



Highlights of [GAO-04-818](#), a report to congressional committees

# SECURITIES AND EXCHANGE COMMISSION

## Review of Fiscal Year 2003 and 2004 Budget Allocations

### Why GAO Did This Study

This report responds to a statement in the Conference Report on the Securities and Exchange Commission's (SEC) fiscal year 2004 appropriations directing GAO to study SEC's allocation of its increased funding for fiscal years 2003 and 2004. Historically, SEC has faced high staff turnover rates, long stretches of unfilled staff positions, and growing resource needs. Additionally, the agency has faced significant needs in its information technology area. In response to these trends and several high-profile corporate failures and financial scandals, Congress approved significant increases in SEC's appropriations to help improve oversight and increase public confidence in financial markets. This report builds on several reports GAO has issued on these issues.

GAO was asked to review SEC's (1) allocation of its fiscal year 2003 and 2004 funds and (2) use of its information technology funding in fiscal year 2003 and its plan for 2004.

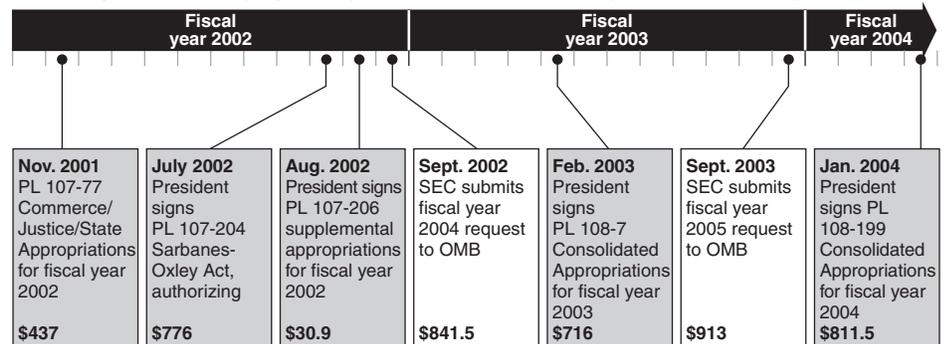
### What GAO Found

Congress addressed SEC's human capital and workload challenges with a significant increase to SEC's appropriations for fiscal year 2003. SEC used over half of that increase to fund over 800 new positions primarily within its financial disclosure, enforcement, and examination areas. Although these allocations appear consistent with legislative directions, they were made without the benefit of an updated agencywide strategic plan, which was not approved until July 9, 2004. Although SEC received more flexible pay and hiring authority, SEC continues to face challenges filling critical vacancies, such as accountants. Officials cite competition from the private sector as a major factor.

SEC's information technology (IT) budget increased from \$46.6 million in fiscal year 2002 to over \$100 million in fiscal year 2003. It increased another 20 percent to \$120 million in fiscal year 2004. SEC used most of these large increases for maintenance and infrastructure needs, compared with new technology initiatives. Also, SEC's Office of Inspector General (OIG) issued a report detailing its concerns, which we share, about the decision-making process for IT capital investments. OIG made several recommendations to improve this process, and SEC staff have begun to take actions to address some of them.

SEC commented that our review of its activities acknowledged the progress the agency has made and provided additional information about its activities since March.

**SEC Budget Time Line (Key Dates), Fiscal Years 2002-2004 (dollars in millions)**



Enacted legislation

Source: GAO.

[www.gao.gov/cgi-bin/getrpt?GAO-04-818](http://www.gao.gov/cgi-bin/getrpt?GAO-04-818).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice Williams at (202) 512-5837 or [williamso@gao.gov](mailto:williamso@gao.gov).