

441 G St. N.W.
Washington, DC 20548

Comptroller General
of the United States

May 4, 2021

The Honorable Gary Gensler
Chair, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Priority Open Recommendation: Securities and Exchange Commission

Dear Mr. Chairman:

The purpose of this letter is to provide an update on the overall status of the Securities and Exchange Commission's (SEC) implementation of GAO's recommendations and to call your personal attention to areas where open recommendations should be given high priority.¹ In November 2020, we reported that on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.² As of April 2021, SEC's 4-year implementation rate was 89 percent. Overall, SEC had 10 open recommendations. Fully implementing these open recommendations could significantly improve SEC's operations.

Since our April 2020 letter, SEC has implemented one of two open priority recommendations related to strategic human capital management. In doing so, SEC acted to ensure that its new performance incentive bonus program, launched in March 2021, incorporates multiple levels of review and reflects leading practice in fairness and transparency.

The other priority recommendation remains open, and we ask your attention to it. In July 2013, we recommended SEC periodically validate, with staff input, the performance management system (see enclosure for full text). Implementing this priority recommendation would help enhance the credibility of the system (including ratings, recognition, or feedback) among staff. SEC agreed and has taken some steps, including developing plans for focus groups with staff at the midpoint of the 2020 appraisal period. To fully implement the recommendation, SEC needs to validate the system for its entire staff. We are not adding any additional priority recommendations this year.

In March 2021 we issued our biennial update to our [High-Risk List](#), which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.³ Our priority recommendation to SEC identified in this letter is directly related to our government-wide [strategic human capital management](#) high-risk area.

¹Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operation, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a [high-risk](#) or duplication issue.

²GAO, *Performance and Accountability Report: Fiscal Year 2020*. [GAO-21-4SP](#) (Washington, D.C.: Nov. 16, 2020).

³GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

Several other government-wide high-risk areas also have direct implications for SEC and its operations. These include (1) [improving the management of information technology \(IT\) acquisitions and operations](#), (2) [managing federal real property](#), (3) [government-wide personnel security clearance process](#), and (4) [ensuring the cybersecurity of the nation](#). We urge your attention to the strategic human capital management and other government-wide high-risk issues as they relate to SEC. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including SEC.

We are sending copies of this report to the Director of the Office of Management and Budget and appropriate congressional committees: the Committees on Appropriations, Budget, and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations, Budget, and Oversight and Reform, House of Representatives. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

I appreciate SEC's continued commitment to this important issue. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at garciadiazd@gao.gov or 202-512-8678. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all 10 open recommendations. Thank you for your attention to these matters.

Sincerely yours,

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

Gene L. Dodaro
Comptroller General
of the United States

Enclosure – 1

cc: Ms. Shalanda Young, Acting Director, Office of Management and Budget
Mr. James McNamara, Chief Human Capital Officer
Mr. David Bottom, Chief Information Officer
Mr. Kenneth Johnson, Chief Operating Officer

Enclosure

Priority Open Recommendation to Securities and Exchange Commission (SEC)

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

Recommendation: To help SEC address identified personnel management challenges, and to help enhance the credibility of its performance management system, the Chairman of SEC should direct the Chief Operating Officer and the Office of Human Resources to conduct periodic validations (with staff input) of the performance management system and make changes, as appropriate, based on these validations.

Actions Needed: SEC agreed with this recommendation. To fully implement it, after SEC has operationalized its pilot performance management system, it needs to validate the system for its entire staff. As part of the validation, SEC should solicit input from supervisors and employees on the efficiency and effectiveness of the new system. SEC also should plan to conduct periodic evaluations of the performance management system to identify needed improvements.

High-Risk Area: Strategic Human Capital Management

Director: Michael E. Clements

Contact information: clementsm@gao.gov, (202) 512-8678

(104749)

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through our website. Each weekday afternoon, GAO posts on its [website](#) newly released reports, testimony, and correspondence. You can also [subscribe](#) to GAO's email updates to receive notification of newly posted products.

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's website, <https://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

Connect with GAO

Connect with GAO on [Facebook](#), [Flickr](#), [Twitter](#), and [YouTube](#).
Subscribe to our [RSS Feeds](#) or [Email Updates](#). Listen to our [Podcasts](#).
Visit GAO on the web at <https://www.gao.gov>.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact FraudNet:

Website: <https://www.gao.gov/about/what-gao-does/fraudnet>

Automated answering system: (800) 424-5454 or (202) 512-7700

Congressional Relations

Orice Williams Brown, Managing Director, WilliamsO@gao.gov, (202) 512-4400,
U.S. Government Accountability Office, 441 G Street NW, Room 7125,
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

Strategic Planning and External Liaison

Stephen J. Sanford, Acting Managing Director, spel@gao.gov, (202) 512-4707
U.S. Government Accountability Office, 441 G Street NW, Room 7814,
Washington, DC 20548

