U.S. Securities and Exchange Commission

Office of Inspector General

Office of Audits

The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework

MEMORANDUM

September 11, 2018

TO: Jamey McNamara, Acting Chief Human Capital Officer, Office of Human Resources

FROM: Carl W. Hoecker, Inspector General

SUBJECT: *The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework*, Report No. 549

Attached is the Office of Inspector General (OIG) final report detailing the results of our evaluation of the U.S. Securities and Exchange Commission's (SEC or agency) progress to address human capital management challenges and align with the Office of Personnel Management's Human Capital Framework. The report contains nine recommendations that should help the SEC further address human capital management challenges, better align with Human Capital Framework, and further improve the SEC's human capital operations.

On August 28, 2018, we provided management with a draft of our report for review and comment. In its September 7, 2018, response, management concurred with our recommendations. We have included management's response as Appendix III in the final report.

Within the next 45 days, please provide the OIG with a written corrective action plan that addresses the recommendations. The corrective action plan should include information such as the responsible official/point of contact, timeframe for completing required actions, and milestones identifying how the agency will address the recommendations.

We appreciate the courtesies and cooperation extended to us during the evaluation. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

cc: Jay Clayton, Chairman
Lucas Moskowitz, Chief of Staff, Office of Chairman Clayton
Sean Memon, Deputy Chief of Staff, Office of Chairman Clayton
Peter Uhlmann, Managing Executive, Office of Chairman Clayton
Kara M. Stein, Commissioner
Robert Peak, Advisor to the Commissioner, Office of Commissioner Stein
Robert J. Jackson Jr, Commissioner
Caroline Crenshaw, Counsel, Office of Commissioner Jackson

Prashant Yerramalli, Counsel, Office of Commissioner Jackson
Hester M. Peirce, Commissioner
Jonathan Carr, Counsel, Office of Commissioner Peirce
Elad Roisman, Commissioner
Robert B. Stebbins, General Counsel
Rick Fleming, Investor Advocate
John J. Nester, Director, Office of Public Affairs
Bryan Wood, Director, Office of Legislative and Intergovernmental Affairs
Kenneth Johnson, Chief Operating Officer
Dennis Truskey, Acting Deputy Chief Human Capital Officer
Julie Erhardt, Acting Chief Risk Officer, Office of the Chief Operating Officer

Executive Summary

The SEC Made Progress But Work Remains To Address Human Capital Management Challenges and Align With the Human Capital Framework
Report No. 549
September 11, 2018

Why We Did This Evaluation

According to the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*, effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control. In the February 2017 update to its High-Risk Series, GAO again recognized Strategic Human Capital Management as a high-risk area needing attention by Congress and the executive branch. In 2016 and 2017, GAO and the U.S. Securities and Exchange Commission (SEC or agency) Office of Inspector General (OIG) identified issues related to the SEC's management of human capital and, in 2017, the SEC OIG reported that *Ensuring Effective Human Capital Management* was once again an agency management and performance challenge. We conducted this evaluation to determine the SEC's progress toward addressing its human capital management challenges.

What We Recommended

We made nine recommendations including that OHR finalize competency surveys, finalize standard operating procedures for the agency's performance management program, complete regular reviews of its accountability system, continue following up on and, as necessary, closing recommendations from Policy and Accountability Branch evaluations, formalize internal quality review procedures, and better implement HRStat. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action.

What We Found

The SEC's Office of Human Resources (OHR) has taken steps to address the human capital management challenges the agency faces. Among other things, OHR worked to identify competency gaps and address succession planning, conducted quality of new hire surveys and annual human capital reviews, began developing a workforce dashboard, and implemented various quality assurance reviews.

Although the SEC has made progress, we identified limitations and delays in OHR's efforts and additional challenges and opportunities for improvement. Specifically, the SEC:

- has faced delays in identifying competency gaps, and limitations in efforts to develop a plan to fill supervisory positions;
- lacks a formal succession plan; and
- lacks periodic validations of the agency's current performance management system and related standard operating procedures.

Many of these issues resulted from delays in agreements with the National Treasury Employees Union.

Also, while it appears that additional controls implemented since our 2016 audit of the SEC's hiring practices have helped to improve the accuracy of the SEC's Workforce Transformation and Tracking System data, OHR could maintain more detailed hiring action information in the system to explain inconsistencies in the data when they occur. In addition, OHR may have opportunities to improve hiring processes to better meet its hiring timeframes.

OHR has also taken steps to align with the Office of Personnel Management's (OPM) Human Capital Framework (HCF). Among other things, OHR drafted updates to agency regulations and procedures, developed a Human Capital Operating Plan, cross-walked its human capital programs to the HCF, and identified relevant performance metrics. However, work remains to align with OPM's HCF, which will further improve the SEC's human capital operations. Specifically, in addition to the work that remains related to competency assessments, succession planning, and performance management, OHR's internal evaluation system needs improvement. OHR had not:

- prioritized elements of its independent audit program,
- formalized its internal quality review procedures, or
- implemented HRStat processes for human capital programs.

Finally, we surveyed OHR and SEC divisions, offices, and regional offices on areas of OPM's HCF that correlate to the agency's previously identified human capital management challenges. We encourage OHR to explore significant differences in survey responses, and address the four areas in which OHR acknowledged that additional work is needed to fully align with corresponding aspects of the HCF.

For additional information, contact the Office of Inspector General at (202) 551-6061 or http://www.sec.gov/oig.

TABLE OF CONTENTS

ABBREVIATIONS

|	
FY	fiscal year
GAGAS	Generally Accepted Government Auditing Standards
GAO	U.S. Government Accountability Office
HCF	Human Capital Framework
HCSG	Human Capital Strategy Group
NBU	non-bargaining unit
NTEU	National Treasury Employees Union
OHR	Office of Human Resources
OIG	Office of Inspector General
OPM	Office of Personnel Management
SEC or agency	U.S. Securities and Exchange Commission
SECR	SEC Administrative Regulation
SLC	Service Level Commitment
WTTS	Workforce Transformation and Tracking System

Background and Objectives

Background

Federal Human Capital Management. Human capital management has been the subject of attention across the Federal Government. In the February 2017 update to its High-Risk Series, the U.S. Government Accountability Office (GAO) again recognized Strategic Human Capital Management as a high-risk area needing attention by Congress and the executive branch. GAO's *Standards for Internal Control in the Federal Government* (GAO's Internal Control Standards) further reiterates that effective management of an entity's workforce, its human capital, is essential to achieving results and an important part of internal control.[1] To assist agencies in addressing human capital management challenges, the Office of Personnel Management (OPM) has established tools and issued guidance. For example, in December 2016, OPM introduced a new Human Capital Framework (HCF) to provide comprehensive guidance on the principles of strategic human capital management in the Federal Government.

As Figure 1 shows, OPM's HCF integrates the following four human capital systems: (1) Strategic Planning and Alignment, (2) Talent Management, (3) Performance Culture, and (4) Evaluation.[2] Within each system, OPM defined focus areas and key elements for agencies to consider when designing and implementing the systems.

Figure 1. Structure of OPM's HCF
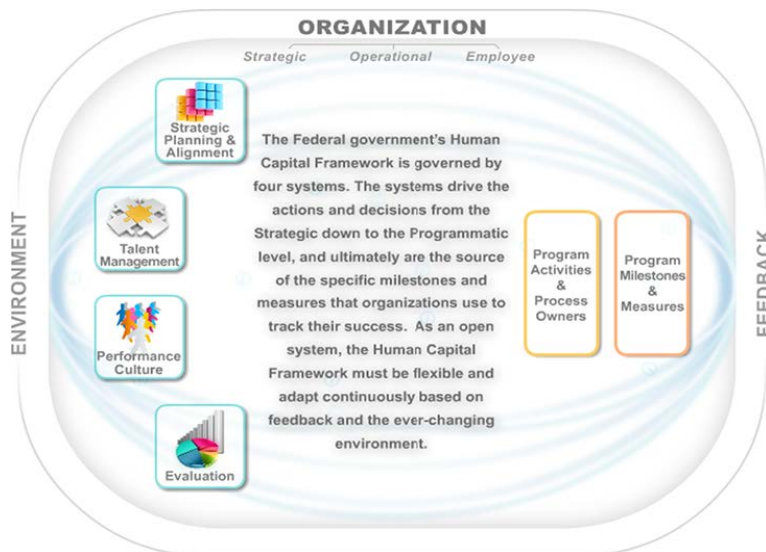
Source: OPM Human Capital Management website, accessed on June 28, 2018.

---

[1] U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

[2] See Personnel Management in Agencies, 81 Fed. Reg. 89357 (December 12, 2016) (revising 5 C.F.R. Part 250, Subpart B).

Human Capital Management at the SEC. The U.S. Securities and Exchange Commission's (SEC or agency) Office of Human Resources (OHR) provides leadership for the agency's strategic management of human capital by administering programs, establishing policies, and ensuring compliance with applicable Federal regulations. According to SEC Administrative Regulation (SECR) 6-49, *Human Capital Accountability System,* (SECR 6-49) effective September 2016, it is the policy of the SEC to establish and maintain an accountability system to monitor and analyze SEC performance on all aspects of human capital management policies, programs, and activities. SECR 6-49 also requires that the SEC establish activities to ensure it is able to accomplish its mission and ensure compliance with merit system principles and other applicable civil service laws, regulations, and policies.

In 2016 and 2017, the SEC made some improvements to its human capital management program, including the agency's Aspiring Leaders Program (intended to promote and build leadership competencies of senior employees) and development of the agency's first Strategic Workforce Plan. In addition, the SEC developed a Human Capital Strategic Plan for fiscal years (FYs) 2016 through 2018 to ensure the agency addresses human capital challenges as a core part of ongoing organizational transformation efforts. Although implementing Federal regulations for OPM's HCF (5 CFR Part 250, Subpart B, Strategic Human Capital Management) apply only to Chief Financial Officers Act agencies (which do not include the SEC), the SEC is transitioning aspects of the agency's human capital management strategy to align with OPM's HCF guidance.

SEC OIG and GAO Reviews. The SEC's human capital management programs, including hiring and competency assessments, workforce and succession planning, and performance management have been the subject of report findings issued by the SEC's Office of Inspector General (OIG) and GAO.

 Prior OIG Review. In October 2017, the SEC OIG again identified *Ensuring Effective Human Capital Management* as an agency management and performance challenge.[3] Specifically, we reported that OHR did not have an effective method for assessing the timeliness of the SEC's hiring process, including maintaining reliable hiring data and monitoring hiring actions according to established timelines. Furthermore, OHR did not analyze quality-of-new-hire survey results to improve the SEC's hiring process. We urged OHR to implement an effective system based on reliable data to conduct comprehensive assessments of the SEC's hiring process, further improve the agency's hiring process, and increase the likelihood that SEC divisions and offices timely hire highly-qualified candidates to meet mission requirements.[4]

---

[3] U.S. Securities and Exchange Commission, Office of Inspector General, *The Inspector General's Statement on the SEC's Management and Performance Challenges, October 2017* (October 5, 2017).

[4] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Closeout Memorandum: Audit of the SEC's Hiring Practices* (August 19, 2016).

Prior GAO Reviews. In addition, in December 2016, GAO issued its second triennial report on the SEC's personnel management[5] required under the Dodd-Frank Wall Street Reform and Consumer Protection Act.[6] In its 2016 report, GAO indicated that the SEC had addressed two of seven recommendations from GAO's 2013 report. At the time of our evaluation, GAO had closed a third recommendation from its 2013 report related to identifying and implementing incentives for all staff to support open communication and collaboration, yet four 2013 recommendations remained open. These recommendations related to workforce and succession planning, formal action plans for identifying and closing competency gaps and filling supervisory positions, periodic validations (with staff input) of the agency's performance management system, and exploring and implementing communication and collaboration best practices.

In addition to the open recommendations from 2013, in 2016 GAO reported that the SEC faced added challenges in cross-divisional collaboration and hiring and promotion. GAO also found that, because the SEC had not identified skills gaps among its hiring specialists, its training of these staff was limited. As a result, GAO concluded that the SEC lacked assurance that its hiring specialists had the necessary skills to hire and promote the most qualified applicants, in accordance with key principles of an effective control system.

Objectives

Our overall objective was to evaluate the SEC's progress toward addressing human capital management challenges. Specifically, we assessed the SEC's implementation of applicable Federal internal control standards and plans for aligning the agency's human capital management strategy with key elements of OPM's HCF to address human capital management challenges the SEC faces.

To address our objectives, among other things, we interviewed OHR, OPM, and GAO officials; reviewed SEC hiring data from October 1, 2016, through May 31, 2018; requested that OHR leadership complete an OPM diagnostic tool; and surveyed SEC divisions, offices, and regional offices—with the exception of the OIG—on select areas of OPM's HCF. Appendices I and II include additional information about our objectives, scope, and methodology; our review of relevant Federal regulations and guidance, SEC policies and procedures, and internal controls; prior coverage; and the results of our survey of SEC management.

---

[5] U.S. Government Accountability Office, *Securities and Exchange Commission, Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges* (GAO-17-65, December 2016).

[6] Public Law 111-203, H.R. 4173.

Results

Finding 1. OHR Has Made Progress But Its Efforts May Not Position the Agency To Fully Remedy Human Capital Management Challenges

The SEC's OHR has taken steps to address the human capital management challenges the agency faces. As part of these efforts, OHR established projects to address agency priorities in identifying competency gaps and succession planning. To further help with identifying competency gaps, OHR conducted surveys to measure the overall quality of new hires, annual human capital reviews with each division and office, and a skills gap analysis and training specifically for hiring specialists. To help with succession planning and to give agency divisions and offices real-time human capital data for analyzing workforce supply and demand, OHR began developing a workforce dashboard. OHR also developed checklists to improve the accuracy and completeness of agency hiring data and case files, and implemented case file quality assurance reviews. Finally, to monitor the timeliness of hiring, OHR implemented quarterly reviews of all hiring actions.

Although the SEC has made progress, we identified limitations in OHR's efforts and additional challenges and opportunities for improvement. Specifically, the SEC:

- has faced delays in identifying competency gaps and limitations in efforts to develop a plan to fill supervisory positions;

- lacks a formal succession plan; and

- lacks periodic validations of the agency's current performance management system and related standard operating procedures.

Many of these delays and limitations have resulted from delays in agreements with the National Treasury Employees Union (NTEU).

In addition, although it appears that additional controls implemented since our 2016 audit of the SEC's hiring practices have helped to improve the accuracy of the SEC's Workforce Transformation and Tracking System (WTTS) data, OHR could maintain more detailed hiring action information in WTTS to explain inconsistencies in the data when they occur. Also, based on OHR's quarterly reviews of WTTS data, OHR may have opportunities to improve hiring processes to better meet its Service Level Commitment (SLC) hiring timeframes. Each of these topics is discussed in greater detail below.

Delays in Identifying Competency Gaps and Limitations in Efforts To Develop a Plan To Fill Supervisory Positions. According to OPM's HCF, agencies should develop policies and programs that monitor and address skills gaps by using comprehensive data analytic methods and gap closure strategies. The HCF also states agencies should develop policies and programs that ensure leadership continuity by implementing and evaluating recruitment, development, and succession plans for leadership positions. Finally, GAO's Internal Control Standards require that agency management demonstrate a commitment to recruit, develop, and retain competent individuals.

Although OHR began an agency-wide competency assessment project in 2016 with the intention of helping identify competency gaps and strategies to address them, delays in agreements with the NTEU have delayed the agency's ability to identify competency gaps. In addition, the work the agency has completed to date does not address GAO's concerns regarding a formal action plan to fill supervisory positions[7] and does not fully meet OPM's HCF guidance regarding leadership continuity.

Delays in Identifying Competency Gaps. To date, OHR has: (1) conducted focus groups to gather feedback for an agency-wide launch of a competency survey; (2) developed competency assessment surveys for employees, managers, and senior officers to complete; (3) met with NTEU to develop appropriate messaging to employees and to include manager feedback; (4) finalized agency communications and a competency job aid; and (5) tested the core competency and technical competency surveys in the live system to address any system concerns. The competency assessment surveys OHR developed are intended to assess technical competencies for the SEC's five mission critical positions[8] and hiring specialists, competencies for agency managers and senior officers, and core competencies for all employees.[9]

The competency assessment project's estimated completion date is September 2018. However, as of July 2018, OHR had not initiated the employee survey because the memorandum of understanding with NTEU was not finalized. OHR officials explained

---

[7] In 2013, GAO recommended that, to enhance the 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 SEC Chairman should direct the Chief Operating Officer and OHR to incorporate OPM guidance as the agency developed 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 within the agency.

[8] The SEC's five mission critical positions are: (1) attorneys, (2) accountants, (3) economists, (4) examiners, and (5) information technology specialists.

[9] According to OHR personnel, there are four tiers of surveys. All employees will receive a core competency survey (tier 1). Employees in one of the five mission critical positions and hiring specialists will receive the core competency survey and a technical competency survey (tier 2), depending on their position. Managers will receive the core competency survey, technical competency survey, as appropriate, and the manager survey (tier 3). Senior officers will receive the core competency survey, technical competency survey, as appropriate, the manager survey, and a senior officer survey (tier 4).

---

that delays occurred throughout the process because NTEU disagreed with some of the survey questions and the survey format.[10] OHR was also delayed in finalizing the manager survey because of possible NTEU changes to the employee survey. In addition, while OHR plans to conduct competency assessments on a recurring basis, OHR had not established a formal plan to do so.

According to an OHR official, OHR could survey SEC employees and managers without NTEU's approval or a signed memorandum of understanding with the union. However, the official preferred to obtain NTEU approval to avoid any potential negative impacts to the survey results. In addition, OHR could limit the agency's competency assessment surveys to only non-bargaining unit (NBU) staff. However, doing so would allow OHR to survey only about 26 percent of SEC employees.[11]

By not completing competency assessment surveys, or other similar comprehensive reviews, OHR may be limited in its ability to effectively identify, monitor, and address skills gaps, therefore potentially limiting the agency's ability to develop individuals. By not establishing a formal plan for completing future competency assessments, the SEC risks being unable to adequately plan future workforce needs. In addition, we surveyed the SEC's divisions, offices, and regional offices and found that 24 of 32 (or 75 percent) of the divisions and offices that responded indicated that they have, or at one point had, staffing and competency gaps. Although 17 of those 24 respondents (or about 71 percent) indicated that the agency worked to close such gaps, the remaining 7 divisions and offices indicated that the agency either had not worked to close their staffing and competency gaps or that they were unaware whether the agency had worked to close such gaps. Without a competency survey and a formal plan for completing future competency assessments, OHR risks being unable to fully and timely assist the SEC's divisions, offices, and regional offices in identifying and closing skills and competency gaps.

Limitations in Efforts To Develop a Plan To Fill Supervisory Positions. As part of the succession planning project discussed further below, in 2017 OHR surveyed first- and second-level managers (SK-15s and SK-17s) and found no shortage of candidates interested in SEC leadership positions. However, although SEC first- and second-level managers may be candidates to fill executive leadership (that is, senior officer) positions and may have insight into non-managerial staff's interest in leadership positions, surveying managers alone may be of limited use. Moreover, the work completed to date does not address GAO's concerns regarding a formal action plan to fill supervisory positions, and does not fully meet OPM's HCF guidance regarding leadership continuity.

OHR officials plan to survey all SEC employees in the future. However, OHR officials explained that they have not yet surveyed all SEC employees because of the need to

---

[10] In August 2018, OHR officials indicated that NTEU signed off on the survey questions, survey format, and memorandum of understanding.

[11] NTEU represents about 74 percent of SEC employees.

involve NTEU in the survey development and administration processes. Because the SEC has not completed surveys of SK-14s and below and has not developed the formal action plan recommended by GAO, the agency risks being unable to ensure leadership continuity. Because of GAO's open recommendation, we are not making an additional recommendation in this area.

Lack of a Succession Plan. According to OPM, succession planning forms an integral part of workforce planning and helps ensure an ongoing supply of qualified staff to fill leadership and other key positions. Specifically, 5 CFR Part 412 requires that the head of each agency, in consultation with OPM, develop a comprehensive management succession program, based on the agency's workforce succession plans, to fill agency supervisory and managerial positions. 5 CFR Part 412 also requires that agency succession programs be supported by employee training and development programs.

To help with succession planning, OHR developed a Strategic Workforce Plan for FYs 2016 through 2018, which included a succession planning section that defined succession planning as "a systematic approach to build leadership pipelines/talent pools to ensure leadership continuity and to develop potential successors in ways that best fit their strengths." The plan also identified competencies and training courses required for each leadership level.

OHR also initiated a succession planning project to help identify the most critical needs with regard to vacancies in leadership positions and to ensure there are available internal resources to fulfill those needs, when necessary. In conjunction with this project, OHR benchmarked other agencies' succession planning strategies and found that many agencies lacked a succession plan.[12] However, the SEC adopted a strategy used by the Federal Deposit Insurance Corporation. As previously stated, as part of the strategy, OHR surveyed managers (SK-15s and SK-17s) to determine interest in leadership positions and concluded that there was enough interest in senior leadership positions internally from SEC employees.

However, OHR had not finalized an agency succession plan. According to the SEC's Succession Planning Project Manager, before finalizing the agency's succession plan, OHR first wants to survey all employees, with a particular interest in SK-14s, to assess the level of interest in supervisory and leadership positions. An OHR official also stated that OHR is awaiting the results of the competency assessment, which (as previously discussed) is delayed, to finalize a succession planning strategy. In addition to the aforementioned delays, OHR officials expressed concerns regarding closure of GAO's 2013 recommendation for a succession plan,[13] because the SEC disagrees with GAO

---

[12] According to the April 2018 succession planning strategy project status report, the SEC benchmarked with other agencies established as a result of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Public Law 101-73, H.R. 1278).

[13] In 2013, GAO recommended that the SEC develop a comprehensive workforce plan, including a succession plan, to enhance the SEC's ability to strategically hire and retain the appropriate number of staff for today and in the future.

and OPM on what succession planning entails. SEC officials indicated that they focus on ensuring that training and leadership opportunities are available to all candidates (what they refer to as a "bottoms up" approach) in accordance with merit system principles, whereas GAO and OPM promote succession planning using a "top down" approach in which individuals are identified, selected, and trained as potential candidates for leadership positions.

Regardless of the approach to succession planning, the succession planning project's estimated completion date is September 2018. Although 21 of 32 (or about 66 percent) of the SEC's divisions and offices that responded to our survey felt that the agency had an effective process to identify and develop future leaders throughout the workforce, without a formal succession plan, the SEC may not be able to ensure leadership continuity. Because of GAO's open recommendation, we are not making an additional recommendation in this area.

Lack of Periodic Validations of Current Performance Management System and Related Standard Operating Procedures. According to OPM and GAO, effective performance management systems typically encompass, among other things, expectations that are set for staff, monitoring of staff's work that results in performance appraisals, feedback to staff, recognition of staff, and periodic staff validations of the organization's performance management system to ensure its credibility.[14]

In 2015, the SEC began developing a new performance management system. The following year, the SEC contracted with OPM to conduct focus groups and a survey of NBU employees to obtain feedback on the new performance management system. In 2017, the SEC began implementing the new performance management system and processes, which significantly changed the agency's performance rating structure[15] and included digitizing and maintaining all files and signatures electronically. At the end of FY 2017, OHR planned to survey all employees to validate the agency's new performance management system and obtain employee feedback. However, OHR was unable to do so because of NTEU concerns regarding the planned survey questions. Therefore, the agency has been unable to address a 2013 GAO recommendation and obtain feedback on employee satisfaction with the new performance management

---

[14] In its 2013 report, GAO referenced OPM's Human Capital Assessment and Accountability Framework; OPM's *A Handbook for Measuring Employee Performance* (Washington, D.C.: September 2011); and GAO's, *Human Capital: DOD Needs to Improve Implementation of and Address Employee Concerns about its National Security Personnel System* (GAO-08-773, September 10, 2008).

[15] The agency's new performance management program consists of the following four-tier rating structure: Performance Leader, Accomplished Practitioner, Improvement Required, and Unacceptable. The SEC adopted this rating structure for NBU employees and is piloting the structure for bargaining unit employees. Previously, NBU employees had the following five-tier rating structure: Greatly Exceeds Expectations, Exceeds Expectations, Meets Expectations, Needs Improvement, and Unacceptable. Bargaining unit employees receive summary ratings of Pass or Fail.

process.[16] Because OHR was unable to survey employees at the end of FY 2017, according to the agency's Performance Management Program Manager, OHR plans to survey all employees at the end of FY 2018 and is working with OPM consultants and labor relations specialists to develop a survey strategy. Because of GAO's open recommendation, we are not making an additional recommendation in this area.

GAO's Internal Control Standards require management to implement control activities through policies. However, we found that, in addition to delays in surveying employees to validate the agency's new performance management system, OHR had only started drafting internal performance management standard operating procedures. An OHR official explained that OHR had not finalized the procedures because the agency was not yet in a "steady state" with the new performance management system. The official stated that the draft standard operating procedures will be completed by the end of FY 2018.

Without periodic validations (with staff input) of the agency's performance management system and related standard operating procedures, the agency risks ineffective performance management and noncompliance with SEC and OPM performance management requirements. In addition, the SEC may miss opportunities to obtain valuable feedback from system users and to make changes or improvements to the system. For example, as Figure 2 shows, 13 of 33 (or about 39 percent) of the SEC's divisions and offices that responded to our survey felt that the SEC's performance management system was not effectively and efficiently designed. Moreover, as Figure 3 shows, 8 of 32 (or 25 percent) of survey respondents indicated that employees and leaders do not perceive the SEC's performance management system to be fair and consistent with merit system principles.

---

[16] In 2013, GAO recommended that, to enhance the credibility of its performance management system, the SEC should conduct periodic validations, with staff input, of the performance management system and make changes, as appropriate, based on those validations.

Figure 2. SEC Division, Office, and Regional Office Responses to OIG Survey Question A.1
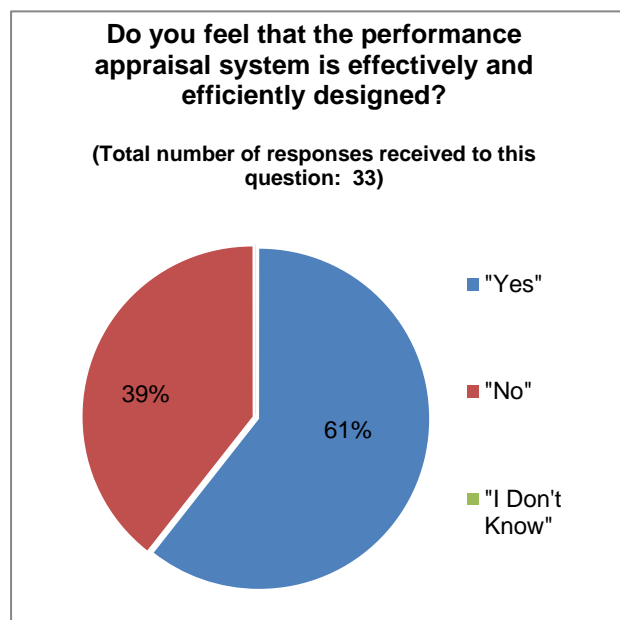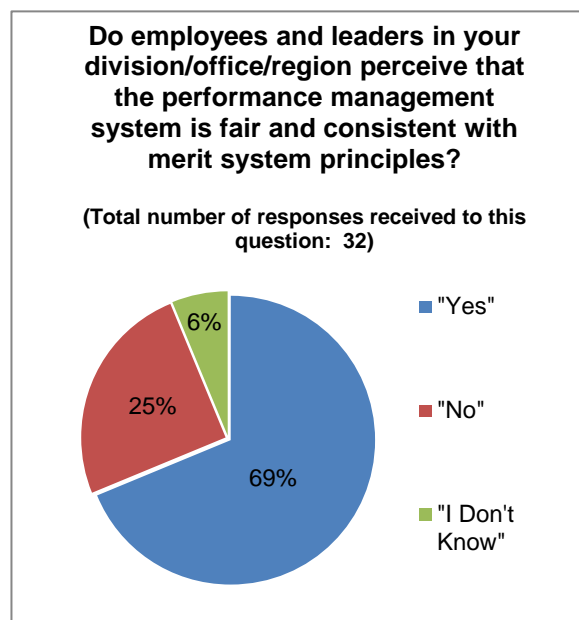
Do you feel that the performance appraisal system is effectively and efficiently designed?

(Total number of responses received to this question: 33)

- "Yes" — 61%
- "No" — 39%
- "I Don't Know"

Figure 3. SEC Division, Office, and Regional Office Responses to OIG Survey Question A.4

Do employees and leaders in your division/office/region perceive that the performance management system is fair and consistent with merit system principles?

(Total number of responses received to this question: 32)

- "Yes" — 69%
- "No" — 25%
- "I Don't Know" — 6%

Source: OIG-generated based on SEC division, office, and regional office responses to OIG survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding. Additional survey-related information is included in Appendix II.

New Controls Appear To Have Improved the Accuracy of WTTS Data, But OHR Could Maintain More Detailed Hiring Action Information in WTTS and May Have Opportunities To Improve Hiring Processes. OHR uses WTTS to monitor the SEC's hiring activity from end to end. In 2016, the OIG determined that WTTS did not have logical relationship controls to help ensure OHR enters information correctly. As a result, the OIG identified anomalies in the data supporting SEC hiring actions that occurred between FYs 2013 and 2015.

In response, OHR developed a corrective action plan and implemented several processes and procedures. First, at the beginning of FY 2017, OHR created and implemented a job aid and provided related training to human resource specialists and assistants. OHR designed the job aid to assist staff with data entry in WTTS and to ensure consistency in the WTTS data. The job aid gives specific instructions on the system's required fields and the timing for when to transmit actions through the system. To help reduce manual data entry errors, in February 2017, OHR upgraded access to USA Staffing, which now feeds data to WTTS.[17] OHR also implemented bi-weekly reviews and validations of WTTS data performed by a team of individuals from OHR's Workforce Planning Branch, Total Rewards Group, and the Talent Acquisition Group.

---

[17] USA Staffing, an off-the-shelf software solution for automating staffing and assessment, allows agencies to acquire, assess, certify, select, and onboard qualified candidates.

The team reviews all open actions and pending certificates,[18] including those actions submitted to OHR but not yet announced on USAJobs, closed vacancies awaiting a certificate, actions for which a selection has not yet been made, and actions with selections and start dates.[19] For each action, the team reviews all dates and the action's current state.

In addition, to help with the accuracy of case file information, OHR developed case file checklists for human resource specialists to use during each of the four phases of the hiring process. Team leads review case files at each phase to ensure human resource specialists or assistants upload all documents into the electronic case file, and sign each checklist before proceeding to the next phase. The branch chief reviews and signs the final checklist. OHR's Human Capital Strategy Group (HCSG) also performs monthly audits of the case files to ensure that the files include all required documents. Quarterly, HCSG team members report the results to the Chief Human Capital Officer and relevant Assistant Directors. The HCSG also analyzes the results to identify trends or patterns that may indicate a need for training.

According to GAO's Internal Control Standards, monitoring is a key control to help ensure organizational goals and objectives are met. However, for monitoring to be effective, information systems such as WTTS must produce reliable reports. To determine whether implemented controls helped improve the accuracy of WTTS data, we obtained data from October 1, 2016, through May 31, 2018, and conducted four logical relationship tests surrounding key events and dates in the hiring process, similar to the work we performed in 2016.[20] As Table 1 shows, we identified 54 anomalies in the data supporting 449 SEC hiring actions.

---

[18] A certificate is a list of eligible candidates taken from a register and submitted to an appointing officer for employment consideration.

[19] USAJobs is the United States Government's official website for listing civil service job opportunities with Federal agencies.

[20] We did not perform work to opine on the reliability of WTTS data. Our conclusions are limited to the accuracy of WTTS data, and are based on our limited testing of data accuracy.

Table 1. Analysis of WTTS Data

Data Fields Compared	Current OIG Analysis			Prior OIG Analysis		
	October 1, 2016 – May 31, 2018			October 1, 2013 – September 30, 2015		
	No. of Records*	No. of Anomalies	Anomalies (%)	No. of Records*	No. of Anomalies	Anomalies (%)
Date Record Initiated vs. Close Date	449	48	11%	2,120	543	26%
Date Certificate Issued vs. Date Certificate Signed		0	0%		103	5%
Close Date vs. Date Certificate Issued		2	0.4%		32	2%
Tentative Selection Date vs. Date Sent to Security		4	0.9%		31	1%
Total	**449**	**54**	**12%**	**2,120**	**709**	**34%**

Source: OIG-generated based on WTTS data from October 1, 2016, through May 31, 2018, and *Audit of the SEC's Hiring Actions*, issued by the OIG on August 19, 2016. We rounded percentages to the nearest whole number or fraction of a percent using normal rounding.

*The significant difference in the number of records in the current OIG analysis versus the prior OIG analysis is due to a hiring freeze implemented in January 2017.

Because we could not determine, based on the data, the reason(s) for the 54 anomalies we observed, we asked OHR personnel to research the matter. According to OHR personnel, the 54 anomalies resulted from:

- Data Entry Errors: 2
- Additional Selections Made Off An Existing Vacancy Announcement: 37
- Direct Hires (Senior Officer and Attorney): 3[21]
- Re-initiation of a Cancelled WTTS Action: 11[22]
- Other: 1[23]

---

[21] According to OHR personnel, unlike other hiring actions, Senior Officer direct hire actions usually result in OHR receiving notification of the selection and then receiving the approval memo for the selection.

[22] At times, OHR personnel cannot link the WTTS action to the vacancy announcement (either as a result of the system or other error). As a result, they cancel and re-initiate the action, which impacts the logical relationship of the dates captured in WTTS. This includes instances in which the status of a hiring action as recorded in WTTS is not properly reflected and a new record is created.

[23] In one instance, an individual was selected under an inter-personnel agreement, which OHR does not track in WTTS. After the individual cleared security and ethics reviews, OHR realized the applicant was not eligible for the position and, instead, hired the applicant as a temporary attorney advisor, prompting the need for a hiring action in WTTS.

OHR officials explained that their goal is to have a 90-percent or higher accuracy rate in WTTS data. Because we found only 2 data entry errors out of 449 records (an error rate of about 0.4 percent), OHR's additional controls have seemingly helped to improve the accuracy of the SEC's WTTS data, thereby helping OHR meet its goals.[24] However, in most cases, OHR did not include notes or other information in WTTS to explain why the logical inconsistencies we found existed. OHR personnel explained that they have recently begun using the system's notes feature for such explanations so that personnel can more easily reconstruct each hiring action record, as necessary. Without including such detailed information in the record, it may be difficult for reviewers of the data to understand the entire hiring action and may also prevent reconstruction of the hiring action should the need arise.

In 2016, the OIG also found that OHR did not have an effective method for assessing the timeliness of the SEC's hiring process, including monitoring hiring actions according to established timelines. We found that in July 2017, OHR updated its SLC with established timelines for the delivery of human resource services pertaining to hiring. To improve the efficiency and effectiveness of the SEC's hiring process, OHR's SLC established activities, responsibilities, and timelines. Beginning with FY 2016 fourth quarter data, OHR's Talent Acquisition Group started quarterly reviews comparing the actual time it takes to complete a hiring action to the timeframes established in the SLC. Based on the quarterly reviews completed in FY 2017 and in the first quarter of FY 2018,[25] the SEC's hiring process overall took less time than the established metrics.[26] However, in both years, according to the quarterly reports, the pre-job posting consultation steps[27] and the step related to issuing a certificate consistently took longer than the established timeframes by an average of 10 days and 6 days, respectively.

An OHR official explained that delays in these steps may occur for various reasons. For example, hiring managers may not always timely provide OHR with all information needed to post a vacancy, there may be a large number of applicants for any one position, and hiring managers may choose to use a subject matter expert to review

---

[24] We did not trace any of the data back to source documentation. Therefore, our results are limited to testimonial evidence from OHR.

[25] We did not include FY 2016 in this analysis because, according to OHR, the data, at the time, did not accurately capture all the timeframes. As of July 2018, OHR had not completed reviews of the FY 2018 second or third quarter data.

[26] We did not re-perform OHR's work to opine on the accuracy of its comparison of hiring timelines to SLC timelines. We also did not trace hiring action dates to source documents but, rather, relied on OHR's quarterly reports. Therefore, our conclusions are limited to OHR's quarterly reports.

[27] Pre-job posting consultation includes the following four steps performed by OHR hiring specialists: (1) staffing acquisition request form is received from classification; (2) Federal Personnel and Payroll System approval is received; (3) conversation with hiring manager is held and pre-posting documents, including job assessment questions, are obtained; and (4) draft job opportunity announcement is prepared.

applications before OHR generates a certificate. Nonetheless, without ensuring that each hiring step meets the SLC established timeframe, OHR risks exceeding the overall hiring process time and may not be able to ensure the effectiveness or efficiency of the hiring process.

Recommendations, Management's Response, and Evaluation of Management's Response

To further address the SEC's human capital management challenges, we recommend that the Acting Chief Human Capital Officer:

Recommendation 1: Continue working with the National Treasury Employees Union to finalize and initiate competency assessment surveys and develop a formal plan for recurring competency assessments.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and management reported that a Memorandum of Understanding was signed in August 2018 with the National Treasury Employees Union to conduct agency-wide competency surveys. The surveys will be sent in a phased approach, beginning in September 2018 with a targeted completion by the end of calendar year 2018. Management also reported that it will develop a formal plan to administer recurring surveys. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 2: Finalize standard operating procedures for the agency's performance management program.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and has engaged the Office of Personnel Management to assist with assessing and implementing the SEC's new performance management program. The Office of Personnel Management is expected to complete its assessment for the fiscal year 2018 appraisal period in March 2019. Once the Office of Human Resources determines a final course of action, it will make the necessary policy changes and publish a SEC Operating Procedure, subject to negotiation outcomes with the National Treasury Employees Union. Negotiations could begin as early as November 2018. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 3: Implement formal requirements for personnel to use the notes features in the Workforce Transformation and Tracking System to explain data anomalies when they occur.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and agreed to develop and implement formal requirements for staff to use the notes feature in the Workforce Transformation and Tracking System to explain data anomalies when they occur. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 4: Consider reviewing the Office of Human Resource's processes for the steps related to pre-job posting consultation and issuing a certificate to identify and, as necessary, implement potential process improvements.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and agreed to consider reviewing the aforementioned steps to identify potential process improvement opportunities. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Finding 2. Additional Work Is Needed To Align With OPM's HCF

The SEC's OHR has taken steps to align with OPM's HCF. Specifically, OHR: (1) drafted updates to SECR 6-49 and relevant standard operating procedures; (2) developed a Human Capital Operating Plan; (3) cross-walked its human capital programs to the four HCF systems; (4) identified performance metrics; (5) developed a proposed system evaluation implementation plan; and (6) conducted interviews and began testing for the performance culture system evaluation. However, work remains to align with OPM's HCF, which will further improve the SEC's human capital operations. Specifically, in addition to the work that remains related to competency assessments, succession planning, and performance management (discussed in Finding 1), we found that OHR's internal evaluation system needs improvement.

OHR's Internal Evaluation System Needs Improvement. OPM's HCF defines an evaluation system as that which contributes to agency performance by monitoring and evaluating outcomes of its human capital management strategies, policies, programs, and activities by meeting the following standards: (1) ensuring compliance with merit system principles; and (2) identifying, implementing, and monitoring process improvements. According to OPM, an evaluation system is composed of the following three parts:

1. an independent audit program,

2. quarterly data-driven reviews of performance metrics related to agency human resource goals (known as HRStat metrics), and

3. human capital reviews.[28]

Although the SEC has established an independent audit program and HRStat metrics, we identified opportunities for improvement as further discussed below.

Independent Audit Program - Annual Human Capital Accountability System Evaluations Not Completed. GAO's Internal Control Standards require management to evaluate performance and hold individuals accountable for their internal control responsibilities. HCSG's standard operating procedures require annual evaluations of

---

[28] OPM released guidance in May 2018 for agencies participating in OPM's annual human capital reviews, which will begin in FY 2019. According to OPM, these reviews will be an annual discussion primarily focused on agency human capital results. Specifically, OPM will review agencies' design and implementation of human capital operating plans, independent audit programs, and HRStat programs.

the SEC's Human Capital Accountability System[29] by reviewing the results of accountability activities, assessing the state of the SEC Human Capital Strategic Plan, and directing any necessary follow-up actions. However, we found that the HCSG never completed the annual system evaluations. HCSG officials explained that they were not able to complete the evaluations because they lacked resources and did not prioritize the evaluations. Without completing the required annual evaluations of the SEC's Human Capital Accountability System, OHR risks: (1) being unable to appropriately plan the following year's accountability activities; (2) being noncompliant with merit system principles; (3) being unable to identify, implement, and monitor process improvements as needed; and (4) being unable to ensure SEC official are meeting their accountability responsibilities.

Independent Audit Program - Program Evaluation Recommendation Follow-up and Close-Out Have Not Been Priorities and Evaluation Reports Incorrectly Cited Compliance With Generally Accepted Government Auditing Standards (GAGAS). As part of OHR's internal evaluation system or accountability program, HCSG's Policy and Accountability Branch conducts program evaluations similar to internal audits.[30] As necessary, the Policy and Accountability Branch issues to OHR management reports containing recommendations for corrective action. However, until July 2018, OHR management had not made recommendation follow-up and close-out a priority, and the Policy and Accountability Branch's program evaluation reports incorrectly stated that program evaluations complied with GAGAS.

Between October 2015 and February 2018, the Policy and Accountability Branch issued 8 program evaluation reports containing 88 recommendations for corrective action, including 48 required actions for OHR Assistant Directors to address, and 40 discretionary actions. OHR standard operating procedures require (1) OHR auditees to address recommendations within 60 days from issuance of the final report, and (2) the Policy and Accountability Branch to verify corrective action implementation 30 days after that. However, according to Policy and Accountability Branch officials, as of April 2018 OHR personnel had taken action to close only 2 of the 88 recommendations.

According to Policy and Accountability Branch officials, because of limited resources and shifting priorities, they had not conducted any formal follow-up on open

---

[29] The Human Capital Accountability System provides a consistent means to monitor and analyze the SEC's performance on all aspects of human capital management policies, programs, and activities, which must support mission accomplishment and be effective, efficient, and in compliance with merit system principles. The SEC established this system in accordance with the Chief Human Capital Officers Act of 2002. In accordance with SEC OHR-SOP-004, lead evaluators will evaluate agency evaluation systems to ensure they meet each of the key elements described in OHR's Annual Evaluation of the SEC Human Capital Accountability System Template.

[30] Program evaluations are different from the required annual evaluations previously discussed. Program evaluations are targeted reviews or assessments of specific human capital programs to promote OHR's effectiveness, efficiency, and integrity.

recommendations resulting from their evaluations. We examined a sample of 20 recommendations from 7 of the 8 evaluation reports as of April 2018[31] and, as Table 2 shows, determined the following:

- 2 of the 20 recommendations appear to have been fully addressed;

- 15 of the 20 recommendations were in progress,[32] and

- the remaining 3 recommendations were not addressed or the Assistant Director disagreed with the recommendation.

After we completed our sample testing, in July 2018, Policy and Accountability Branch officials developed a template and began following up on their prior evaluation recommendations. Specifically, officials reviewed open Student Loan Repayment Program evaluation recommendations and closed four of five required actions and four of six discretionary actions. As a result of the follow-up, the HCSG issued a memorandum to the Acting Chief Human Capital Officer, which noted that they would follow-up in 60 days on the one remaining required action, but are not required to take further action on the two remaining discretionary actions.

While it appears that the HCSG Policy and Accountability Branch has developed a template and is making progress in following up on open recommendations, it is unclear how long it will take to complete follow-up on the remaining open evaluation recommendations. By not timely following up on and closing recommendations from Policy and Accountability Branch evaluations, OHR delayed opportunities to strengthen internal controls and mitigate weaknesses identified by internal program evaluations.

We also determined that Policy and Accountability Branch program evaluation reports included a statement that branch personnel performed the evaluations in accordance with GAGAS, which requires, among other things, that auditors meet standards for continuing professional education, external peer reviews, and auditor independence. According to Policy and Accountability Branch personnel, they included a GAGAS compliance statement in their reports to add credibility. However, OHR personnel acknowledged overlooking some of the aforementioned GAGAS requirements. As a result, the Policy and Accountability Branch's program evaluation reports are not GAGAS-compliant, and report users may place a higher reliance on the reports than is appropriate.

---

[31] We did not select recommendations from the December 2016 Delegated Examining Evaluation because, at the time of our review, the two recommendations were closed.

[32] Recommendations in progress included those: (1) that OHR auditees were actively working on; (2) that OHR auditees identified as closed, but based on the documents provided, appeared only partially addressed; and (3) whose status was unverifiable based on the documents provided.

**Table 2. Summary of Policy and Accountability Branch
Program Evaluation Recommendations (as of April 2018)**

Report Issue Date	Report Title	Recommendations			OIG Assessment of Sampled Recommendations
		Total Number	Number Closed	Number OIG Sampled*	
Oct. 2015	Student Loan Repayment Program Evaluation	11	0	2	In Progress – 2
Aug. 2016	Employee Recognition Program Evaluation	18	0	4	In Progress – 2 Not Addressed – 2
Dec. 2016	FY 2016 Delegated Examining Evaluation	2	2	N/A	N/A
Jun. 2017	Internal Movement Program Evaluation	10	0	4*	In Progress – 4
Sept. 2017	Transit Benefit Program Evaluation	19	0	4	Fully Addressed – 2 In Progress – 1 Not Addressed – 1
Sept. 2017	Veterans Employment Program Evaluation	12	0	2	In Progress – 2
Jan. 2018	Gift Card Recognition Program Evaluation	8	0	2	In Progress – 2
Feb. 2018	Professional Dues Reimbursement Program Evaluation	8	0	2	In Progress – 2
	TOTAL	**88**	**2**	**20**	**Fully Addressed – 2 In Progress – 15 Not Addressed – 3**

Source: OIG-generated based on OHR Policy and Accountability Branch's accountability tracker as of April 17, 2018, and OIG testing.

*The Policy and Accountability Branch reported that 19 of the 20 sampled recommendations related to required actions, whereas the remaining recommendation (from the Internal Movement Program Evaluation) was a discretionary action.

Independent Audit Program - Internal Quality Review Procedures Need To Be Formalized. As part of OHR's evaluation or accountability program required by OPM's HCF, HCSG personnel perform monthly internal quality reviews. These reviews examine recruitment case files and personnel transactions for technical accuracy and compliance with applicable laws, and are intended to identify and correct errors, and determine whether training is necessary for human resource specialists and assistants. Quarterly, the HCSG presents the results of these reviews to the Chief Human Capital Officer and relevant Assistant Directors.

For monthly recruitment case file reviews, HCSG personnel review USA Staffing checklists and ensure that: (1) case files include all required documents, and (2) required documents contain accurate information.[33] HCSG personnel summarize the results of these reviews using a Case File Review checklist. However, the Case File Review checklist did not capture all the necessary steps or items that HCSG checks. For example, during our walkthrough, HCSG personnel identified an instance in which a required supervisory agreement was not in an official personnel file. However, the Case File Review checklist did not include a step to verify that OHR staff properly filed the agreement. Therefore, HCSG personnel documented the discrepancy in the checklist's notes section. In addition, the Case File Review checklist did not completely align with the USA Staffing checklists. For example, the Case File Review checklist did not capture all the steps identified in the USA Staffing checklist for cancelled vacancies or vacancies with no selections.

We also noted that OHR included a Personnel Transactional Data Review Checklist as an appendix to the draft OHR-SOP-004 but determined that HCSG personnel did not use the checklist for monthly personnel transaction reviews. Rather, HCSG personnel used a spreadsheet to log errors and corrections, which did not clearly align with the Personnel Transactional Data Review Checklist in the current or updated draft versions of OHR-SOP-004. For example, the draft checklist contained 21 clearly-defined review steps to verify that (1) SF-50 and SF-52 codes and authorities were correct, and (2) SF-50 remarks were correct. In contrast, HCSG's spreadsheet contained about 50 review items whose purpose was unclear.

GAO's Internal Control Standards require that agencies implement control activities through policies. We found that the draft standard operating procedure generally captured the internal quality review process, but the draft standard operating procedure did not specifically prescribe the necessary procedures to perform the reviews. By not having complete, documented, and standardized procedures for conducting internal quality reviews, OHR may not perform the reviews in a consistent, repeatable manner from one quarter to the next.

HRStat Processes Need Improvement. The HCF implementing regulation— 5 CFR Part 250, Subpart B, Strategic Human Capital Management—created quarterly, data-driven reviews of performance metrics related to agency human resource goals (known as HRStat metrics). By establishing such metrics and holding effective quarterly reviews, agencies identify, measure, and analyze human capital data to inform the impact of human capital management on organizational results. OHR has used high-level HRStat metrics to assess the goals of the agency's Human Capital Plan but had not used such metrics to assess individual OHR programs or projects.

---

[33] The Talent Acquisition Group is responsible for all SEC hiring and staffing actions. The Talent Acquisition Group developed USA Staffing checklists for hiring specialists to use when building case files.

According to the Workforce Planning Branch Chief, HRStat processes are better applied to mature programs with measurable metrics. Because OHR's human capital management projects were in various stages of completion at the time of our evaluation, OHR had not developed HRStat metrics to assess the projects or related programs. Because OHR had not developed procedures or implemented HRStat processes for projects or related programs, OHR may not be able to effectively identify and monitor the SEC's human capital measures that inform the agency's progress towards meeting its strategic and performance goals.

Recommendations, Management's Response, and Evaluation of Management's Response

To better align with the Office of Personnel Management's Human Capital Framework and further improve the SEC's human capital operations, we recommend that the Acting Chief Human Capital Offer:

Recommendation 5: Direct the Human Capital Strategy Group to establish a process for completing regular evaluations of its accountability system, as required.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and reported that the Human Capital Strategy Group recently completed its pilot evaluation of the Performance Culture System, which the organization will use to more fully define its evaluation process for all Human Capital Framework systems. In addition, management stated that, as it develops its new process, it will revise the applicable agency administrative regulation and standard operating procedures. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 6: Direct the Human Capital Strategy Group to continue following up on and, as necessary, closing recommendations from Policy and Accountability Branch evaluations.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and reported that the Human Capital Strategy Group has created templates and processes for closing out completed program evaluations. The organization is also closing out all eight completed program evaluations and will update its process in the revised agency administrative regulation and standard operating procedures. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 7: Direct the Policy and Accountability Branch to better document the appropriate quality standards used to determine efficiency, effectiveness, impact, and/or sustainability of agency human capital management operations, programs, or policies.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and reported that it will follow the Office of Personnel Management's "Evaluation System Standards" for future assessments of the SEC's evaluation system, and will include applicable Office of Personnel Management references in its evaluation reports and its internal standard operating procedures, as appropriate. The organization's evaluation reports will no longer include a reference to Generally Accepted Government Auditing Standards. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 8: Direct the Human Capital Strategy Group to formalize internal quality review procedures to ensure that (a) the checklists and other review tools used completely and accurately reflect the Policy and Accountability Branch's internal quality review process, and (b) reviewers perform reviews in a consistent manner.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and agreed to update and/or expand checklists to align with internal processes. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 9: Direct the Human Capital Strategy Group to develop appropriate metrics for human capital programs and develop related HRStat procedures to ensure that, going forward, the agency identifies and monitors human capital measures and targets that inform the progress towards meeting agency-specific goals.

> **Management's Response.** The Office of Human Resources concurred with the recommendation and reported that, over time, it will refine HRStat metrics as appropriate to align with evolving human capital initiatives. Management's complete response is reprinted in Appendix III.

> **OIG's Evaluation of Management's Response.** Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.
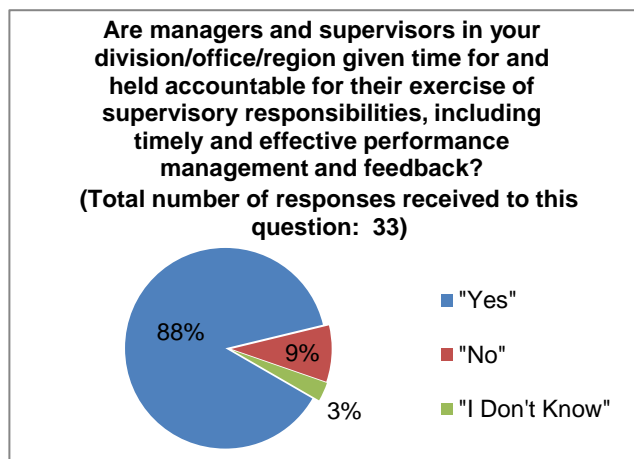
Other Matters of Interest

To help agencies' assess their relative strengths and weaknesses in strategic human capital management, OPM developed an HCF Diagnostic Tool.[34] Because OHR had not completed the HCF Diagnostic Tool before our review, we requested that OHR leadership complete the Tool to gauge the organization's perspective on its progress toward addressing previously identified human capital management challenges and aligning with the HCF. As previously stated, we also surveyed all 37 SEC divisions, offices, and regional offices to gain their perspective on OHR's progress in selected areas of the HCF. We received responses from 33 divisions, offices, and regional offices (a response rate of about 89 percent). Additional survey-related information is included in Appendix II.

In many areas OHR and the majority of divisions and offices that responded to our survey agreed in their assessments. However, in some areas, differences existed between OHR's response and responses from the SEC's divisions, offices, and regional offices. We also identified four areas in which OHR acknowledged that additional work is needed for the SEC to fully align with aspects of the HCF. Each of these issues is discussed in greater detail below.

Examples of Areas of Agreement and Disagreement. According to OHR's response to the HCF Diagnostic Tool, the SEC addressed and resolved previously identified challenge areas. In some cases, divisions, offices, and regional offices agreed. For example, as Figure 4 shows, OHR indicated that managers and supervisors are given time for and are held accountable for their exercise of supervisory responsibilities, including timely and effective performance management and feedback, and 29 of 33 (or about 88 percent) of the divisions, offices, and regional offices that responded to our survey agreed.

Figure 4. SEC Division, Office, and Regional Office Responses to OIG Survey Question A.2

Are managers and supervisors in your division/office/region given time for and held accountable for their exercise of supervisory responsibilities, including timely and effective performance management and feedback? (Total number of responses received to this question: 33)

- 88% ■ "Yes"
- 9% ■ "No"
- 3% ■ "I Don't Know"

Source: OIG-generated based on SEC division, office, and regional office responses to OIG survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

---

[34] The HCF Diagnostic Tool is organized around 16 focus areas, which are key elements to consider when designing and implementing HCF systems. For each focus area, the Diagnostic Tool includes questions that represent key aspects of effective human capital management. The HCF Diagnostic Tool contains 146 questions.

However, in other cases, differences existed between OHR's response and responses from the SEC's divisions, offices, and regional offices. For example, in the area of performance management, OHR indicated that the agency conducts surveys on the employee performance evaluation and awards systems and uses the findings to improve the systems. Yet, as Figure 5 shows, 5 of 32 (or about 16 percent) of survey respondents disagreed, while another 14 of 32 (or about 44 percent) could not state definitively whether the agency had taken such actions.

In another example related to talent management and employee development, OHR indicated that the agency gave assessment information to employees and supervisors through competency models and assessment instruments. However, only 12 of 32 (or about 38 percent) of the divisions, offices, and regional offices that responded agreed, as Figure 6 shows.

Figure 5. SEC Division, Office, and Regional Office Responses to OIG Survey Question A.6
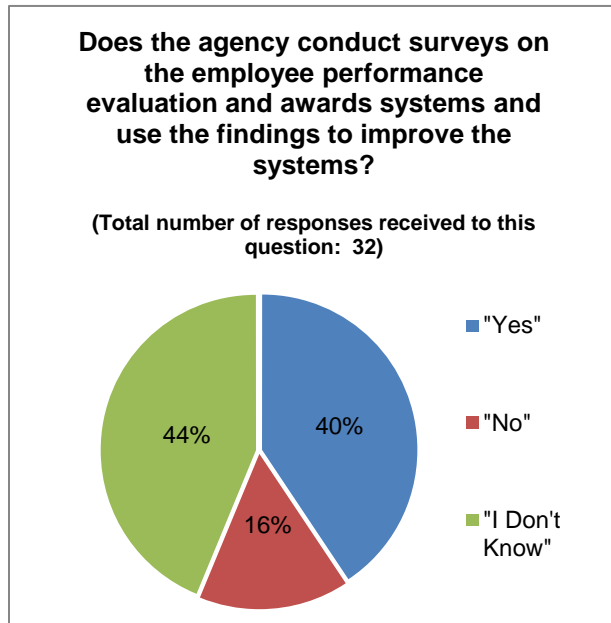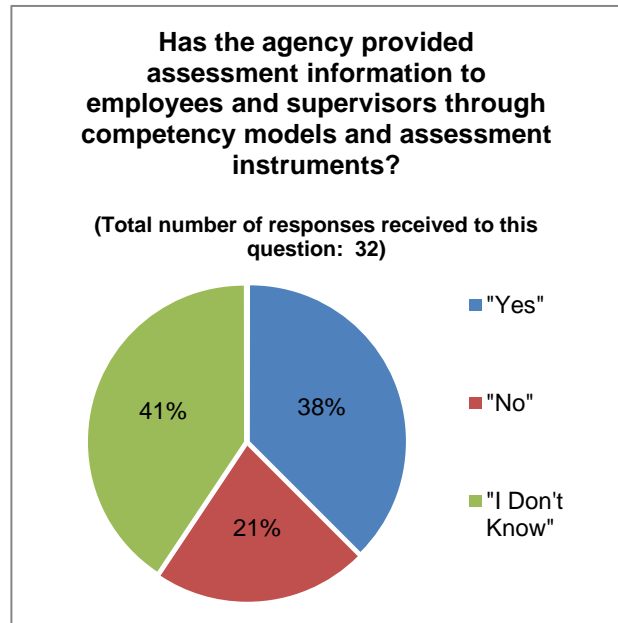
Figure 6. SEC Division, Office, and Regional Office Responses to OIG Survey Question C.3

Does the agency conduct surveys on the employee performance evaluation and awards systems and use the findings to improve the systems?

(Total number of responses received to this question: 32)

- "Yes" 40%
- "No" 16%
- "I Don't Know" 44%

Has the agency provided assessment information to employees and supervisors through competency models and assessment instruments?

(Total number of responses received to this question: 32)

- "Yes" 38%
- "No" 21%
- "I Don't Know" 41%

Source: OIG-generated based on SEC division, office, and regional office responses to OIG survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

Divisions, offices, and regional offices may have interpreted the survey questions differently, which could result in false positives or negatives when compared to OHR responses. We encourage OHR to explore the areas of difference, identify the cause(s) of any variances, and take action as needed. We also encourage OHR to regularly survey the SEC's divisions, offices, and regional offices to gain their perspectives on the agency's progress toward addressing HCF focus areas.

Four Areas Where Additional Work Is Needed To Fully Align With Aspects of the HCF. We identified four areas in which OHR acknowledged that additional work is

needed to fully align with corresponding aspects of the HCF. Specifically in the Employee Development section of Talent Management, OHR indicated that:

- the SEC's career development guides and career paths do not include descriptions of the agency's strategic needs to encourage employees to develop themselves in those directions; and

- the agency does not adequately track education, experience, training, and development of employees to help it effectively deploy its human capital and conduct organizational needs and gap analysis.

Also, in the Leadership Development section of Talent Management, OHR indicated that the agency does not:

- assess leadership competencies, provide leaders with developmental feedback, and communicate available training and development opportunities that support the critical competencies; or

- conduct regular evaluations of leadership development and succession management policies and programs to meet stated goals (such as recruitment, selection, development, and retention of high-performing leaders) and improve programs.[35]

We encourage OHR to implement these four areas of the HCF to improve the SEC's human capital operations. We also encourage OHR to regularly complete the HCF Diagnostic Tool to identify and, as necessary, to correct human capital management challenges the SEC faces.

---

[35] The majority of divisions and offices that responded to our survey disagreed with OHR's assessment of the agency's leadership development efforts.

Appendix I. Scope and Methodology

We conducted this evaluation from March 2018 through September 2018 in accordance with the Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation* (2012). Those standards require that we plan and perform the evaluation to obtain evidence sufficient to provide a reasonable basis for our findings and recommendations. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

Scope. The evaluation covered SEC operations related to human capital management challenges between October 1, 2016, and August 31, 2018. Our objective was to evaluate the SEC's progress toward addressing human capital management challenges. Specifically, we assessed the SEC's implementation of applicable Federal internal control standards and plans for aligning the agency's human capital management strategy with key elements of OPM's HCF to address human capital management challenges the SEC faces.

We performed fieldwork at the SEC's Headquarters in Washington, DC, and surveyed and received responses from all 11 regional offices.

Methodology. To address our objectives, among other work performed, we:

- interviewed OHR officials;

- reviewed prior and updated versions of applicable SEC regulations, OHR's policies and standard operating procedures for human capital management, applicable Federal laws and regulations, and OPM's guidance on the HCF;

- met with GAO and OPM personnel to understand and coordinate prior, ongoing, and upcoming work;

- reviewed OHR internal program evaluations;

- selected a judgmental sample of 20 of 88 OHR internal program evaluation recommendations (issued between October 2015 and February 2018) and reviewed supporting documents, including applicable corrective action plans, to determine the status of each recommendation; and

- reviewed and tested WTTS data from October 1, 2016, through May 31, 2018.

We also requested that OHR leadership complete the OPM HCF Diagnostic Tool, and requested that the directors (or designated representatives) of all 37 SEC divisions, offices, and regional offices—with the exception of the OIG—complete a survey of 19 questions related to the HCF. Appendix II contains the survey questions and a summary of the results.

Finally, we attended a monthly OHR project status meeting to observe the progress of open projects, such as succession planning, and obtained walkthroughs of OHR's internal quality assurance reviews of case files and personnel actions and reviewed supporting documents.

Internal Controls. To assess internal controls related to our objectives, we reviewed OHR's management assurance statements and risk assessments for FYs 2016 and 2017. In its management assurance statements, OHR management reported that it had tested control activities to evaluate the design and effectiveness of internal controls. Management identified areas requiring improvement but reported that none of the issues or challenges identified rose to the level of a material weakness or created the risk of a material weakness. As a result, OHR management concluded that the controls and processes in place were effective.

As discussed throughout this report, we tested key internal controls related to the SEC's human capital management challenge areas. We identified internal control weaknesses that affected the SEC's ability to ensure that it addresses human capital challenges in a timely manner and that agency human capital programs are effective. Our recommendations, if implemented, should correct the weaknesses identified.

Computer-processed Data. We did not rely significantly on computer-processed data to address our objectives. Therefore, we did not assess any system controls or the reliability of any computer-processed data.

Prior Coverage. In the last 5 years, the SEC OIG, GAO, and OPM have issued the following seven memoranda and reports of particular relevance to this evaluation.

SEC OIG:

- *Final Closeout Memorandum: Audit of the SEC's Hiring Practices* (August 19, 2016).

- *The Inspector General's Statement on the SEC's Management and Performance Challenges*, October 2017 (October 5, 2017).

GAO:

- *SEC Improving Personnel Management Is Critical for Agency's Effectiveness* (GAO-13-621, July 2013).

- *SEC Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges* (GAO-17-65, December 2016).

OPM:

- *Securities and Exchange Commission, Adherence to Merit System Principles, Laws, Regulations, and to Assess the Efficiency and Effectiveness in*

Administering Human Resources Programs under the Talent Management System of Human Capital Framework (June 2014).

- *Securities and Exchange Commission, Merit System Accountability and Compliance, Agency Compliance and Evaluation* (August 2017).

- *Securities and Exchange Commission Staffing Evaluation* (July 2018).

These reports can be accessed at: https://www.sec.gov/oig (SEC OIG), https://www.gao.gov (GAO), and https://www.opm.gov (OPM).

In addition, the National Credit Union Administration issued the following non-public report on its 2017 evaluation of the SEC's delegated examining unit:

- *Securities and Exchange Commission Delegated Examining Evaluation Report* (December 2017).

Appendix II. Summary of Survey Results

As previously stated, we administered a voluntary survey to all 37 SEC divisions, offices, and regional offices to determine each organization's perspective on the agency's progress toward addressing previously identified human capital management challenges. The survey included 19 questions from the following 4 areas of OPM's HCF:

1. Performance Management,

2. Workforce Planning,

3. Talent Management – Leadership Development, and

4. Talent Management – Employee Development.

Respondents were not required to respond to every question.

We received responses from 33 divisions, offices, and regional offices (a response rate of about 89 percent). This appendix summarizes the results we received, along with the results of OHR's responses to the survey questions.

Appendix II

HCF Survey
Focus Area: Performance Management

No.	Question	OHR's Response	Division, Office, Regional Office Responses						
			Total	Yes		No		I Don't Know	
				No.	Percent	No.	Percent	No.	Percent
A.1	Do you feel that the performance appraisal system is effectively and efficiently designed?	Yes	33	20	61%	13	39%	0	0%
A.2	Are managers and supervisors in your division/office/region given time for and held accountable for their exercise of supervisory responsibilities, including timely and effective performance management and feedback?	Yes	33	29	88%	3	9%	1	3%
A.3	Do executives, managers, and supervisors in your division/office/region receive training on appraisal and awards systems and how to appropriately use them to motivate employees?	Yes	33	28	85%	2	6%	3	9%
A.4	Do employees and leaders in your division/office/region perceive that the performance management system is fair and consistent with merit system principles?	Yes	32	22	69%	8	25%	2	6%
A.5	Has the agency provided and effectively communicated clear criteria for awards so employees understand the purpose of the awards?	Yes	32	26	81%	4	13%	2	6%
A.6	Does the agency conduct surveys on the employee performance evaluation and awards systems and use the findings to improve the systems?	Yes	32	13	41%	5	16%	14	44%
A.7	Does the agency do surveys or use other data collection methods to gauge whether employees feel valued and appropriately recognized for performance?	Yes	32	23	72%	2	6%	7	22%

Source: OIG summary of OHR and SEC division, office, and regional office responses to survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

Appendix II

HCF Survey
Focus Area: Workforce Planning

No.	Question	OHR's Response	Division, Office, Regional Office Responses						
			Total	Yes		No		I Don't Know	
				No.	Percent	No.	Percent	No.	Percent
B.1	Does the SEC Strategic Workforce Plan identify your division/office/region's current and future human capital needs and competencies needed to pursue its vision?	Yes	32	13	41%	7	22%	12	38%
B.2	Does your division/office/region have staffing and competency gaps or has your division/office/region had staffing and competency gaps in the past?	**	32	24	75%	8	25%	0	0%
B.3	If yes to question B.2, has the agency worked to close your division/office/region's staffing and competency gaps, maintain the strengths of your existing workforce, and or mitigate risks?	Yes	24	17	71%	5	21%	2	8%
B.4	If yes to question B.3, has the agency used any of the following techniques to close staffing and competency gaps in your division/office/region: job redesign, organizational restructuring, cross-training, job sharing, details, or use of technology?	Yes	17	15	88%	2	12%	0	0%

Source: OIG summary of OHR and SEC division, office, and regional office responses to survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

**This question was not included in the survey sent to OHR.

Appendix II

HCF Survey
Focus Area: Talent Management – Employee Development

No.	Question	OHR's Response	Division, Office, Regional Office Responses						
			Total	Yes		No		I Don't Know	
				No.	Percent	No.	Percent	No.	Percent
C.1	Does the agency prioritize use of its training and development resources to close mission-critical staffing and competency gaps in your division/office/region and improve organizational performance?	Yes	32	24	75%	3	9%	5	16%
C.2	Do career development guides and career paths include descriptions of the agency's strategic needs (mission-critical occupations and occupations with gaps) to encourage employees to develop themselves in those directions?	No	32	10	31%	3	9%	19	59%
C.3	Has the agency provided assessment information to employees and supervisors through competency models and assessment instruments?	Yes	32	12	38%	7	22%	13	40%
C.4	Does the agency adequately track education, experience, training and development of employees to help it effectively deploy its human capital and conduct organizational needs and gap analysis?	No	32	11	34%	4	13%	17	53%
C.5	Does the agency provide cross-training and lateral career movement to help employees maintain their interest, motivation, and contribution to organizational performance?	Yes	32	22	69%	5	16%	5	16%

Source: OIG summary of OHR and SEC division, office, and regional office responses to survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

Appendix II

HCF Survey
Focus Area: Talent Management – Leadership Development

No.	Question	OHR's Response	Division, Office, Regional Office Responses						
			Total	Yes		No		I Don't Know	
				No.	Percent	No.	Percent	No.	Percent
D.1	Does the agency have an effective process to identify and develop future leaders throughout the workforce?	Yes	32	21	66%	7	22%	4	13%
D.2	Does the agency assess leadership competencies, provide leaders with developmental feedback, and communicate available training and development opportunities that support the critical competencies?	No	33	26	79%	4	12%	3	9%
D.3	Does the agency conduct regular evaluations of leadership development and succession management policies and programs to meet their stated goals (e.g., recruitment, selection, development, and retention of high-performing leaders) and improve programs?	No	32	16	50%	6	19%	10	31%

Source: OIG summary of OHR and SEC division, office, and regional office responses to survey on HCF focus areas. We rounded percentages to the nearest whole number using normal rounding.

Appendix III. Management Comments

MEMORANDUM FOR REBECCA SHAREK, DEPUTY INSPECTOR GENERAL FOR
AUDITS, EVALUATIONS, AND SPECIAL PROJECTS

FROM: Kenneth A. Johnson, Chief Operating Officer

DATE: September 7, 2018

SUBJECT: Response to Draft Report No 550- The SEC Made Progress But Work Remains
To Address Human Capital Management Challenges and Align With the Human Capital
Framework

> **OIG Note:** Although the draft report was No. 550, to adhere to OIG's report numbering practices, the final report number was updated to No. 549.

Thank you for the opportunity to review and respond to the Office of Inspector General's (OIG)
draft report number 550 entitled "The SEC Made Progress But Work Remains To Address
Human Capital Management Challenges and Align With the Human Capital Framework." We
take very seriously our obligation to continually improve human capital operations, as our
workforce is the foundation to effectively accomplish the mission of the SEC.

We appreciate your acknowledgment of the extensive work that the Office of Human Resources
(OHR) has completed and is undertaking to continue to improve our human capital management
processes. OHR has had multiple projects in flight which address the recommendations
formalized in the Draft Report or mentioned in the body of the Report. We note and appreciate
the OIG's acknowledgement that many limitations and delays in OHR's efforts "resulted from
delays in agreements with the National Treasury Employees Union."[1] Several of these delays
have since been resolved, and the programs in question are now being implemented, as outlined
below.

Our response to the recommendations follows:

*Recommendation 1: Continue working with the National Treasury Employees Union to finalize
and initiate competency assessment surveys and develop a formal plan for recurring competency
assessments.*

Management Response:
OHR concurs with this recommendation. A Memorandum of Understanding (MOU) was signed
in August 2018 with the NTEU to conduct agency-wide competency surveys. The competency
surveys, targeted for completion by the end of calendar year 2018, will be launched in two
phases. A self-assessment survey will be sent to all employees, in all job groups, by the end of
September 2018. A second survey to all managers will follow, requesting their group-level
assessment of the competency levels of their direct reports. A formal plan to administer recurring
surveys will be developed based in part on the 2018 survey results and indications of
competency gaps, and on information about additional competencies that may be required in
subsequent years.

---

[1] *Report,* p.4

Recommendation 2: *Finalize standard operating procedures for the agency's performance management program.*

Management Response:
OHR concurs with this recommendation. The Securities and Exchange Commission (SEC) has engaged the Office of Personnel Management (OPM) to assist with assessing and implementing its new 4-tier performance management program for SK employees and supervisors. SEC has been conducting a pilot of the 4-tier PM Program since 2016. OPM is expected to complete its assessment of the program for the Fiscal Year 2018 appraisal period in March 2019. This assessment will gauge program effectiveness and inform future program changes, including policies and procedures. Once OHR has determined a final course of action in collaboration with OPM, NTEU, and other stakeholders, we will make the necessary policy changes and publish a SEC Operating Procedure (SECOP). Finalizing and publishing the updated policy and new SECOP will be subject to negotiation outcomes with NTEU, as it is intended to cover both bargaining unit and non-bargaining unit populations. Negotiations affecting the PM Program could begin as early as November 2018.

Recommendation 3: *Implement formal requirements for personnel to use the notes features in the Workforce Transformation and Tracking System to explain data anomalies when they occur.*

Management Response:
OHR concurs with this recommendation. OHR will develop and implement formal requirements for staff to use the notes feature in the Workforce Transformation and Tracking System to explain data anomalies if and when they occur.

Recommendation 4: *Consider reviewing the Office of Human Resource's processes for the steps related to pre-job posting consultation and issuing a certificate to identify and, as necessary, implement potential process improvements.*

Management Response:
OHR concurs with this recommendation. OHR will consider reviewing process steps related to pre-job posting consultation and issuing certificates for potential process improvement opportunities.

Recommendation 5: *Direct the Human Capital Strategy Group to establish a process for completing regular evaluations of its accountability system, as required.*

Management Response:
OHR concurs with this recommendation. The Human Capital Strategy Group (HCSG) recently completed its pilot evaluation of the Performance Culture System. For this evaluation, HCSG developed templates and formats gathering data from individuals and focus groups, closely modeled on the Office of Personnel Management's (OPM's) Human Capital Framework (HCF). We also identified and reviewed quantifiable data to provide a well-rounded picture of the

2

system. We will use this pilot to more fully define what our evaluation process should include for all HCF Systems. As we develop our new process to align with the updated requirements as outlined in 5 CFR Part 250, Subpart B, "Strategic Human Capital Management," we will revise our SECR and OHR SOPs to reflect our process and our alignment with the OPM HCF standards. These include the evaluation system standards which will serve to guide regular reviews of our accountability system as a whole.

Recommendation 6: *Direct the Human Capital Strategy Group to continue following up on and, as necessary, closing recommendations from Policy and Accountability Branch evaluations.*

Management Response:
OHR concurs with this recommendation. HCSG has created follow-up templates and processes for closing out completed program evaluations. The group is currently in the process of closing out all eight completed program evaluations. Our evaluation close-out process will be updated to align with our new evaluation strategy and methodology in the revised SECR and OHR SOPs.

Recommendation 7: *Direct the Policy and Accountability Branch to better document the appropriate quality standards used to determine efficiency, effectiveness, impact, and/or sustainability of agency human capital management operations, programs, or policies.*

Management Response:
OHR concurs with this recommendation.

The Policy and Accountability Branch follows the guidance for human capital evaluations as outlined in the "OPM HCF Evaluator Training Workbook," and other published OPM guidance. In addition, we will follow OPM's "Evaluation System Standards" for our future assessments of the SEC's Evaluation System. We will include the applicable OPM references in our evaluation reports and our internal standard operating procedures, as appropriate. Although we relied on certain aspects of Generally Accepted Government Auditing Standards (GAGAS) as a model when developing components of our evaluations, we agree that our evaluations do not comply with all aspects of GAGAS and will not include the GAGAS reference in future evaluation reports.

Recommendation 8: *Direct the Human Capital Strategy Group to formalize internal quality review procedures to ensure that (a) the checklists and other review tools used completely and accurately reflect the Policy and Accountability Branch's internal quality review process, and (b) reviewers perform reviews in a consistent manner.*

Management Response:
OHR concurs with this recommendation. We appreciate the OIG's recognition that this recommendation refers to an internal voluntary review process adopted by the Policy and Accountability Branch. We agree that the Case File Review Checklist needs to be updated or potentially replaced with OHR's USAStaffing Case File Checklists to fully align our review tool with the staffing process. We agree, too, that our Personnel Transactional Data Review Checklist

3

can be expanded to include all of the fields necessary to complete a full review of an SF-50. We will update the checklist as we update OHR-SOP-004.

Recommendation 9: *Direct the Human Capital Strategy Group to develop appropriate metrics for human capital programs and develop related HRStat procedures to ensure that, going forward, the agency identifies and monitors human capital measures and targets that inform the progress towards meeting agency-specific goals.*

Management Response:
OHR concurs with this recommendation. OPM required CHCO Act agencies to implement HRStat in FY18. OHR conducted the first HRStat review in June 2018 and will continue the process on a quarterly basis. HRStat metrics are linked to OHR priorities identified in our 2018-2019 Human Capital Operating Plan. OHR will refine HRStat metrics over time, as appropriate, to align with evolving human capital initiatives.

In summary, OHR agrees and or concurs with all nine recommendations cited in the draft report. As noted in our responses we have already begun or will take action on the cited recommendations to ultimately resolve all human capital challenges, including those identified in the current audit for the agency. OHR appreciates and would like to highlight OIG's acknowledgement that "implementing Federal regulations for OPM's HCF (5 CFR Part 250, Subpart B, Strategic Human Capital Management) apply only to Chief Financial Officers Act agencies (which does not include the SEC)." With that acknowledgement, OHR notes that the SEC has voluntarily undertaken numerous human capital management programs that go beyond the requirements to which the agency must adhere. In many instances, these programs surpass the practices in the Federal government, including those Agencies that are subject to 5 CFR Part 250, Subpart B. For example, our HR dashboard exceeds the requirements for similar dashboards that OPM has developed for the CHCO Agencies. Furthermore, OPM has showcased SEC's Federal Employee Viewpoint Survey (FEVS) Dashboard as a model to be considered by other Agencies. Lastly, in OPM and National Credit Union Administration's (NCUA) most recent reviews, they both applauded and singled out the effectiveness of our voluntary Internal Quality Review (IQR) process.

OHR would like to express our appreciation for the professionalism and courtesy that you and your staff extended to us during this audit. If you have any questions or would like to discuss any of our comments, please contact Jamey McNamara, Acting Chief Human Capital Officer, at 202-551-8356.

cc: Dennis Truskey, Acting Deputy Chief Human Capital Officer
        Stephen Brown, Assistant Director, Talent Acquisition
        Travis Elliott, Assistant Director, Employment Practices
        Brian Katz, Assistant Director, Human Capital Strategy

4

Major Contributors to the Report

Colin Heffernan, Audit Manager

Melissa Mulhollen, Lead Auditor

Francis Encomienda, Auditor

To Report Fraud, Waste, or Abuse, Please Contact:

Web: https://www.sec.gov/oig

Telephone: 1-833-SEC-OIG1 (833-732-6441)

Address: U.S. Securities and Exchange Commission
                Office of Inspector General
                100 F Street, N.E.
                Washington, DC 20549

Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, evaluations, or reviews, please send an e-mail to OIG Audit Planning at AUDplanning@sec.gov. Comments and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed above.