



Highlights of [GAO-07-830](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

Why GAO Did This Study

The Securities and Exchange Commission's (SEC) Division of Enforcement (Enforcement) plays a key role in meeting the agency's responsibility to enforce securities laws and regulations. While Enforcement has brought a number of high-profile cases, questions have been raised over how effectively the division manages its operations and resources. For example, GAO has previously reported on challenges Enforcement faces in managing its investigation information systems and overseeing the Fair Fund program. Under this program, funds are distributed to investors who have suffered losses resulting from securities fraud and other violations.

GAO was asked to evaluate Enforcement's (1) investigation planning and information systems, and (2) oversight of the Fair Fund program.

Among other things, GAO analyzed SEC and Enforcement documents and data and interviewed agency officials as well as consultants involved in administering the Fair Fund program.

What GAO Recommends

GAO makes several recommendations to strengthen Enforcement's management of the investigation process and the Fair Fund program. In written comments, SEC agreed with GAO's conclusions and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-830.

To view the full product, click on the link above. For more information, contact Orice Williams at (202) 512-8678 or williamso@gao.gov.

SECURITIES AND EXCHANGE COMMISSION

Additional Actions Needed to Ensure Planned Improvements Address Limitations in Enforcement Division Operations

What GAO Found

Enforcement's processes and systems for planning, tracking, and closing investigations had some significant limitations that hampered its ability to effectively manage operations and allocate resources. While SEC and Enforcement officials have begun addressing these issues, additional actions would ensure that limitations identified in the division's operations are fully corrected. The following summarizes key issues:

- In March 2007, Enforcement established a centralized process for reviewing and approving new investigations. Unlike the previous decentralized approach, the new process is designed to better prioritize investigation staffing and to maintain quality control in the investigative process. However, Enforcement has not yet established written procedures and assessment criteria for reviewing and approving new investigations; such procedures and criteria are needed to help effectively manage the division's operations and resources.
- By late 2007, Enforcement plans to update its current information system for managing investigations with a new system that could significantly enhance the division's operations. However, Enforcement has not taken sufficient steps to help ensure that data are entered into the new system on a timely and consistent basis to maximize the system's usefulness as a management tool.
- In May 2007, Enforcement announced plans to better ensure the prompt closure of investigations that are no longer being pursued. In the past, the division has not always promptly closed many such investigations, which may have resulted in negative consequences for individuals and companies no longer suspected of securities violations. While Enforcement's plans to address this issue are positive, they will not fully resolve the potentially large backlog of investigations that have remained open for extended periods.

Enforcement's approach to managing the Fair Fund program may have contributed to delays in distributing funds to harmed investors. While factors such as the complexity of identifying harmed investors and tax issues likely contributed to some distribution delays, Enforcement's decentralized approach to managing the program may have created inefficiencies. SEC has announced plans to centralize Fair Fund management within a new office but has not yet defined the office's roles or described its responsibilities and procedures. Therefore, it is too soon to assess how the new office will affect the Fair Fund program.