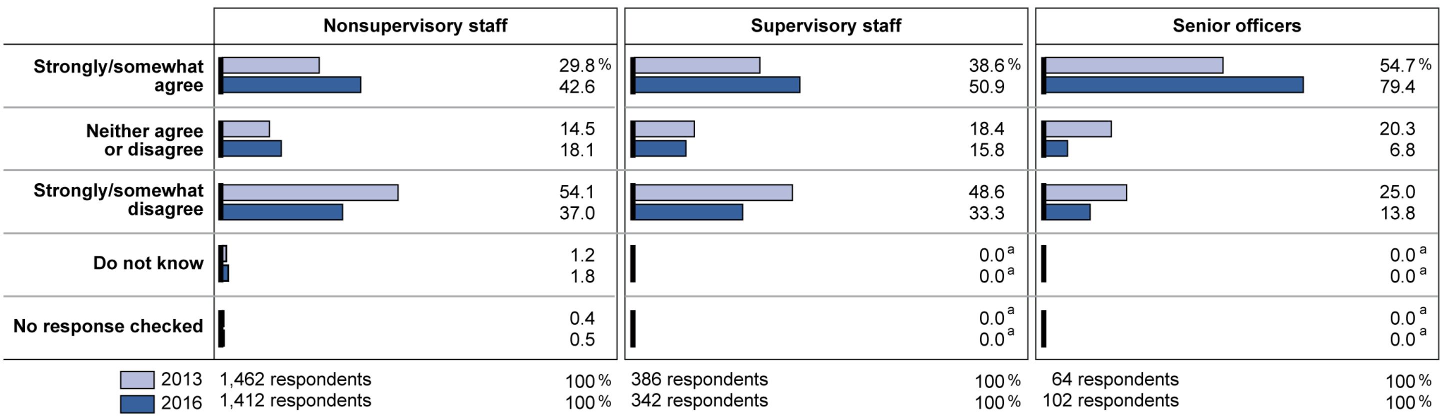
[27]GAO, *Aviation Acquisition: A Comprehensive Strategy Is Needed for Cultural Change at FAA,* GAO/RCED-96-159 (Washington, D.C.: Aug. 22, 1996).

## Morale

Our survey and other evidence indicate that both nonsupervisors' and supervisors' views of morale have improved since 2013 (see fig. 2).[28] Based on our 2016 survey results, about 43 percent of nonsupervisors responded positively (strongly or somewhat agree) when asked whether employee morale is generally high most of the time, compared with about 30 percent in 2013. Also, about 51 percent of supervisors responded positively to this question in 2016, up from about 39 percent in 2013.

**Figure 2: Securities and Exchange Commission Employees' Views about Morale Improved from 2013 to 2016**

**Survey statement:** *Employee morale is generally high most of the time.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

[28]For the purposes of our surveys, (1) nonsupervisory staff are employees in SEC's pay plan grades SK-12 through SK-16 for the Division of Enforcement, and SK-12, SK-13, SK-14, and SK-16 for the remaining four divisions and the Office of Compliance Inspections and Examinations; (2) supervisors are employees in SEC's pay plan grades SK-17 for the Division of Enforcement, and SK-15 and SK-17 for the other divisions and the Office of Compliance Inspections and Examinations; and (3) senior officers are employees in SEC's pay plan grades SO-1 through SO-3. See the background section of this report for more information on the organizational structure of SEC and appendix II (Objectives, Scope, and Methodology) for more detailed information on the survey.

Similarly, in response to a related question about morale, around 17 percent of nonsupervisors who completed our 2016 survey said that senior officers in their division or office worked (to a great extent) to make improvements in workforce morale, up from about 10 percent in 2013. Also in 2016, about 28 percent of supervisors responded to our survey that senior officers in their division or office worked to a great extent to make improvements in workforce morale, about a 10 percentage point increase from 18 percent in 2013.

While our survey results suggest that morale has improved, many SEC employees we spoke with cited concerns related to favoritism and a lack of workplace diversity and promotion opportunities that resulted in low morale among some employees.[29] Additionally, SEC employees from the mission-critical office and divisions provided 369 written responses to our survey questions that addressed challenges related to morale at SEC.[30] For example, one employee described a work environment that promoted staff based on favoritism and an unwillingness by senior officers to make the necessary changes (including addressing low performing staff) to improve employee morale. (We discuss our assessment of SEC's policies and practices related to promotions and addressing unacceptable performance later in this report.)

However, our positive survey findings are generally consistent with the 2016 OPM Federal Employee Viewpoint Survey (FEVS). OPM estimated that SEC's overall Global Satisfaction Index score—which measures employee satisfaction with job, pay, and their organization and is calculated based on FEVS results—increased from about 59 percent in 2012 to 77 percent in 2016.[31] Although this index score may not directly

[29]We interviewed 185 employees (144 nonsupervisory staff, 17 supervisors and senior officers, and 24 staff who chose not to disclose their supervisory status) either in person at SEC headquarters or by telephone or e-mail to allow regional staff to participate. We encouraged all staff to confidentially share their views with us on SEC's organizational culture and personnel management.

[30]In total, SEC employees from the mission-critical office and divisions provided 1,947 written responses to our survey questions.

[31]Our analysis of SEC's overall Global Satisfaction Index score is based on the 2016 FEVS results, see Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Governmentwide Management Report* (Washington, D.C.: 2016). While index scores for 2016 were available, appendix III provides the 2015 FEVS survey results for SEC by various demographic characteristics because at the time of our review comparable data were not available for 2016.

correlate to employee perceptions of morale, it is an important indicator of employee views about whether the agency sufficiently values its staff.[32]

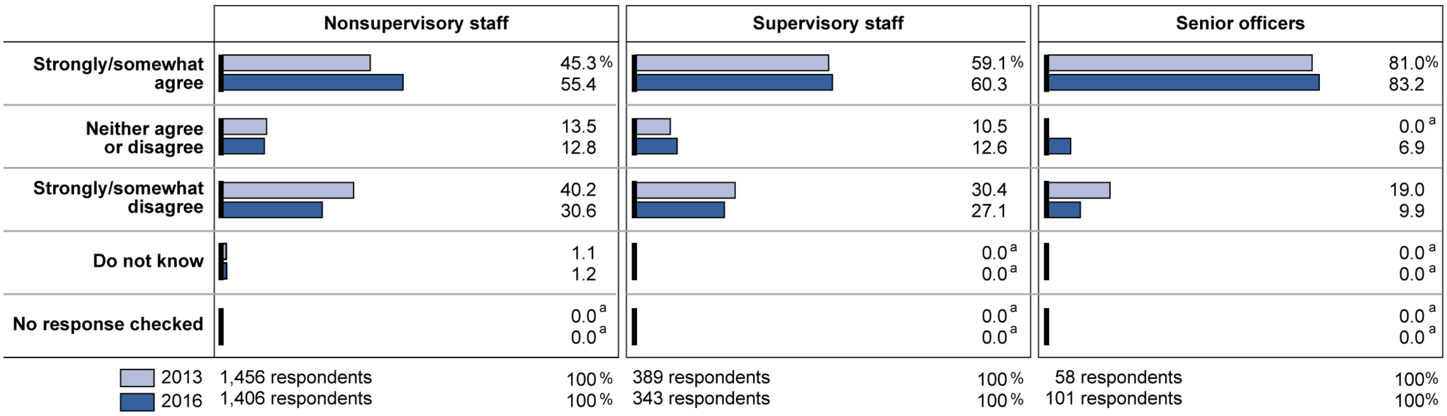
## Atmosphere of Trust

Our survey indicates that nonsupervisors' views about an atmosphere of trust at SEC have improved, increasing from approximately 45 percent in 2013 to 55 percent in 2016. However, SEC employees from the mission-critical office and divisions provided 112 written responses to our survey, raising concerns about SEC's atmosphere of distrust. In addition, 1 former employee described SEC's promotion process as lacking transparency and favoring certain employees. This perceived lack of transparency and favoritism can erode trust between staff and management because it raises questions about the fairness of SEC's promotion process. The views of supervisors on this issue improved slightly between 2013 and 2016, and positive responses from senior officers increased from about 81 percent in 2013 to 83 percent in 2016, as illustrated in figure 3.

[32]Our findings are also consistent with the Partnership for Public Service's analysis of OPM's 2015 FEVS results, which was the latest analysis available at the time of our analysis. This analysis found that SEC's overall index score—which measures employees' general satisfaction and commitment and is calculated based on FEVS results—increased from 56 percent in 2012 to 69 percent in 2015. Compared with other midsize agencies, SEC ranked 10 out of 24 in overall satisfaction and commitment in 2015 (SEC ranked 19 of 22 in 2012). Partnership for Public Service, *Best Places to Work in the Federal Government—Midsize Agencies*, accessed October 21, 2016, http://bestplacestowork.org/BPTW/rankings/detail/SE00#trends. First issued in 2003, the Partnership for Public Service uses data from OPM's FEVS to rank agencies and their subcomponents according to a Best Places to Work index score. The 2015 Best Places to Work rankings, the most recent available, include the views of more than 433,300 civil servants from 391 federal organizations on a wide range of workplace topics. Agencies and subcomponents are measured on overall employee satisfaction and are scored in 10 workplace categories, such as effective leadership, employee skills/mission match, pay, teamwork, and work/life balance.

**Figure 3: Securities and Exchange Commission Employees' Views about Trust Improved from 2013 to 2016**

**Survey statement:** *There is an atmosphere of trust in my division/office.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

Similar to our findings, OPM recently found a slight increase in employee trust at SEC. OPM estimated that the engagement index for supervisors calculated based on FEVS results increased from an estimated 72 percent in 2012 to 73 percent in 2016.[33] SEC scores are similar to those of the National Credit Union Administration (NCUA), which had an estimated score of 79 percent in both 2012 and 2015 according to OPM

[33]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Governmentwide Management Report*. OPM's engagement index for supervisors captures several attributes of supervisors, including trust, respect, and support, and as such, goes beyond the element of trust in the interpersonal relationship between staff and supervisors, which is the focus of this section of our report. Nevertheless, an estimated increase in staff scores for this index is consistent with an improvement in trust between supervisors and staff because it captures attributes that likely help to build trust.

and a score identical to SEC's in 2016 (73 percent).[34] According to OPM, the government-wide average score was 65 percent in 2016.[35]

## Hierarchy and Risk Aversion

Our 2016 survey and other evidence indicate that both nonsupervisors' and supervisors' views about a hierarchical culture have improved. We reported in 2013 that some SEC staff described the agency's culture as "hierarchical" (that is, decisions are made from the top with little if any solicitation of input from staff). In 2013, about 38 percent of nonsupervisory staff who responded to our survey strongly or somewhat agreed that they had a voice in decisions that affected them; in contrast, about 50 percent of nonsupervisory staff strongly or somewhat agreed with this statement in 2016 (see fig. 4). Supervisors' positive responses to this statement also increased slightly—about 64 percent strongly or somewhat agreed in 2013, compared to about 67 percent in 2016. Similar to our survey results, when OPM surveyed SEC employees about whether they have a feeling of personal empowerment with respect to work processes, OPM estimated that 33 percent of staff had a positive attitude (agreed and strongly agreed) in 2012, which increased to 51 percent of staff in 2016.[36] Despite significantly more positive survey results from nonsupervisory staff, senior officers held less positive views than they did in 2013; about 100 percent strongly or somewhat agreed in 2013, compared to about 84 percent in 2016.

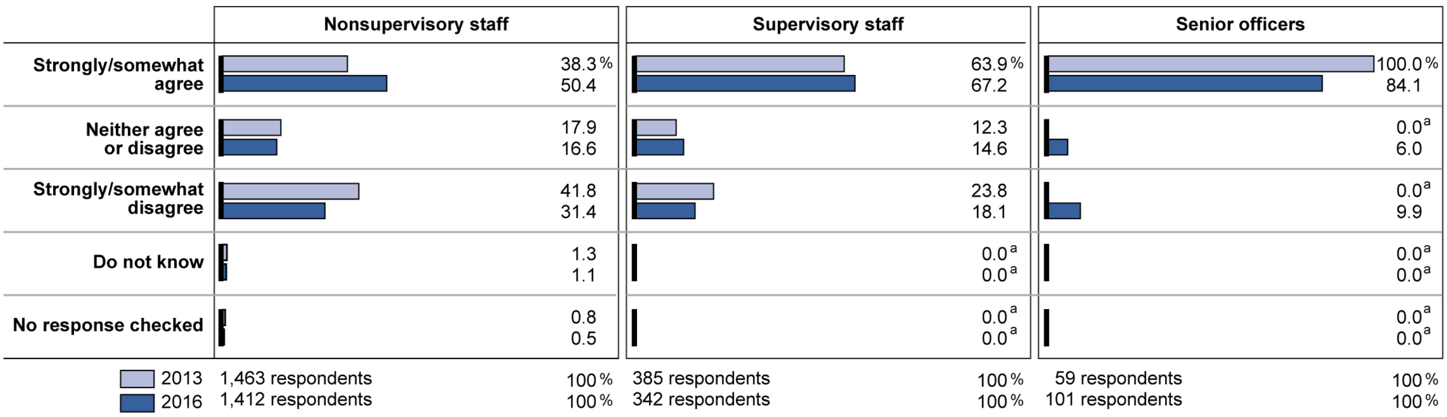
[34]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Governmentwide Management Report*.

[35]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Governmentwide Management Report*.

[36]Office of Personnel Management, 2012 *Federal Employee Viewpoint Survey Results: Report by Agency* (Washington, D.C.: 2012), and 2016 *Federal Employee Viewpoint Survey: Report by Agency* (Washington, D.C.: 2016).

**Figure 4: Securities and Exchange Commission Nonsupervisory and Supervisory Staff Views about Having a Voice in Decision Making Improved from 2013 to 2016, While Senior Officer Views Declined**

**Survey statement:** *I have a voice in decisions that affect me and my work environment.*




Source: GAO. | GAO-17-65

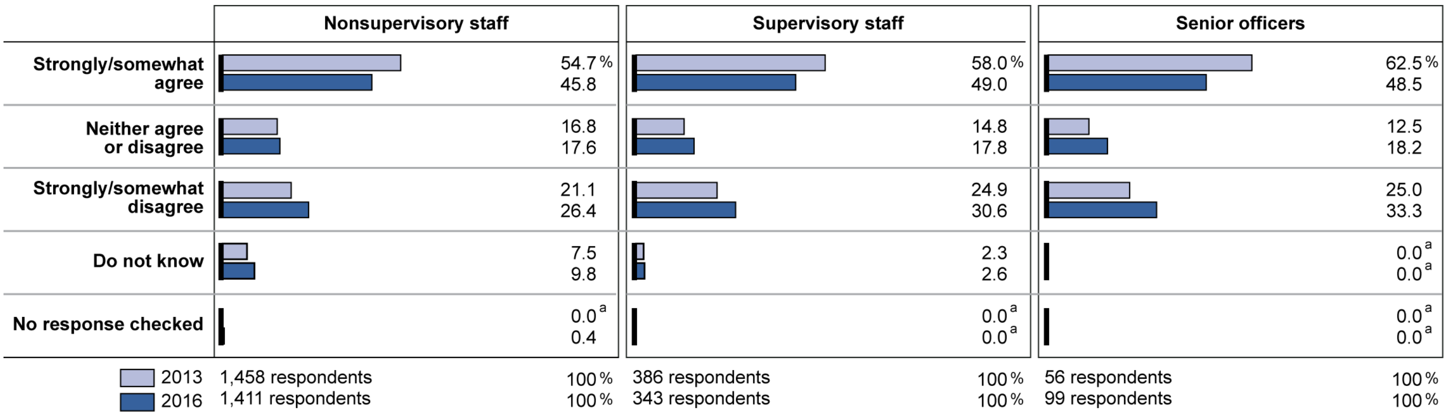
Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

Regarding excessive risk aversion—that is, the condition in which an agency's ability to function effectively is hindered by the fear of taking on risk—our survey and other evidence indicate that nonsupervisors' and supervisors' views have improved significantly since 2013. The percentage of survey respondents who agreed that fear of public scandals had made SEC overly cautious and risk averse fell from about 55 percent in 2013 to about 46 percent in 2016 for nonsupervisory staff, and from about 58 percent in 2013 to about 49 percent in 2016 for supervisory staff (see fig. 5). While our survey results show improvements, SEC employees from the mission-critical office and divisions provided 125 written survey comments related to concerns about risk-averse leaders. A few staff who provided written comments stated that some supervisors and peers fear bad publicity and are still risk-averse, which results in a refusal to admit wrongs or a dislike of being questioned by subordinates. One employee noted that the fear of the appearance of impropriety limits SEC's ability to bring in industry experts. In addition, one former nonsupervisory employee described a work environment that did not encourage change or innovation. This employee stated that she would have been reprimanded for presenting new ideas.

**Figure 5: Securities and Exchange Commission Employees' Views about Risk Aversion Improved from 2013 to 2016**

**Survey statement:** *Fear of public scandals has made the Securities and Exchange Commission (SEC) overly cautious and risk-averse.*




Source: GAO. | GAO-17-65

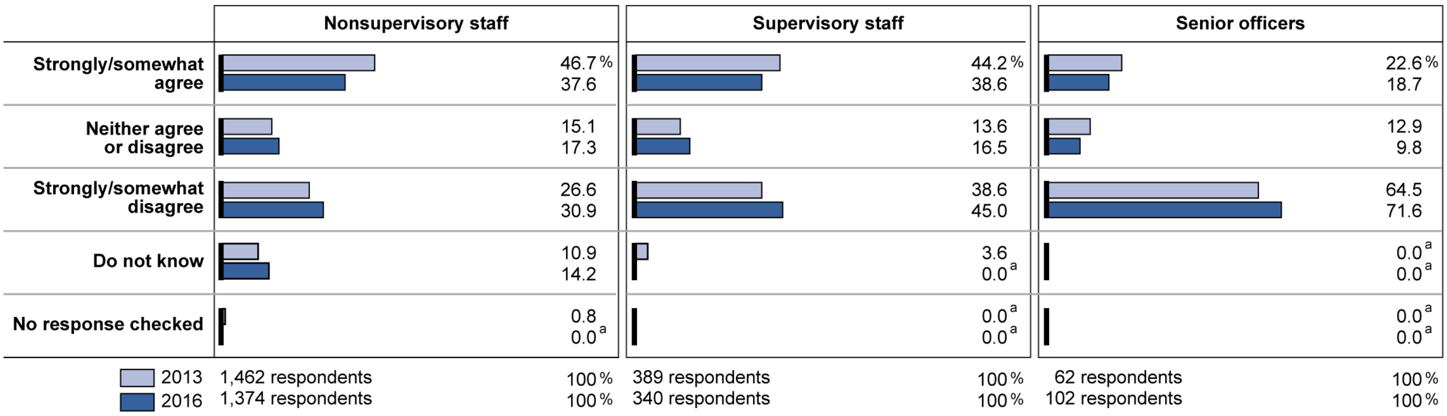
Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

Furthermore, the percentage of staff responding to our survey who agreed that the fear of being wrong had made some senior officers reluctant to take a stand on important issues fell from about 47 percent in 2013 to about 38 percent in 2016 for nonsupervisory staff; from about 44 percent in 2013 to about 39 percent in 2016 for supervisors; and from about 23 percent to about 19 percent for senior officers (see fig. 6).

**Figure 6: Securities and Exchange Commission Employees' Views about Taking a Stand on Important Issues Improved from 2013 to 2016**

**Survey statement:** *The fear of being wrong makes senior officers in my division/office reluctant to take a stand on important issues.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

Similarly, OPM estimated that employees' views of SEC leaders improved from 2012 to 2016. OPM created an engagement index based on the FEVS results that measures employees' views about the integrity of their leaders, including their perceptions of their leaders' behavior related to communication and workforce motivation. OPM estimated that the engagement index score for SEC in this area increased from 49 percent in 2012 to 63 percent in 2016.[37] While this index captures elements of leadership behaviors beyond top-down decision making and risk aversion, it reflects employees' perceptions of how well senior leaders communicate the goals and priorities of the organization, among other things, and, as such, captures staff attitudes toward the perceived levels of hierarchy. When compared with the average government-wide score in 2016 of 53 percent, SEC's estimated score of 63 percent is 10 percentage points higher.

[37]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Governmentwide Management Report*.

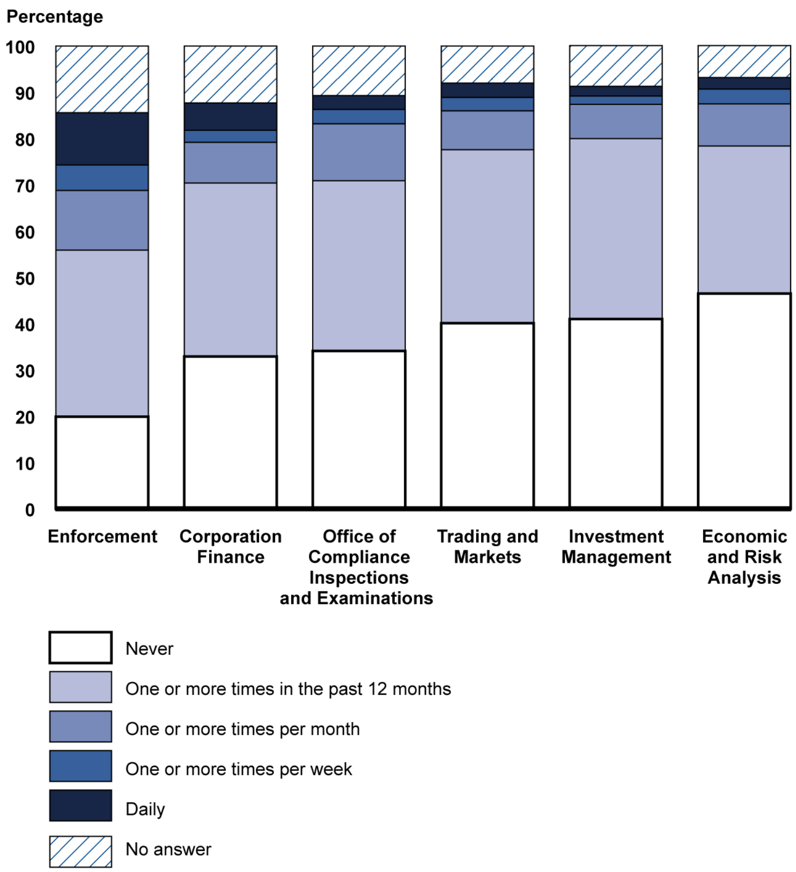
## Employees' Survey Responses Indicate That SEC Continues to Operate in a Compartmentalized Way

Our 2016 survey results indicate that SEC continues to operate in a compartmentalized manner. In 2013, we reported that such an environment can hinder SEC's ability to effectively carry out its mission by limiting communication and collaboration among the divisions.[38] For example, consistent with our 2013 findings, with the exception of the Division of Enforcement, at least one-third of nonsupervisory staff responding to our 2016 survey never contacted staff in other divisions or offices in headquarters in the past 12 months for work-related issues (see fig. 7).

[38]GAO-13-621.

Figure 7: Securities and Exchange Commission Nonsupervisory Staff Have Limited Communication and Collaboration with Other Divisions, September 2016

**Survey statement:** *Frequency of contact with other divisions in headquarters to conduct work in the past 12 months.*




Source: GAO. | GAO-17-65

Note: This figure reflects the 2016 responses of only nonsupervisory employees in the Securities and Exchange Commission's mission-critical office and divisions.

According to a number of staff who provided written comments to our 2016 survey, SEC is comprised of "silos"—that is, work is compartmentalized in each division or office, and little communication or collaboration occurs between the divisions. Several current and one former SEC employees we spoke with expressed similar views. For example, some employees cited a culture that was not supportive of cross-divisional communication. Of the 187 employees we interviewed, 78 considered issues around siloed communication, which includes communication and collaboration between and within units and divisions, as an area where SEC needs to improve. Further, one former employee stated that communication between offices was only encouraged at the most senior levels in the agency. This employee also said that although SEC's Commission required the breaking up of silos after the collapse of Bernard L. Madoff Investment Securities, LLC, this requirement was never implemented at the staff level.[39] Additionally, we received 597 written responses to our survey questions (of a total of 1,947 responses) citing various issues and challenges related to communication and collaboration at SEC. Finally, supervisors we interviewed said that it is sometimes difficult to know who to contact if you need to collaborate with a particular individual or a group with whom you do not normally work. (We discuss our assessment of SEC's efforts to improve communication and collaboration later in this report.)

OPM found improvement at SEC related to cross-divisional communication and collaboration. In OPM's 2016 FEVS survey, an estimated 60 percent of SEC employees responded positively (agree and strongly agree) when asked if managers promote communication among different work units (for example, about projects, goals, needed resources), compared to an estimated 47 percent in 2012.[40] In addition, one former employee who had been a senior officer at SEC described a substantial improvement in communication after the 2007–2009 financial crisis.

## SEC Has Taken Some Steps to Improve Personnel Management, but Progress Has Been Limited Overall

SEC has developed mechanisms to monitor supervisors' use of its performance management system and developed and implemented a system to monitor and evaluate personnel management activities, consistent with our 2013 recommendations in these areas, but progress to improve personnel management in other areas has been limited. Since our prior review, SEC has developed mechanisms to monitor supervisors' use of the performance management system to provide performance feedback, reward strong performance, and address unacceptable performance. In addition, SEC has implemented an accountability system to evaluate personnel management activities, policies, and programs.

[39]In December 2008, thousands of customers found they had lost billions of dollars to a Ponzi scheme that Bernard Madoff had run for years. See, e.g., *SEC v. Madoff*, No. 08-cv-10791 (S.D.N.Y. Dec. 18, 2008) (Consent Order). A Ponzi scheme is an investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors.

[40]Office of Personnel Management, *2012 Federal Employee Viewpoint Survey Results: Report by Agency*, Part 2 (Washington, D.C.: 2012).

However, SEC's actions to address personnel management practices in the areas of workforce and succession planning, performance management, and cross-divisional communication and collaboration have not been sufficient to address our 2013 recommendations. Further, we found that SEC lacks controls over some aspects of its hiring and promotions.

## SEC Has Created Mechanisms to Monitor Supervisors' Use of the Performance Management System

We found that SEC has implemented mechanisms to monitor how supervisors use the performance management system. According to OPM guidance, an effective performance management system provides mechanisms to monitor how supervisors use that system and provide feedback to staff. OPM does not provide specific requirements on the structure of these mechanisms, allowing agency discretion. In our July 2013 report, we recommended that SEC create mechanisms to monitor how supervisors use the performance management system to provide meaningful feedback to staff, recognize and reward performance, and effectively address unacceptable performance. Based on our review, SEC's efforts to implement mechanisms to monitor supervisors' use of the system in these areas are sufficient to address our 2013 recommendation.

### Providing Meaningful Performance Feedback

SEC has taken steps to monitor the performance feedback supervisors provide to employees. While we did not independently assess the quality of feedback provided to employees, we examined SEC's process for monitoring feedback as well as our survey results that relate to the performance feedback employees receive. Consistent with the OPM guidance, each year SEC monitors whether supervisors are providing the required feedback by reviewing a random sample of 5 percent of performance work plans each fiscal year; these work plans contain documentation that the supervisor provided the interim and final performance feedback to the employee. SEC's review of the random sample of the performance work plans involves assessing the documentation to determine whether employees and supervisors have completed the formal performance appraisal process and whether the supervisor provided feedback to the employee. We found that while SEC's random selection of 5 percent of performance work plans produces results which are not generalizable, the methodology is sufficient to gauge general compliance with SEC policies.

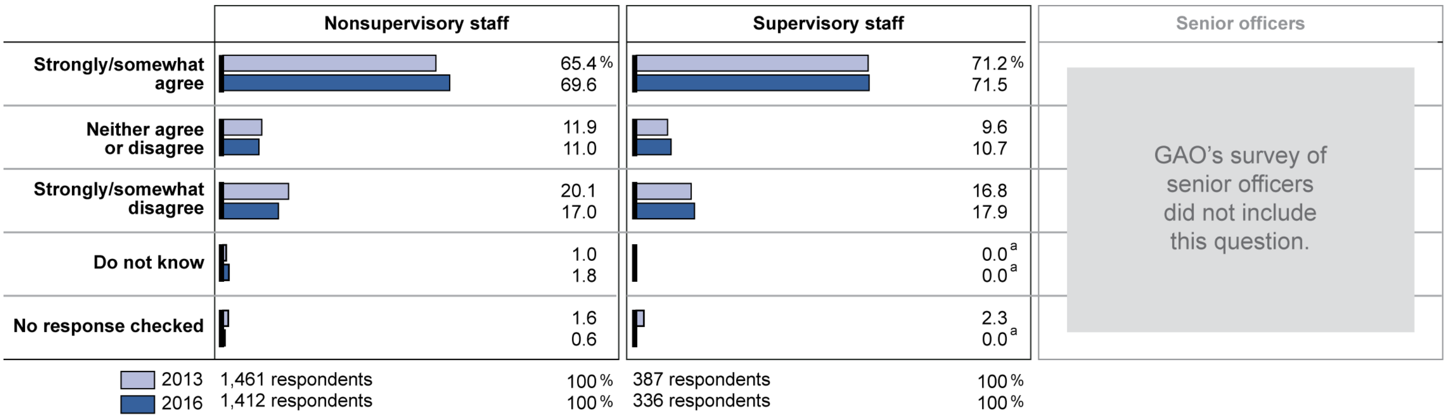
SEC's review of performance work plans for fiscal year 2014, the most recent review available, found that 96 percent of the sampled employees had discussed performance expectations with their supervisors, 92 percent had a midyear performance review, and 98 percent had received end of year feedback. While the fiscal year 2014 review did not make any new recommendations for improvement, SEC's fiscal year 2013 review of performance work plans, the first time SEC had conducted these reviews, made recommendations that included providing additional online resources to supervisors and uploading copies of performance work plans to an electronic OPM database. In response to the 2013 review, SEC provided supervisors with more online resources about the performance management process in SEC's shared database and continued to upload performance work plans into staffs' electronic official personnel folders. In addition, SEC plans to continue these reviews annually, according to SEC officials.

Overall, survey responses by nonsupervisors related to feedback improved modestly since 2013 (see fig. 8). The percentage of nonsupervisory staff who agreed that their current direct supervisor provided useful and constructive feedback increased from about 65 percent to about 70 percent from 2013 to 2016. A few employees who provided written responses to our survey noted that supervisors in their workgroup provided constructive feedback. In addition, SEC's level of positive responses on performance feedback was similar to that of other agencies in OPM's 2016 FEVS. Specifically, when employees were asked whether they agreed with the statement "Discussions with my supervisor about my performance are worthwhile," OPM estimated that 66 percent of SEC respondents agreed or strongly agreed with the statement, compared to 63 percent of respondents government-wide.[41]

[41]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Securities and Exchange Commission*, 2016.

**Figure 8: Securities and Exchange Commission Nonsupervisory Staff Views on Performance Feedback from Supervisors Improved Modestly from 2013 to 2016**

**Survey statement:** *My direct supervisor provides useful and constructive feedback.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

While employees' views related to the quality of feedback provided have generally improved since 2013, some supervisors and staff we met with identified some areas of concern that are common across the government. For example, we interviewed two groups of supervisors and both groups told us that the quality of feedback an employee receives can be inconsistent and is often dependent on their particular supervisor. In addition, supervisors in one group stated that they are sometimes reluctant to provide negative feedback to staff for fear of retaliation by the SEC employees' union. Finally, in our conversations with SEC employees and in comments on our survey, some employees told us that feedback was not consistently substantive and timely.

## Rewarding Strong Performance

In response to our July 2013 recommendation, SEC has also implemented mechanisms to monitor how supervisors recognize and reward performance. For example, during the course of our review, the accountability group in the Office of Human Resources issued a report on its review of SEC's award program.[42] The purpose of the review was to help ensure that SEC's Employee Recognition Program and performance-based cash awards were in compliance with applicable federal laws, rules, and regulations and SEC policies and procedures, and to determine how awards were distributed across the agency. According to the report, SEC's accountability group took a number of steps to monitor how awards were being distributed to SEC employees. First, they reviewed the criteria and justification for the incentive awards. Second, they analyzed demographic data to determine the distribution of incentive awards throughout SEC. Third, they interviewed key staff responsible for the SEC awards program to help ensure they understood how to administer the program in compliance with relevant SEC policies and procedures and federal laws and regulations. We found that SEC's actions to review the program are consistent with OPM guidance on monitoring supervisors' use of the performance management system.

Overall, SEC's accountability group found that the awards program had improved over time and that information about the program was well-communicated and highly visible to staff, automated, and sufficiently funded. However, the group recommended that supervisors ensure that nominating staff document the justification for all awards that are not based on a rating of record, as required by regulation. [43] SEC officials responsible for the awards program agreed with the recommendation and, according to the accountability group's report, are taking actions to review submitted awards to ensure all program requirements are met, including the requirement for supervisors to ensure that each award recommendation is justified. According to the accountability group's planning document, the group plans to evaluate the awards program every 3 years through 2027. In addition, SEC officials told us that they plan to make additional program improvements based on a 2014 SEC Office of Equal Employment Opportunity initial review of SEC's awards data.[44] In response to this initial review, SEC is conducting an analysis to

[42]Securities and Exchange Commission, *Employee Recognition Program (ERP) Evaluation*, Final Report: 2016-ERP-01 (Washington, D.C.: Aug. 19, 2016).

[43]See 5 C.F.R. § 451.103(c)(2).

[44]Securities and Exchange Commission, *Annual Equal Employment Opportunity Program Status Report*, Management Directive 715, Fiscal Year 2015 (Washington, D.C.).The study covered the period from October 1, 2014, to September 30, 2015, and found that females received fewer time-off awards and lower amounts of cash awards than male employees. The report also noted that some minority groups received lower cash awards compared to other demographic groups.

determine if SEC's policies, practices, or procedures are creating any barriers in recognition and awards. SEC expects to complete this analysis in March 2017.[45]

Similar to SEC findings, we also found that SEC's award program is designed and implemented consistent with OPM's HCAAF, which notes, among other things, that an agency's award system should have clear criteria and include a variety of types of awards. We performed our own independent analysis of SEC's awards program by reviewing a nongeneralizable sample of 71 award packages and found that SEC is implementing its awards program consistent with its policies and procedures.[46] We reviewed these packages to determine whether awards packages are consistent with awards criteria, which includes whether the awards have written justifications and required signatures by the staff submitting award recommendations and staff reviewing the awards, and whether the awards are accurately reflected in the employees' personnel records. We found that all award packages we reviewed had a written justification describing what the employee or group of employees had accomplished to receive consideration for the award and had the requisite signatures from the division or office, as well as from the Office of Human Resources, indicating that the relevant officials had reviewed the awards package and approved it.[47] Finally, we found that for all award packages we reviewed, the approved cash award or time-off award was accurately reflected in all the employees' personnel records.[48]

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[45]According to SEC staff, if there are any changes to the expected completion date of March 2017, the changes will be reported in the Management Directive 715 Report for Fiscal Year 2016—a report that describes the agency's programs to ensure equal employment opportunity. This report is available on https://www.sec.gov/eeoinfo/eeoreports.htm.

[46]Because the database we used to draw our sample contained data that were out of the scope of our review (for example, some packages did not include incentive awards), we did not attempt to generalize the results of the sample. We were, however, able to use the 71 award packages to assess SEC's implementation of its awards program.

[47]In one award package, we found that the Chief Operating Officer did not sign off on a cash award that was over $2,500, which is the minimum cash amount that requires the Chief Operating Officer's signature.

[48]Senior officers are not eligible for cash awards. Appendix IV provides data on individual cash and time-off awards by supervisor status, age, gender, and race for fiscal years 2013 through 2015.

## Addressing Unacceptable Performance

In response to our 2013 recommendation, SEC has implemented mechanisms to monitor supervisor practices to address unacceptable performance. Consistent with OPM guidance and federal regulations, SEC supervisors are required to gather relevant information, such as examples of work products that do not meet performance standards and any relevant e-mails discussing the individual's performance. They must also document the unacceptable performance prior to putting a permanent employee on a performance improvement plan or terminating employment for a probationary employee (generally employees who have been on the job for less than 1 year).[49] According to SEC officials, the Office of General Counsel, which is now responsible for coordinating SEC's practices related to addressing unacceptable performance, tracks employees who receive an annual performance rating of "unacceptable" (which would generally precipitate a performance improvement plan). It also follows up with the employee's supervisors to ensure the supervisors are taking the required steps to address the performance issue. As documented in the performance improvement plans, the Office of General Counsel is to ensure that supervisors (1) describe the unacceptable performance, (2) describe what actions the employee needs to take to address the unacceptable performance, (3) specify the amount of time the employee will have to improve his or her performance, and (4) describe the consequences if the employee's performance fails to improve.

Based on our review of performance improvement plans for permanent employees and actions taken against probationary employees, we found that SEC has implemented its practices related to addressing unacceptable performance consistent with its policies and procedures. Specifically, we reviewed all 16 performance improvement plans SEC issued in fiscal years 2013 through 2015 and found that these plans

[49]OPM's regulations govern the action taken against probationary employees. By regulation, agencies taking actions against probationary employees for unacceptable performance must provide in writing the agency's description of the unacceptable performance and the effective date of the termination of employment. See 5 C.F.R. § 315.804(a).

contained all the required information.[50] We also reviewed all files related to terminations of employees during probationary periods for fiscal years 2013 through 2015 (20 in all) and found that they all contained the required information under the regulations. Specifically, these files described the unacceptable performance and the effective date of the termination, which in all cases was within the 1-year probationary period.[51]

[50]Based on discussions with our internal human capital stakeholders, 16 performance improvement plans over a 3-year period are not atypical in the federal government. Of the 16 performance improvement plans, 4 employees improved their performance and were taken off the performance improvement plan, 11 employees left the agency with a settlement agreement (e.g., a voluntary separation incentive payment, voluntary early retirement authority, or resignation), and 1 was removed from the agency because their performance had not improved. We found that SEC and the rest of the federal government as a whole have removed a very small percentage of employees annually for performance and conduct issues. Specifically, in February 2015 we reported that the federal government's actions to address poor performers in 2013 (the most recent year for which data were available) resulted in the removal of 3,489 federal government employees for performance or a combination of performance and conduct, representing about 0.18 percent of the career permanent workforce. See GAO-15-191. During this review, we found that for the same year, 2013, SEC removed 23 employees, representing 0.50 percent of its employees. (SEC can remove employees, such as probationary or trial period hires with performance issues, without placing them on performance improvement plans.)

[51]Of the 20 cases we reviewed, SEC entered into settlement agreements with 7 of the employees. These settlement agreements included expunging poor appraisal ratings in return for the employee separating from the agency and waiving further appeal rights, and providing employment references that did not present a prospective employer with negative information about the employee. According to our February 2015 report on the federal government's actions to address employees performing at an unacceptable level, these actions may benefit agencies because they can avoid costly litigation and allow the employee who may not have been a "good fit" for the position to pursue other opportunities inside or outside the federal government. However, our report also notes that expunging poor appraisal ratings should be used judiciously to avoid allowing a low-performing employee to present issues for another agency. See GAO-15-191.

## SEC Has Developed a Human Capital Accountability System to Help Assess Its Personnel Management Programs

In response to our 2013 recommendation, SEC has designed and implemented a human capital accountability system (that is, a system designed to facilitate regular assessments of an agency's personnel management programs).[52] In our July 2013 report, we found that SEC had not implemented a way to monitor and evaluate its personnel management. As a result, we recommended that SEC prioritize and expedite efforts to develop and implement a system to monitor and evaluate personnel management activities, policies, and programs, including establishing and documenting the steps necessary to ensure completion of the system. Since that time, SEC has taken steps to address the recommendation.

In 2015, SEC designed a human capital accountability system, including an underlying plan and standard operating procedures. According to OPM's HCAAF, a human capital accountability system should evaluate results and provide consistent means for an agency to monitor and analyze its performance on all aspects of its human capital management policies, programs, and systems. OPM guidance also states that the accountability system should contribute to an agency's performance by identifying and monitoring necessary improvements. An accountability system should also provide for annual assessments of an agency's progress and results related to human capital management. SEC's accountability system requires that staff in the Office of Human Resources review programs, recommend corrective actions and track the status of those actions, and provide an annual assessment of the progress. Steps SEC has taken to implement the system include the following:

- SEC evaluated its Student Loan Repayment Program in October 2015 and found weaknesses in internal controls—for example, controls related to documentation of the decision to accept or reject an application for the program—and made recommendations for strengthening these controls.

[52]SEC is not an agency included in the list of agencies to which the Chief Human Capital Officers Act of 2002 (Pub. L. No. 107-296, tit. XIII, 116 Stat. 2135, 2287) applies. See 5 U.S.C. § 1401; 31 U.S.C. § 901(b). According to SEC officials, as a non-CHCO agency, SEC utilizes best practices by implementing a human capital accountability system as described in OPM's Personnel Management in Agencies regulations (5 C.F.R. pt. 250). While SEC did not need approval by OPM of its human capital accountability system, the agency consulted with OPM to develop its Human Capital Accountability System Plan.

- Since September 2014, SEC has also conducted quarterly reviews of personnel actions and recruitment case files and identified weaknesses such as incorrect offer letters and missing evidence of rankings of job candidates, which we discuss in more detail later. SEC's quarterly reviews also identified some positive findings, including that SEC's job opportunity announcements had few significant errors.
- In April 2016, SEC provided its first annual human capital accountability report to the Chief Human Capital Officer. This report summarizes the actions SEC took to review its human capital programs in fiscal year 2015 and lists the remaining steps necessary to fully implement the system.

In addition, the results of SEC's human capital accountability system have informed the agency's human capital goals and spending priorities. According to HCAAF, the results of the human capital accountability system should inform an agency's human capital goals and objectives as well as its spending priorities. For example, SEC relied on the results of its review of the Student Loan Repayment Program to set goals related to attracting and retaining talent. Specifically, SEC found that the program lacked a process to document why some employees' applications were denied and therefore was unable to ensure that qualified and talented employees benefited from the program. According to SEC officials, in response to the results of the review, SEC broadened its goal of attracting and retaining talented employees by incorporating goals related to improvements to the management and oversight of the program. Likewise, officials said that SEC used the results of its quarterly reviews of its recruitment case files, which found improvements in aspects of the recruitment and hiring process, to set more challenging goals to hire larger numbers of staff in a more efficient manner. Based on the results of these reviews, SEC requested additional Office of Human Resources staff in its 2017 budget justification request, according to SEC officials. These linkages are important for providing assurance that SEC's human capital accountability system is contributing to its human capital goals and priorities. As a result of these findings, we have concluded that SEC addressed our 2013 recommendation to develop and implement a system to monitor and evaluate personnel management activities, policies, and programs.

In addition, although SEC completed only about half of its planned reviews of human capital programs for fiscal years 2015 and 2016, it is taking steps to address this issue. SEC staff told us that because this was their first human capital accountability system, they had not developed specific criteria for selecting programs to review, other than those they were required to review by regulation. After discussions we held with relevant SEC officials throughout the course of our review, in January 2016 SEC established criteria for programs to be reviewed through fiscal year 2027. SEC staff in the Office of Human Resources now assign a priority level to each program, function, or activity they plan to review based on its regulatory review requirement, the necessary implementation costs, and the number of employees affected. The higher the priority, the more often the program, function, or activity is to be evaluated. SEC staff also told us that they are in the process of updating the standard operating procedures for the accountability system and that these procedures would be finalized by early calendar year 2017. In addition, when SEC staff planned the fiscal years 2015 and 2016 reviews, they said that they did not anticipate the resources required to complete them. As such, they now plan in a way that takes into account available resources, which will limit the number of reviews in the future. By applying these newly established priorities and planning procedures, SEC should be in a better position to complete key program reviews that are an essential component of its human capital accountability system.

## SEC Continues to Face a Number of Personnel Management Challenges

While SEC has taken some actions to address our 2013 recommendations on workforce and succession planning, performance management, and cross-divisional communication and collaboration, we found that these actions were insufficient to address our 2013 recommendations. In addition, we found that while SEC's hiring and promotion policies and procedures are generally consistent with OPM and other relevant criteria, SEC lacks adherence to controls over some aspects of hiring and promotions.

### Workforce and Succession Plans

Consistent with our 2013 recommendation that SEC prioritize efforts to create a workforce and succession plan consistent with OPM guidance, SEC has recently developed plans, but they do not include some key components of strategic workforce and succession planning identified by OPM and our previous work.[53] In our July 2013 report, we found that SEC

[53]See GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003); and *Workforce Planning: Interior, EPA, and the Forest Service Should Strengthen Linkages to Their Strategic Plans and Improve Evaluation*, GAO-10-413 (Washington, D.C.: Mar. 31, 2010). These reports identify key principles that agencies should address in their strategic workforce planning process to help meet current and future mission requirements.

had not yet developed a comprehensive workforce and succession plan. We recommended that the COO and the Office of Human Resources (1) develop a comprehensive workforce and succession plan and (2) incorporate relevant OPM guidance as they develop this plan. SEC has not yet fully addressed these recommendations.[54]

In July 2016, SEC finalized its workforce plan for fiscal years 2016 through 2018, which included some elements of OPM guidance and best practices we have previously identified.[55] For example, OPM guidance states that effective workforce planning aligns workforce requirements with agency strategic plans. Furthermore, key principles for effective workforce planning we have identified call for agencies to include plans to monitor and evaluate the agency's progress toward meeting its human capital goals.[56] SEC's workforce plan is aligned with its strategic plans, references the goals outlined in those plans, and includes performance measures to monitor and evaluate SEC's progress toward its goals. In addition, key principles for effective workforce planning we have identified also call for agencies to involve top management, staff, and other stakeholders in the workforce planning process. SEC's workforce plan involves relevant stakeholders, including division and office leadership, SEC University (SEC's lead office for training), and focus groups of SEC employees.

However, the workforce plan does not meet all the key principles for effective workforce planning:

- **Skills gap analysis.** SEC's workforce plan lacks a comprehensive skills gap analysis. OPM has stated, and our past work has shown, that an agency should identify the critical skills its workforce needs, develop a comprehensive assessment of the gaps in those skills, and develop strategies to address those gaps. In 2015, SEC entered into a contract with OPM to conduct a skills gap analysis of mission-critical occupations, but the contract did not include an analysis of all

[54]Within the area of workforce planning, we also reviewed SEC's practices related to employee training. Our finding related to the training of hiring specialists in the Office of Human Resources is discussed later in this report. Our finding related to staff in SEC's mission-critical office and divisions is discussed in appendix V. We found that SEC's training program for staff in the mission-critical office and divisions provides SEC employees with the skills necessary to perform their duties.

[55]GAO-04-39.

[56]GAO-04-39 and GAO-10-413.

occupations at SEC because the agency chose to prioritize select occupations in the mission-critical office and divisions and the Office of Information Technology. As a result, the skills gap analysis did not include an assessment of the competency of 33 percent of SEC's workforce, including mission-support staff, such as staff in the Office of Human Resources, and supervisors. Without assessing the skills of these key positions, SEC does not have assurance that its personnel across the agency, including those responsible for carrying out critical personnel management functions, have the skills necessary to fulfill SEC's mission.

- **Workforce structure.** SEC's workforce plan does not inform decision making about the structure of the workforce. OPM guidance states that an agency's workforce plan should inform decision making about how best to structure the organization and deploy the workforce. However, the plan does not identify the optimal number of attorneys (key staff responsible for carrying out SEC's mission) SEC should employ or the percentage of the workforce that should be located in the regional offices. It also lacked information on the type of skills needed by, for example, attorneys.
- **Links to budget.** SEC's workforce plan is not clearly linked to its budget formulation, which we and OPM have previously identified as a best practice.[57] For example, the workforce plan does not identify the personnel costs of the current workforce, nor does it identify the number of employees SEC intends to hire and their associated cost. When linked to the budgeting process, workforce planning provides information that agencies need to help ensure that their annual budget requests include adequate funds to implement their human capital strategies.

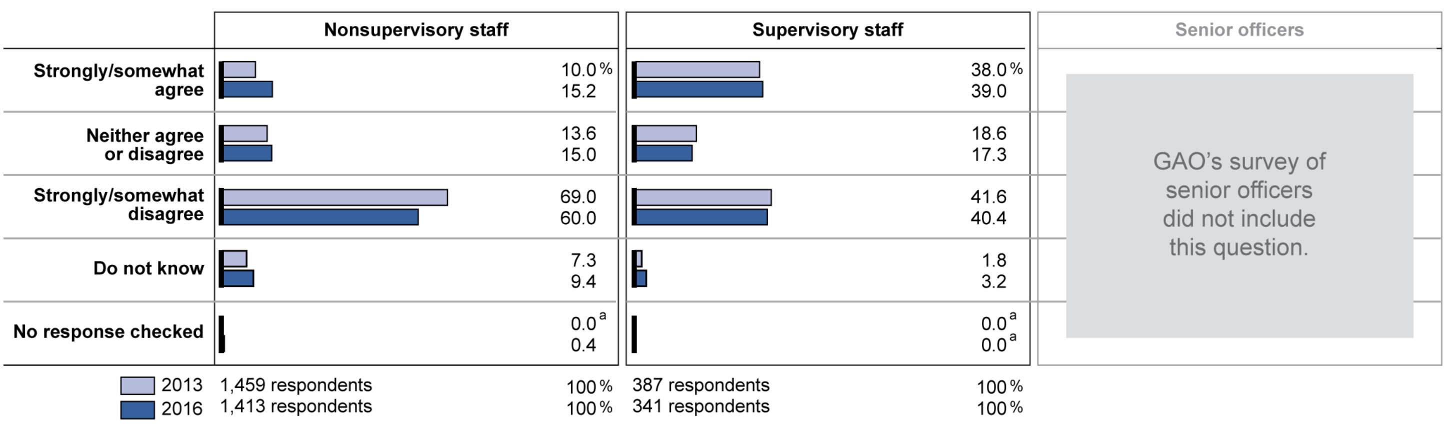
In addition, the component of SEC's workforce plan that addresses succession planning lacks information on workforce attrition and lacks a process for identifying future leaders. OPM guidance states that agencies should have a leadership succession planning and management system that is based on accurate data on the current workforce and accurate projections of attrition at all leadership levels. OPM guidance also states that agencies should develop a fair and accurate process to identify a diverse pool of high-potential leaders. SEC's succession plan describes the various levels of leadership at SEC and what is required for successful performance at each level. It also includes the leadership

[57] Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23015 (Apr. 28, 2008) and GAO-10-413.

competencies for all leadership positions and senior officers and the courses and services available to develop those competencies. However, it does not include data on SEC's current workforce and attrition projections for SEC leaders, which are important for determining current and future workforce needs.[58] In addition, the succession plan does not identify a fair and accurate process for identifying and selecting leaders, which may prevent the process from being transparent to employees. Developing a clearer process for selecting leaders could help to address employee concerns related to the promotion process. For example, only 15 percent of the nonsupervisory staff who responded to our 2016 survey agreed that the criteria for promoting staff are clearly defined, a modest improvement from our 2013 survey but still a relatively small percentage (see fig. 9).

**Figure 9: Securities and Exchange Commission Employees' Views on the Clarity of Promotion Criteria Improved Modestly from 2013 to 2016**

**Survey statement:** *The criteria for promoting staff are clearly defined.*




Source: GAO. | GAO-17-65

[58]Section 962 of the Dodd-Frank Act included a provision for us to review the ratio of management to staff, including whether there are "excessive" numbers of low-level, mid-level, or senior-level managers. Pub. L. No. 111-203, § 962(b)(1)(G), 124 Stat. 1376, 1909 (2010). Appendix VI provides additional information on the ratio of management to staff from fiscal year 2008 to fiscal year 2015. In addition, the act included a provision for us to review turnover rates within SEC subunits. § 962(b)(1)(F), 124 Stat. at 1909. While staff turnover rates could be used to identify potential areas for improvement and further develop current supervisors, officials from the Merit Systems Protection Board noted that turnover was not a good indicator of poor supervision for several reasons, including staff may leave to pursue opportunities with a different employer or for personal reasons. See appendix VII for more information.

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

Since our 2013 report, SEC has provided us with various documents and plans to demonstrate their response to our recommendations. However, as we previously discussed, SEC's recently developed workforce plan lacks a comprehensive skills gap analysis plan, does not inform decision making about the structure of the workforce, and is not clearly linked to its budget formulation. As a result, SEC has not fully addressed the recommendations from our July 2013 report related to workforce planning, and we maintain that these 2013 recommendations are still valid.

## Performance Management System

In 2014, SEC decided to redesign its performance management system without formally assessing it, which is inconsistent with our previous recommendation that SEC periodically validate the system in order to enhance its credibility. In our July 2013 report, we found that the design of SEC's performance management system reflected many elements of OPM guidance, but SEC staff expressed concerns about implementation of the system. Consistent with best practices, we recommended that SEC's COO and Office of Human Resources conduct periodic validations (with staff input) of the performance management system and make changes, as appropriate, based on these validations. At the time of this review, SEC had not conducted periodic validations of its performance management system as we recommended—nor are any planned, according to SEC staff—and therefore the recommendation is still unaddressed.

While SEC's policies state that the Office of Human Resources is to perform an assessment of the system on an annual basis, Office of Human Resources officials told us that SEC has not conducted a formal assessment of the performance management system because the agency is in the process of developing a new system.[59] Office of Human Resources officials stated that they decided to develop a new performance management system in 2014 due to continued criticism of the current system by the SEC employees' union.[60]

In developing its new performance management system, SEC did not follow best practices that we and OPM have identified. For example, OPM's HCAAF states that agencies should base their human capital management decisions (including those related to changes to the performance management system) on the results of data and planning.[61] Additionally, key practices for effective performance management we have identified call for agencies to involve employees and other stakeholders when they design and periodically evaluate their

[59]In August 2014, SEC and the employees' union signed a memorandum of understanding to develop a new performance management system. While SEC and the union are in negotiations over the new system, SEC is currently implementing a pilot of the new system with non-bargaining-unit employees from select divisions and offices. The new performance management system that SEC is piloting includes a number of changes. For example, the new system moves from a five-point rating scale to a four-point rating scale, creates additional opportunities for formal feedback, and modifies the competencies on which employees are rated. Because the new performance management pilot does not include bargaining-unit employees, they will continue to be rated under the current system during the negotiation process. Table 24 in appendix VIII shows the distribution of performance ratings for fiscal years 2013 to 2015; bargaining-unit ratings are converted to "acceptable" and "unacceptable."

[60]According to Office of Human Resources officials and union officials, the union argued that the five-level rating scale was difficult to understand, that ratings were too subjective, and that the system discriminated against minorities and employees over the age of 40. However, SEC and the union did not provide us with any analysis to support that the system discriminated against certain employees. In addition, while a report by SEC's Office of the Inspector General found that women and some minority groups received lower performance management and recognition scores and received relatively fewer and smaller cash awards and bonuses, our review of this report found some issues with the methodology and results of the study. For example, we found that the report may not have compared SEC employees to relevant employees in the civilian population when determining whether certain groups of SEC employees were negatively affected by the performance management system. Securities and Exchange Commission, Office of the Inspector General, *Audit of the Representation of Minorities and Women in the SEC's Workforce*, OIG-528 (Washington, D.C.: Nov. 20, 2014).

[61]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23047 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.203).

performance management systems.[62] However, since our 2013 report, SEC has not reviewed the effectiveness of its existing system and has had limited stakeholder involvement in the development of the new performance management system. SEC management did not assess the existing system to understand if the issues raised by employees were related to the system's design or its implementation. As a result, SEC lacked information on if and what changes needed to be made and how best to make them. Instead, SEC developed a new performance management system with some limited consultations with the union in 2015 and conducted a pilot of the new system with non-bargaining staff in May 2016.[63]

We maintain that our prior recommendation should be implemented and that SEC should conduct periodic validations of any performance management system it has in place by, for example, obtaining staff input and general agreement on the competencies, rating procedures, and other aspects of the system. Only then should SEC make changes, as appropriate, based on these validations. Without evaluating its performance management system to identify problems and potential solutions, SEC may not have assurance that the new system will perform better than the current system. Furthermore, SEC's planned changes to its performance management system will require additional resources that could be targeted toward its other personnel management challenges.

[62] GAO, *Human Capital: DOD Needs to Improve Implementation of and Address Employee Concerns about Its National Security Personnel System,* GAO-08-773 (Washington, D.C.: Sept. 10, 2008) and *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success,* GAO-03-488 (Washington, D.C.: Mar. 14, 2003). These reports identify key practices for effective performance management that include, for example, ways to involve employees and stakeholders and create linkages between individual performance and organizational success.

[63] In 2016, OPM conducted focus groups on SEC's performance management system with offices involved in the pilot performance management system. According to SEC, these included the Office of the Administrative Law Judges, Office of General Counsel, Office of Minority and Women Inclusion, Office of Chief Accountant, Office of International Affairs, Office of the Chief Operating Officer, Office of Information Technology, Office of Human Resources, and divisions of Investment Management and Trading and Markets. In addition, the focus groups included staff from headquarters and the regional offices for the Office of Compliance Inspections and Examinations and the Division of Enforcement. See Office of Personnel Management, *Performance Management Focus Group Results,* (Washington, D.C.: June 2016).

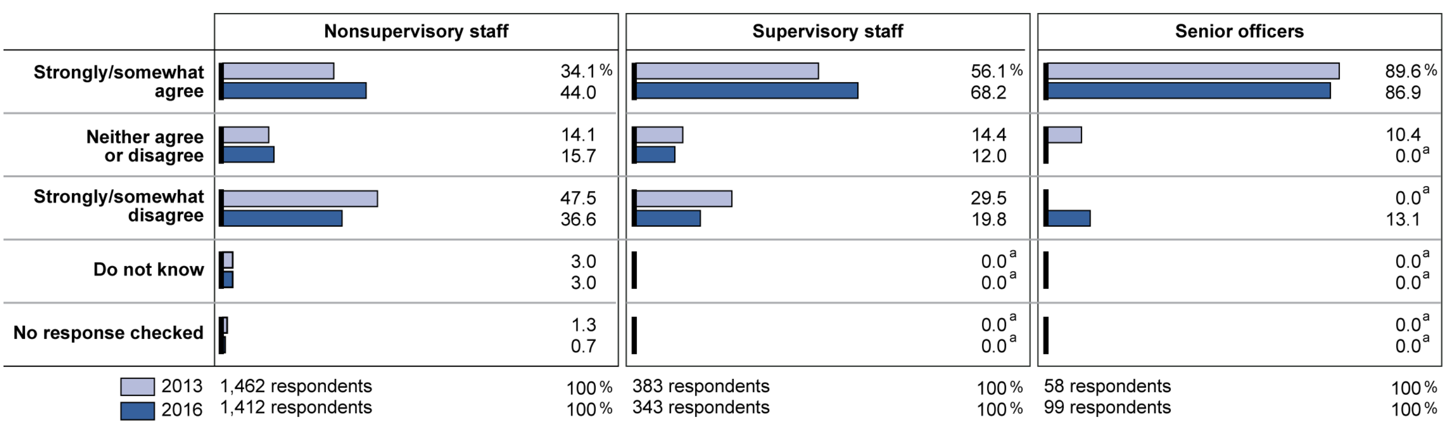
## Cross-Divisional Collaboration and Communication

SEC has not addressed our previous recommendations targeted at improving collaboration and communication across SEC. While SEC has created some incentives to support communication and collaboration across divisions, barriers related to cross-divisional communication and collaboration still remain. In our July 2013 report, we found that SEC faced barriers to communication and collaboration, especially among the various divisions and offices. We recommended that the SEC COO (1) identify and implement incentives for all staff to support an environment of open communication and collaboration and (2) explore communication and collaboration best practices and implement those that could benefit SEC. SEC has not yet addressed these recommendations.

Since our 2013 report, SEC has demonstrated some improvement in communication and collaboration within divisions and offices. For example, in group interviews, supervisors from five of the six largest divisions and offices at SEC agreed that there is sufficient communication and collaboration within their division. Furthermore, our 2016 survey results showed some improvements related to communication and collaboration. For example, 44 percent of nonsupervisory staff agreed that information is adequately shared across groups in their division or office, compared to 34 percent in our 2013 survey (see fig. 10).

**Figure 10: Securities and Exchange Commission Employee Views of Intra-Division Communication Generally Improved from 2013 to 2016**

**Survey statement:** *Information is adequately shared across groups in my division/office.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

SEC has also implemented some incentives and procedures for staff to communicate and collaborate. For example, SEC's annual agency-wide awards program includes awards that recognize outstanding teams, including cross-divisional teams. SEC has also implemented tools and procedures to facilitate collaboration. For example, SEC developed a tracking system that facilitates collaboration on interdivisional memorandums, and the Division of Economic and Risk Analysis developed an electronic system that allows other divisions to request data it collects. In addition, the Division of Enforcement created formal liaisons that other divisions and offices can contact. Managers in four of the five largest divisions and offices told us that these liaisons help to facilitate cross-divisional communication and collaboration with the Division of Enforcement.

However, incentives for staff to support an environment of open communication and collaboration are not present for all staff across SEC. According to OPM guidance, supervisors and managers should foster an environment of communication and collaboration. SEC has added performance expectations for 53 percent of supervisors to encourage communication and collaboration, including intra-agency communication and collaboration. For example, the Office of Compliance Inspections and Examinations sets expectations for its Assistant Directors (SK-17 level) to "promote and maintain an environment of cooperation and create a high level of team cohesion by empowering all staff" and "work with other Program areas and Offices, especially by pro-actively sharing relevant information." In addition, the Division of Corporation Finance sets expectations for its accountants to "engage in appropriate internal and external communications to resolve issues" and to "provide relevant technical information and work-related knowledge, skills, and lessons learned within and/or beyond the work unit." However, we found that these expectations were not present for 47 percent of all supervisors across divisions and occupations.[64] As a result, SEC has not fully addressed our 2013 recommendation to identify and implement incentives for all staff to support an environment of open communication and collaboration.

[64]We reviewed expectations for all supervisors in SEC and nonsupervisory staff in the mission-critical office and divisions.

In addition, SEC has not demonstrated the use of best practices to improve communication and collaboration within and across SEC divisions and offices. We have previously identified best practices related to collaboration, including supervisors fostering an environment of open communication, promoting frequent communication among collaborating divisions, and establishing compatible policies and procedures to operate across agency boundaries.[65] When we asked officials from the COO's office whether they had researched best practices for improving communication and collaboration across SEC, they provided two examples. First, SEC officials told us that they reached out to officials at the Federal Deposit Insurance Corporation (FDIC) to discuss how FDIC had obtained high survey scores related to communication and collaboration. This outreach resulted in the creation of SEC's "All Invested" initiative, which SEC described as an initiative to encourage collaboration and community to help the agency achieve its mission and make SEC the best place in government to work.[66] Second, SEC officials mentioned a best practice in which they launched a "values campaign" to promote important values, including teamwork, as a part of the "All Invested" initiative. However, many of the supervisors and staff we spoke with told us that the "All Invested" initiative was more of a marketing campaign than a substantive change. SEC has also established a number of working groups to improve communication and collaboration, but these working groups are often focused on specific topics and do not provide a means for divisions and offices to collaborate on the full range of their day-to-day work activities. As a result of SEC's limited action, we maintain that SEC has not taken sufficient steps to fully address our 2013 recommendation to explore and implement best practices to improve communication and collaboration within and across SEC divisions and offices.

Of the seven recommendations that we made in 2013, SEC has made the least progress on the recommendations related to enhancing intra-agency communication and collaboration. One reason for this may be that, other than the Office of the Chair, there is no senior-level office or official that

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[65]See GAO, *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms,* GAO-12-1022 (Washington, D.C.: Sept. 27, 2012) and *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies,* GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

[66]Officials said that events held as part of "All Invested" include Chair Town Halls, Public Service Recognition Week, a "Values Campaign" to promote SEC core values, and charitable events such as the Combined Federal Campaign and Feds Feed Families.

has authority over the daily operations of all SEC divisions and offices (see previous fig. 1). For example, the COO is responsible for approving budget requests, staffing levels, and reorganization requests for the SEC as a whole.[67] However, each mission-critical office and division has its own director that is responsible for policies and programs that affect the operations of each individual office and division. For example, the Director of Enforcement and his staff facilitate communications with other divisions and offices to conduct investigations and coordinate on policy or legislative briefings. According to the March 2011 Boston Consulting Group report, the function of the SEC COO has historically focused on the annual congressional appropriation cycle, internal budgeting process, and administrative duties.[68] Based on a number of interviews with relevant staff in the Office of Human Resources, we found that this structure and the limited authority of the COO may help to explain in part the inability of the COO to explore and implement best practices that could affect the daily operations throughout SEC. For example, these staff told us that the divisions and offices play the key roles in exploring and implementing best practices that could affect daily operations throughout SEC, not the COO.

Key principles we have identified for organizational transformation call for agencies to create a position such as a COO or Chief Management Officer with authority over all operations of the agency; such a position is one approach to help agencies address long-standing management challenges.[69] For example, there needs to be a single point within the agency with the responsibility and authority to ensure successful implementation of functional management and transformational change efforts. Further, it is not practical to expect an official like the Chair's Chief

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[67]The COO has authority of the daily operations of six support offices: Acquisitions, Financial Management, Human Resources, Information Technology, Strategic Initiatives, and Support Operations.

[68]Boston Consulting Group, *U.S. Securities and Exchange Commission: Organizational Study and Reform* (Washington, D.C.: March 2011). According to the Boston Consulting Group study, prior to the creation of the SEC COO, the SEC Executive Director performed some of the duties of the COO.

[69]See GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies,* GAO-08-34 (Washington, D.C.: Nov. 1, 2007) and *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy To Address Federal Governance Challenges,* GAO-03-192SP (Washington, D.C.: Oct. 4, 2002). These reports identify key principles for creating and implementing COO positions with the goal of transforming federal agencies.

of Staff to undertake this vital responsibility due to competing demands on their time in helping to execute the Chair's policy and program agendas.

The lack of a central position or office with authority over the daily operations of all SEC divisions and offices makes it difficult to lead SEC-wide changes to address long-standing management challenges related to communication and collaboration. Because of the COO's limited authority and the absence of another SEC official, other than the SEC Chair, with the authority over the divisions and offices to take action to facilitate efforts to improve cross-divisional communication and collaboration, progress in this area will likely continue to be limited. An environment of limited intra-agency communication may continue to increase the risk of inefficiencies and less-than-optimal decision making, which may affect SEC's ability to achieve its mission, as was the case with SEC's actions related to the Bernard Madoff ponzi scheme and other enforcement failures.

## Hiring and Promotions

SEC's hiring and promotion policies and procedures are generally consistent with OPM and other relevant criteria, but SEC lacks assurance that staff, particularly hiring specialists, know how to implement the policies and procedures correctly. OPM's HCAAF specifies, among other things, that agencies' hiring processes should help ensure that positions are developed and validated by appropriate staff, that position descriptions are established, and that appropriate assessment tools (e.g., processes for comparing application packages to qualifications and conducting panel interviews) are developed prior to initiating a hiring request. In addition, agencies should follow merit system principles and must observe prohibited personnel practices to ensure a fair process and may have to follow veterans' preference requirements.[70] Key principles for hiring that we have identified call for agencies to use vacancy announcements that are clear, user friendly, and comprehensive.[71] Finally, federal internal control standards note that agencies should have

[70]See 5 U.S.C. §§ 2301, 2302(b). The Merit System Principles are nine basic standards governing the management of the executive branch workforce. SEC has various hiring authorities due to the skilled nature of its workforce. Not all of the hiring authorities require SEC to follow veterans' preference. For example, SEC can use direct hiring authority to hire attorneys below a certain grade level. SEC is not required to follow veterans' preference requirements for direct hire authority.

[71]GAO, *Human Capital: Transforming Federal Recruiting Efforts*, GAO-08-762T (Washington, D.C.: May 8, 2008). This report identifies key principles for transforming federal recruitment and hiring strategies.

procedures to determine whether a particular candidate fits the organizational needs and has the competence for the proposed role.[72]

Consistent with these criteria, SEC's hiring and promotion policies and procedures require hiring specialists from the Office of Human Resources and hiring managers from the divisions and offices to follow specific steps and document these steps in recruitment case files. These steps include the following:

- documenting consultations between SEC hiring specialists and division hiring managers over the position to be filled by a hiring or promotion action;
- including descriptions of the position, job analysis, and the vacancy announcement in the case file for the position;
- documenting the review of applications to help ensure they meet minimum qualifications;
- issuing a certificate of eligibles, which lists all the applicants who are determined to be best qualified for the position posted;
- providing evidence of whether hiring managers reviewed each certificate of eligibles within established time frames and made a selection from the list of certified eligibles; and
- obtaining signed offer letters and supporting documentation, including starting salary.

In addition, in 2015, SEC finalized standard operating procedures related to the review and maintenance of case files. These procedures require hiring specialists to complete checklists at various stages in the hiring and promotion process to help ensure that documents are uploaded appropriately. Supervisors are responsible for reviewing and approving the checklists before moving to the next stage in the process. In addition, they are also responsible for conducting periodic compliance reviews to ensure adherence to these procedures.

However, although these policies and procedures meet relevant criteria, we found a large number of deficiencies when we tested the policies' implementation. We reviewed a random sample of cases files from fiscal years 2013 through 2015 to determine if SEC was following its hiring and

[72] GAO-14-704G.

promotion policies and procedures.[73] Based on our analysis of this sample, we estimate that for 94 percent of the case files for fiscal years 2013 through 2015, SEC staff did not consistently follow at least one policy or procedure for hiring and promotion actions, including the following examples: [74]

- **Documentation missing:** Based on our analysis of the sample, we estimate that 16 percent of case files during these fiscal years had no evidence that applicants were reviewed to ensure they met the minimum job requirements.[75] Further, we estimate that 16 percent of the case files had no certificate of eligibles, which makes it difficult to determine how officials selected the best qualified applicants.[76] We also found deficiencies once candidates were selected for the position. For example, for 23 job offers made, we found no documents that showed how the initial salary was determined.
- **Supervisory approvals missing:** Based on our analysis of the sample, we estimate that 18 percent of case files for fiscal years 2013 through 2015 contained documents describing the consultation between the hiring specialist and the hiring manager about the position that were not completed or signed.[77] As a result, determining if the hiring specialist and hiring manager reviewed and developed the documentation that is meant to support and defend the hiring decision is difficult. In addition, we estimate that 16 percent of case files had certificates of eligibles that were not signed by the responsible officials.[78] The selecting officials are responsible for returning the certificate with their selection indicated, and their signature serves to assure the Office of Human Resources that they have provided their approval to extend an offer of employment, according to SEC staff.
- **Time frames not observed:** Based on our analysis of the sample, we estimate that 29 percent of case files for fiscal years 2013 through 2015 had certificates of eligibles that were not returned on time, nor

[73]Our findings can be generalized to the full universe of 2,111 case files from fiscal years 2013 through 2015.

[74]The 95 percent confidence interval for this estimate is (87, 98).

[75]The 95 percent confidence interval for this estimate is (9, 26).

[76]The 95 percent confidence interval for this estimate is (9, 26).

[77]The 95 percent confidence interval for this estimate is (10, 28).

[78]The 95 percent confidence interval for this estimate is (9, 26).

was there documentation on why they were not returned on time.[79] This is particularly important because some SEC employees told us that SEC cannot always hire the most qualified people due to slow processing times. In addition, for 20 job offers, the offer letter was sent before the initial salary determination was made, which is against SEC policy.

SEC has also conducted reviews of its case files and identified deficiencies similar to those we found during our review. As discussed previously, as part of SEC's implementation of its human capital accountability system, SEC has implemented an internal quality control process to help ensure that case files are accurate and complete, but this process occurs after hiring and promotion decisions are made. The purpose of this quality control process is to identify common deficiencies in case files in order to improve the hiring and promotion process. SEC has conducted four quarterly reviews of case files since September 2014 and continues to identify weaknesses similar to those we found, such as missing evidence of ranking of job candidates and missing documentation to support the initial salary of the candidate. SEC categorized the deficiencies into five levels of severity and found that the frequency of the minor (e.g., missing checklists) and moderate (e.g., missing descriptions of the position) deficiencies has slowly decreased over time, with minor deficiencies decreasing from 48 percent of case files reviewed during its September 2015 quarterly review to 41 percent in the most recent March 2016 review. Likewise, according to SEC, the moderate deficiencies decreased from 16 percent to 9 percent of case files reviewed over this same time period. However, the frequency of significant (e.g., missing reviews of whether applicants meet minimum qualifications) and major (e.g., missing audit of certificate of eligibles) deficiencies had slowly increased over time. Significant deficiencies have increased from 24 percent of case files reviewed during the September 2015 quarterly review to 33 percent in the most recent March 2016 review. Likewise, the major deficiencies increased from 12 percent to 17 percent of case files reviewed over the same time period. SEC had no critical deficiencies (e.g., violation of veterans' preference) over this period.

OPM, the National Credit Union Administration (NCUA), and an outside consultant also reviewed SEC's hiring and promotion practices and

[79]The 95 percent confidence interval for this estimate is (19, 40).

identified similar deficiencies in a sample of case files they reviewed, including the following examples.[80]

- OPM found that although SEC had various options for staff to document their rationale for deeming an applicant who did not meet minimum qualifications as “best qualified,” in some cases, staff did not provide sufficient documentation. As a result, OPM had difficulty reconstructing some minimum qualifications to assess whether a candidate met the minimum qualifications for the job posting. However OPM did find that the qualifications were accurate.
- NCUA found that applicants were not consistently notified of the status of their application at key stages. OPM has noted that it is a good practice to keep applicants notified of their status.
- An outside consultant that reviewed SEC’s internal promotion actions from fiscal years 2011 through 2014 found, for example, that SEC’s lack of full adherence to uniform personnel practices and guidelines appeared to result in a loss of promotional opportunities and unequal treatment in the selection stage for certain groups. Specifically, the consultant found that disparities existed in the way human resources specialists processed promotion actions and that they failed to apply processes and procedures established by OPM to promote fair and equal opportunities for all employees. These practices included restricting vacancy announcements to specific offices within SEC and early closing of vacancy announcements. As a result of these practices, the consultant reported that well-qualified applicants who perform similar functions in another area of SEC may not be selected or applicants may not have sufficient time to apply.

SEC has taken a number of actions to address deficiencies identified by OPM, NCUA, and the consultant. For example, in December 2015 during our review, SEC began to mandate that all case file documents be uploaded to an electronic case file. Previously, SEC case files were maintained in a paper format. According to SEC staff, the electronic case files allow for easier access and monitoring than paper files, allow for

[80]OPM requires that agencies have an annual review of their hiring practices to ensure compliance with merit system principles, laws, and regulations. This review can be conducted by OPM or another agency. OPM conducted the 2014 review and assessed 17 case files from November 2012 through March 2014. NCUA conducted the 2015 review and sampled 20 case files from fiscal year 2015. In 2014, SEC hired the consultant, CMA, Incorporated, to conduct a promotions barrier analysis. CMA issued a report in 2015. See CMA, Incorporated, *Securities and Exchange Commission Promotion Barrier Analysis, FY 2011 – FY 2014* (Huntsville, AL: Oct. 5, 2015).

controls over what documents are stored in the case files, and avoid problems with documents being misplaced or lost. To address issues that NCUA found, SEC now notifies applicants at key stages of the application process. SEC's actions in response to recommendations in the consultant's report include providing general training to all staff on how SEC promotes staff, publicizing the promotion process to all staff, and providing resources to staff interested in promotions, including guidance regarding writing resumes and preparing for interviews.

SEC has recently taken some steps to improve its hiring and promotion practices, which may help to address the types of errors that we found in our review of files from fiscal years 2013 through 2015. As discussed previously, we found that hiring specialists failed to include the required documentation for 94 percent of case files we reviewed. The presence of errors in a large percentage of case files indicates that Office of Human Resource supervisors, who are responsible for overseeing the work of the hiring specialists, did not identify and resolve these issues as required by SEC policy. According to federal internal control standards, managers should perform ongoing monitoring as part of the normal course of operations.[81] Ongoing monitoring includes regular supervisory activities and reconciliations, and may include automated tools, which can increase objectivity and efficiency. SEC officials told us that the electronic case files they began to create in December 2015, during the course of our review, should allow them to more easily monitor and audit whether all documentation is complete and properly uploaded at every stage of the hiring and promotion process, and these actions are consistent with federal internal control standards. Few completed electronic case files were available during our review, and therefore it is too early to evaluate the effectiveness of the new process. However, SEC's steps may help to ensure that staff adhere to policies and procedures and may help to address the types of errors that we found in our file review.

We also found issues related to the training of SEC's hiring specialists, which may be another factor contributing to the high rate of errors in the case files we reviewed. When we spoke to SEC hiring managers, they expressed some concern over the competence of hiring specialists in the

[81] GAO-14-704G and GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999). GAO/AIMD-00-21.3.1 includes controls related to monitoring and is relevant for fiscal years 2013 through 2015, which is the period of our file review. GAO/AIMD-00-21.3.1 was updated by GAO-14-704G, which became effective in fiscal year 2016.

Office of Human Resources. Hiring specialists also told us that they received only limited training. Based on our review of training offered by SEC University, we did not find any specific training on hiring and promotions targeted at hiring specialists.[82] Further, SEC's 2015 training plan for the Office of Human Resources has a course on adjudicating veterans preference, but no courses are specifically targeted at how to implement each stage of the hiring and promotion process. A key principle of an effective control environment states that managers should demonstrate a commitment to recruit, develop, and retain competent individuals.[83] For example, managers should establish expectations of competence for key roles to help the entity achieve its objectives. This competence is gained largely from professional experience, training, and certifications. In addition, as previously discussed, we found that SEC has not assessed whether some of its mission-support staff, including key hiring specialists, have the necessary skills to conduct their work.[84] OPM has stated that agencies should conduct a learning needs analysis to identify skills gaps across their entire workforce, and we found that SEC has yet to fully address our 2013 recommendation to conduct such an analysis.[85] Rather, SEC only conducted a skills gap analysis of staff in the mission-critical office and divisions and in the Office of Information Technology. Without providing necessary training that is informed by a

[82]Other entities have also identified deficiencies related to the training of hiring specialists. OPM's audit of SEC's hiring and promotion practices, as discussed previously, also found that staff may not be adequately trained to follow SEC's hiring and promotion policies, including merit systems principles, prohibited personnel practices, and appropriate hiring and promotion practices. Likewise, CMA Incorporated, the consultant that reviewed SEC's internal promotion actions, found that a lack of training may be contributing to division hiring managers or human resource specialists not following established promotion policies and procedures.

[83]GAO-14-704G.

[84]In 2014, SEC conducted a study to assess the skills of its administrative staff, but this study did not assess the skills of hiring specialists. This study assessed staff in the following OPM job series: (1) miscellaneous administration and program series, (2) miscellaneous clerk and assistant series, (3) mail and file series, (4) secretary services series, (5) office automation clerical and assistance series, (6) administrative officer series, (7) administration and office support student trainee series, (8) financial clerical and assistance program series, (9) accounting technician series, (10) legal assistance series, (11) general business and industry series, (12) compliance inspection and support series, and (13) supply clerical series. See U.S. Securities and Exchange Commission, Office of Human Resources, *Administrative Workforce Study: Findings and Recommendations* (Washington D.C.: Apr. 10, 2014)

[85]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23018 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.203).

comprehensive skills gap analysis, SEC may lack assurance that hiring specialists have the skills required to conduct their work effectively, and that it is hiring and promoting the most qualified applicants.

## Conclusions

A high-performing workforce is critical to SEC effectively carrying out its regulatory responsibilities in increasingly complex markets. While SEC has taken steps to address our 2013 recommendations, its progress has been limited, and five of the seven recommendations are not fully addressed. We maintain that these five recommendations—in the areas of workforce and succession planning, the performance management system, and communication and collaboration—should be addressed in order for SEC to fulfill its mission effectively.

One of the most protracted personnel management challenges at SEC remains communication and collaboration, and SEC's limited progress in addressing our 2013 recommendations in this area points to a lack of leadership in breaking down silos that prevent divisions and offices from working more efficiently and effectively with each other. Apart from the office of the Chair, which has broader responsibilities both within and outside the agency, heads of each division and office are responsible for their daily operations and are not accountable to any senior-level official, such as the Chief Operating Officer. Our prior work has found that having a senior-level position within the agency that has the responsibility and authority to ensure that changes are implemented can help address protracted personnel management challenges such as communication and collaboration.

Finally, our review found that SEC's training related to hiring and promotion practices may be inadequate. According to federal internal control standards, managers should demonstrate a commitment to recruit, develop, and retain competent individuals, which depends in part on adequate training.[86] Because SEC has not conducted a skills gap analysis across its entire workforce as we previously recommended in 2013, including its hiring personnel, it lacks the information needed to develop an effective training program. Training for hiring specialists that is informed by a comprehensive skills gap analysis should better enable SEC management to hire and promote the most qualified applicants.

[86]GAO-14-704G.

## Recommendations for Executive Action

To help SEC address identified personnel management challenges, the Chair should take the following two actions:

- Enhance or expand the responsibilities and authority of the COO or other official or office so they can help ensure that improvements to communication and collaboration across SEC are made. For instance, if the duties of the COO were expanded, the COO could establish liaisons in each mission-critical office and division for SEC employees to contact or develop procedures to help facilitate communication and collaboration among the mission-critical office and divisions.
- Develop and implement training for hiring specialists that is informed by a skills gap analysis.

## Agency Comments and Our Evaluation

We provided SEC a draft of this report for its review and comment. SEC provided written comments that are reprinted in appendix IX. In its written comments, SEC agreed with the majority of our findings and one of our two recommendations, but it disagreed with the other. In its letter, SEC stated that it has made a number of improvements in its personnel management since our 2013 report. The letter also highlighted that the released rankings of the Best Places to Work in the Federal Government show that SEC's workforce is among the most engaged in the Government, ranking now 6 out of 27 mid-sized agencies; SEC has climbed nine places in the rankings since our 2013 report. According to the letter, this improvement, among other indicators, illustrates the agency's success in building, sustaining, and growing an organization that fosters and values innovation, communication, collaboration, and transparency. In its letter, SEC also acknowledged that further improvements could be made, and it noted that our report contained useful information to strengthen personnel management at the Commission.

Related to personnel management, SEC acknowledged our second recommendation in this report to develop and implement training for its hiring specialists. Specifically, the letter stated that SEC University in coordination with the Talent Acquisition Group in SEC's Office of Human Resources will prioritize its competency assessment of its human resource specialists (which includes hiring specialists) and develop training plans to address any skill gaps identified. SEC also agreed that it still needs to conduct periodic validations of its performance management system. According to the letter, SEC worked with OPM recently to validate the new system that it is piloting and that the Commission will continue to work with OPM to conduct additional surveys of supervisors and employees regarding the efficiency and effectiveness of SEC's performance management program. SEC also stated in its letter that improvements can be made to its workforce and succession planning. In its letter, SEC stated that it had already begun the planning process to conduct a competency skills gap analysis on the non-mission critical workforce in fiscal year 2017, and will develop appropriate action plans to address the skill gaps that are identified. In addition SEC stated that the Office of Human Resources is in the process of enhancing its current succession planning program, and it will work with all SEC division directors and office heads to institute additional fair and transparent processes for identifying high-potential employees and communicating to them opportunities for leadership development.

SEC disagreed with our characterization of the current state of its intra-agency communication and collaboration. In its letter, SEC stated that it believes that significantly more progress has been made by the Commission to resolve the recommendations from our 2013 report (addressing interdivisional communication and collaboration) than our report recognizes. SEC also stated that interactions at both the staff and senior leadership levels are continuous, and that it has instituted both formal and informal mechanisms for additional coordination where it is required, which have proven to be successful. SEC also stated that cross-divisional interaction may not be necessary, or even appropriate, for some non-supervisory staff, and it noted concern with our reliance on anecdotal accounts from one former employee. We acknowledged the improvement SEC has made, for example, by noting that the percentage of non-supervisory and supervisory staff responding that information is adequately shared across groups in their division or office increased from 2013 to 2016. However, we found substantial evidence that siloed communication remains a challenge at SEC. For instance, 78 of the 187 employees we interviewed (over 40 percent) cited issues around siloed communication as an area where SEC needs to improve. Additionally, of the 1,947 written responses we received to our survey questions, 597 of them cited various challenges related to communication and collaboration. We provided examples from several current and one former employee to illustrate the siloed communication at SEC. Further, we recognize that not all staff at SEC may need to coordinate and collaborate for work-related issues. However, staff in mission-critical offices and divisions should be enabled to collaborate and communicate with staff in other offices and divisions. As acknowledged in our report, the Division of Enforcement created formal liaisons that other divisions and offices can contact, and these liaisons help to facilitate cross-divisional communication and collaboration within the division. Based on our survey results, staff in the Division of Enforcement more frequently interacted with staff from other mission-critical offices and divisions. As SEC acknowledged in its response, the Division of Economic and Risk Analysis is similar to the Division of Enforcement in that staff should be routinely communicating and collaborating with them. However, unlike the Division of Enforcement, the Division of Economic and Risk Analysis lacks a mechanism to easily facilitate cross-divisional communication and collaboration. Our survey results show that interaction between Division of Economic and Risk Analysis staff and staff from other mission-critical offices and divisions is limited.

SEC also disagreed with our recommendation related to enhancing the responsibilities and authority of the COO or other official or office to help ensure that improvements to communication and collaboration across SEC are made. In its letter, SEC stated that given the current legal and management structure of SEC, as well as the requirements of its mission, SEC does not believe that a position of that description would improve the ability of SEC to discharge its obligations to protect investors. SEC also stated that the agency's structure and the authority of the Chief of Staff and the Deputy Chiefs of Staff enables them, in close consultation with the Chair, to effectively pursue changes to enhance coordination and collaboration throughout SEC. We are not suggesting that an additional layer of management is needed to help improve the ability of SEC to discharge its obligations to protect investors. Rather, we are recommending that the authority of the COO or some other official be enhanced in order to ensure that each mission-critical office and division establish a mechanism or develop procedures to facilitate communication and collaboration. SEC provided no evidence to illustrate why relevant best practices that GAO has identified can work in other federal agencies that have varied structures cannot benefit the Commission. The best practices we have identified call for institutionalized accountability for addressing management issues and leading transformational change because the management weaknesses in some agencies are deeply entrenched and long-standing, and it can take at least 5 to 7 years of sustained attention and continuity to fully implement transformations and change management initiatives. The typical tenure of an SEC Chair is shorter than the time needed to affect such change. Since 2001, SEC has had 6 Chairs and none of them have had a tenure that lasted 4 years. SEC also noted that our conclusions would have been better informed with the full perspectives of the agency's Chief of Staff and Deputy Chiefs of Staff. We met with the Chief of Staff and Deputy Chief of Staff during our review and they discussed efforts by SEC to address cross-divisional communication and collaboration changes. While we acknowledge efforts SEC has made to improve collaboration and communication across the agency, the evidence we present indicates that SEC should do more to identify a single point of contact with the responsibility and authority to ensure the successful implementation of a communication and collaboration process. As a result, we maintain that the recommendation would help ensure such change.

We are sending copies of this report to the appropriate congressional committees, the Chair of the Securities and Exchange Commission, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at 202-512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix X.

Michael Clements

Michael Clements
Acting Director, Financial Markets and Community Investment

# Appendix I: Status of GAO's 2013 Personnel Management Recommendations to the Securities and Exchange Commission

Table 2 provides the status of recommendations we made to the Securities and Exchange Commission (SEC) in 2013.[1] As the table shows, five of the seven recommendations remain open, as of December 2016.

**Table 2: Status of GAO's 2013 Recommendations to the Securities and Exchange Commission, as of December 2016**

| 2013 Recommendation | Status |
|---|---|
| **To enhance SEC's ability to strategically hire and retain the appropriate number of staff with the requisite skill sets for today and in the future, the Chairman of SEC should direct the Chief Operating Officer and the Office of Human Resources to** | |
| 1. prioritize efforts to expeditiously develop a comprehensive workforce plan, including a succession plan, and establish time frames for implementation and mechanisms to help ensure that the plans are regularly updated; and | Open |
| 2. incorporate Office of Personnel Management guidance as it develops its workforce and succession plans, by developing a formal action plan to identify and close competency gaps and fill supervisory positions; and institute a fair and transparent process for identifying high-potential leaders from within the agency. | Open |
| **To help enhance the credibility of its performance management system, the Chairman of SEC should direct the Chief Operating Officer and the Office of Human Resources to** | |
| 3. create mechanisms to monitor how supervisors use the performance management system to recognize and reward performance, provide meaningful feedback to staff, and effectively address poor performance; for example, by requiring ongoing feedback discussions with higher-level supervisors; and | Closed |
| 4. conduct periodic validations (with staff input) of the performance management system and make changes, as appropriate, based on these validations. | Open |
| **To build on SEC's efforts to enhance intra-agency communication and collaboration, the Chairman should direct the Chief Operating Officer to** | |
| 5. identify and implement incentives for all staff to support an environment of open communication and collaboration, such as setting formal expectations for its supervisors to foster such an environment and recognizing and awarding exceptional teamwork efforts; and explore communication and collaboration best practices and implement those that could benefit SEC; and | Open |
| 6. explore communication and collaboration best practices and implement those that could benefit SEC. | Open |
| **Finally, to increase accountability of SEC's personnel management system, the Chairman of SEC should direct the Chief Operating Officer and the Office of Human Resources to** | |
| 7. prioritize and expedite efforts to develop and implement a system to monitor and evaluate personnel management activities, policies, and programs, including establishing and documenting the steps necessary to ensure completion of the system. | Closed |

Source: GAO. | GAO-17-65

[1]GAO, *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

# Appendix II: Objectives, Scope, and Methodology

This report examines (1) employees' views of the Securities and Exchange Commission's (SEC) organizational culture and personnel management, and the extent to which these views have changed since our 2013 report and (2) the extent to which selected SEC personnel management practices have been implemented consistent with relevant standards.

## Analysis of Employees' Views of SEC's Organizational Culture and Personnel Management

To examine employees' views of SEC's organizational culture and the extent to which they have changed since 2013, we conducted surveys of all SEC staff, a content analysis of open-ended responses to our survey, individual interviews with SEC staff, and structured group interviews with SEC supervisors:

**Surveys:** To examine employees' views of SEC's organizational culture and the extent to which these views have changed since 2013, we implemented three web-based surveys of all 4,236 nonsupervisory and supervisory staff and 148 senior officers. The three surveys were administered to the following number of staff during the following time periods:

1. the survey to the mission-critical office and divisions was administered to 2,627 staff from October 2015 to March 2016;
2. the survey to all other offices and divisions was administered to 1,609 staff from May 2016 to September 2016; and
3. the survey to all 148 senior officers was administered from April 2016 to July 2016.[1]

[1]We define the mission-critical office and divisions as those in SEC primarily responsible for implementing the agency's mission: the Office of Compliance Inspections and Examinations (OCIE) and the Divisions of Corporation Finance, Enforcement, Investment Management, Economic and Risk Analysis, and Trading and Markets. The survey of the mission-critical office and divisions included nonsupervisors and supervisors in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts). The survey of all other offices and divisions included nonsupervisors and supervisors from the rest of the agency (i.e., non-mission-critical office and divisions), but also included staff from the mission-critical office and divisions who were not in one of the five occupational categories listed above. Our survey population for the mission-critical office and division consisted of employees who were employed at SEC as of September 30, 2015, according to SEC data. The survey population for the other two surveys consisted of employees who were employed at SEC as of February 29, 2016, according to SEC data.

The surveys were administered to the different groups at various timeframes to, for example, allow for the maximum response rate given the competing demands of SEC staff at different times of the year. We chose to survey all staff at SEC instead of a sample to obtain information from the largest feasible number of SEC employees.[2] We analyzed the results of our 2016 survey of all supervisory and nonsupervisory staff and senior officers and also compared the results from 2016 surveys to the mission-critical office and divisions and the senior officers to the results from the 2013 surveys. In addition, we reviewed the Office of Personnel Management's (OPM) 2016 Federal Employee Viewpoint Survey (FEVS) results to obtain additional perspectives from SEC staff on the agency's personnel-management-related issues.[3]

Each GAO survey to SEC staff included questions on (1) personnel management issues related to recruitment, training, staff development, and resources; (2) communication between and within divisions and offices; (3) leadership and management; (4) performance management and promotions; and (5) organizational culture and climate. The separate survey of all SEC senior officers (those at the SO-1, SO-2, and SO-3 pay grades) covered the same topic areas but omitted questions not relevant for senior officers and included additional questions specifically relevant for senior officers. The survey to all other offices and divisions also covered the same topic areas, but had some questions omitted, such as the question related to the number of times they had interacted with the mission-critical office and divisions over the past year. Our survey included both multiple-choice and open-ended questions.

For our survey of the mission-critical office and divisions, 1,819 nonsupervisors and supervisors responded to our survey for a response rate of 69 percent; for our survey of all other offices and divisions, 969

[2]For the mission-critical office and divisions surveys, (1) nonsupervisory staff are employees in SEC's pay plan grades SK-12 through SK-16 for the Division of Enforcement, and SK-12, SK-13, SK-14, and SK-16 for the remaining four divisions and OCIE; (2) supervisors are employees in SEC's pay plan grades SK-17 for the Division of Enforcement, and SK-15 and SK-17 for the other divisions and OCIE. For the surveys of all other offices and divisions, nonsupervisory staffs are employees in SEC's pay plan grades SK-04 through SK-16 and most supervisors are employees in grades SK-15 and SK-17. For the senior officer survey, employees are in SEC's pay plan grades SO-1 through SO-3.

[3]OPM's FEVS is an annual survey that provides government employees with the opportunity to share their perceptions of their work experiences, their agencies, and their leaders. For 2016, 407,789 employees responded to the survey.

nonsupervisors and supervisors responded for a response rate of 60 percent. A total of 104 of the 148 senior officers responded to our survey of all senior officers for a response rate of 70 percent. For all surveys, except the one for senior officers, we carried out a statistical nonresponse bias analysis using available administrative data and determined that we could not assume that the nonrespondents were missing at random. For this reason, the results of the staff survey are presented as tabulations from a census survey. 31 percent of mission-critical employees and 40 percent of all other employees who chose not to complete our survey.[4]

To minimize certain types of errors, commonly referred to as nonsampling errors, and enhance data quality, we employed recognized survey design practices in the development of the questionnaires and the collection, processing, and analysis of the survey data. To develop our survey questions, we drew on information from one-on-one interviews, focus group sessions held during our 2013 review, and prior GAO SEC personnel management surveys.[5] For the surveys of the mission-critical office and divisions and senior officers, we took steps to ensure our survey questions from 2013 were still relevant and to determine if new issues warranted new questions. To do this, we sent draft survey questions to SEC officials in the mission-critical office and divisions and senior officers who volunteered to review our draft questions to obtain their feedback on the survey questions. For the survey of the other offices and divisions within SEC, we pretested the questionnaire with SEC employees to validate the survey questionnaire and to ensure that we were not omitting relevant questions from the survey. We met with six SEC staff for the pretest of the survey. During survey development, we reviewed the survey to ensure the ordering of survey sections was appropriate and that questions in each section were clearly stated and easy to comprehend. A GAO survey expert reviewed and provided feedback on our survey instrument. To reduce nonresponse, another source of nonsampling error, we undertook an intensive follow-up effort that included multiple e-mail reminders to encourage SEC employees to complete the questionnaire and a series of phone call reminders to nonrespondents to encourage participation and to troubleshoot any potential logistical issues with access to the questionnaire. We minimized

[4]Through follow-up emails we encouraged all eligible SEC employees to participate in our surveys.

[5]GAO, *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

processing errors by having a second independent data analyst conduct an accuracy check of the computer programs used for data analysis. We also had respondents complete questionnaires online to eliminate errors associated with manual data entry. On the basis of our application of these practices and follow-up procedures, we determined that the data were of sufficient quality for our purposes.

**Content analysis:** To analyze the information we obtained from the open-ended survey responses, we conducted a content analysis on the 1,947 responses to the six open-ended survey questions from the survey of the mission-critical office and divisions using a text analytics tool.[6] Two analysts developed coding categories based on requirements in section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), our researchable objectives, and information collected during individual interviews, as well as findings from our July 2013 report.[7] Coding categories were as follows: (1) communication and collaboration, (2) hierarchy, (3) risk aversion, (4) atmosphere of trust, (5) morale, (6) performance management, (7) training and hiring, and (8) awards.

The team provided a “lexicon” of key words and phrases associated with each of the eight coding categories to the text analytics subject matter expert. For example, the key words and phrases associated with communication and collaboration included “communication,” “transparency,” and “working together.” For each of the six open-ended questions, the subject matter expert developed a computer program using the lexicon and provided the team with the categorized open-ended responses. The goal of this analysis was to determine the number of respondents who mentioned at least one challenge in the respective coding category. After obtaining the categorized open-ended responses, two GAO analysts collaboratively reviewed the output and revised or “calibrated” the lexicon based on each result. This review involved verifying the coding of a judgmental sample of responses. The subject matter expert then reran the program with the updated lexicon. This iterative process allowed the subject matter expert to refine the program to isolate comments focused on challenges associated with the coding

[6]The text analytics tool is a form of qualitative data analysis, performed by machine or computer, to emulate certain processes of content analysis on a larger scale including the organization, interpretation, and coding of qualitative data.

[7]GAO-13-621.

categories. While human correction and evaluation of the content can help improve the quality of the machine generated coding, a certain, undetermined error remains. To minimize error and improve accuracy, the calibration process continued for three iterations.

Comments that were flagged by the text analytics tool as capturing a challenge within a particular coding category were coded with a “1.” Once coding was completed and the discrepancies were resolved, an analyst tallied the total number of responses with a “1” in each of the coding categories. This number indicated the proportion of respondents who expressed concern in their open-ended responses for each category. This process was repeated for each of the eight challenge categories. We do not make any attempt to extrapolate the findings to the eligible staff who chose not to complete our surveys.

**Individual interviews:** We interviewed or obtained written responses from 185 employees (144 nonsupervisory staff, 17 supervisory staff, and 24 staff who chose not to disclose their supervisory status)—in person for those at SEC headquarters and by telephone or e-mail for those in headquarters and regional offices—during 2 weeks in September 2015 and 1 week in February 2016 to obtain their views on personnel management challenges at the agency. We coordinated with SEC to send a broadcast message over its internal system to all staff to invite them to meet with us either in person or to call a GAO toll-free number or use a GAO e-mail account to provide their views on SEC’s organizational culture. At headquarters, we established office hours during which employees could speak with GAO analysts. During the same period, we set up a GAO toll-free phone number and e-mail account to communicate with employees in the regional offices or headquarters who could not attend the office hours. We asked certain key questions of every person we interviewed and interjected additional questions as appropriate. We also explained that our review was initiated due to a provision in section 962 of the Dodd-Frank Act, and provided a description of this section when asked by SEC employees. We then asked them about (1) what personnel management practices were working well, (2) what challenges existed in personnel management, (3) what initiatives, if any, SEC had taken to address these challenges, and (4) whether these individuals had any recommendations to address such challenges. For those staff who were not familiar with what areas encompassed personnel management, we presented them with a list of areas for them to think about. Employees were encouraged to talk openly and freely. To maintain the confidentiality of individual responses, we did not record individual names in our transcripts. Instead, we collected and analyzed the information by division and rank only, and we aggregated our findings so that no individual comments could be identified.

We conducted a separate analysis to summarize key themes that emerged from these individual interviews. GAO analysts independently reviewed notes taken from these interviews and made a judgment about appropriate codes that described the themes. The analysts compared their decisions and reconciled any disagreements, resulting in the following set of coding categories: (1) staff competence; (2) appropriate levels of supervisory and non-supervisory staff; (3) effectiveness of supervisors; (4) promoting staff criteria; (5) siloed communication issues; and (6) other cross-cutting challenges. Once the coding structure was finalized, one GAO analyst separately reviewed and coded each response and tabulated the frequency of statements expressing certain themes, while a second analyst verified the information to ensure the tabulation was correct and that the analyst concurred with the results. Where there were discrepancies, a third analyst was asked to review the statements and to make a final determination about how a specific statement would be coded.

We also interviewed former SEC employees, officials from the SEC Office of Inspector General (IG), and self-selected representatives and members of the SEC employees' union. We selected a nonprobability sample of former employees to interview that reflected the diversity of former employees in terms of pay grade, occupational category, and tenure, among other factors. The results of these interviews with SEC employees, former SEC employees, and members and representatives of the SEC employees' union are not generalizable, but provide views and experiences.

**Structured group interviews:** We also conducted structured group interviews with supervisors from the mission-critical office and divisions at SEC, including supervisors in regional offices. The purpose of these structured group interviews was to obtain their views on the following personnel management practices related to: hiring, promotions, supervision, strong and unacceptable performance, training, and communication and collaboration. Our universe of supervisors consisted of staff at the SK-15 or SK-17 level, with the exception of staff at the SK-15 level in the Division of Enforcement, who are not considered management. We obtained the e-mail addresses of all supervisors in these divisions and sent them an invitation to participate in our structured group interviews. We held eight meetings with the supervisors who agreed to participate in our structured group interviews. We held a meeting with each of the mission-critical office and divisions on communication and collaboration. At two of these meetings, we had both SK-15s and SK-17s, including staff from regional offices. In addition, we had two meetings that covered the noncommunication topics. One of the meetings consisted of SK-15s and the other consisted of SK-17s from each of the mission-critical office and divisions. These meetings also included regional office staff. The results of these meetings are not generalizable, but provide views on selected personnel management practices.

## Analysis of SEC Personnel Management Practices

To determine the extent to which selected SEC personnel management practices have been implemented consistent with relevant standards, we first assessed whether these practices were designed consistent with OPM's Human Capital Assessment and Accountability Framework (HCAAF), key human capital practices we have identified in prior work, and federal internal control standards.[8] As part of this effort, we reviewed actions SEC had taken to address the seven recommendations from our 2013 report related to four personnel management areas: (1) workforce and succession planning, (2) performance management, including performance feedback, (3) communication and collaboration, and (4) human capital accountability.[9] In addition to these four personnel management areas, we also assessed the design and implementation of four personnel management practices based on information we obtained from SEC staff. Specifically, they identified these as potential areas of concern (or areas of improvement) during individual interviews with us as well as in responses to our surveys—actions to recognize and reward performance, actions to address unacceptable performance, hiring and promotions, and training.

[8]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23015 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202); GAO, *Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance*, GAO-15-191 (Washington, D.C.: Feb. 6, 2015); *Managing for Results: Key Considerations for Implementing Interagency Collaborative Mechanisms,* GAO-12-1022 (Washington, D.C.: Sept. 27, 2012); *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies,* GAO-06-15 (Washington, D.C.: Oct. 21, 2005); *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004); *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: March 2003); and *Standards for Internal Control in the Federal Government,* GAO-14-704G (Washington, D.C.: Sept. 10, 2014).

[9]See GAO-13-621.

**Workforce and succession planning:** To determine whether SEC's workforce and succession planning practices were designed consistent with relevant criteria, we obtained a copy of SEC's 2016 strategic workforce plan. We reviewed this strategic plan and compared it to OPM's HCAAF and our prior work on strategic workforce planning.[10] For example, we reviewed the skills gap analysis from the plan and compared it to OPM's HCAAF related to identifying critical skills for an agency's workforce. As part of this effort, we worked with our Director of Workforce Planning to review SEC's strategic workforce plan and determine whether the plan was sufficient to address our 2013 recommendations.[11] In addition, we met with SEC's Workforce Policy Group, Office of Human Resources, and senior leaders from the divisions to obtain information on what actions they had taken to address our recommendations related to workforce and succession planning.

**Performance feedback:** To determine what steps SEC had taken to address our 2013 recommendation, in conjunction with staff from our Human Capital Office, we examined SEC's process for monitoring feedback as well as our survey results that relate to the performance feedback employees receive. We obtained information on SEC's process for monitoring feedback by reviewing documentation and interviewing staff from the Office of Human Resources. As part of this effort, we obtained a description of their audit of a sample of performance work plans.[12]

**Performance management:** In our prior review (GAO-13-621), we determined that the design of SEC's performance management system reflected many elements of OPM guidance, but SEC staff expressed

[10]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23021 and 23027 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202) and GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

[11]In 2013, we recommended that SEC (1) prioritize efforts to expeditiously develop a comprehensive workforce plan, including a succession plan, and establish time frames for implementation and mechanisms to help ensure that the plans are regularly updated; and (2) incorporate OPM guidance as it develops its workforce and succession plans by developing a formal action plan to identify and close competency gaps and fill supervisory positions and institute a fair and transparent process for identifying high-potential leaders from within the agency. See GAO-13-621.

[12]The performance work plans are the documents that contain the expectations for staff as well as the formal record that shows that the supervisor provided the interim and final performance feedback to the employee.

concerns about implementation of the system. However, since our prior review, SEC decided to make changes to its performance management system. Therefore, in this review, we set out to determine the extent to which SEC's changes to its performance management system were consistent with relevant standards. To do this, we met with SEC staff from the Office of Human Resources and union officials to inquire about what actions SEC had taken to address our 2013 recommendations.[13] Upon learning that SEC decided to redesign its performance management system in 2014, we assessed the actions SEC took to redesign its system and compared these actions to OPM's HCAAF, our previous work on performance management systems, and federal internal control standards.[14] We also worked with staff from our Human Capital Office to assess the actions SEC had taken to redesign its system against the relevant criteria.

**Communication and collaboration:** To determine whether SEC's communication and collaboration practices were designed consistent with relevant criteria, we assessed SEC's actions to address our 2013 recommendations against OPM's HCAAF, our previous work, and federal internal control standards.[15] Specifically, we reviewed SEC's award program to determine if the program provided incentives to support an environment of open communication and collaboration, including determining whether SEC provided awards for teamwork. In addition, we reviewed 79 performance expectations, known as performance work plans; all 28 supervisory performance work plans (including 5 plans under the pilot performance management system), and 51 nonsupervisory

[13]In 2013, we recommended that SEC (1) create mechanisms to monitor how supervisors use the performance management system to recognize and reward performance, provide meaningful feedback to staff, and effectively address unacceptable performance; for example, by requiring ongoing feedback discussions with higher-level supervisors; and (2) conduct periodic validations (with staff input) of the performance management system and make changes, as appropriate, based on these validations. See GAO-13-621.

[14]73 Fed. Reg. at 23015 (OPM HCAAF), GAO-08-773, GAO-03-488, and GAO-14-704G.

[15]GAO-14-704G, GAO-06-15, GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington D.C.: Nov. 1, 2007), and *Highlights Of A GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: Oct. 4, 2002). In 2013, we recommended that SEC (1) identify and implement incentives for all staff to support an environment of open communication and collaboration, such as setting formal expectations for its supervisors to foster such an environment, and recognizing and awarding exceptional teamwork efforts; and (2) explore communication and collaboration best practices and implement those that could benefit SEC. See GAO-13-621.

performance work plans for the mission-critical office and divisions. For the nonsupervisors, we selected the performance work plans for the "mission-critical" staff we identified in our 2013 review—accountants, attorneys, economists, examiners, and financial analysts at the SK-12 through SK-16 levels. The results of our review of performance work plans are not generalizable, but provide us with information on how communication and collaboration are addressed as part of an employee's performance expectations. To determine whether the performance work plans contained expectations that addressed our 2013 recommendation, one GAO analyst read through each performance work plan and determined whether it contained all four of the following categories that were derived from the recommendation:(1) communication, (2) collaboration, (3) intra-agency communication and collaboration, and (4) fostering an environment of open communication and collaboration—for example, encouraging acceptance, exchanging of information, and sharing of diverse points of view regardless of individual differences. A second GAO analyst independently conducted a similar analysis of each performance work plan. A third GAO analyst reviewed the results of both sets of reviews to reconcile any differences. In cases where the reviews differed, the third GAO analyst reviewed each analyst's assessment and made a judgment on which one was correct. In addition, we met with SEC staff in the Office of Human Resources and senior officials from the divisions to discuss what actions they had taken to address our 2013 recommendations.

**Human capital accountability:** To determine whether SEC's human capital accountability system was designed consistent with relevant criteria, we obtained and reviewed SEC documentation on its recently developed human capital accountability system, including policies establishing the system, standard operating procedures, and evidence of the system's implementation, such as a review of SEC's student loan repayment program. We compared SEC's documentation on its human capital accountability system to OPM's HCAAF and federal internal control standards to determine whether this system addresses the recommendation from our 2013 review.[16] For example, we reviewed

[16]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23047 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202) and GAO-14-704G. In 2013, we recommended that SEC prioritize and expedite efforts to develop and implement a system to monitor and evaluate personnel management activities, policies, and programs, including establishing and documenting the steps necessary to ensure completion of the system. See GAO-13-621.

SEC's schedule of human capital program reviews, the reports generated from reviews of specific human capital programs, and actions taken by SEC to address any identified weaknesses in internal controls and compared them to OPM's HCAAF related to human capital accountability. We also met with staff from SEC's Human Capital Strategy Group in the Office of Human Resources to determine what criteria they used to determine which human capital programs to review.

**Actions to recognize and reward performance:** To determine whether SEC's policies on awards have been designed consistent with relevant criteria, we compared these policies to OPM's HCAAF and our prior work on linking individual performance to organizational success.[17] Specifically, we reviewed the following policies and documents related to awards:

- SEC's administrative regulations that govern its recognition programs for senior officers;
- SEC's collective bargaining agreement; and
- SEC's guidance for cash and time-off awards.

We worked with staff from our Human Capital Office to assess these policies against OPM's HCAAF and our prior work, and determined that they were consistent with relevant criteria. For example, we reviewed SEC's processes for monitoring how supervisors recognize and reward performance and compared them to OPM's HCAAF related to awarding staff.

We next determined whether SEC's practices related to awards were being implemented consistent with the agency's policies. To do this, we obtained a list of all incentive awards (cash and time-off) for fiscal years 2013 through 2015. We randomly selected 96 award packages from fiscal years 2013 through 2015. Of these 6 were from fiscal year 2012 and out of the scope of our review, 19 were performance-based compensation amounts, which were out of the scope of our review, and 1 was later found by SEC to be out of our scope, thus 71 were analyzed. Because the database we used to draw our sample contained data that was out of the scope of our review (such as some packages from fiscal year 2012 and others that were not incentive awards), we did not attempt to generalize the results of the sample. We were, however, able to use the

[17]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23037-23038 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202) and GAO-03-488.

71 award packages to assess SEC's implementation of its awards program. Each package should have contained the following information:

- written justification for the award;
- the dollar amount or hours off for the award;
- evidence of approval (i.e., signatures) by the recommending official, reviewing official (both usually from the divisions or office that nominated the person for the award), and the office of human resources staff in the awards program area;
- evidence of the Chief Operating Officer's approval for certain high dollar amount or time-off awards; and
- a copy of the award recipient's official personnel record (SF-50) with the correct dollar amount or time-off hours noted.

We then had one GAO analyst review each of the 71 award packages and complete a checklist noting whether the package contained the information previously mentioned. A second GAO analyst then reviewed each of the 71 packages and reviewed how the first analyst coded the checklist. If the second analyst did not agree with the coding of the first analyst, that information was noted and both analysts met to discuss any disagreements. During this meeting, the two analysts were able to discuss their disagreements and reach consensus on the proper coding of the award packages. We also analyzed the award data for fiscal years 2013 through 2015, which we present in appendix IV. In addition, we met with staff from SEC's Office of Human Resources who are responsible for the awards program to obtain a better understanding of SEC's awards program.

**Actions to address unacceptable performance:** To determine whether SEC's policies to address unacceptable performance have been designed consistent with relevant criteria, we compared these policies to OPM's HCAAF and our prior work on linking individual performance to organizational success.[18] Specifically, we reviewed the following policies and documents related to addressing unacceptable performance:

- SEC's overview of its employee misconduct and nonperformance support program,

[18]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23036 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202) and GAO-03-488.

- SEC's collective bargaining agreement,
- the performance management standard operating procedures for non-bargaining-unit employees, and
- SEC's senior officer performance management administrative regulation.

We worked with staff from our Human Capital Office to assess these policies against OPM's HCAAF and our prior work, and determined that they were consistent with relevant criteria. For example, we examined the processes SEC has to monitor supervisors' practices to address unacceptable performance and compared them to OPM guidance and federal regulations on addressing such performance.

We next determined whether SEC's practices related to addressing unacceptable performance were being implemented consistent with the agency's policies. To do this, we obtained all performance improvement plans for fiscal years 2013 through 2015 (16 in all) and compared the information in these plans against what SEC's policies require. We first had one GAO analyst review each performance improvement plan, compare the information in these plans and supporting documents to what SEC requires for these plans, and record the findings in a spreadsheet. We then had a second GAO analyst review the work of the first analyst to determine if the spreadsheet was coded correctly. The two analysts conferred on any differences in the coding and were able to reach consensus on the proper coding.

We also reviewed documentation associated with probationary employees who are terminated due to performance issues. SEC's policies related to addressing unacceptable performance do not apply to probationary employees. The actions SEC can take against these employees are governed by federal regulations related to actions taken against probationary employees for unsatisfactory performance or conduct.[19] Similar to our approach with the performance improvement plans, we obtained all files related to probationary employees terminated due to unacceptable performance for fiscal years 2013 through 2015 (20 in all). We again had one GAO analyst review each file and compare the information in these files and any supporting documents to what OPM regulations require, such as a description of the unacceptable performance, and record the findings in a spreadsheet. We then had a

[19] 5 C.F.R. § 315.804.

second GAO analyst review the work of the first analyst to determine if the spreadsheet was coded correctly. The two analysts conferred on any differences in the coding and were able to reach consensus on the proper coding. We also reviewed our recent work on the federal government's actions to address unacceptable performance to compare actions SEC had taken with actions taken across the federal government.[20] In addition, we met with the Office of General Counsel at SEC to obtain an understanding of the agency's policies to address unacceptable performance.[21]

**Hiring and promotions:** To determine whether SEC's hiring and promotion policies have been designed consistent with relevant criteria, we compared these policies to OPM's HCAAF, the President's 2011 memorandum on improving federal recruitment and hiring, our prior work on best practices in human capital management, and federal internal control standards.[22] Specifically, we reviewed the following policies and documents related to hiring and promotions:

- SEC's hiring program overview, which describes the entire hiring process, including specific responsibilities of staff in the Office of Human Resources and the divisions;
- a description of the various hiring authorities available to SEC;
- a description of how SEC establishes initial pay for new hires;
- SEC policies on promotions for non-bargaining-unit positions; and
- SEC's collective bargaining agreement.

We worked with staff from our Human Capital Office to assess these policies against OPM's HCAAF and our prior work, and determined that they were consistent with relevant criteria. For example, we assessed

[20] GAO, *Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance*, GAO-15-191 (Washington, D.C.: Feb. 6, 2015).

[21] On June 25, 2015, the Chairman of the Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. House of Representatives, approved the transfer of staff and resources from the Employee Relations unit in the Office of Human Resources to the Office of General Counsel, which now works to ensure that supervisors are taking the necessary and legal actions to address unacceptable performance.

[22] The White House, *Presidential Memorandum – Improving the Federal Recruitment and Hiring Process* (Washington, D.C.: May 11, 2010) and GAO-14-704G.

SEC's processes for hiring and promotions and compared them to OPM's HCAAF related to hiring.

We next determined whether SEC's hiring and promotion policies were being implemented consistent with the agency's policies. To do this, we reviewed recruitment case files, which are the documentation that supports a hiring or promotion announcement, to determine if SEC was following its hiring and promotion policies. We randomly selected 102 recruitment case files for review. Of these, 3 were duplicates and 18 recruitment case files could not be analyzed because they had already been audited by OPM or SEC. This left us with a final sample of 81 recruitment case files. We express our confidence in the precision of estimates derived from the sample of recruitment case files as 95 percent confidence intervals. This is the interval that would contain the actual population values for 95 percent of the samples that we could have drawn. We then developed a checklist that contained steps SEC should take during various stages of the hiring and promotion process. We provided this checklist to staff from our Human Capital Office for their review and also ensured that our checklist was consistent with the checklists that SEC had developed to assess its hiring and promotion processes. We then assembled a group of GAO analysts to review the case files and complete the checklists. In order to ensure consistent completion of the checklist, each GAO analyst's first few checklists were independently reviewed by another analyst. After this stage, the two GAO analysts compared the results of the checklists. Any discrepancies were discussed among the two analysts as well as shared with the entire group of GAO analysts. Once the entire group reached consensus on how to address the discrepancies identified during this stage, all 81 case files were reviewed against the checklist.

The next step in the process involved an independent second review of the completed 81 case file checklists. All 81 case files were checked by a GAO analyst who was not involved in the initial review. Any discrepancies found during this stage were discussed among the analysts, and a consensus was reached on how to address the discrepancy. Once this process was completed, the information from the checklists was tallied to identify any deficiencies in the hiring and promotion process.

To obtain the views of the key SEC staff involved in the hiring and promotion process, we developed a set of structured interview questions and conducted interviews with 18 of the 23 hiring specialists in the Office of Human Resources and 16 hiring managers from the divisions. We provided the set of structured interview questions to staff from our Human

Capital Office for review and revised the questions based on their expertise. We attempted to interview all 23 hiring specialists, but 5 did not respond to our request. We chose the 16 hiring managers to interview by obtaining the list of names, titles, e-mail addresses, and phone numbers of all hiring managers from the six mission-critical office and divisions. For divisions that had more than two hiring managers, we randomly selected two managers, except for the Division of Enforcement and the Office of Compliance Inspections and Examinations. For this division and office, we selected a judgmental sample of hiring managers, based on input from SEC on what types of staff or regions would more likely be involved in the hiring process. We used this approach for the Division of Enforcement and the Office of Compliance Inspections and Examinations because they have a large regional presence, and we interviewed 2 managers in headquarters and 2 in the regional offices for each. The responses to the structured interview questions are not representative of the views of all SEC staff involved in the hiring process but provide useful information on the types of views and concerns held by these staff.

We also reviewed OPM's 2014 review and the National Credit Union Administration's 2015 review of SEC's hiring and promotion practices, as well as an outside consultant group review of SEC's internal promotion actions from fiscal years 2011 through 2014.[23] We assessed the methods used in these reviews and determined that they were reliable for our purposes. Finally, we reviewed SEC's internal quality reviews of its hiring and promotion practices that were implemented as part of its human capital accountability system.

**Training:** To determine whether SEC's policies on training for staff who work in the mission-critical office and divisions were designed consistent with relevant criteria, we compared these policies to OPM's HCAAF and our prior work on assessing strategic training and development efforts in the federal government.[24] Specifically, we reviewed SEC's training

[23]OPM requires that agencies have an annual review of their hiring practices to ensure compliance with merit system principles, laws, and regulations. This review can be conducted by OPM or another agency. OPM conducted the 2014 review and assessed 17 case files from November 2012 through March 2014. NCUA conducted the 2015 review and sampled 20 case files from fiscal year 2015. In 2014, SEC hired the consultant, CMA, Incorporated, to conduct a promotions barrier analysis. CMA issued a report in 2015. See CMA, Incorporated, *Securities and Exchange Commission Promotion Barrier Analysis, FY 2011 – FY 2014* (Washington, D.C.: Oct. 5, 2015).

[24]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23025-23026 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202) and GAO-04-546G.

policy—SEC Administrative Regulation 6-28: Training and Development—and the collective bargaining agreement. We also met with our Chief Learning Officer to help us determine how to assess these policies against OPM's HCAAF and our prior work, and determined that they were designed consistent with relevant criteria.

In order to assess the implementation of SEC's training practices, we, in conjunction with our Chief Learning Officer, determined that the best measure of a training program is the views of the supervisors because they are in the best position to determine if their staff have the necessary skills to accomplish their work. As a result, we asked selected SEC supervisors about the effectiveness of training during structured group interviews of SEC supervisors. We selected these supervisors based on whether they worked in the mission-critical office and divisions, pay grade and occupation, geographic location, and willingness to meet with us. We also analyzed survey results on training collected from our 2016 surveys of mission-critical office and divisions and senior officers and compared them to the results of our 2013 survey. We also compared SEC responses on training from the 2016 OPM FEVS to that of other agencies.

Finally, for all of the personnel management practices we assessed, we reviewed responses from our surveys and from our individual and structured group interviews, and we included relevant responses to provide SEC staffs' perspectives on these practices.

We assessed the reliability of all of the data we used during this review and determined they were sufficiently reliable for our purposes, which include describing trends and views on personnel management practices at SEC. To assess the reliability of the FEVS data, we examined descriptive statistics, data distribution, and reviewed missing data. We also reviewed FEVS technical documentation as well as the statistical code OPM uses to generate the index and variance estimates, and we interviewed officials responsible for collecting, processing, and analyzing the data. We used SEC data derived from the Department of the Interior's Federal Personnel/Payroll System to construct our sample frames for the three surveys, test the implementation of various personnel management practices, and develop summary tables in our appendixes.[25] To determine

[25]The Federal Personnel/Payroll System is a mainframe-based personnel and payroll system that supports numerous agencies. The data contained in this system include number of employees, employees' start and separation dates, employees' performance ratings, demographic information, and awards data for employees.

the reliability of these data, we interviewed SEC staff responsible for these data to determine how data were collected, what controls existed over the data, and any limitations on the data. In addition, where possible, we compared data elements to the original source documents to corroborate the accuracy of the data where available.

We conducted this performance audit from July 2015 to December 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix III: Office of Personnel Management Federal Employee Viewpoint Survey – Securities and Exchange Commission Staff Demographics, Fiscal Year 2015

The Office of Personnel Management (OPM) conducts an annual survey of federal employees to obtain their views about their work experiences, agencies, and leaders. The following tables provide information on Securities and Exchange Commission (SEC) employee responses to selected survey questions in fiscal year 2015.[1] Tables 3 through 9 provide responses by employee group: race, ethnicity, gender, and tenure. For the demographic variables we tabulate survey responses by, the rate of missing data ranges from 5 percent to 10 percent of SEC employees. SEC employees with missing data for a particular demographic variable are not included in that tabulation.

**Table 3: Securities and Exchange Commission Employees' Views, 2015**

**Survey statement:** *Supervisors in my work unit support employee development.*

| Response category by percentage | | Strongly agree/agree | Neither agree nor disagree | Strongly disagree/disagree |
|---|---|---|---|---|
| **Race** | Asian | 74.0 | 13.2 | 12.8 |
| | Black | 64.9 | 16.8 | 18.4 |
| | White | 71.7 | 14.1 | 14.2 |
| **Ethnicity** | Hispanic/Latino | 79.4 | 9.0 | 11.6 |
| | Non-Hispanic/Latino | 69.8 | 15.0 | 15.2 |
| **Gender** | Male | 73.0 | 14.3 | 12.7 |
| | Female | 66.4 | 15.4 | 18.2 |
| **Tenure** | Less than 1 year to 5 years | 76.5 | 10.8 | 12.7 |
| | 6 – 10 years | 73.2 | 10.0 | 16.8 |
| | 11 – 20 years | 67.7 | 16.7 | 15.6 |
| | More than 20 years | 57.8 | 24.5 | 17.7 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 7.4 percentage points at the 95 percent level of confidence.

[1]We used the 2015 Federal Employee Viewpoint Survey (FEVS) survey results because at the time of our review comparable data were not available for 2016.

**Table 4: Securities and Exchange Commission Employees' Views, 2015**

**Survey statement:** *My supervisor listens to what I have to say.*

**Response category by percentage**

| | | Strongly agree/agree | Neither agree nor disagree | Strongly disagree/disagree |
|---|---|---|---|---|
| **Race** | Asian | 81.0 | 8.9 | 10.1 |
| | Black | 74.6 | 10.1 | 15.3 |
| | White | 80.8 | 9.4 | 9.8 |
| **Ethnicity** | Hispanic/Latino | 83.3 | 7.6 | 9.1 |
| | Non-Hispanic/Latino | 79.3 | 9.6 | 11.2 |
| **Gender** | Male | 82.3 | 8.2 | 9.5 |
| | Female | 75.3 | 11.2 | 13.5 |
| **Tenure** | Less than 1 year to 5 years | 83.3 | 8.2 | 8.6 |
| | 6 – 10 years | 79.5 | 9.2 | 11.3 |
| | 11 – 20 years | 77.4 | 10.3 | 12.3 |
| | More than 20 years | 70.3 | 11.9 | 17.8 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 7.3 percentage points at the 95 percent level of confidence.

**Table 5: Securities and Exchange Commission Employees' Views, 2015**

**Survey statement:** *My supervisor treats me with respect.*

**Response category by percentage**

| | | Strongly agree/agree | Neither agree nor disagree | Strongly disagree/disagree |
|---|---|---|---|---|
| **Race** | Asian | 87.5 | 4.9 | 7.6 |
| | Black | 77.4 | 9.3 | 13.3 |
| | White | 86.2 | 6.2 | 7.7 |
| **Ethnicity** | Hispanic/Latino | 87.3 | 5.8 | 6.8 |
| | Non-Hispanic/Latino | 84.0 | 6.8 | 9.2 |
| **Gender** | Male | 88.2 | 4.5 | 7.4 |
| | Female | 78.8 | 10.0 | 11.2 |
| **Tenure** | Less than 1 year to 5 years | 87.4 | 6.2 | 6.4 |
| | 6 – 10 years | 84.4 | 6.7 | 8.9 |
| | 11 – 20 years | 83.0 | 7.1 | 9.9 |
| | More than 20 years | 74.9 | 9.3 | 15.8 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 6.4 percentage points at the 95 percent level of confidence.

**Table 6: Securities and Exchange Commission Employees' Views, 2015**

**Survey statement:** *Employees have a feeling of personal empowerment with respect to work processes.*

**Response category by percentage**

| | | Strongly agree/agree | Neither agree nor disagree | Strongly disagree/disagree |
|---|---|---|---|---|
| **Race** | Asian | 48.9 | 23.2 | 27.9 |
| | Black | 42.3 | 28.1 | 29.7 |
| | White | 46.1 | 20.1 | 33.9 |
| **Ethnicity** | Hispanic/Latino | 47.9 | 21.6 | 30.5 |
| | Non-Hispanic/Latino | 44.7 | 21.4 | 33.9 |
| **Gender** | Male | 49.3 | 20.9 | 29.8 |
| | Female | 38.2 | 22.8 | 39.1 |
| **Tenure** | Less than 1 year to 5 years | 52.5 | 20.4 | 27.1 |
| | 6 – 10 years | 43.9 | 22.2 | 33.8 |
| | 11 – 20 years | 40.6 | 20.9 | 38.5 |
| | More than 20 years | 34.8 | 26.0 | 39.1 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 10.6 percentage points at the 95 percent level of confidence.

**Table 7: Securities and Exchange Commission Employees' Views, 2015**

**Survey question:** *Considering everything, how satisfied are you with your job?*

| Response category by percentage | | Very satisfied/satisfied | Neither satisfied or dissatisfied | Very dissatisfied/ dissatisfied |
|---|---|---|---|---|
| **Race** | Asian | 76.9 | 10.8 | 12.3 |
| | Black | 67.6 | 14.2 | 18.2 |
| | White | 72.5 | 14.3 | 13.2 |
| **Ethnicity** | Hispanic/Latino | 76.9 | 16.8 | 6.3 |
| | Non-Hispanic/Latino | 71.2 | 14.2 | 14.6 |
| **Gender** | Male | 73.2 | 14.8 | 12.0 |
| | Female | 68.6 | 14.0 | 17.5 |
| **Tenure** | Less than 1 year to 5 years | 75.1 | 11.9 | 13.0 |
| | 6 – 10 years | 72.9 | 14.3 | 12.8 |
| | 11 – 20 years | 68.6 | 16.8 | 14.5 |
| | More than 20 years | 66.0 | 13.6 | 20.4 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 6.6 percentage points at the 95 percent level of confidence.

**Table 8: Securities and Exchange Commission Employees' Views, 2015**

**Survey question:** *Considering everything, how satisfied are you with your pay?*

| Response category by percentage | | | | |
|---|---|---|---|---|
| | | Very satisfied/satisfied | Neither satisfied or dissatisfied | Very dissatisfied/ dissatisfied |
| **Race** | Asian | 58.1 | 19.7 | 22.3 |
| | Black | 60.4 | 13.7 | 25.9 |
| | White | 65.6 | 13.9 | 20.5 |
| **Ethnicity** | Hispanic/Latino | 69.9 | 3.6 | 26.5 |
| | Non-Hispanic/Latino | 63.1 | 15.1 | 21.8 |
| **Gender** | Male | 62.1 | 16.8 | 21.1 |
| | Female | 63.7 | 12.0 | 24.3 |
| **Tenure** | Less than 1 year to 5 years | 60.4 | 16.6 | 23.0 |
| | 6 – 10 years | 56.9 | 13.2 | 29.8 |
| | 11 – 20 years | 65.7 | 14.9 | 19.4 |
| | More than 20 years | 68.4 | 12.4 | 19.2 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 8.2 percentage points at the 95 percent level of confidence.

**Table 9: Securities and Exchange Commission Employees' Views, 2015**

**Survey question:** *Considering everything, how satisfied are you with your organization?*

| Response category by percentage | | Very satisfied/satisfied | Neither satisfied or dissatisfied | Very dissatisfied/ dissatisfied |
|---|---|---|---|---|
| **Race** | Asian | 72.1 | 15.1 | 12.8 |
| | Black | 59.8 | 19.3 | 20.9 |
| | White | 69.3 | 16.2 | 14.6 |
| **Ethnicity** | Hispanic/Latino | 69.7 | 17.2 | 13.0 |
| | Non-Hispanic/Latino | 66.7 | 17.1 | 16.2 |
| **Gender** | Male | 69.7 | 16.1 | 14.2 |
| | Female | 61.8 | 19.3 | 18.8 |
| **Tenure** | Less than 1 year to 5 years | 72.5 | 15.6 | 12.0 |
| | 6 – 10 years | 66.8 | 19.7 | 13.5 |
| | 11 – 20 years | 62.7 | 16.8 | 20.5 |
| | More than 20 years | 59.3 | 19.2 | 21.4 |

Source: GAO analysis of 2015 Office of Personnel Management Federal Employee Viewpoint Survey. | GAO-17-65

Note: Estimates shown in this table have a margin of error no greater than plus or minus 7.7 percentage points at the 95 percent level of confidence.

# Appendix IV: Securities and Exchange Commission Awards for Fiscal Years 2013-2015

The Securities and Exchange Commission (SEC), among other things, provides cash and time-off incentive awards to motivate staff and recognize their contributions to the agency. The following tables provide information on all cash awards for all SEC staff for fiscal years 2013 through 2015. Table 10 provides information on individual cash awards broken out by supervisory status.[1] Tables 11 through 13 provide information on individual cash awards broken out by age, gender, and race, respectively.

**Table 10: Securities and Exchange Commission Individual Cash Awards by Supervisor Status, Fiscal Years 2013–2015**

| Employee type | Year[a] | Number of awards processed | Number of employees receiving an award | Average dollars per award | Average salary |
|---|---|---|---|---|---|
| **Non-supervisor** | 2013 | 227 | 224 | 918 | 156,942 |
| | 2014 | 3,776 | 2,169 | 1,027 | 150,333 |
| | 2015 | 3,279 | 2,130 | 1,025 | 158,185 |
| **Supervisor** | 2013 | 58 | 57 | 1,175 | 191,514 |
| | 2014 | 1,224 | 594 | 1,326 | 196,968 |
| | 2015 | 954 | 574 | 1,364 | 207,826 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year. In addition, in fiscal years 2014 and 2015, some employees were provided cash awards as both non-supervisors and supervisors, thus the total awards for these years may not match those from the other tables.

[a]During fiscal year 2013, SEC adhered to the Office of Personnel Management and Office of Management and Budget memorandum M-14-02, which was guidance to federal agencies on establishing budgetary limits on awards. As a result of the memorandum, SEC limited paying out cash awards in fiscal year 2013. Once the restriction was lifted in fiscal year 2014, SEC completed processing approximately 2,300 fiscal year 2013 cash awards in fiscal year 2014.

[1]Senior officers are not eligible for cash awards. However, from fiscal years 2013 through 2014, 14 senior officers received cash awards for their contributions prior to their promotion to a senior officer. These senior officer cash awards are not reflected in the tables.

**Table 11: Securities and Exchange Commission Individual Cash Awards by Age, Fiscal Years 2013–2015**

| Age | Year[a] | Number of awards processed | Number of employees receiving an award | Average dollars per award | Average salary |
|---|---|---|---|---|---|
| 40 and over | 2013 | 225 | 222 | 2,984 | 188,099 |
| | 2014 | 3,710 | 2,060 | 1,277 | 172,130 |
| | 2015 | 2,987 | 1,937 | 1,106 | 178,194 |
| Under 40 | 2013 | 60 | 59 | 1,270 | 144,958 |
| | 2014 | 1,290 | 679 | 1,083 | 137,763 |
| | 2015 | 1,246 | 749 | 1,093 | 148,452 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

[a]During fiscal year 2013, SEC adhered to the Office of Personnel Management and Office of Management and Budget memorandum M-14-02, which was guidance to federal agencies on establishing budgetary limits on awards. As a result of the memorandum, SEC limited paying out cash awards in fiscal year 2013. Once the restriction was lifted in fiscal year 2014, SEC completed processing approximately 2,300 fiscal year 2013 cash awards in fiscal year 2014.

**Table 12: Securities and Exchange Commission Individual Cash Awards by Gender, Fiscal Years 2013–2015**

| Gender | Year[a] | Number of awards processed | Number of employees receiving an award | Average dollars per award | Average salary |
|---|---|---|---|---|---|
| Female | 2013 | 114 | 113 | 2,295 | 171,714 |
| | 2014 | 2,206 | 1,219 | 1,151 | 155,325 |
| | 2015 | 1,901 | 1,202 | 1,064 | 160,360 |
| Male | 2013 | 171 | 168 | 2,975 | 187,270 |
| | 2014 | 2,794 | 1,520 | 1,289 | 169,818 |
| | 2015 | 2,332 | 1,484 | 1,134 | 177,866 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

[a]During fiscal year 2013, SEC adhered to the Office of Personnel Management and Office of Management and Budget memorandum M-14-02, which was guidance to federal agencies on establishing budgetary limits on awards. As a result of the memorandum, SEC limited paying out cash awards in fiscal year 2013. Once the restriction was lifted in fiscal year 2014, SEC completed processing approximately 2,300 fiscal year 2013 cash awards in fiscal year 2014.

**Table 13: Securities and Exchange Commission Individual Cash Awards by Race and Ethnicity, Fiscal Years 2013–2015**

| Race | Year[a] | Number of awards processed | Number of employees receiving an award | Average dollars per award | Average salary |
|---|---|---|---|---|---|
| **White Non-Hispanic** | 2013 | 219 | 216 | 2,857 | 187,671 |
| | 2014 | 3,537 | 1,920 | 1,285 | 170,836 |
| | 2015 | 2,911 | 1,837 | 1,151 | 177.763 |
| **Black Non-Hispanic** | 2013 | 26 | 26 | 2,197 | 137,563 |
| | 2014 | 699 | 400 | 957 | 127,116 |
| | 2015 | 681 | 430 | 865 | 134,552 |
| **Asian Non-Hispanic** | 2013 | 27 | 27 | 2,195 | 174,243 |
| | 2014 | 476 | 268 | 1,265 | 164,786 |
| | 2015 | 407 | 269 | 1,187 | 174,293 |
| **Hispanic (any race)** | 2013 | 1 | 1 | 75 | 119,047 |
| | 2014 | 136 | 76 | 1,036 | 164,032 |
| | 2015 | 93 | 63 | 993 | 164,926 |
| **Other (2 or more races)** | 2013 | 12 | 11 | 2,119 | 163,139 |
| | 2014 | 152 | 74 | 1,176 | 150,506 |
| | 2015 | 141 | 88 | 1,072 | 155,427 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

[a]During fiscal year 2013, SEC adhered to the Office of Personnel Management and Office of Management and Budget memorandum M-14-02, which was guidance to federal agencies on establishing budgetary limits on awards. As a result of the memorandum, SEC limited paying out cash awards in fiscal year 2013. Once the restriction was lifted in fiscal year 2014, SEC completed processing approximately 2,300 fiscal year 2013 cash awards in fiscal year 2014.

The following tables provide additional information on time-off awards for fiscal years 2013 through 2015. Table 14 provides information on individual time-off awards broken out by supervisory status, including a separate breakout by senior officers. Tables 15 through 17 provide information on individual time-off awards broken out by age, gender, and race, respectively.

**Table 14: Securities and Exchange Commission Individual Time-off Awards by Supervisor Status, Fiscal Years 2013–2015**

| Employee type | Year | Number of awards processed | Number of employees receiving an award | Average hours per award | Total hours awarded |
|---|---|---|---|---|---|
| **Non-supervisor** | 2013 | 1,236 | 973 | 14 | **16,707** |
| | 2014 | 1,616 | 1,174 | 13 | **21,404** |
| | 2015 | 1,538 | 1,100 | 13 | **19,824** |
| **Supervisor** | 2013 | 264 | 210 | 15 | **3,960** |
| | 2014 | 384 | 264 | 15 | **5,632** |
| | 2015 | 369 | 249 | 13 | **4,700** |
| **Senior officer** | 2013 | 10 | 10 | 20 | **204** |
| | 2014 | 82 | 56 | 23 | **1,848** |
| | 2015 | 37 | 27 | 24 | **892** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

**Table 15: Securities and Exchange Commission Individual Time-off Awards by Age, Fiscal Years 2013–2015**

| Age | Year | Number of awards processed | Number of employees receiving an award | Average hours per award | Total hours awarded |
|---|---|---|---|---|---|
| **40 and over** | 2013 | 1,094 | 880 | 14 | **15,169** |
| | 2014 | 1,492 | 1,086 | 14 | **20,913** |
| | 2015 | 1,325 | 950 | 13 | **17,338** |
| **Under 40** | 2013 | 416 | 304 | 14 | **5,702** |
| | 2014 | 590 | 404 | 14 | **7,971** |
| | 2015 | 619 | 421 | 13 | **8,078** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

**Table 16: Securities and Exchange Commission Individual Time-off Awards by Gender, Fiscal Years 2013–2015**

| Gender | Year | Number of awards processed | Number of employees receiving an award | Average hours per award | Total hours awarded |
|---|---|---|---|---|---|
| **Female** | 2013 | 801 | 616 | 14 | **10,900** |
| | 2014 | 1,048 | 731 | 14 | **14,593** |
| | 2015 | 951 | 670 | 13 | **12,315** |
| **Male** | 2013 | 709 | 568 | 14 | **9,971** |
| | 2014 | 1,034 | 759 | 14 | **14,291** |
| | 2015 | 993 | 701 | 13 | **13,101** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

**Table 17: Securities and Exchange Commission Individual Time-off Awards by Race, Fiscal Years 2013–2015**

| Race | Year | Number of awards processed | Number of employees receiving an award | Average hours per award | Total hours awarded |
|---|---|---|---|---|---|
| **White Non-Hispanic** | 2013 | 1,071 | 834 | 14 | **15,052** |
| | 2014 | 1,437 | 1,019 | 14 | **20,608** |
| | 2015 | 1,327 | 917 | 13 | **17,871** |
| **Black Non-Hispanic** | 2013 | 205 | 166 | 12 | **2,390** |
| | 2014 | 329 | 238 | 12 | **3,792** |
| | 2015 | 297 | 218 | 11 | **3,287** |
| **Asian Non-Hispanic** | 2013 | 155 | 122 | 14 | **2,227** |
| | 2014 | 199 | 148 | 15 | **2,912** |
| | 2015 | 204 | 152 | 13 | **2,656** |
| **Hispanic (any race)** | 2013 | 40 | 31 | 16 | **648** |
| | 2014 | 49 | 37 | 14 | **704** |
| | 2015 | 56 | 39 | 16 | **904** |
| **Other (2 or more races)** | 2013 | 39 | 31 | 14 | **554** |
| | 2014 | 68 | 48 | 13 | **868** |
| | 2015 | 60 | 45 | 12 | **698** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: For a given year, there may be more awards given than number of awardees. This is because an awardee may receive multiple awards in a given year.

# Appendix V: Securities and Exchange Commission Personnel Management Practices – Training

As part of our review of the Securities and Exchange Commission's (SEC) workforce planning practices, we reviewed SEC's practices related to employee training for staff who are primarily responsible for implementing the agency's mission: the Office of Compliance Inspections and Examinations; and the Divisions of Corporation Finance, Enforcement, Investment Management, Economic and Risk Analysis, and Trading and Markets (hereinafter, mission-critical office and divisions). We determined that SEC's practices related to training employees have been designed and implemented consistent with relevant criteria. Our prior work notes that one of the core characteristics of a strategic training and development process is strategic alignment. [1] Our prior work also notes that other core characteristics of strategic training and development include communication from agency leadership, involvement of stakeholders, a system of accountability, and effective use of resources. In addition, the Office of Personnel Management's (OPM) Human Capital Assessment and Accountability Framework notes, among other things, that agency leaders and supervisors should sustain a learning environment that drives continuous improvement, invest in training to help employees build mission-critical competencies, and use a variety of learning methods.[2]

SEC's policies on training and development specify that the intent of SEC University and its programs is to support the mission of SEC, its strategic plan, and performance objectives and to enable employees to perform their current functions at the maximum level of proficiency.[3] SEC's training policies also provide specific responsibilities for senior officers, supervisors, and nonsupervisory staff, including requiring senior officers to provide fair opportunities for training. In addition, SEC supervisors and managers are responsible for supporting fair selection for training, ensuring the training meets the definition of mission-related training, and ensuring the availability of funds for a variety of internal and external training. SEC's collective bargaining agreement specifies the purpose of training, which is to enable employees to perform their official duties at

[1]See GAO, *Human Capital: A guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004).

[2]Human Resources Management in Agencies, 73 Fed. Reg. 23012, 23017 and 23030 (Apr. 28, 2008) (codified by reference at 5 C.F.R. § 250.202).

[3]SEC University is part of the Office of Human Resources and collaborates with the divisions and offices to conduct training needs assessments and develop training plans to address the identified needs.

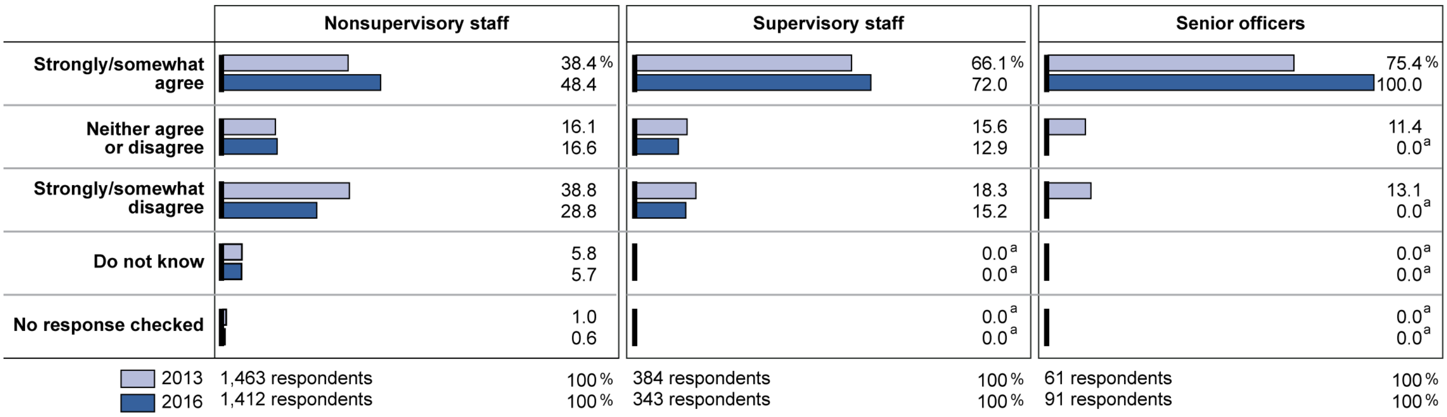
the maximum level of proficiency. The collective bargaining agreement also specifies the responsibilities of the agency, including determining the training needs, ensuring consideration of employee requests for training that supports the agency's strategic plan, and supporting attorney and accountant opportunities to obtain mandatory continuing education credits. According to SEC staff in SEC University, they serve as liaisons with stakeholders from across SEC on the design, implementation, and evaluation of a variety of training methods to ensure that training is meeting the needs of the various offices and divisions within the agency.

SEC supervisors we met with and staff we surveyed noted that training has improved since 2013.[4] When asked to what extent their employees received training that was applicable and sufficient for them to perform their jobs, the supervisors we interviewed told us that training for staff and supervisors equipped staff with the necessary skills, and had improved in recent years. They also said the training they received as supervisors was applicable and sufficient for them to do their jobs. In addition, staff surveyed in 2016 had more positive views on training than in 2013. The percentage of staff surveyed who agreed that new staff were given enough guidance and training increased for nonsupervisors from about 38 percent in 2013 to 48 percent in 2016 and for supervisors from approximately 66 percent to 72 percent in 2016, as shown in figure 11.

[4]While supervisors and staff were generally positive about training for staff in the mission-critical office and divisions, we and others have noted concern in training of staff involved in hiring and promotions.

**Figure 11: 2013 and 2016 Survey Responses from Securities and Exchange Commission Employees about Training of New Staff**

**Survey statement:** *When new people start in jobs in my division/office, they are given enough guidance and training.*




Source: GAO. | GAO-17-65

Note: This figure reflects the survey responses of Securities and Exchange Commission (SEC) employees in five occupational categories (accountants, attorneys, examiners, economists, and financial analysts) in the mission-critical office and divisions and all senior officers at SEC. The 2016 survey results for the 21 remaining SEC offices and divisions were comparable.

[a]The number of responses to this category was less than 6, thus they are not reported in order to minimize the risk of identifying individual respondents. As a result, the total respondents may vary per figure.

In addition, the percentage of staff who agreed (to a moderate or great extent) that senior officers work to make improvements in training focused on specific competencies increased for nonsupervisors from about 42 percent in 2013 to 46 percent in 2016, and for supervisors from approximately 60 percent in 2013 to 62 percent in 2016. SEC staff also had more positive views on training than staff in other government agencies. In OPM's 2016 Federal Employee Viewpoint Survey, an estimated 66 percent of SEC employees surveyed were satisfied with the training they received for their present job, which was higher than that of other federal agencies, with an estimated 53 percent of all respondents satisfied with training.[5]

[5]Office of Personnel Management, 2016 *Federal Employee Viewpoint Survey: Report by Agency* (Washington, D.C.: 2016).

# Appendix VI: Ratio of Supervisors and Senior Officers, Fiscal Years 2008–2015

Section 962 of the Dodd-Frank Act Wall Street Reform and Consumer Protection Act included a provision for us to review whether there is an "excessive number of low-level, mid-level, or senior-level managers" at the Securities and Exchange Commission (SEC).[1] We did not find any standards that have been established for evaluating excessive numbers of supervisors. Therefore, we are reporting on the ratio of SEC employees at the various levels for fiscal years 2008 through 2015. Table 18 illustrates the ratio of nonsupervisors to supervisors at SEC. Table 19 illustrates the ratio of nonsupervisors to senior officers, and table 20 illustrates the ratio of supervisors to senior officers.

**Table 18: Ratio of Nonsupervisors to Supervisors at the Securities and Exchange Commission, Fiscal Years 2008–2015**

| | Nonsupervisors to supervisors | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 |
| **Division** | | | | | | | | |
| Division of Corporation Finance | 4.1 | 4.3 | 4.8 | 3.7 | 4.3 | 5.1 | 5.0 | 5.3 |
| Division of Economic and Risk Analysis | a | a | 3.4 | 3.6 | 6.0 | 7.7 | 7.4 | 7.3 |
| Division of Enforcement | 3.5 | 3.7 | 4.4 | 9.2 | 6.2 | 7.6 | 8.0 | 7.6 |
| Division of Investment Management | 3.2 | 3.2 | 3.4 | 5.3 | 3.1 | 3.8 | 4.5 | 4.0 |
| Division of Trading and Markets | 4.2 | 4.3 | 4.2 | 4.1 | 5.3 | 4.7 | 4.2 | 4.9 |
| Office of Compliance Inspections and Examinations | 3.0 | 3.0 | 3.3 | 3.5 | 2.8 | 3.5 | 3.5 | 3.4 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year

[a]There are no data for the Division of Economic and Risk Analysis in 2008 and 2009 because the division was created in September 2009.

[1]Pub. L. No. 111-203, § 962(b)(1)(G), 124 Stat. 1376, 1909 (2010).

**Table 19: Ratio of Nonsupervisors to Senior Officers at the Securities and Exchange Commission, Fiscal Years 2008–2015**

| | Nonsupervisors to senior officers | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 |
| **Division** | | | | | | | | |
| Division of Corporation Finance | 30.3 | 32.3 | 38.5 | 15.4 | 27.0 | 31.9 | 30.5 | 31.2 |
| Division of Economic and Risk Analysis | a | a | 27.0 | 0.0 | 47.6 | 28.3 | 22.2 | 26.2 |
| Division of Enforcement | 27.8 | 29.4 | 26.3 | 23.8 | 29.4 | 31.4 | 30.3 | 32.8 |
| Division of Investment Management | 15.9 | 16.4 | 16.9 | 32.3 | 16.7 | 16.8 | 18.6 | 18.4 |
| Division of Trading and Markets | 13.3 | 16.1 | 14.9 | 24.4 | 16.4 | 16.7 | 15.2 | 12.8 |
| Office of Compliance Inspections and Examinations | 32.3 | 33.3 | 34.5 | 16.4 | 26.3 | 32.1 | 40.4 | 32.2 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year

[a]There are no data for the Division of Economic and Risk Analysis in 2008 and 2009 because the division was created in September 2009.

**Table 20: Ratio of Supervisors to Senior Officers at the Securities and Exchange Commission, Fiscal Years 2008–2015**

| | Supervisors to senior officers | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FY 08 | FY 09 | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 |
| **Division** | | | | | | | | |
| Division of Corporation Finance | 7.4 | 7.6 | 8.1 | 4.1 | 6.3 | 6.2 | 6.1 | 5.9 |
| Division of Economic and Risk Analysis | a | a | 8.0 | 0.0 | 8.0 | 3.7 | 3.0 | 3.6 |
| Division of Enforcement | 7.9 | 8.1 | 5.9 | 2.6 | 4.7 | 4.1 | 3.8 | 4.3 |
| Division of Investment Management | 5.0 | 5.2 | 5.0 | 6.0 | 5.3 | 4.4 | 4.1 | 4.6 |
| Division of Trading and Markets | 3.1 | 3.7 | 3.6 | 6.0 | 3.1 | 3.5 | 3.6 | 2.6 |
| Office of Compliance Inspections and Examinations | 10.6 | 11.0 | 10.5 | 4.7 | 9.3 | 9.2 | 11.5 | 9.5 |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year

[a]There are no data for the Division of Economic and Risk Analysis in 2008 and 2009 because the division was created in September 2009.

# Appendix VII: Percentage of Staff Who Left the Securities and Exchange Commission, Fiscal Years 2008- 2015

Among its provisions, Section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act included a provision for us to review turnover rates within Securities and Exchange Commission (SEC) subunits.[1] While staff turnover rates could be used to identify potential areas for improvement and further develop current supervisors, officials from the Merit Systems Protection Board noted that turnover was not a good indicator of poor supervision for several reasons. For example, they said that staff may leave to pursue opportunities with a different employer or a different career path, or for personal reasons. SEC officials also indicated that staff facing potential removal or termination often would resign or retire, rather than going through removal or termination. Tables 21 and 22 show the percentage of staff who left SEC from fiscal years 2008 through 2015 from headquarters and the 11 regional offices, respectively. Table 23 shows the total number of staff who left SEC during the same period.

**Table 21: Headquarters Staff Who Left the Securities and Exchange Commission, Fiscal Years 2008–2015**

| | | Percentage separated (Total staff) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Reason for separation** | **Employee category** | **FY 08** | **FY 09** | **FY 10** | **FY 11** | **FY 12** | **FY 13** | **FY 14** | **FY 15** |
| Retirement | Nonsupervisors | 0.8% (900) | 0.2% (937) | 1.2% (1,008) | 1.8% (914) | 0.6% (1,027) | 1.3% (1,420) | 1.7% (1,450) | 1.3% (1,512) |
| | Supervisors | 1.5% (196) | 0.0% (199) | 2.2% (224) | 2.7% (183) | 1.3% (234) | 2.3% (263) | 2.2% (268) | 1.1% (283) |
| | Senior Officers | 0.0% (41) | 0.0% (40) | 8.7% (46) | 11.1% (45) | 2.0% (51) | 3.1% (65) | 4.7% (64) | 0.0% (71) |
| Resignation | Nonsupervisors | 4.4% (900) | 1.8% (937) | 2.1% (1,008) | 2.7% (914) | 4.0% (1,027) | 3.9% (1,420) | 4.6% (1,450) | 3.9% (1,512) |
| | Supervisors | 3.1% (196) | 1.5% (199) | 1.3% (224) | 3.8% (183) | 2.1% (234) | 4.6% (263) | 1.9% (268) | 4.9% (283) |
| | Senior Officers | 4.9% (41) | 12.5% (40) | 19.6% (46) | 8.9% (45) | 5.9% (51) | 16.9% (65) | 7.8% (64) | 9.9% (71) |

[1]Pub. L. No. 111-203, § 962(b)(1)(F), 124 Stat. 1376, 1909 (2010).

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Removal or termination | Nonsupervisors | 0.4% (900) | 0.6% (937) | 1.0% (1,008) | 0.9% (914) | 0.7% (1,027) | 0.4% (1,420) | 0.2% (1,450) | 0.4% (1,512) |
| | Supervisors | 0.0% (196) | 0.5% (199) | 0.0% (224) | 1.1% (183) | 0.9% (234) | 0.0% (263) | 0.0% (268) | 0.0% (283) |
| | Senior Officers | 0.0% (41) | 0.0% (40) | 0.0% (46) | 2.2% (45) | 3.9% (51) | 0.0% (65) | 0.0% (64) | 0.0% (71) |
| **Total** | | **5.5% (1,137)** | **3.0% (1,176)** | **5.0% (1,278)** | **6.4% (1,142)** | **5.4% (1,312)** | **6.3% (1,748)** | **6.3% (1,782)** | **5.9% (1,866)** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year

**Table 22: Staff Who Left the Securities and Exchange Commission from 11 Regional Offices, Fiscal Years 2008–2015**

| | | Percentage separated (Total staff) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Reason for separation** | **Employee category** | **FY 08** | **FY 09** | **FY 10** | **FY 11** | **FY 12** | **FY 13** | **FY 14** | **FY 15** |
| Retirement | Nonsupervisors | 0.8% (927) | 0.4% (954) | 1.1% (981) | 1.2% (861) | 1.0% (987) | 1.2% (1,205) | 1.2% (1,182) | 0.7% (1,201) |
| | Supervisors | 3.7% (191) | 1.5% (197) | 5.0% (221) | 1.8% (168) | 1.7% (237) | 0.0% (247) | 0.8% (237) | 1.2% (246) |
| | Senior Officers | 4.2% (24) | 0.0% (23) | 8.0% (25) | 4.8% (42) | 3.7% (27) | 7.1% (28) | 7.1% (28) | 3.7% (27) |
| Resignation | Nonsupervisors | 3.2% (927) | 1.2% (954) | 1.5% (981) | 2.8% (861) | 3.4% (987) | 2.2% (1,205) | 2.9% (1,182) | 2.7% (1,201) |
| | Supervisors | 1.6% (191) | 2.0% (197) | 0.9% (221) | 4.2% (168) | 1.7% (237) | 3.2% (247) | 2.1% (237) | 0.4% (246) |
| | Senior Officers | 0.0% (24) | 8.7% (23) | 0.0% (25) | 2.4% (42) | 3.7% (27) | 3.6% (28) | 0.0% (28) | 11.1% (27) |
| Removal or termination | Nonsupervisors | 0.5% (927) | 0.1% (954) | 0.3% (981) | 0.1% (861) | 0.8% (987) | 0.4% (1,205) | 0.2% (1,182) | 0.2% (1,201) |
| | Supervisors | 0.0% (191) | 0.0% (197) | 0.0% (221) | 0.6% (168) | 0.4% (237) | 0.0% (247) | 0.0% (237) | 0.0% (246) |
| | Senior Officers | 0.0% (24) | 0.0% (23) | 4.0% (25) | 0.0% (42) | 0.0% (27) | 0.0% (28) | 0.0% (28) | 0.0% (27) |
| **Total** | | **4.7% (1,142)** | **2.2% (1,174)** | **3.6% (1,227)** | **4.6% (1,071)** | **5.0% (1,251)** | **3.9% (1,480)** | **4.0% (1,447)** | **3.5% (1,474)** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year.

**Table 23: All Staff Who Left the Securities and Exchange Commission, Fiscal Years 2008–2015**

| | | Percentage separated (Total staff) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Reason for separation** | **Employee category** | **FY 08** | **FY 09** | **FY 10** | **FY 11** | **FY 12** | **FY 13** | **FY 14** | **FY 15** |
| Retirement | Nonsupervisors | 0.8% (1,827) | 0.3% (1,891) | 1.2% (1,989) | 1.5% (1,775) | 0.8% (2,014) | 1.3% (2,625) | 1.4% (2,632) | 1.1% (2,713) |
| | Supervisors | 2.6% (387) | 0.8% (396) | 3.6% (445) | 2.3% (351) | 1.5% (471) | 1.2% (510) | 1.6% (505) | 1.1% (529) |
| | Senior Officers | 1.5% (65) | 0.0% (63) | 8.5% (71) | 8.0% (87) | 2.6% (78) | 4.3% (93) | 5.4% (92) | 1.0% (98) |
| Resignation | Nonsupervisors | 3.8% (1,827) | 1.5% (1,891) | 1.8% (1,989) | 2.8% (1,775) | 3.7% (2,014) | 3.2% (2,625) | 3.8% (2,632) | 3.4% (2,713) |
| | Supervisors | 2.3% (387) | 1.8% (396) | 1.1% (445) | 4.0% (351) | 1.9% (471) | 3.9% (510) | 2.0% (505) | 2.8% (529) |
| | Senior Officers | 3.1% (65) | 11.1% (63) | 12.7% (71) | 5.7% (87) | 5.1% (78) | 12.9% (93) | 5.4% (92) | 10.2% (98) |
| Removal or termination | Nonsupervisors | 0.5% (1,827) | 0.4% (1,891) | 0.7% (1,989) | 0.5% (1,775) | 0.7% (2,014) | 0.4% (2,625) | 0.2% (2,632) | 0.3% (2,713) |
| | Supervisors | 0.0% (387) | 0.3% (396) | 0.0% (445) | 0.9% (351) | 0.6% (471) | 0.0% (510) | 0.0% (505) | 0.0% (529) |
| | Senior Officers | 0.0% (65) | 0.0% (63) | 1.4% (71) | 1.1% (87) | 2.6% (78) | 0.0% (93) | 0.0% (92) | 0.0% (98) |
| **Total** | | **5.1% (2,279)** | **2.6% (2,350)** | **4.4% (2,505)** | **5.6% (2,213)** | **5.1% (2,563)** | **5.2% (3,228)** | **5.3% (3,229)** | **4.8% (3,340)** |

Source: GAO analysis of SEC data. | GAO-17-65

Note: FY = fiscal year.

# Appendix VIII: Performance Ratings for Fiscal Years 2013–2015

The Securities and Exchange Commission's (SEC) current performance appraisal system is designed to rate employees on a numerical scale from 1 to 5. However, due to an agreement with the SEC employees union, bargaining-unit employees are officially rated as either meets expectations (that is, needs improvement, meets expectations, exceeds expectations, or greatly exceeds expectations) or unacceptable. Table 24 shows the distribution of performance ratings for fiscal years 2013 through 2015. The initial rating for bargaining-unit staff is on the five-point scale. The final rating translates that initial rating to either meets expectations or unacceptable, based on the agreement reached between SEC and the union.

**Table 24: Performance Ratings for Securities and Exchange Commission Bargaining-Unit and Non-Bargaining-Unit Employees for Fiscal Years 2013–2015**

| FY13 Ratings | Unacceptable | Needs improvement | Meets expectations | Exceeds expectations | Greatly exceeds expectations | Total |
|---|---|---|---|---|---|---|
| Initial Bargaining-Unit Ratings | 6 | 1 | 2814 | 42 | 12 | **2875** |
| Final Bargaining-Unit Ratings | 6 | - | 2869 | - | - | **2875** |
| Non-Bargaining-Unit | 1 | 4 | 301 | 640 | 171 | **1117** |
| **FY14 Ratings** | | | | | | |
| Initial Bargaining-Unit Ratings | 2 | 0 | 2890 | 31 | 14 | **2937** |
| Final Bargaining-Unit Ratings | 2 | - | 2935 | - | - | **2937** |
| Non-Bargaining-Unit | 1 | 2 | 218 | 666 | 250 | **1137** |
| **FY15 Ratings** | | | | | | |
| Initial Bargaining-Unit Ratings | 9 | 0 | 3107 | 13 | 13 | **3142** |
| Final Bargaining-Unit Ratings | 9 | - | 3133 | - | - | **3142** |
| Non-Bargaining-Unit | 0 | 0 | 119 | 732 | 288 | **1139** |

Source: GAO analysis of SEC data. | GAO-17-65

# Appendix IX: Comments from the Securities and Exchange Commission

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

THE CHAIR

December 21, 2016

Mr. Michael E. Clements
Acting Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Clements:

Thank you for the opportunity to respond to the draft report, *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long Standing Personnel Management Challenges* (GAO-17-65). We believe that the Government Accountability Office's (GAO) study of the personnel management practices and culture of the Securities and Exchange Commission (SEC) contains useful recommendations to help strengthen personnel management at the SEC, and we agree with a majority of the recommendations.

We are pleased that the GAO acknowledges the progress we have made in personnel management and organizational culture, and the SEC's high level of performance is evidence of that progress. Since I became Chair, the SEC has promulgated some of the most important and complex rulemakings in the agency's history, addressing significant issues that are critical to the protection of investors. During the same period, the SEC has brought thousands of successful enforcement actions – in fact, the most in any three-year period – and recovered billions of dollars from wrongdoers. It has also conducted thousands of examinations of regulated entities, with more exams conducted last year than in any of the past seven years. The SEC has also substantially enhanced its day-to-day oversight of the U.S. financial markets to ensure their long-term sustainability, and they are today functioning more efficiently and effectively than ever before.

This level of performance is only possible if the agency is properly structured and managed. Every major enforcement action, examination initiative, or rulemaking requires extensive communication and collaboration across the agency. The agency deploys an exceptionally skilled workforce in every mission-critical division and office, as well as in the core operational support offices. And that workforce is fully engaged. For example, the recently released rankings of the *Best Places to Work in the Federal Government* show that our workforce is among the most engaged in the Government, ranking now six out of 27 mid-sized agencies. The SEC has climbed nine places in the rankings since the GAO's 2013 report. This improvement, among other indicators, illustrates the agency's success in building, sustaining, and growing an organization that fosters and values innovation, communication, collaboration, and transparency.

See comment 1

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Consistent with these developments, as explained below, we believe that significantly more progress has been made by the SEC to resolve the recommendations outlined in report GAO-13-621 than the draft report recognizes. Since the GAO's 2013 report, the SEC has demonstrated a consistent commitment to intra-agency collaboration that facilitates and enhances the execution of our critical mission for the country's investors and markets. While we agree that it is important to continue to enhance our intra-agency communication and collaboration, we do not concur with the report's characterization of the current state of such efforts. Nor do we concur with the suggestion for structural and functional changes in the responsibilities of the agency's COO as the optimal means to achieve further enhancements.

**Recommendations on Human Capital Management**

We acknowledge GAO's recommendation to develop and implement training to human resources (HR) specialists involved in the hiring process. We agree that it is important to invest in the training and development of staff, and we will continue to do so. Additionally, as mentioned in the report, the SEC has already taken steps to improve its overall hiring process, including: transitioning to electronic case file management for better organized staffing records; providing training, resources, and transparency to SEC staff on promotion opportunities; providing training to managers on the hiring and selection process; and providing training, job aids, and other tools to HR specialists to use when documenting work activities.

Audits conducted by the Office of Personnel Management (OPM) and the National Credit Union Administration (NCUA) have found that SEC's hiring practices met all necessary legal and regulatory requirements. OPM and NCUA found that the SEC HR specialists responsible for the agency's hiring were compliant with delegated examining certification requirements,[1] which requires HR specialists to receive training in, among other matters, developing assessment tools, rating and ranking applicants, applying veteran's preference, and other topics on the regulatory requirements of the federal hiring process. The audit results from both OPM and NCUA cited best practices in SEC's hiring process regarding its design and use of job analysis and assessment tools to rate and rank the qualifications of applicants. Another best practice that we utilize is the incorporation of subject matter experts – persons with expert knowledge about a particular job based on their work experience – into the hiring process to assist HR specialists with making qualification determinations. These practices have improved the quality of applicant pools and resulted in better selection decisions, as evidenced in the SEC's internal Quality of Hire Survey. Reponses on the most recent survey indicate that 93 percent of SEC hiring managers believe that their employee was a good hire and 91 percent would hire the employee again. We will continue to build upon these successful outcomes.

Our improvements to the SEC's hiring process have enhanced the overall quality of the agency's candidate pools without compromising legal and regulatory requirements. We recognize, however, that further progress must be made in some areas of the hiring process, and

[1] 5 U.S.C. §1104 requires all employees involved in delegated examining activities must receive initial training by OPM and receive recertification in three-year increments thereafter.

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we are committed to continuing efforts in those areas. SEC University, in coordination with the Talent Acquisition Group of the Office of Human Resources (OHR), will prioritize its competency assessment for HR specialists and will develop training plans to address any skill gaps identified.

The SEC also agrees with GAO's recommendation to conduct periodic validations of its performance management system. The SEC worked with OPM recently to validate the new system, and we will continue to work with OPM to conduct surveys of supervisors and employees regarding the efficiency and effectiveness of the SEC's performance management program. Based upon the initial results of these surveys, the SEC's union is working collaboratively with the SEC to pilot the new performance management system. All SEC employees will, in 2017, be rated on the new system.

See comment 2

The decision to pursue a new performance management system was based upon extensive discussions with the SEC's union – the exclusive representative of the SEC's bargaining unit employees – which had raised significant issues with the prior system. Based upon recent literature and developments in private industry, the SEC decided to create a new performance management system that emphasizes continuous feedback rather than lengthy year-end written assessments. The new performance management system has mandatory mid-year and optional quarterly reviews, and it provides for more meaningful distinctions in performance. The SEC plans to obtain feedback from employees during the bargaining unit pilot in FY 2017, and we remain committed to periodically evaluating the system to identify useful improvements.

The SEC has reviewed GAO's findings on our workforce planning efforts, and while we believe our program is strong, we acknowledge that improvements can be made. We have already begun the planning process to conduct a competency skills gap analysis on the non-mission critical workforce in FY 2017, and we will develop appropriate action plans to address the skill gaps that are identified. This work will complete our multi-year approach to conducting a comprehensive skills gap analysis of the entire SEC workforce. Also, OHR will continue to conduct Human Capital Reviews with key senior leadership to discuss the structure and size of their respective workforce, any mission critical skills gaps, and risks related to succession planning needed to accomplish the agency mission now and in the future. These discussions will enable OHR to collaborate better with the Office of Financial Management to provide a clear link between the agency budget and the structure of the workforce.

OHR also is in the process of enhancing our current succession planning program, and they will work with all SEC division directors and office heads to institute additional fair and transparent processes for identifying high-potential employees and communicating to them opportunities for leadership development. This program will be linked to the leadership competencies that the agency developed and validated in 2011. It will also provide the opportunity to identify and anticipate gaps in succession. The goal of our current program is to develop high-potential employees to ensure that there is a pool of employees who can successfully apply for leadership positions when they become available.

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**Intra-Agency Collaboration and Recommendation on Additional Management**

Fostering intra-agency communication and collaboration has been a primary area of focus for the SEC for several years, and there has been significant progress. Collaboration starts at the most basic levels: for example, every single enforcement action – last year alone, over 850 – requires close collaboration between staff in the Division of Enforcement, the Office of the General Counsel (OGC), and nearly always policy staff from the Divisions of Trading and Markets, Corporation Finance, and Investment Management, among others. Similarly, every rulemaking requires careful coordination between the relevant policy divisions, OGC, and the Division of Economic and Risk Analysis (DERA), and draws on expertise as needed from other areas such as the Office of Chief Accountant, Enforcement, and the Office of Compliance Inspections and Examinations (OCIE). In addition, Enforcement and OCIE collaborate closely and routinely, including at the regional office level where, for example, they meet regularly together to share information and discuss ongoing priorities and referrals.

These interactions are continuous, occur at both the staff and senior leadership levels, and form the backbone of the agency's daily functions. Outside of this regular collaboration, we have instituted numerous formal and informal mechanisms for additional coordination where it is required, which have proven to be successful and productive mechanisms to enhance cross-divisional communication and collaboration. These efforts include:

- Intra-agency governance committees for diversity, human capital, risk management, information technology capital planning, real property management, financial management, the tips, complains, and referrals system, and the EDGAR redesign;
- Specialized cross-agency working groups that target areas where "silos" or duplication may otherwise occur, including the Risk Analytics Committee, the Emerging Risk Discussion Group; the Cross-Border Working Group, the Cybersecurity Working Group, the Fintech Working Group, the Digital Ledger Technology Working Group, the Exchange-Traded Fund Working Group, and the Data Working Group; and
- Numerous other intra-agency groups operating across the SEC, such as: cross-divisional teams dedicated to the implementation of new rules, including those required by the JOBS Act; a task force on the implementation of modernized reporting by investment companies; and the Collective Bargaining Implementation Group.

We have emphasized the importance of teamwork and collaboration at all levels of leadership. I meet personally on a weekly basis with the entire agency leadership team, hold periodic one-on-one meetings with all of the directors of divisions and major offices, and directly communicate with the entire agency staff about our most critical initiatives. As the draft report notes, 53 percent of managers had a collaboration element in their performance work plans in FY2016. More importantly, our newly launched performance management system, which was piloted in FY2016, includes a "Teamwork and Collaboration" element for every employee within the agency. To build upon this approach, we have had more than 1,100 employees participate in team effectiveness training since October 2015. We have also developed specialized programs to enhance executive collaboration, and over 60 percent of our executives have participated.

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*All Invested* is another umbrella program that has made a major impact in the agency's culture of collaboration. The program's 2015 Values Campaign, which was widely praised throughout the agency, included people from across the SEC and emphasized that we are all one agency with the same set of values. *All Invested* has sponsored many successful and popular agency-wide events, such as celebrations to mark fiscal year accomplishments, a community day that brought together people from across the agency to share their talents and interests with each other, and numerous smaller events throughout the year designed to foster collaboration and agency unity.

See comment 3

While we agree that encouraging collaboration across and between divisions and offices is essential to success in carrying out the SEC's mission, cross-divisional interaction may not be necessary, or even appropriate, for some non-supervisory staff. For example, the work of one OCIE examiner in the field may not require direct input from other divisions and offices to that examiner, depending on the nature of the exam and the registrant. Likewise, a disclosure operations staff member in the Division of Corporation Finance reviewing an issuer's quarterly filing may not need input from any other division or office for that review to be effective. The draft report's critique that "one-third of nonsupervisory staff . . . never contacted staff in other divisions or offices in headquarters in the past 12 months" is made without recognition of the highly specialized nature of the work of various professional staff. We also note with concern that the report relies heavily on anecdotal accounts from one former employee who references events that occurred more than six years ago, but does not appear to have any basis to comment on the current operations of agency.

In light of the progress on collaboration highlighted by these and other efforts, we cannot agree with the report's characterization of the SEC's current cross-divisional communication and collaboration. While there is always room for improvement – and I believe enhancing intra-agency collaboration must continue to be a focus of this agency – a close examination of the work of the agency, with a full understanding of its extensive components and responsibilities, demonstrates how much progress has been made in recent years.

We also do not agree with GAO's recommendation that the SEC "create a single point within the agency with the responsibility and authority to ensure successful implementation of functional management and transformational change efforts" that would report to the Chair. Given the current legal and management structure of the SEC, as well as the requirements of the agency's mission, we do not believe that a position of that description would improve the ability of the SEC to discharge its obligations to protect investors.

By law, the Chair of the Commission is vested with the administrative and executive responsibilities for agency operations, and the Chair executes those responsibilities independently from the Chair's duties as one of five Commissioners engaged in rulemaking and enforcement actions. SEC Chairs have taken their administrative and executive responsibilities very seriously and, together with their senior staffs, devote significant time and attention to the operation and management of the agency. Both historically and currently, Chairs use their senior staff to extend their personal oversight of the agency and assist them in fulfilling their management responsibilities.

See comment 4

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The report's conclusion that "it is not practical to expect an official like the Chair's Chief of Staff to undertake this vital responsibility" does not recognize this feature of the Commission structure, and the alternative it articulates is not well-founded. As we advised following the circulation of the draft report, the Chief of Staff and two Deputy Chiefs of Staff assist the Chair in directing the implementation of organizational and management changes required to ensure the agency can effectively discharge its mission. Such changes, including those of the kind discussed in the report, are inextricably tied to not just how the agency operates, but also how it makes policy and conducts enforcement and exams. The Chair's staff is uniquely situated to balance these considerations, and has been closely focused in recent years on developing intra-agency communication and collaboration that is optimal for the agency's mission, as demonstrated by, for example:

- Integrating DERA throughout the development of rulemakings and the necessary support for the underlying policy choices;
- Establishing intra-agency task forces to monitor and, as necessary, address issues arising from rulemakings that could have significant consequences for investors and markets;
- Engaging agency-wide monitoring of major market events, including macroeconomic development and firm-specific issues that cut across areas of responsibility;
- Developing and managing the intra-agency working groups described above to formalize the exchange of information around complex issues that implicate many different aspects of the securities markets; and
- Reallocating examination and policy resources to enhance the program for investment advisers in order to meet identified gaps in coverage.

The agency's structure and the authority of the Chief of Staff and the Deputy Chiefs of Staff enables them, in close consultation with the Chair, to effectively pursue these and other changes to enhance coordination and collaboration throughout the SEC. Each of the major divisions and offices is overseen by them, and they are directly responsible for ensuring that policymaking, enforcement, and examinations are coordinated across the agency – including through setting priorities, allocating staffing and other resources, and reviewing and approving organizational changes. Because, among other things, they receive the significant work product of the staff – including enforcement recommendations, examination reports, staff memoranda, and rulemakings – they are well-positioned to identify failures in intra-agency coordination and collaboration, and implement the changes necessary to remedy them.

We believe that this model of centralized authority over the daily operations of all divisions and offices, together with the aggregation of operational functions in a COO reporting directly to the Chair's office,[2] fosters an integrated approach that allows the agency's mission to inform management and organizational change, and vice versa. The report does not clearly explain how an additional layer of management will achieve better results, and we believe its

[2] The COO role as it currently exists was a direct outgrowth of the 2011 Boston Consulting Group study. The COO has the authority to implement and oversee agency-wide management and organizational changes, including those intended to enhance intra-agency communication and collaboration, as directed by the Chair's office in light of the requirements of the SEC's tripartite mission.

See comment 5

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conclusions would have been better informed with the full perspectives of the agency's Chief of Staff and Deputy Chiefs of Staff, which we would be pleased to facilitate.

* * *

Thank you for the consideration that you and your staff have shown our agency. We remain committed to investing time and resources to improve the organizational culture and personnel management at the SEC. We are confident that the efforts we have made to date, along with future enhancements, will best position us to meet our mission.

If you have any questions or would like to further discuss this response, please contact Michael Liftik, Deputy Chief of Staff, at (202) 551-2100.

Sincerely,

Mary Jo White

Mary Jo White
Chair

## GAO's Comments

1. We address these issues in our responses to comments 3 and 4.

2. According to officials from the SEC union and the Office of Human Resources, the pilot has only been implemented for non-bargaining-unit staff. Moreover, SEC did not provide us with information on its agency-wide pilot of its new performance management system, nor did it provide an implementation plan that identified key milestone dates or schedules to pilot or fully implement the new performance management system to all employees in fiscal year 2017.

3. We recognize that not all staff at SEC may need to coordinate and collaborate for work-related issues. However, staff in mission-critical offices and divisions should be enabled to collaborate and communicate with staff in other offices and divisions. As acknowledged in our report, the Division of Enforcement created formal liaisons that other divisions and offices can contact, and these liaisons help to facilitate cross-divisional communication and collaboration within the division. Based on our survey results, staff in the Division of Enforcement more frequently interacted with staff from other mission-critical offices and divisions. As SEC acknowledged in its response, the Division of Economic and Risk Analysis is similar to the Division of Enforcement in that staff should be routinely communicating and collaborating with them. However, unlike the Division of Enforcement, the Division of Economic and Risk Analysis lacks a mechanism to easily facilitate cross-divisional communication and collaboration. Our survey results show that interaction between Division of Economic and Risk Analysis staff and staff from other mission-critical offices and divisions is limited.

   SEC also expressed concern that our report cited an anecdotal account from one former employee. However, we found substantial evidence that siloed communication remains a challenge at SEC. For instance, 78 of the 187 employees we interviewed (over 40 percent) cited issues around siloed communication as an area where SEC needs to improve. Additionally, of the 1,947 written responses we received to our survey questions, 597 of them cited various challenges related to communication and collaboration. We provided examples from several current and one former employee to illustrate the siloed communication at SEC.

4. SEC expressed concern with our recommendation to expand the responsibilities and authority of the COO or other official or office. We are not suggesting that an additional layer of management is needed. Rather, we are recommending that the authority of the COO or some other official be enhanced in order to ensure that each mission-critical office and division establish a mechanism or develop procedures to facilitate communication and collaboration.

   However, best practices we have identified call for institutionalized accountability for addressing management issues and leading transformational change because the management weaknesses in some agencies are deeply entrenched and long-standing, and it can take at least 5 to 7 years of sustained attention and continuity to fully implement transformations and change management initiatives. The typical tenure of an SEC Chair is shorter than the time needed to affect such change. Since 2001, SEC has had 6 Chairs and none of them have had a tenure that lasted 4 years. The evidence we present indicates that SEC should do more to identify a single point of contact with the responsibility and authority to ensure the successful implementation of a communication and collaboration process.

5. We met with the Chief of Staff and Deputy Chief of Staff during our review and they discussed efforts by SEC to address cross-divisional communication and collaboration changes

# Appendix X: GAO Contact and Staff Acknowledgments

## GAO Contact

Michael E. Clements, (202) 512-8678 or clementsm@gao.gov

## Staff Acknowledgments

In addition to the contact above, Triana McNeil (Assistant Director), José R. Peña (Analyst-in-Charge), Carl Barden, Michelle Batie, Bethany Benitez, Laura Chase, Pamela Davidson, Tom Gilbert, Jill Lacey, Wati Kadzai, Steven Lozano, Marc Molino, Janice Morrison, Alexander Ray, Ginelle Sanchez-Leos, Jerome Sandau, Jennifer Schwartz, Ebonye Watson, and William White made key contributions to this report.

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