



Highlights of [GAO-03-969T](#), a testimony to the Chairman, Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

# SECURITIES AND EXCHANGE COMMISSION

## Preliminary Observations on SEC's Spending and Strategic Planning Efforts

### Why GAO Did This Study

In February 2003, the Securities and Exchange Commission (SEC) received the largest budget increase in the history of the agency. The increased funding was designed to better position SEC to address serious issues identified in the Sarbanes-Oxley Act and to better enable SEC to address numerous operational and human capital management challenges discussed in the GAO report entitled *SEC Operations: Increased Workload Creates Challenges* ([GAO-02-302](#)). To help ensure that SEC spends its budgetary resources in an efficient and effective manner, GAO was asked to review the SEC's efforts to address the issues raised in the 2002 report and to report on how SEC intends to utilize its new budgetary resources. GAO's final report on these matters is expected to be completed this Fall.

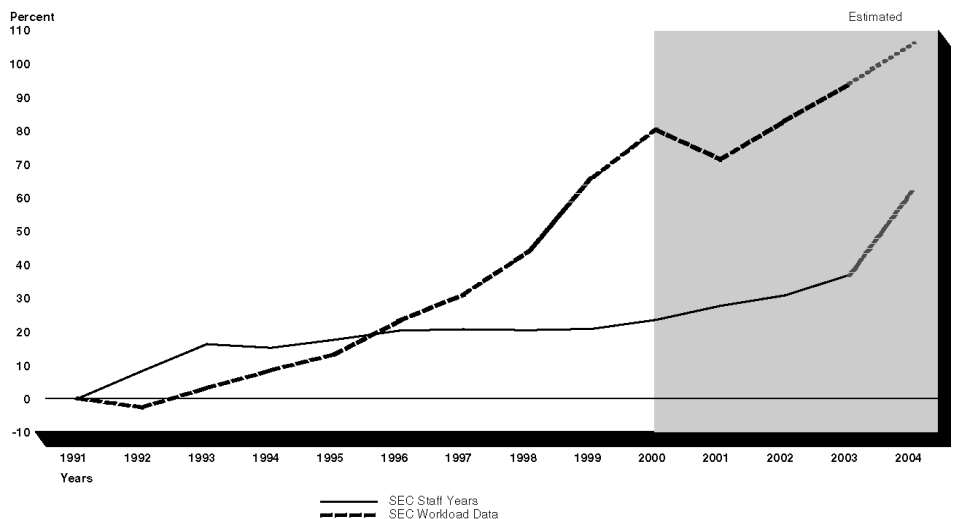
This testimony provides requested information on the status of SEC's current spending plan and preliminary observations on SEC's strategic and human capital planning efforts.

### What GAO Found

In GAO's 2002 operations report, GAO identified a number of operational challenges facing SEC stemming from an increasing workload (e.g., filings, applications, and examinations) and staffing imbalances that threatened to impair SEC's ability to fulfill its mission. As illustrated below, SEC's workload had grown at a much higher rate than its staffing since the mid-1990s. In response to congressional concerns involving a number of high-profile corporate failures and accounting scandals, SEC's funding was increased 45 percent in 2003. SEC plans to spend most of its 2003 and 2004 budget increases to fund 842 new staff positions and double its information technology budget. However, given the late appropriation and hiring challenges, SEC has to date filled few of these positions, and it is unlikely that SEC will be able to utilize all of its 2003 funds.

GAO also found that SEC recognizes the need to develop a new strategic plan and that such a plan is a vital component of its staff allocation and human capital planning processes. A new strategic plan is also vital to SEC's ability to develop performance-oriented, outcome-based performance measures. GAO found that while SEC has not updated its strategic plan, it has begun efforts to overhaul its performance measures to make them more outcome-oriented. This effort seems premature given its lack of a new strategic plan. Moreover, while GAO found that SEC has completed certain aspects of a strategic human capital plan, including development of a new pay structure comparable to other federal financial regulators, greater flexibility to expedite the hiring of certain critically needed professions, plans for more training, and implementation of agencywide-worklife programs, the lack of a new strategic plan inhibits SEC's ability to develop a formal human capital plan.

Percent Change in SEC Staff Years and Workload, 1991-2004



[www.gao.gov/cgi-bin/getrpt?GAO-03-969T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-969T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Richard J. Hillman at (202) 512-8678 or [hillmanr@gao.gov](mailto:hillmanr@gao.gov).