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December 2022

SECURITIES AND EXCHANGE COMMISSION

Employee Views of Personnel Management Improved, but Action Needed on Measuring Diversity and Inclusion Goals

GAO-23-105459

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GAO Highlights

Highlights of GAO-23-105459, a report to congressional committees.

Why GAO Did This Study

Effectively carrying out its regulatory responsibilities requires that SEC attract and retain a high-quality workforce. The Dodd-Frank Wall Street Reform and Consumer Protection Act contains a provision for GAO to report triennially on SEC's personnel management. GAO's first three reports (GAO-13-621, GAO-17-65, and GAO-20-208) identified a number of challenges and included 10 recommendations, all of which SEC has addressed.

This report examines (1) employees' views of SEC's personnel management, (2) personnel management practices SEC implemented since GAO's 2019 report, and (3) SEC's diversity and inclusion efforts. GAO surveyed a representative sample of nonexecutive SEC employees and all senior officers in key occupations in nine key divisions and offices. The results of the nonexecutive employee survey are generalizable to SEC's mission-critical employees. GAO also reviewed SEC documents, relevant academic literature, and a management consultant report; interviewed SEC employees and officials and the SEC employees' union; and analyzed SEC workforce data.

What GAO Recommends

GAO recommends that SEC ensure the performance measures in its diversity and inclusion strategic plan for fiscal years 2023–2026 align with the plan's goals and are clear, measurable, objective, and reliable. SEC agreed with this recommendation.

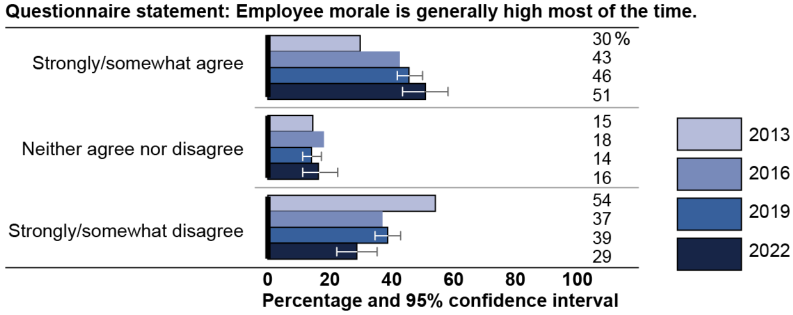
View GAO-23-105459. For more information, contact Michael E. Clements at (202) 512-8678 or clementsm@gao.gov.

What GAO Found

The views of Securities and Exchange Commission (SEC) employees on certain personnel management topics—such as staff morale—have improved since 2013 (see figure). In 2022, employees also expressed positive views on the support SEC provided to employees during pandemic-related telework and the agency's diversity and inclusion efforts, among other issues. However, many employees continue to have unfavorable views on some issues related to performance management. For example, more than half of employees disagreed that SEC's new two-tier rating system creates meaningful distinctions in performance among employees or incentivizes high performance.

SEC Employee Views on Staff Morale Improved from 2013 through 2022

Questionnaire statement: Employee morale is generally high most of the time.



Source: GAO surveys of nonsupervisory mission-critical Securities and Exchange Commission (SEC) employees. | GAO-23-105459

Since GAO's most recent review in 2019, SEC has made two significant changes to personnel management:

- In February 2022, SEC and the SEC employee union agreed that SEC employees would not receive Performance Incentive Bonus program awards in 2022, 2023, or 2024. SEC officials stated that supervisors could use other types of monetary and nonmonetary awards to recognize employee accomplishments.
- In 2022, SEC replaced a program designed to identify a cohort of high-potential leaders available to fill vacant senior officer positions. Whereas the previous program assessed employees to create and develop a pool of candidates, the new program assesses employees for each vacancy and opens leadership training to all employees.

In 2020, SEC released its first diversity and inclusion strategic plan, covering fiscal years 2020–2022. Since then, SEC has initiated a number of new diversity and inclusion efforts, including a professional development program for minority leaders at the agency. SEC did not develop performance measures related to the goals in the plan, but SEC intends to develop such measures for its 2023–2026 plan, according to SEC officials. Performance measures that align with goals and are clear, measurable, objective, and reliable could help SEC better track its progress in achieving diversity and inclusion goals and objectives. Improved tracking, in turn, could help SEC to understand which efforts are effective and target resources toward goals needing more attention.

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Abbreviations

LEAD	Leadership Evaluation, Accession, and Development
SEC	Securities and Exchange Commission

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

December 22, 2022

The Honorable Sherrod Brown
Chairman
The Honorable Patrick J. Toomey
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

The Securities and Exchange Commission (SEC) oversees more than 29,000 market participants, including investment advisers, mutual funds and exchange-traded funds, and broker-dealers. Its mission is to protect investors; maintain fair, orderly, and efficient securities markets; and facilitate capital formation. To carry out its mission, SEC requires public companies to disclose meaningful financial and other information to the public, examines firms it regulates, and investigates potential securities law violations.

Effectively carrying out its regulatory responsibilities requires that SEC attract and retain a high-quality workforce. We and others have previously reported on the personnel management challenges SEC has faced in building and retaining such a workforce. SEC has made efforts to improve its personnel management and, since 2012, SEC's rank in the Partnership for Public Service's annual "Best Places to Work in the Federal Government" rankings has risen from 19th place to fifth place (out of around 25 midsize agencies included in the partnership's ranking each year).

Section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act includes a provision for us to report triennially on SEC's personnel management, including the competence of professional staff; the effectiveness of supervisors; and issues related to employee performance assessments, promotion, and intra-agency communication.[1] We previously reported on SEC's personnel management in 2013, 2016, and 2019.[2] These reports included 10 recommendations for SEC that have all since been addressed.

This report examines (1) employees' views on SEC's personnel management, (2) personnel management practices SEC implemented since our 2019 report, and (3) SEC's diversity and inclusion efforts related to personnel management and its diversity strategic planning.

For our first objective, we distributed a questionnaire in April 2022 to a stratified random sample of 931 supervisory and nonsupervisory staff in mission-critical occupations and divisions or offices. We also distributed a separate questionnaire to all 78 senior officers in mission-critical occupations and divisions or offices.[3] We compared the results of the current surveys with the survey results presented in our 2013, 2016, and 2019 reports to determine the extent to which staff views have changed. The response rates for the questionnaires of staff and senior officers were 71 percent and 74 percent, respectively.[4] The results of our mission-critical survey are generalizable to SEC's mission-critical employees, but we do not attempt to extrapolate the findings of our senior officer survey to those senior officers who chose not to participate in the survey.

To develop the questionnaires, we conducted one-on-one interviews in January and February 2022 with approximately 80 self-selected current

[1]Pub. L. No. 111-203, 124 Stat. 1376, 1908-1909 (2010) (codified at 15 U.S.C. § 78d-7).

[2]GAO, *Securities and Exchange Commission: Personnel Management Shows Improvement, but Action Needed on Performance Management System*, GAO-20-208 (Washington, D.C.: Dec. 19, 2019); *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (Washington, D.C.: Dec. 29, 2016); and *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

[3]SEC has designated five occupations and nine offices and divisions as mission-critical because they are primarily responsible for implementing the agency's mission. In this report, "mission-critical employees" refers to SEC staff working in mission-critical occupations in mission-critical offices and divisions. See app. I for more information on our approach to sampling mission-critical employees in mission-critical offices and divisions.

[4]For the survey of mission-critical employees, both the weighted and unweighted response rates were 71 percent when rounded to the nearest whole number.

and former SEC employees. We used these interviews to update our 2019 survey questionnaire.

For our second and third objectives, we reviewed SEC documents, such as its human capital strategic plan, its diversity and inclusion strategic plan, and agency reports to Congress. We compared SEC's diversity and inclusion efforts to leading practices for diversity and inclusion management, program management, and performance measurement identified in prior GAO work.[5] We also reviewed academic literature related to personnel management at SEC, and a report of a management consultant engaged by the agency. We interviewed SEC officials in the Office of Human Resources, Office of Minority and Women Inclusion, and Office of Inspector General, as well as representatives from the SEC employee union. Appendix I provides more information on our scope and methodology.

We conducted this performance audit from October 2021 to December 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

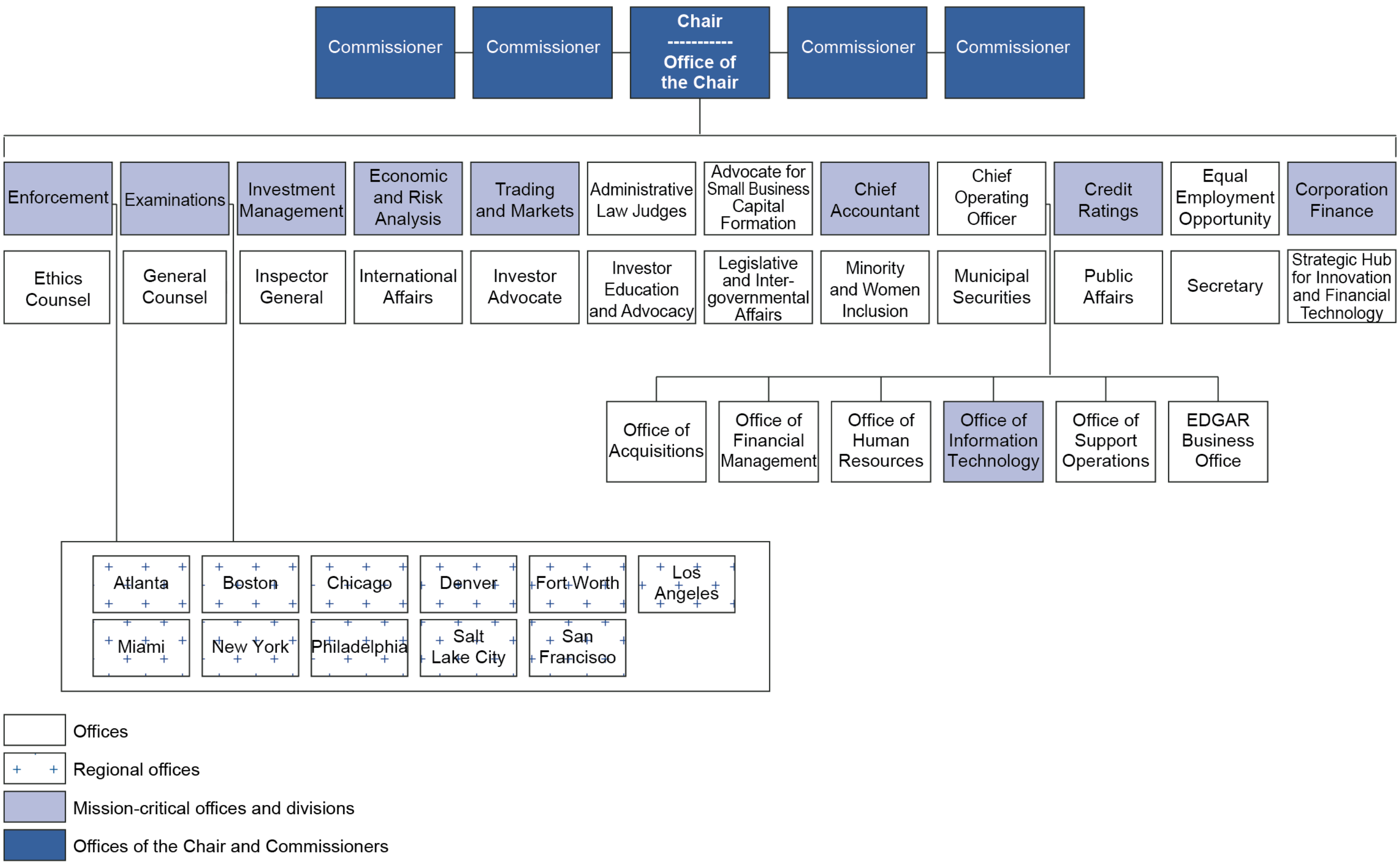
Background

SEC consists of a five-member commission that oversees the agency's operations and provides final approval over commission interpretations of federal securities laws, proposals for new or amended rules to govern securities markets, and enforcement activities. The commission, which is headed by the SEC Chair, oversees six divisions, 25 offices, and 11 regional offices.

As shown in figure 1, SEC has designated six divisions and three offices as mission-critical (i.e., primarily responsible for implementing SEC's mission).

[5]GAO, *Diversity Management: Expert-Identified Practices and Agency Examples*, GAO-05-90 (Washington, D.C.: Jan. 14, 2005); *Program Evaluation: Key Terms and Concepts*, GAO-21-404SP (Washington, D.C.: Mar. 22, 2021); and *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: Nov. 22, 2002).

Figure 1: Organizational Structure of the Securities and Exchange Commission (SEC), as of October 2022



Source: Securities and Exchange Commission. | GAO-23-105459

Note: Mission-critical divisions and offices are those that are primarily responsible for implementing SEC's mission. Regional offices contain staff from the Divisions of Enforcement and Examinations, two mission-critical divisions.

Table 1 outlines the roles and responsibilities of these mission-critical offices and divisions.

Table 1: Roles and Responsibilities of SEC's Mission-Critical Offices and Divisions

Office/division	Roles and responsibilities
Division of Enforcement	Investigate possible violations of securities laws and recommend commission action when appropriate, either in a federal court or before an administrative law judge, and negotiate settlements.
Division of Examinations	Conduct examinations of registered entities, such as investment advisers, investment companies, broker-dealers, securities exchanges, and clearing agencies.
Division of Corporation Finance	Review corporate disclosures, assist companies in interpreting SEC's rules, and recommend new rules for adoption.
Division of Trading and Markets	Establish and maintain standards to promote fair, orderly, and efficient securities markets. The division regulates major securities market participants, such as securities exchanges, broker-dealers, and clearing agencies.
Division of Investment Management	Regulate investment companies (such as mutual, closed-end, and exchange-traded funds) and registered investment advisers.
Division of Economic and Risk Analysis	Provide economic analyses and subject-matter expertise to support a range of SEC activities, including rulemaking, enforcement, and examination. The division also assists in SEC's efforts to identify, analyze, and respond to risks and trends, including those associated with new financial products and strategies.
Office of Information Technology	Support SEC and its employees in all aspects of information technology and manage SEC's information technology program, such as application development, infrastructure operations and engineering, user support, and information technology security.
Office of the Chief Accountant	Establish and interpret accounting and auditing policies, and work to improve the professional performance of public company auditors to ensure that financial statements used for investment decisions are presented fairly and have credibility.
Office of Credit Ratings	Conduct examinations, administer rules, and provide guidance pertaining to Nationally Recognized Statistical Rating Organizations.

Source: GAO summary of Securities and Exchange Commission (SEC) information. | GAO-23-105459

Note: Mission-critical offices and divisions are those that are primarily responsible for implementing SEC's mission.

SEC's Office of Human Resources has overall responsibility for the strategic management of SEC's personnel management and assesses compliance with federal regulations for areas such as recruitment, retention, leadership and staff development, and performance management. In addition, certain divisions have internal human resource coordinators that coordinate between the Office of Human Resources and their respective division heads. The Office of Human Resources reports to SEC's Office of the Chief Operating Officer, which in turn reports to the Office of the Chair.

To carry out its mission, SEC employs staff with a range of skills and backgrounds throughout the United States. As of September 2022, SEC employed 4,680 staff. Of these, approximately 66 percent worked in mission-critical occupations in mission-critical offices. In addition, approximately 42 percent of these mission-critical employees worked in one of SEC's 11 regional offices. The regional offices are responsible for investigating and litigating potential violations of securities laws and have enforcement and examination staff to inspect regulated entities.

SEC nonsupervisory staff are represented by the National Treasury Employees Union (which we refer to in this report as the SEC employees' union). To help SEC attract and retain qualified employees, in 2002 Congress enacted the Investor and Capital Markets Fee Relief Act (Pay Parity Act), which allowed SEC to implement a new compensation system with higher pay scales, comparable with those of other federal financial regulators.[6]

In 2020, SEC issued its first diversity and inclusion strategic plan, covering fiscal years 2020–2022. According to SEC, the aim of this plan is to help fully integrate diversity, inclusion, and opportunity into the strategic decision-making of the agency, enhance organizational effectiveness, and meet future challenges. This plan states that diversity, inclusion, and opportunity are essential to the agency's ability to effectively carry out its mission. To develop this plan, SEC consulted with both internal and external stakeholders, including holding discussions with every division and office, regional office, employee affinity group, and its Diversity Council.

In March 2020, when the COVID-19 pandemic was declared a national emergency in the United States, SEC instructed its employees to telework. In August 2021, SEC allowed employees to return to the office on a voluntary basis. SEC announced in July 2022 that employees would be required to return to the office in January 2023. Negotiations between SEC and the employees' union regarding aspects of this return to the office were ongoing as of September 2022, according to SEC officials.

[6]Pub. L. No. 107-123, § 8, 115 Stat. 2390, 2397-2400 (2002) (codified in scattered sections of titles 5, 12 and 15 of the U.S. code).

Employee Views on Personnel Management Have Generally Improved, Although Concerns Remain about Performance Management

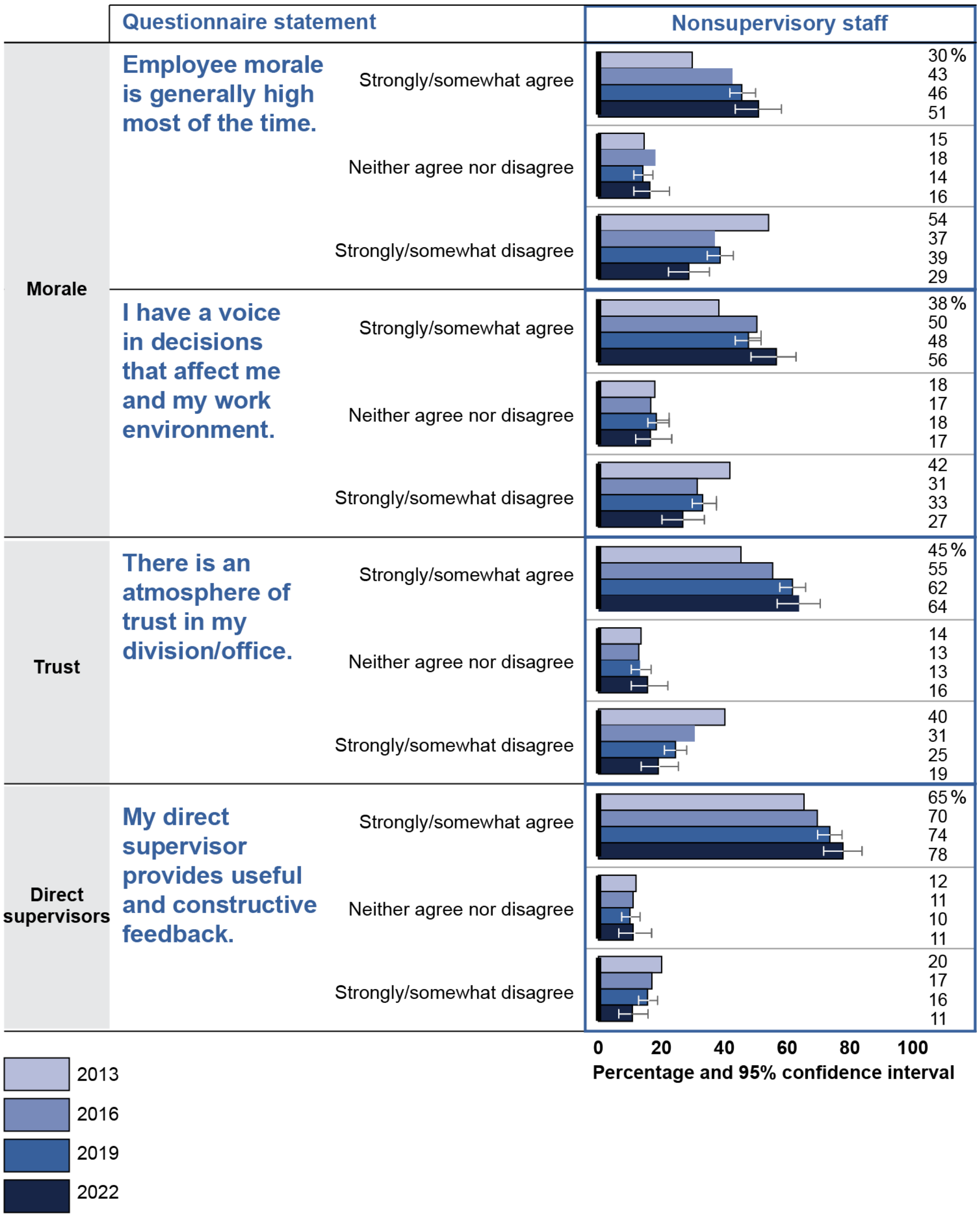
The results of our 2022 survey of mission-critical nonexecutive SEC employees indicate that employees have favorable views on many aspects of SEC's personnel management, including morale, trust, direct supervisors, diversity and inclusion efforts, and pandemic-related telework. Employees had mixed views on issues related to communication, risk aversion, and favoritism. Our survey results also indicate that most employees have concerns related to performance management and staffing levels.

GAO Surveys since 2013 Show Improvement in Several Areas

As shown in figure 2, employee views on morale, trust, and direct supervisors have improved significantly since 2013, the year in which we issued our first report on this topic. While there are important limitations in comparing the results of our 2022 survey to those from our 2013 survey, these limitations do not preclude observing trends over time.[7] See appendix II for a comparison of these and other selected questions from GAO's surveys since 2013.

[7]There are important limitations in comparing the results of our 2022 survey to those from our 2013 survey. First, while the results of our 2022 survey were generalizable to all mission-critical nonexecutive employees, the results of our 2013 survey were not. In addition, we changed the definition of a "mission-critical" employee from the 2013 survey to reflect changes SEC made to its mission-critical designations. Finally, while we administered the 2022 survey to a representative sample of mission-critical employees, we administered our 2013 survey to all mission-critical employees. Therefore, we present our 2022 results as estimated percentages with bands representing the range of results within a 95 percent confidence interval, and we present the results of the 2013 surveys as tabulations from a census survey.

Figure 2: Nonsupervisory Securities and Exchange Commission (SEC) Employees' Views on Morale, Trust, and Direct Supervisors, 2013–2022



Source: GAO. | GAO-23-105459

Note: GAO surveyed generalizable samples of nonsupervisory SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Each questionnaire statement has a “Do Not Know” response category that represented less than 5 percent of responses each year. There are important limitations in comparing the results of our 2022 and 2019 surveys to those of the 2013 and 2016 surveys related to generalizability, changes in the definition of “mission-critical,” and differences in sample design (see app. II for details). We present our 2019 and 2022 results as estimated percentages and ranges within a 95 percent confidence interval. We present the results of the 2013 and 2016 surveys as tabulations from a census survey.

Morale. Views on employee morale improved from 2013 to 2022. The share of nonsupervisors who agreed that employee morale is generally high most of the time increased by 21 percentage points (from 30 percent in 2013 to an estimated 51 percent in 2022), and the share who disagreed decreased by 25 percentage points (from 54 percent to an estimated 29 percent).[8] The share who agreed they have a voice in decisions affecting them and their work environment increased by 18 percentage points (from 38 percent in 2013 to an estimated 56 percent in 2022), and the share who disagreed decreased by 15 percentage points (from 42 percent to an estimated 27 percent).[9] Regarding management efforts related to morale, our 2022 survey results indicate that over half of employees agreed that management in their division or office had taken steps to improve employee morale.[10] An estimated 64 percent said senior officers in their division or office had worked “to a great extent” or “to a moderate extent” to make improvements in workforce morale over the past 3 years.[11]

Trust. Views on whether there was an atmosphere of trust also improved. As shown in figure 2, the proportion of nonsupervisors who agreed that there is an atmosphere of trust in their division or office increased by 19 percentage points (from 45 percent in 2013 to an estimated 64 percent in

[8]The 95 percent confidence intervals for the 2022 estimates are (44, 58) for the “agree” response category and (22, 35) for the “disagree” response category.

[9]The 95 percent confidence intervals for the 2022 estimates are (48, 63) for the “agree” response category and (20, 33) for the “disagree” response category.

[10]Specifically, 56 percent of employees agreed with this statement, and the 95 percent confidence interval for this estimate is (52, 60). For the purpose of our questionnaire, “management” refers to assistant directors and those at the senior officer level, including directors, deputy directors, managing executives, and associate directors.

[11]The 95 percent confidence interval for this estimate is (60, 68).

2022), and the proportion who disagreed decreased by 21 percentage points (from 40 percent to an estimated 19 percent).[12]

Direct supervisors. Employees had more positive views about their direct supervisors in 2022 than in previous years. The share of nonsupervisors who agreed their direct supervisor provides useful and constructive feedback increased by 13 percentage points (from 65 percent in 2013 to an estimated 78 percent in 2022), and the share who disagreed decreased by 9 percentage points (from 20 percent to an estimated 11 percent).[13] Employees also responded favorably to a number of other questions about direct supervisors in 2022. For example, an estimated 91 percent agreed their direct supervisor gives them the flexibility they need to do their job effectively. An estimated 86 percent agreed their direct supervisor has the skills and expertise to be an effective supervisor or manager.[14]

Change in personnel management since 2010. We estimate that 45 percent of tenured employees (nonexecutive employees hired before 2010) agreed that personnel management had improved since 2010, when the Dodd-Frank Act was enacted (see fig. 3).[15]

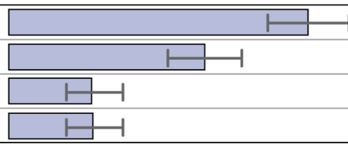
[12]The 95 percent confidence intervals for the 2022 estimates are (57, 71) for the “agree” response category and (14, 26) for the “disagree” response category.

[13]The 95 percent confidence intervals for the 2022 estimates are (72, 84) for the “agree” response category and (7, 16) for the “disagree” response category. For the purpose of our questionnaire, we defined direct supervisors for survey respondents as the next person above them in the chain of command to whom they report. We further clarified that the supervisor is the person who more often than anyone else directs respondents’ work on a day-to-day basis or who has the authority to direct their work, assign tasks, or reward, promote, and discipline them.

[14]The 95 percent confidence intervals for these estimates are (89, 94) and (84, 89), respectively. Among other things, Section 962 of the Dodd-Frank Act included provisions for us to review turnover within SEC’s subunits and whether there are “excessive” numbers of low-level, midlevel, or senior-level managers at SEC. Pub. L. No. 111-203, § 962(b)(1)(F)-(G)(codified at 15 U.S.C. § 78d-7(b)(1)(F)-(G)). App. III provides additional information on the ratio of management to staff, and app. IV provides additional information on staff turnover, in each case, from fiscal years 2013 through 2021.

[15]We estimate that 48 percent of nonexecutive survey respondents were hired at SEC before 2010. The 95 percent confidence interval for this estimate is (44, 52). This question was added for our 2022 survey and was not included in our prior surveys, so comparison of results over time is not possible for this question.

Figure 3: Tenured Securities and Exchange Commission (SEC) Employees' Views in April 2022 on the Change in Personnel Management at SEC since 2010



In your view, to what extent has personnel management at SEC improved or worsened since 2010, when the Dodd-Frank Wall Street Reform and Consumer Protection Act was first enacted?	Estimated percentage	95% confidence interval
Largely/moderately improved	45	39 - 51
Neither improved nor worsened	30	24 - 35
Largely/moderately worsened	13	9 - 17
Do not know	13	9 - 17

Source: GAO . | GAO-23-105459

Note: This figure reflects the views of nonexecutive SEC employees hired before 2010, a subset of our generalizable sample of nonexecutive employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

Consistent with our survey results, the Partnership for Public Service's annual "Best Places to Work in the Federal Government" rankings indicate that SEC's personnel management has improved in recent years.[16] Specifically, SEC's "engagement and satisfaction score" increased from 56 in 2012 to 77 in 2019 (the most recent year available that can be compared to previous years). This brought its rank among midsize federal agencies from 19th place to fifth place (out of around 25 midsize agencies included in the partnership's ranking each year).[17]

[16]First issued in 2003, the Partnership for Public Service rankings use data from the Office of Personnel Management's Federal Employee Viewpoint Survey to rank agencies and their subcomponents according to a Best Places to Work index score. Agencies and subcomponents are measured on overall employee satisfaction and are scored in 12 workplace categories, such as effective leadership, employee skills/mission match, pay, teamwork, and work/life balance.

[17]The "engagement and satisfaction score" determines an agency's overall ranking and is calculated using a proprietary weighted formula that looks at responses to the following three questions on the Office of Personnel Management's Federal Employee Viewpoint Survey: "I recommend my organization as a good place to work," "Considering everything, how satisfied are you with your job?," and "Considering everything, how satisfied are you with your organization?"

Employees Expressed Favorable Views on Issues in 2022, Including Diversity Efforts and Pandemic-Related Telework

Diversity and inclusion. Employee views were favorable on the state of diversity and inclusion, both SEC-wide and in their division or office.[18] We estimate that 85 percent of employees agreed SEC has shown it values diversity and inclusion through various activities, such as town halls, speaker events, and trainings (see fig. 4).[19] In addition, we estimate that 70 percent agreed that SEC is committed to a workforce representative of all segments of society.[20]

[18]For the purpose of our questionnaire, the term "diversity" was defined broadly and refers to the range of similarities and differences in individual and organizational characteristics that shape the workplace. These include national origin, language, race, color, disability, ethnicity, gender, age, religion, sexual orientation, gender identity, socioeconomic status, veteran status, and family structure. The concept also encompasses other differences among people, including geographic differences as well as diversity of thought and life experiences. The term "inclusion" refers to a culture that connects each employee to the organization; encourages collaboration, flexibility, and fairness; and leverages diversity throughout the organization so that all employees are able to participate and contribute to their full potential.

[19]The 95 percent confidence interval for this estimate is (82, 88).

[20]The 95 percent confidence interval for this estimate is (67, 74).

Figure 4: Securities and Exchange Commission (SEC) Employees' Views on Diversity and Inclusion at SEC, April 2022

SEC has shown it values diversity and inclusion through various activities, such as town halls, speaker events, and trainings.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	85	82 - 88
Neither agree nor disagree	8	6 - 11
Strongly/somewhat disagree	4	2 - 6
Do not know	3	2 - 5

SEC is making real, meaningful progress on diversity and inclusion in the workplace.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	62	58 - 66
Neither agree nor disagree	16	13 - 19
Strongly/somewhat disagree	10	7 - 12
Do not know	13	10 - 16

SEC is committed to a workforce representative of all segments of society.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	70	67 - 74
Neither agree nor disagree	11	9 - 14
Strongly/somewhat disagree	8	5 - 10
Do not know	11	8 - 14

SEC fills job vacancies with diverse staff.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	58	54 - 63
Neither agree nor disagree	14	11 - 17
Strongly/somewhat disagree	11	8 - 14
Do not know	17	14 - 20

Source: GAO. | GAO-23-105459

Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

Regarding diversity and inclusion in employees' own division or office, an estimated 81 percent agreed that supervisors in their division or office work well with employees of different backgrounds.[21] An estimated 75 percent agreed that their supervisor is committed to a workforce representative of all segments of society.[22] As shown in figure 5, employees generally agreed there is diversity in their division or office among senior officers, supervisors and managers, nonsupervisory staff, and recent hires, with levels of agreement ranging from an estimated 60

[21]The 95 percent confidence interval for this estimate is (78, 84).

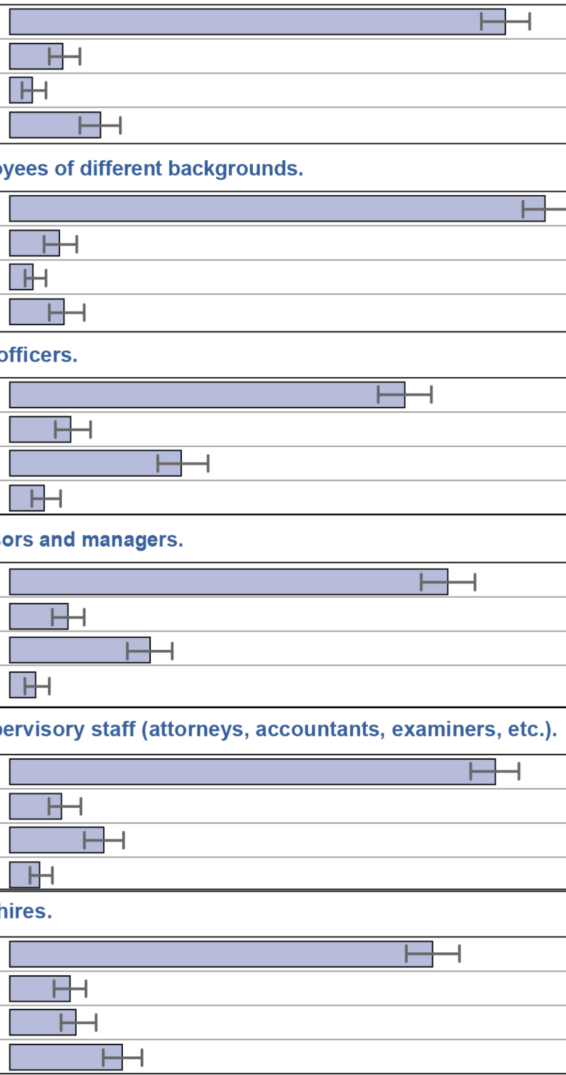
[22]The 95 percent confidence interval for this estimate is (71, 79).

percent to an estimated 73 percent.[23] However, levels of disagreement are highest with respect to the diversity of senior officers and supervisors and managers (an estimated 26 percent and 21 percent disagreed, respectively).[24]

[23]For the purpose of our questionnaire, we defined “supervisors and managers” for survey respondents as those in supervisory and management positions above their current level.

[24]The 95 percent confidence intervals for these estimates are (22, 30) and (18, 25), respectively.

Figure 5: Securities and Exchange Commission (SEC) Employees' Views on Diversity and Inclusion in Their Division or Office, April 2022



My supervisor is committed to a workforce representative of all segments of society.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	75	71 - 79
Neither agree nor disagree	8	6 - 11
Strongly/somewhat disagree	3	2 - 5
Do not know	14	11 - 17

Supervisors work well with employees of different backgrounds.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	81	78 - 84
Neither agree nor disagree	8	5 - 10
Strongly/somewhat disagree	4	2 - 5
Do not know	8	6 - 11

There is diversity among senior officers.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	60	56 - 64
Neither agree nor disagree	9	7 - 12
Strongly/somewhat disagree	26	22 - 30
Do not know	5	4 - 8

There is diversity among supervisors and managers.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	66	62 - 70
Neither agree nor disagree	9	7 - 12
Strongly/somewhat disagree	21	18 - 25
Do not know	4	2 - 6

There is diversity among nonsupervisory staff (attorneys, accountants, examiners, etc.).	Estimated percentage	95% confidence interval
Strongly/somewhat agree	73	70 - 77
Neither agree nor disagree	8	6 - 11
Strongly/somewhat disagree	14	11 - 17
Do not know	5	3 - 7

There is diversity among recent hires.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	64	60 - 68
Neither agree nor disagree	9	7 - 12
Strongly/somewhat disagree	10	8 - 13
Do not know	17	14 - 20

Source: GAO. | GAO-23-105459

Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

Pandemic-related telework. Employees had favorable views related to full-time telework during the COVID-19 pandemic, including views on technology and communication. For example, we estimate that 93 percent of employees thought the technology support SEC provided following the onset of the pandemic was either adequate or more than adequate for ensuring a smooth transition to full-time telework.[25] An estimated 91 percent and 87 percent thought the information technology staff support and equipment, respectively, had been either always or mostly adequate for conducting their work remotely.[26] Further, employees found communication during remote work to be satisfactory for achieving the mission of their division or office during the COVID-19 pandemic. Specifically, an estimated 83 percent were either very or somewhat satisfied with the communication between supervisors and managers in their division or office and their staff during full-time telework.[27]

Staff competence. Employees expressed favorable views of the competence of professional staff at SEC. For example, an estimated 85 percent agreed that their division or office is able to attract talented and qualified employees.[28] Similar to our 2019 survey results, an estimated 63 percent agreed that their division or office retains its most talented and qualified employees.[29] In addition, we estimate that 81 percent of employees agreed that SEC management usually hires employees who are a good fit for SEC's mission.[30]

Training. Employee views on training were also favorable. For example, most employees agreed that SEC management is committed to the ongoing training and development of staff. An estimated 75 percent thought there were training opportunities over the past 3 years that provided the latest industry-specific knowledge relevant to their job with

[25]The 95 percent confidence interval for this estimate is (90, 95).

[26]The 95 percent confidence intervals for these estimates are (88, 93) and (85, 90), respectively.

[27]The 95 percent confidence interval for this estimate is (79, 86).

[28]The 95 percent confidence interval for this estimate is (82, 88).

[29]The 95 percent confidence interval for this estimate is (59, 67).

[30]The 95 percent confidence interval for this estimate is (77, 84).

outside instructors who are experts in the field.[31] Additionally, an estimated 68 percent agreed the training they received over the past 3 years provided them the skills and experience to meet SEC's needs.[32]

Employee Views on Communication, Risk Aversion, and Favoritism Were Mixed

Communication. Our questionnaire asked about two kinds of agency communication: communication across divisions and communication within divisions. Based on our survey results, employees view communication across divisions less favorably than communication within divisions (see fig. 6).

- **Communication across divisions.** Less than half of employees agreed that information is adequately shared across divisions and offices at SEC, and nearly one-quarter disagreed.[33] In addition, when asked to what extent senior officers in their division or office worked to make improvements in collaboration between divisions and offices over the past 3 years, an estimated 30 percent said "to a small extent" or "to no extent," and an estimated 19 percent said "Do not know."[34] In addition, more than 20 SEC employees described communication across divisions as "siloed," either in open-ended responses to the nonexecutive survey or in individual interviews. These individuals said that relevant, cross-cutting information is either not shared with staff from other divisions or not shared in a timely manner.[35]
- **Communication within divisions**. We estimate that 62 percent of employees agreed that information is adequately shared across groups in their division or office, and an estimated 74 percent agreed

[31]The 95 percent confidence interval for this estimate is (72, 79). For employees who had worked at SEC for less than 3 years, we asked that they respond based on the period they had worked at SEC.

[32]The 95 percent confidence interval for this estimate is (65, 72). For employees who had worked at SEC for less than 3 years, we asked that they respond based on the period they had worked at SEC.

[33]The wording of this question was changed for our 2022 survey, so direct comparison to 2019 results is not possible. Specifically, in 2019, an estimated 66 percent of employees agreed that communication with other divisions and offices on work-related matters is encouraged, with a 95 percent confidence interval of (63, 70).

[34]The 95 percent confidence intervals for these estimates are (26, 33) and (16, 23), respectively.

[35]Of the 665 respondents to our survey of nonexecutive employees, 255 provided a response to at least one of our open-ended survey questions (approximately 38 percent of respondents).

that their division or office supports open, two-way communication between staff and management.[36]

Figure 6: Securities and Exchange Commission (SEC) Employees' Views on Communication, April 2022

SEC management ensures that employees are included in the flow of relevant information.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	69	65 - 73
Neither agree nor disagree	11	9 - 14
Strongly/somewhat disagree	19	16 - 22
Do not know	1	1 - 3

My division/office supports open, two-way communication between staff and management.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	74	71 - 78
Neither agree nor disagree	10	8 - 13
Strongly/somewhat disagree	15	12 - 18
Do not know	0	0 - 2

Information is adequately shared across groups in my division/office.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	62	58 - 66
Neither agree nor disagree	14	11 - 17
Strongly/somewhat disagree	21	18 - 24
Do not know	3	2 - 5

Communication across groups in my division/office has improved over the past 3 years.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	43	39- 47
Neither agree nor disagree	28	24 - 32
Strongly/somewhat disagree	18	15 - 22
Do not know	11	8 - 13

Information is adequately shared across divisions/offices at SEC (such as between Division of Enforcement and Office of Information Technology).	Estimated percentage	95% confidence interval
Strongly/somewhat agree	47	43 - 51
Neither agree nor disagree	17	14 - 20
Strongly/somewhat disagree	24	20 - 27
Do not know	13	10 - 15

Source: GAO. | GAO-23-105459

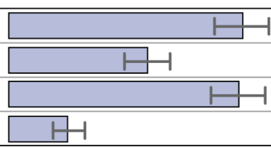
Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

[36]The 95 percent confidence intervals for these estimates are (58, 66) and (71, 78), respectively.

Risk aversion. Views were mixed on the presence of risk aversion—the condition in which the agency's ability to function effectively is hindered by the fear of taking on risk. For example, an estimated 35 percent agreed and 35 percent disagreed that the fear of being wrong makes senior officers in their division or office reluctant to take a stand on important issues (see fig. 7).[37] Similarly, an estimated 35 percent of employees agreed that fear of public scandal has made SEC overly cautious and risk-averse (an estimated 26 percent of employees disagreed with this statement, and an estimated 26 percent neither agreed nor disagreed).[38] Views on these topics were comparable to those in our 2019 review. In that review, an estimated 40 percent of employees agreed that the fear of being wrong makes senior officers in their division or office reluctant to take a stand on important issues, and an estimated 47 percent of nonsupervisors agreed that the fear of public scandal has made SEC overly cautious and risk-averse.[39]

Figure 7: Securities and Exchange Commission (SEC) Employees' Views on Risk Aversion, April 2022

In my view, the fear of being wrong makes senior officers in my division/office reluctant to take a stand on important issues.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	35	31 - 39
Neither agree nor disagree	21	18- 24
Strongly/somewhat disagree	35	31 - 39
Do not know	9	7 - 12



Source: GAO. | GAO-23-105459

Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates.

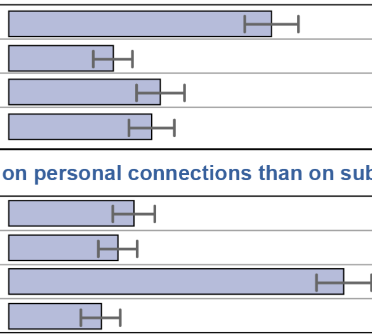
Favoritism. Based on our survey results, concerns about favoritism remained similar to 2019. Specifically, in 2019, more than one-third of employees had concerns about favoritism in SEC's promotion process, and one-quarter had such concerns about its hiring process. In 2022, these shares were approximately one-quarter and one-fifth of employees, respectively (see fig. 8). In addition, seven SEC employees in individual interviews stated that bonuses are awarded based on favoritism.

[37]The 95 percent confidence interval for these estimates is (31, 39).

[38]The 95 percent confidence intervals for all three estimates are (31, 39), (23, 30), and (23, 30), respectively.

[39]The 95 percent confidence intervals for these estimates are (37, 44) and (42, 51), respectively.

Figure 8: Securities and Exchange Commission (SEC) Employees' Views on Favoritism, April 2022



Favoritism is typically not an issue in promotions.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	40	36 - 44
Neither agree nor disagree	16	13 - 19
Strongly/somewhat disagree	23	19 - 27
Do not know	22	18 - 25

Hiring is sometimes based more on personal connections than on substantive experience or qualifications.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	19	16 - 22
Neither agree nor disagree	17	13 - 20
Strongly/somewhat disagree	51	47 - 55
Do not know	14	11 - 17

Source: GAO. | GAO-23-105459

Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

Employees Expressed Generally Unfavorable Views on Performance Management and Staffing Levels

SEC's Current Two-Tier Performance Management System

In general, SEC employees' views on the current performance management system were unfavorable (see fig. 9). SEC's current performance management system uses a two-tier scale for assessing employee performance in which employees are rated as either "accomplished performer" or "unacceptable." We estimate that 56 percent of employees disagreed that this system creates meaningful distinctions in performance among employees. In 2019, an estimated 48 percent of employees disagreed.[40] This belief is more common with each step up the hierarchical ladder of respondents—that is, from an estimated 51

[40]The 95 percent confidence intervals for these estimates are (52, 60) for 2022 and (44, 52) for 2019. At the time of our 2019 survey, SEC employees covered by the union's bargaining unit were rated under a pilot of the current performance management system in which they received an initial four-tier rating, which was converted into a final two-tier rating of acceptable or unacceptable. The current two-tier system was fully implemented in 2020.

percent of nonsupervisors, to an estimated 75 percent of supervisors, to 91 percent (52 of 57) of senior officers.[41]

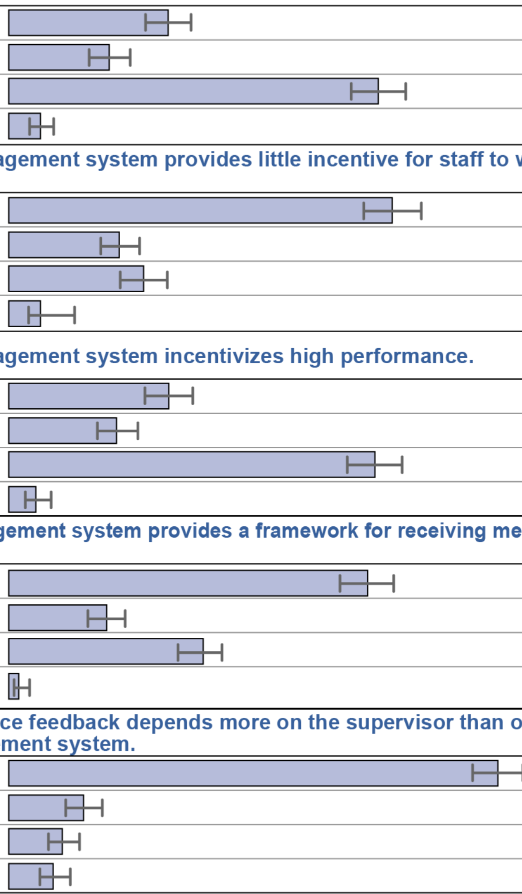
Further, over half of employees disagreed that SEC's current performance management system incentivizes high performance, and this figure also increases with each step up the hierarchical ladder—that is, from an estimated 52 percent of nonsupervisors, to an estimated 71 percent of supervisors, to 81 percent (47 of 58) of senior officers.[42] Lastly, we estimate that 74 percent of employees agreed that receiving meaningful performance feedback depends more on one's supervisor than on the structure of the current performance management system.[43]

[41]The 95 percent confidence intervals for these estimates are (47, 56) for nonsupervisors and (66, 83) for supervisors.

[42]The 95 percent confidence intervals for these estimates are (47, 56) for nonsupervisors and (63, 79) for supervisors.

[43]The 95 percent confidence interval for this estimate is (70, 78).

Figure 9: Securities and Exchange Commission (SEC) Employees' Views on SEC's Current Two-Tier Performance Management System, April 2022



SEC's current performance management system creates meaningful distinctions in performance among employees	Estimated percentage	95% confidence interval
Strongly/somewhat agree	24	21 - 28
Neither agree nor disagree	15	12 - 18
Strongly/somewhat disagree	56	52 - 60
Do not know	5	3 - 7

SEC's current performance management system provides little incentive for staff to write self-assessments of their performance.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	58	54 - 62
Neither agree nor disagree	17	14 - 20
Strongly/somewhat disagree	20	17 - 24
Do not know	5	3 - 7

SEC's current performance management system incentivizes high performance.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	24	21 - 28
Neither agree nor disagree	16	13 - 19
Strongly/somewhat disagree	55	51 - 60
Do not know	4	3 - 6

SEC's current performance management system provides a framework for receiving meaningful feedback on my performance.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	54	50 - 58
Neither agree nor disagree	15	12 - 18
Strongly/somewhat disagree	29	26 - 33
Do not know	2	1 - 3

Receiving meaningful performance feedback depends more on the supervisor than on the structure of the current performance management system.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	74	70 - 78
Neither agree nor disagree	11	9 - 14
Strongly/somewhat disagree	8	6 - 11
Do not know	7	5 - 9

Source: GAO. | GAO-23-105459

Part 1 of 2

SEC's current performance management system makes it easier for supervisors to rate staff.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	43	39 - 48
Neither agree nor disagree	20	17 - 24
Strongly/somewhat disagree	16	13 - 19
Do not know	21	17 - 24

Under SEC's current performance management system, employee performance appraisals are fair.	Estimated percentage	95% confidence interval
Strongly/somewhat agree	54	50 - 58
Neither agree nor disagree	20	17 - 23
Strongly/somewhat disagree	19	16 - 22
Do not know	7	5 - 10

Source: GAO. | GAO-23-105459

Part 2 of 2

Note: This figure reflects the views of a generalizable sample of nonexecutive SEC employees who work in a mission-critical division or office and in a mission-critical occupation. The lines overlapping the bars display the 95 percent confidence intervals for the estimates. Percentages may not add up to 100 because of rounding.

Employees' confidence in SEC's performance management system is low regarding its ability to (1) deal effectively with poor performers and (2) recognize differences in performance in a meaningful way. Specifically, from our survey, we estimate that less than one-fifth of employees and less than one-quarter of employees agreed that SEC deals effectively with poor performers and recognizes differences in performance in a meaningful way, respectively. For comparison, these numbers are generally low throughout the federal government, with an estimated 42 percent of government employees agreeing that their agency handles poor performers well and an estimated 50 percent agreeing that their agency recognizes differences in performance in a meaningful way, according to the 2021 Federal Employee Viewpoint Survey. However, SEC employee views on the performance management system are below the federal average.

In our survey, employees expressed more positive views on two aspects of a two-tier system. An estimated 54 percent agreed that employee performance appraisals under SEC's current performance management system are fair, and an estimated 19 percent disagreed that they are fair.[44] Further, an estimated 43 percent of employees agreed that SEC's

[44]The 95 percent confidence intervals for these estimates are (50, 58) and (16, 22), respectively.

current performance management system makes it easier for supervisors to rate staff (and an estimated 16 percent disagreed).[45]

Performance Management in General

Employees held unfavorable views on performance management in general, including how staff are promoted and rewarded.

- **Promoting staff.** An estimated 42 percent disagreed that the criteria for promoting staff are clearly defined.[46] In addition, when asked to what extent senior officers in their division or office worked to improve transparency in the promotion process over the past 3 years, nearly half said “to a small extent” or “to no extent.”
- **Rewarding staff.** We estimate that 34 percent of employees disagreed that the criteria for rewarding staff are clearly defined, and an estimated 44 percent disagreed that current performance incentives are effective tools to motivate employees to perform well (whereas an estimated 31 percent agreed).[47]

Staffing Levels

An estimated 53 percent of employees disagreed that their division or office has enough staff to manage the volume of work that needs to be completed (and an estimated 28 percent agreed).[48] These results are generally in line with those from our 2019 review, in which nearly 60 percent of employees disagreed and one-quarter agreed. Similarly, in the open-ended responses to our questionnaire, we received unfavorable comments from close to 30 respondents who mentioned insufficient staffing levels for completing work or staff feeling overwhelmed by their workload.

SEC Senior Officers Generally Had Favorable Views on SEC’s Personnel Management

We administered a separate questionnaire to 78 SEC senior officers in mission-critical divisions or offices and mission-critical occupations, and 58 provided responses. Overall, responses to the senior officer survey were positive—of the 69 closed-ended survey questions, 37 (approximately 54 percent) received responses that were more than two-

[45]The 95 percent confidence intervals for these estimates are (39, 48) and (13, 19), respectively.

[46]The 95 percent confidence interval for this estimate is (38, 46).

[47]The 95 percent confidence intervals for all three estimates are (30, 38), (40, 48), and (27, 35), respectively.

[48]The 95 percent confidence interval for these estimates are (49, 57) and (24, 32), respectively.

thirds positive.[49] The two areas with the most favorable responses were (1) diversity and inclusion and (2) communication between and within SEC divisions and offices. Senior officer views on communication for our 2019 survey were also favorable. However, similar to nonexecutive employees, senior officers expressed unfavorable views on performance management at SEC.[50] Senior officers also expressed unfavorable views when responding to survey questions involving recruitment, training, staff development, and resources.

SEC Made Changes to Its Incentive and Leadership Development Programs

Since our 2019 report, SEC ended performance incentive bonuses designed to recognize high-performing employees and revised another program designed to identify high-potential leaders.

SEC Ended Bonuses for High-Performing Employees

In January 2021, SEC began its first round of the Performance Incentive Bonus program. Under the program, SEC employees who demonstrated extraordinary and rare performance could receive a bonus up to $10,000 per fiscal year. According to SEC officials, the agency completed one cycle of the Performance Incentive Bonus program that covered performance from January to June 2021 and made 313 awards totaling $2.3 million. However, in February 2022, SEC and the SEC employees' union agreed that no bargaining unit employee would receive a Performance Incentive Bonus in 2022, 2023, or 2024 under a memorandum of understanding reached between the two parties regarding employee compensation, benefits, and performance.[51]

According to SEC officials in late 2021, SEC wanted to continue and expand the Performance Incentive Bonus program in 2022. SEC officials told us that their evaluation of the initial cycle of the program showed that

[49]Consistent with the Federal Employee Viewpoint Survey, we define a "positive" response as when a respondent selects either "strongly" or "somewhat" agree or either "very" or "somewhat" satisfied (or a similar combination), depending on the question's response categories.

[50]We consider responses to a question to be "unfavorable" if they were more than one-third negative.

[51]According to SEC, the agency also ended performance incentive bonuses for non-bargaining-unit employees in the interest of consistency and equity between bargaining unit and non-bargaining-unit employees.

it served as meaningful recognition for employees and resulted in a positive impact on morale. However, representatives from SEC employees' union told us that they were concerned that the inherently subjective nature of the program might make it susceptible to favoritism.[52]

Recognizing employees is an objective of SEC's human capital strategic plan. One initiative under this objective is to implement incentives to reward exceptional performance. Although SEC employees will not receive performance incentive bonuses in 2022–2024, SEC officials stated that supervisors could use other types of monetary and nonmonetary awards to recognize employee accomplishments.[53] SEC officials told us they had not yet determined what bonus program will be proposed for the 2025 compensation agreement.

SEC Replaced Program That Identified High-Potential Leaders

In fiscal year 2019, SEC announced plans to implement a Senior Leader Cohort program, which was designed to screen and select a cohort of high-potential leaders who would be certified and available to fill senior officer positions as they became vacant. According to SEC, the program was designed to provide an expedited selection process to fill mission-critical vacancies; a visible career path for high-performing, high-potential employees; and a fair, consistent, and systematic approach to select senior officers. Interested candidates were to complete assessments offered twice annually, and those candidates selected for the program would be eligible to compete with external candidates for any open senior officer position.

In 2022, SEC decided that it would no longer move forward with development of the Senior Leader Cohort program and would instead begin work on a new succession planning program in response to feedback from SEC leadership. The feedback included the need for the program to have more of a developmental focus, to not advantage

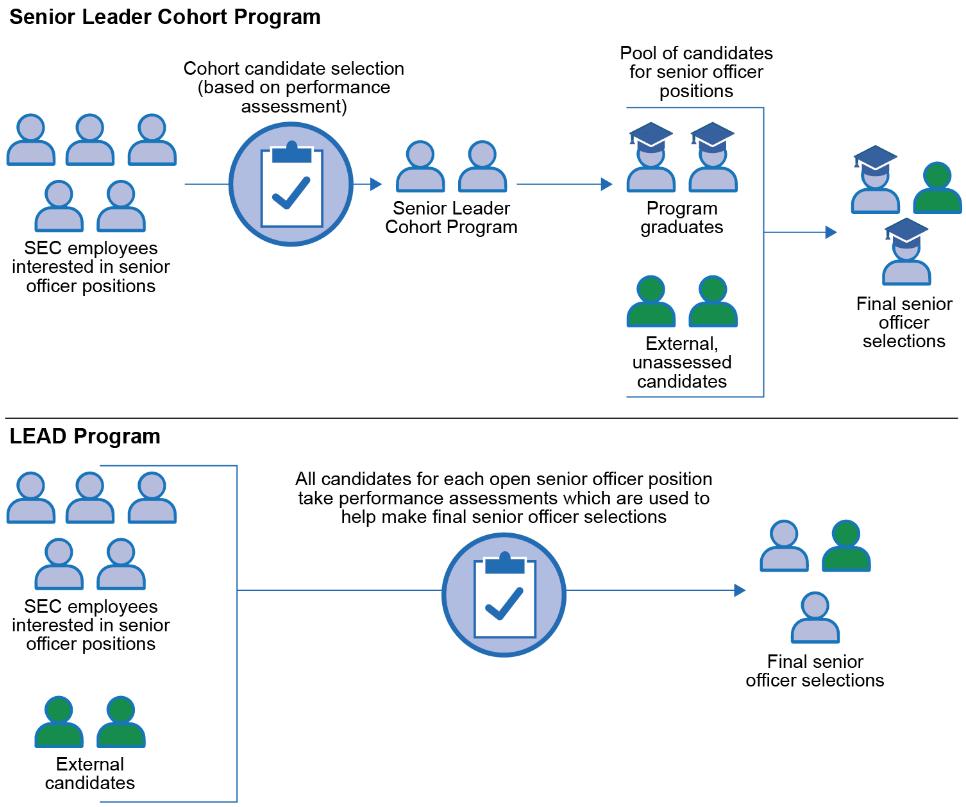
[52]In our 2019 report (GAO-20-208), we recommended that SEC develop safeguards to ensure transparency and fairness in the Performance Incentive Bonus program. In 2020, SEC took steps to fully implement this recommendation by incorporating safeguards such as multiple levels of review of Performance Incentive Bonus nominations and reviews of award demographic data.

[53]For example, SEC stated that supervisors could recognize employee contributions using Special Act, Honorary, and Time Off awards. In addition, SEC noted that Special Act awards could be made in amounts in excess of $10,000, the upper limit for Performance Incentive Bonuses. According to SEC, employees received 4,137 Special Act Awards from February 2022 (when the Performance Incentive Bonus program was ended for bargaining unit employees) to September 2022; four of these awards were made in amounts of $5,000 or more.

internal SEC candidates over external candidates, to not discourage employees who were not selected for the cohort, and to not unnecessarily limit the flexibility of division or office heads in selecting senior leaders, according to SEC. SEC named the new program the Leadership Evaluation, Accession, and Development (LEAD) program. SEC is currently piloting the LEAD program in one division and seven offices and plans to implement the program agency-wide in calendar year 2023.

SEC's LEAD program separates the assessment process for senior officer positions from the developmental resources available to employees interested in leadership positions. Whereas the developmental resources under the Senior Leader Cohort program were limited to those employees selected for the cohort, under the LEAD program, any SEC employee can participate in self-directed leadership training and experiential activities. According to SEC officials, a self-assessment tool will be available to evaluate employees' knowledge and experience in critical leadership competency areas. Separately, SEC will administer standardized assessments (like those in the Senior Leader Cohort program) to internal and external candidates for leadership vacancies under an updated senior officer hiring process (see fig. 10).

Figure 10: SEC Senior Officer Selection under Senior Leader Cohort Program Compared to the Leadership Evaluation, Accession, and Development (LEAD) Program



Source: GAO analysis of Securities and Exchange Commission (SEC) information. | GAO-23-105459

SEC Has Initiated Diversity and Inclusion Efforts but Lacks Related Performance Measures

SEC Has Initiated a Number of Diversity and Inclusion Efforts

SEC's diversity and inclusion efforts are led by SEC's Office of Minority and Women Inclusion and guided by the diversity and inclusion strategic plan for fiscal years 2020–2022.[54] Since the publication of the strategic plan, SEC has initiated a number of new diversity and inclusion efforts, including the following:

- SEC issued a policy in 2021 on screening and interviewing job candidates that seeks to improve fairness, diversity, and inclusion throughout the hiring process. This policy encourages divisions and offices to convene a diverse group of interviewers for hiring interview panels. Furthermore, the policy requires all supervisory interviews to include at least one question that addresses the need for SEC supervisors to support a diverse and inclusive workplace.
- SEC updated and began offering training on unconscious bias starting in fiscal year 2020. This course, Conscious Equity 2.0, is targeted at managers and supervisors and is intended to help them create a workplace in which employees feel safe and empowered.
- SEC created a professional development program for minority leaders in fiscal year 2021. The Connections, Opportunities, Relationships, Equity program aims to give minority leaders the tools and techniques they need to improve their leadership effectiveness and advance their careers.
- SEC is also piloting the Diversity, Equity, Inclusion, and Accessibility Assessment Program. This program is designed to help SEC's divisions and offices understand the status of their diversity and inclusion efforts and the steps needed to mature them. According to

[54]Securities and Exchange Commission, *Diversity and Inclusion Strategic Plan: Fiscal Years 2020–2022*, (Washington, D.C.: 2020). Section 342 of the Dodd-Frank Act required certain federal agencies—including SEC—to establish an Office of Minority and Women Inclusion and take certain other steps to further diversity and inclusion within the agency's workforce, programs, contracts, and other activities. Pub. L. No. 111-203, § 342, 124 Stat. 1541-44 (codified at 12 U.S.C. § 5452).

SEC officials, SEC plans to fully implement the program across the agency in fiscal year 2023.

- SEC, in partnership with the Hispanic Association of Colleges and Universities, established the Diversity and Inclusion Internship Program, a paid early-career program for diverse candidates to join SEC. The first cohort of 18 students began their internships at the end of fiscal year 2021.

As discussed previously, according to our 2022 survey, mission-critical SEC employees generally had favorable views on SEC's diversity and inclusion efforts. SEC officials told us they plan to develop a draft of the fiscal year 2023–2026 diversity and inclusion strategic plan in the fall of 2022 and to complete it in April 2023.

SEC Lacks Performance Measures Related to Its Diversity and Inclusion Goals

SEC's plan for fiscal years 2020–2022 sets forth five overarching goals in support of diversity and inclusion: demonstrate leadership commitment and accountability, foster a connected culture, build a diverse pipeline, leverage diversity and inclusion for mission effectiveness, and promote business diversity with SEC stakeholders. SEC's plan also describes several planned agency actions in support of the goals. However, SEC did not develop performance measures that it could use to track the agency's progress toward achieving its diversity and inclusion goals.

Our leading practices for diversity and inclusion management state that quantitative and qualitative performance measures help ensure that diversity goals become practice.[55] In addition, leading practices we have identified for program management state that agencies should use performance measures to track progress toward goals.[56] In previous work, we have developed overarching attributes that are key to successful performance measures, including that they align with goals and are clear, measurable, objective, and reliable, and that they focus on core program activities and government-wide priorities.[57]

SEC officials acknowledged that they did not develop performance measures related to the goals in the agency's first diversity and inclusion strategic plan. SEC officials told us they plan to develop performance measures related to the goals in the diversity and inclusion strategic plan

[55]GAO-05-90.

[56]GAO-21-404SP.

[57]GAO-03-143.

for fiscal years 2023–2026. According to SEC officials, they expect to release the new plan in April 2023. As of October 2022, the beginning of fiscal year 2023, SEC had not yet completed a draft of its next strategic plan. SEC officials told us that they plan to develop performance measures based on Office of Personnel Management guidance and Executive Order 14035, the latter of which requires agencies to measure and report annually on progress toward certain diversity and inclusion goals.[58] However, SEC officials did not provide details or documentation of this effort. Developing measures consistent with key attributes we have previously identified would help SEC better track the progress it is making toward achieving its diversity and inclusion goals. Improved tracking, in turn, could help SEC to understand which of its efforts are effective and target resources toward goals that may need more attention.

Conclusions

Our surveys show that SEC employees' views on morale, trust, and direct supervisors have improved since 2013. Since our 2019 report, SEC published its first diversity and inclusion strategic plan for fiscal years 2020–2022 and implemented a number of diversity and inclusion initiatives. However, SEC lacks performance measures related to its diversity and inclusion strategic goals. Developing performance measures that align with goals and that are clear, measurable, objective, and reliable as part of its diversity and inclusion strategic plan for fiscal years 2023–2026 would allow SEC to better track the progress it is making toward achieving its diversity and inclusion goals. Additionally, establishing performance measures could help SEC more effectively target its resources to further these goals.

Recommendation for Executive Action

The Director of SEC's Office of Minority and Women Inclusion should ensure that performance measures for SEC's diversity and inclusion strategic plan for fiscal years 2023–2026 align with the plan's goals and are clear, measurable, objective, and reliable. (Recommendation 1)

Agency Comments

We provided SEC a draft of this report for its review and comment. SEC provided written comments, which are reprinted in appendix V. SEC also provided technical comments, which we incorporated as appropriate.

[58]Exec. Order. No. 14035, *Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce*, 86 Fed. Reg. 34,593 (June 30, 2021). *See*, *e.g.*, § 4(c), 6(b), 7(b), 86 Fed. Reg. 34,596, 34,598. The executive order excludes independent regulatory agencies—such as SEC—from its purview, but strongly encourages such agencies to comply. §§ 2(f), 15(c), 86 Fed. Reg. 34,594, 34,602.

In its written comments, SEC stated that it concurred with our recommendation to ensure that performance measures for its fiscal year 2023-2026 diversity and inclusion strategic plan align with the plan's goals and are clear, measurable, objective, and reliable. SEC stated that it appreciated our insights related to its human capital management programs and practices. SEC also noted that it is committed to fostering a culture that promotes diversity, awareness, inclusion, and mutual respect within its workforce.

We are sending copies of this report to the appropriate congressional committees, the Chair of the Securities and Exchange Commission, and other interested parties. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at 202-512-8678 or clementsm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.

Michael Clements

Michael E. Clements
Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report examines (1) employees' views on the Securities and Exchange Commission's (SEC) personnel management, (2) personnel management practices SEC implemented since our 2019 report on the issue, and (3) SEC's diversity and inclusion efforts related to personnel management and its diversity strategic planning.[1]

Analysis of Employees' Views on SEC's Personnel Management

To examine employees' views on SEC's personnel management, we conducted two surveys of SEC staff, performed a content analysis of open-ended responses to our surveys, and conducted individual interviews.

Surveys. We implemented two web-based questionnaires from April 2022 to May 2022. We administered the first questionnaire to a stratified random sample of 931 nonexecutive employees in mission-critical occupations in mission-critical divisions and offices. We administered the second questionnaire to all 78 senior officers in mission-critical occupations in mission-critical divisions and offices.[2]

To determine our sample of nonexecutive employees, we stratified the population of mission-critical SEC employees into sampling strata by office and division to help mitigate the risk that a particular part of SEC could be over- or underrepresented by the respondents to our questionnaire. We stratified the Divisions of Enforcement and Examinations into two further categories ("headquarters" and "regional office") because these divisions have a majority of their staff located in one of SEC's 11 regional offices. Table 2 shows the total number of employees and the number of employees selected in our sample for each of the strata. Prior to selecting the sample, we sorted the sample frame by

[1]GAO, *Securities and Exchange Commission: Personnel Management Shows Improvement, but Action Needed on Performance Management System*, GAO-20-208 (Washington, D.C.: Dec. 19, 2019).

[2]SEC has designated five occupations—attorneys, accountants, examiners, economists, and information technology specialists—as mission-critical because they reflect SEC's primary mission and because mission-critical work cannot be completed without them. SEC has also designated three offices and six divisions—the Offices of Information Technology, Credit Ratings, and the Chief Accountant, and the Divisions of Corporation Finance, Enforcement, Examinations, Investment Management, Economic and Risk Analysis, and Trading and Markets—as mission-critical offices and divisions because they are primarily responsible for implementing the agency's mission. The nonexecutive survey included nonsupervisors and supervisors in the five occupational categories and in the nine divisions or offices designated by SEC as mission-critical. Our survey populations for both surveys consisted of employees who were employed at SEC as of December 9, 2021, according to SEC data.

supervisory status within each stratum.[3] We then selected the sample via systematic random sampling within each stratum.[4] Our initial sample size allocation was designed to achieve a stratum-level margin of error no greater than plus or minus 8 percentage points at the 95 percent level of confidence.

Table 2: Population Counts and Initial Sample Sizes for SEC's Mission-Critical Offices and Divisions Included in GAO's Nonexecutive Employee Survey

Stratum	Total number of employees, as of December 9, 2021	Number of employees in sample
Division of Examinations—Regional Office	696	124
Division of Examinations—Headquarters	225	91
Division of Enforcement—Regional Offices	621	121
Division of Enforcement—Headquarters	425	111
Division of Corporation Finance	347	105
Division of Trading and Markets	192	85
Office of Information Technology	169	80
Division of Investment Management	165	79
Division of Economic and Risk Analysis	105	62
Office of Credit Ratings	85	55
Office of the Chief Accountant	37	37
Total	**3,067**	**950**

Source: GAO analysis of Securities and Exchange Commission (SEC) data. | GAO-23-105459

After selecting the sample we learned that the Office of the Chief Accountant was incorrectly designated as a non-mission-critical office in the SEC employee data. Instead of redesigning and reselecting a new sample, we added all mission-critical employees in the Office of the Chief Accountant to our sample as a new stratum. This addition of a new stratum did not affect the design specifications for the remainder of the sample, though it did slightly improve the overall margin of error. As a result of this addition, the total sample size increased from 913 to 950. We combined the Offices of the Chief Accountant and Credit Ratings for the purposes of analysis to facilitate comparison with the results from our

[3]In our population frame, supervisory staff included employees in SEC's pay plan grades SK-15 and SK-17. Similarly, nonsupervisory staff generally included employees in SEC's pay plan grades SK-16 and SK-14 and below.

[4]This approach ensured that our sample within each SEC mission-critical office or division was representative of the office or division's mix of entry-level, midlevel, and supervisory staff.

2019 survey. Because some employees left SEC between the time we obtained a list of SEC employees and the launch of the survey, the final sample size decreased from 950 to 931.

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval. This is the interval that would contain the actual population value for 95 percent of the samples we could have drawn. We provide confidence intervals along with each sample estimate in the report. All survey results presented in the body of this report are generalizable to the estimated population of 3,067 in-scope mission-critical employees at SEC as of December 9, 2021.

For our survey of nonexecutive employees in the mission-critical offices and divisions, 665 nonsupervisors and supervisors responded, for a weighted response rate of 71 percent.[5] For our survey of all mission-critical senior officers, 58 responded to our questionnaire, for a response rate of 74 percent.[6] We carried out a statistical nonresponse bias analysis for the survey of mission-critical employees using available administrative data and used post-stratification to adjust the sampling weights for differential rates of response between supervisory and nonsupervisory employees. With this adjustment of the sampling weights for nonresponse bias, the results of the survey are generalizable to SEC's mission-critical employees. We do not attempt to extrapolate the findings of our senior officer survey to those who chose not to participate.

Each GAO questionnaire of SEC staff included questions on personnel management issues related to (1) recruitment, training, staff development, and resources; (2) communication among and within divisions and offices; (3) leadership and management; (4) performance management and promotions; (5) organizational culture and climate; and (6) diversity and inclusion. The separate questionnaire of all mission-critical SEC senior officers covered the same topic areas but omitted questions not relevant to senior officers and included additional questions

[5]Both the weighted and unweighted response rates were 71 percent when rounded to the nearest whole number.

[6]For the senior officer survey, employees were in SEC's pay plan grades SO-1, SO-2, or SO-3.

specifically relevant to senior officers. Our questionnaires included both multiple-choice and open-ended questions. We analyzed the results of our 2022 survey of supervisory and nonsupervisory staff and senior officers, and we compared the results with the results of similar surveys we conducted in 2013, 2016, and 2019 to determine the extent to which staff views have changed.[7]

To minimize certain types of errors, commonly referred to as nonsampling errors, and enhance data quality, we employed recognized survey design practices in the development of the questionnaires and the collection, processing, and analysis of the survey data. To develop our survey questions, we drew on our prior SEC personnel management questionnaires. For both of our 2022 questionnaires, we took steps to ensure that questions from 2019 were still relevant and to determine if new issues warranted new questions. To do this, we reviewed information from individual interviews with current and former employees, met with four mission-critical employees to pretest the nonexecutive questionnaire, and met with two senior officers to obtain their feedback on the senior officer questionnaire. As a result of these meetings, for example, we added a new section of questions on diversity and inclusion and five new questions on pandemic-related telework. In addition, a GAO survey expert reviewed and provided feedback on our questionnaire.

To reduce nonresponse, another source of nonsampling error, we sent multiple emails encouraging SEC employees to complete the questionnaires, and we made telephone calls to nonrespondents to encourage participation and troubleshoot any logistical issues in accessing the questionnaire. We also had respondents complete questionnaires online to eliminate errors associated with manual data entry. Based on our application of these practices and follow-up procedures, we determined that the survey data were of sufficient quality for the purpose of obtaining employees' views on SEC's personnel management.

Content analysis. To analyze the information we obtained from the open-ended survey responses, we conducted a content analysis on the

[7]See GAO-20-208; GAO, *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (Washington, D.C.: Dec. 29, 2016); and *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

588 responses to the seven open-ended survey questions from the nonexecutive questionnaire. Five staff members developed coding categories based on our researchable questions, information collected during our individual interviews, and the findings from our 2019 report.[8] Coding categories included: (1) job vacancies, (2) workplace culture, (3) diversity and inclusion, (4) telework, (5) communication, (6) performance management, (7) supervisors and managers, (8) training, and (9) recommendations for improvement. For each of the responses to the seven open-ended questions, a GAO analyst categorized the response into the respective coding categories. A second GAO analyst reviewed the coding, and any disagreements in the coding were resolved through discussion.

Individual interviews. In January and February 2022, we held interviews with 56 current employees to obtain their views on personnel management at SEC.[9] Using information provided by SEC, we mailed a letter to each of the 593 employees who separated from SEC between December 2018 and November 2021 and offered them an opportunity to schedule a meeting with us. We interviewed 20 of these former SEC employees in February 2022. We asked certain questions of every person we interviewed related to (1) what personnel management practices were working well, (2) what challenges existed in personnel management, and (3) what initiatives, if any, SEC had taken to address these challenges.

GAO analysts summarized themes that emerged from these individual interviews and used them to identify key issues related to SEC's personnel management and inform the design of our surveys.

Review of SEC's Personnel Management Practices and Diversity and Inclusion Efforts

To obtain information on SEC's personnel management practices implemented since 2019 and its diversity and inclusion efforts related to personnel management and its diversity strategic planning, we reviewed relevant SEC documents and interviewed SEC officials. We also interviewed officials from SEC's Office of Inspector General and representatives from the SEC employees' union. Additionally, we reviewed academic literature related to personnel management at SEC and a report of a management consultant engaged by SEC.

[8] GAO-20-208.

[9] We provided opportunities for SEC employees to communicate with us individually. Specifically, we set up a GAO phone number and email address for SEC employees to use to arrange a meeting with our team or provide information.

To describe SEC's personnel management practices implemented since 2019, we reviewed several types of SEC documents such as agency internal training materials, briefings provided to agency leadership, and communications between agency officials. For example, we reviewed SEC's human capital strategic plan for fiscal years 2020–2022 and documents related to SEC's performance management system. We also interviewed officials from the Office of Human Resources.

To evaluate SEC's diversity and inclusion efforts related to personnel management and its diversity strategic planning, we reviewed documents such as SEC's diversity and inclusion strategic plan for fiscal years 2020–2022 and the Office of Minority and Women Inclusion's annual reports to Congress. We also interviewed officials from the Office of Minority and Women Inclusion. We compared SEC's practices against leading practices for diversity and inclusion management, program management, and performance measurement identified in prior GAO work.[10]

We used SEC data extracted from the Department of the Interior's Federal Personnel/Payroll System to construct the sample frames for our two surveys, describe employment demographics, and develop summary tables in our appendixes.[11] To determine the reliability of these data, we reviewed related documentation, tested the data for missing data and errors, and obtained written responses from SEC employees about data quality and control. We assessed the reliability of all of the data we used during this review and determined they were sufficiently reliable for the purposes of selecting our survey sample, describing employment demographics at SEC, and developing summary tables on staffing ratios and turnover.

We conducted this performance audit from October 2021 to December 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

[10]GAO, *Diversity Management: Expert-Identified Practices and Agency Examples*, GAO-05-90 (Washington, D.C.: Jan. 14, 2005); *Program Evaluation: Key Terms and Concepts*, GAO-21-404SP (Washington, D.C.: Mar. 22, 2021); and *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, GAO-03-143 (Washington, D.C.: Nov. 22, 2002).

[11]The Federal Personnel/Payroll System is a mainframe-based personnel and payroll system that supports numerous agencies. The data contained in this system include number of employees, employees' start and separation dates, employees' performance ratings, demographic information, and awards data for employees.

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Selected Responses from GAO's 2013, 2016, 2019, and 2022 Surveys of SEC Staff

Figure 11 shows the results of eight questions related to personnel management from our 2013, 2016, 2019, and 2022 surveys of Securities and Exchange Commission (SEC) employees in mission-critical occupations in mission-critical divisions and offices.[1] However, there are important limitations in comparing the results of our 2022 survey to the previous surveys.

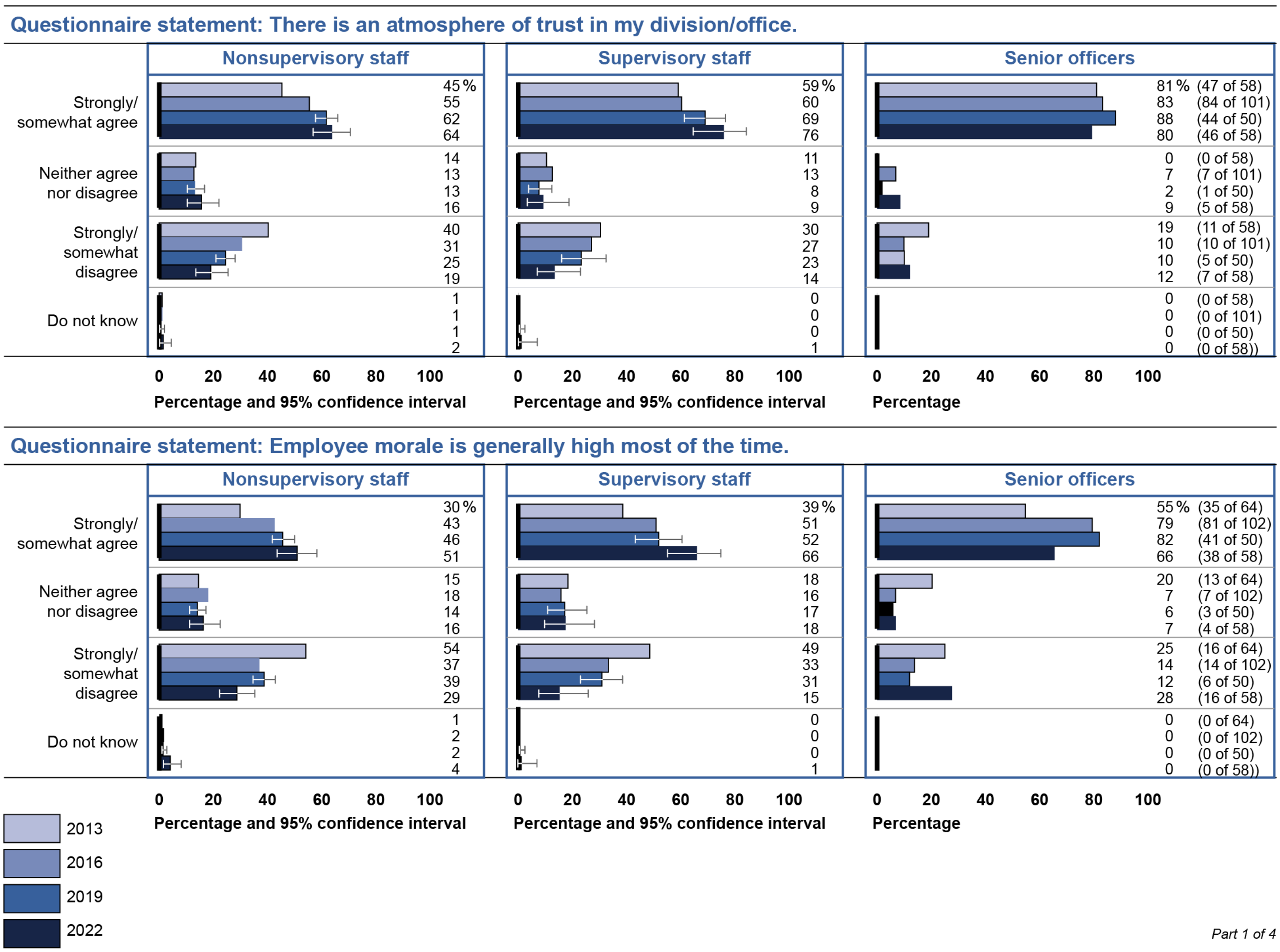
- The results of our 2019 and 2022 surveys are generalizable to all mission-critical nonexecutive employees, but the results of our 2013 and 2016 surveys are not.
- For our 2019 survey, we changed the definition of mission-critical to reflect changes SEC had made to its mission-critical designations. The divisions, offices, and occupational categories largely remained the same across the 4 survey years, with two exceptions. First, for our 2019 and 2022 surveys, we added the Offices of Information Technology, Credit Ratings, and the Chief Accountant to the category of mission-critical offices and divisions. Second, for these surveys, we removed financial analysts and added information technology specialists to our list of mission-critical occupations.[2]
- While we administered our 2013 and 2016 surveys to all mission-critical employees, we administered the 2019 and 2022 surveys to a representative sample of mission-critical employees. Therefore, we present our 2019 and 2022 results as estimated percentages with bands representing the range of results within a 95 percent confidence interval.
- When comparing our 2022 results from these eight questions to the 2019 survey results, we found that employees' views on these questions were within the confidence intervals of the 2022 results. In these cases, we cannot conclude whether the changes are statistically significant. Therefore, we could not conclude whether

[1]These questions cover key topics related to personnel management that we highlighted in each of our four reports in this series. See GAO, *Securities and Exchange Commission: Personnel Management Shows Improvement, but Action Needed on Performance Management System*, GAO-20-208 (Washington, D.C.: Dec. 19, 2019); *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (Washington, D.C.: Dec. 29, 2016); and *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

[2]For our 2022 survey, the results include occupational categories for accountants, attorneys, examiners, economists, and information technology specialists in the Offices of Information Technology, Credit Ratings, and the Chief Accountant and the Divisions of Corporation Finance, Enforcement, Examinations, Investment Management, Economic and Risk Analysis, and Trading and Markets.

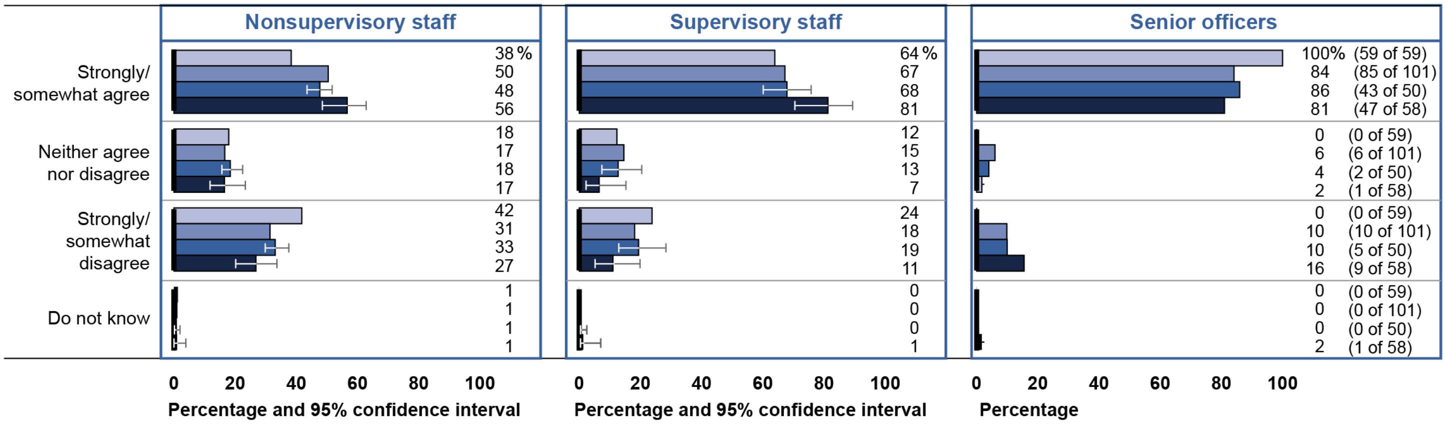
employees' views improved or worsened because changes in employees' views were within the confidence intervals or were only seen on either the "agree" or "disagree" side of the survey scale, not both.

Figure 11: Securities and Exchange Commission (SEC) Employees' Views on Personnel Management from GAO's 2013, 2016, 2019, and 2022 Surveys

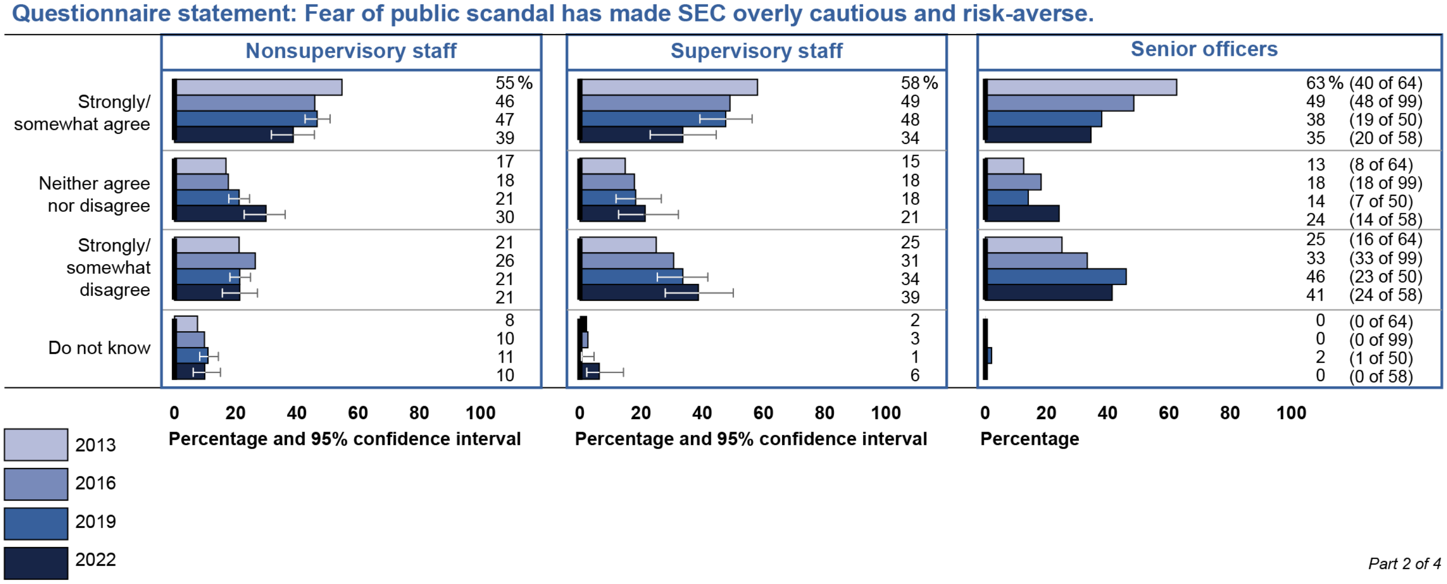


Source: GAO. | GAO-23-105459

Questionnaire statement: I have a voice in decisions that affect me and my work environment.



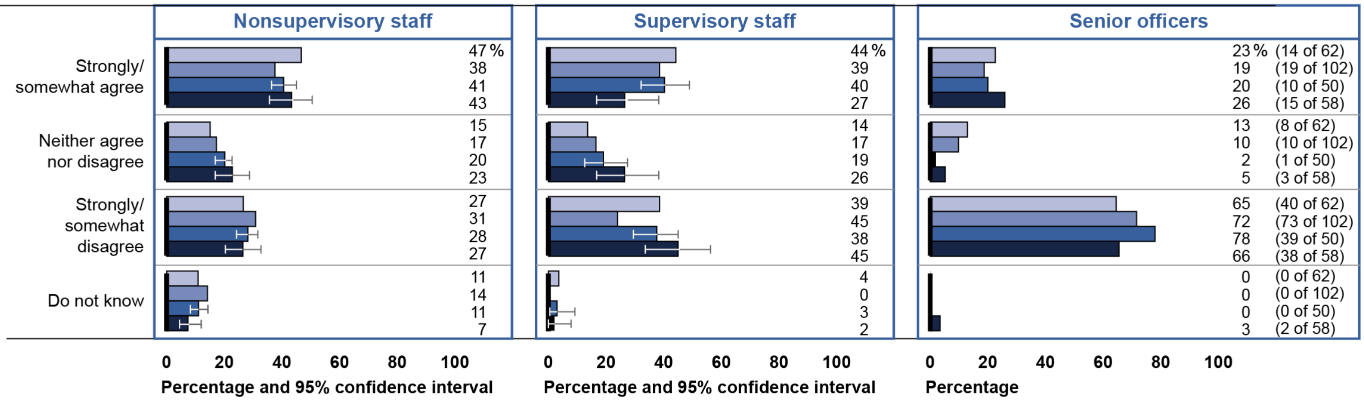
Questionnaire statement: Fear of public scandal has made SEC overly cautious and risk-averse.



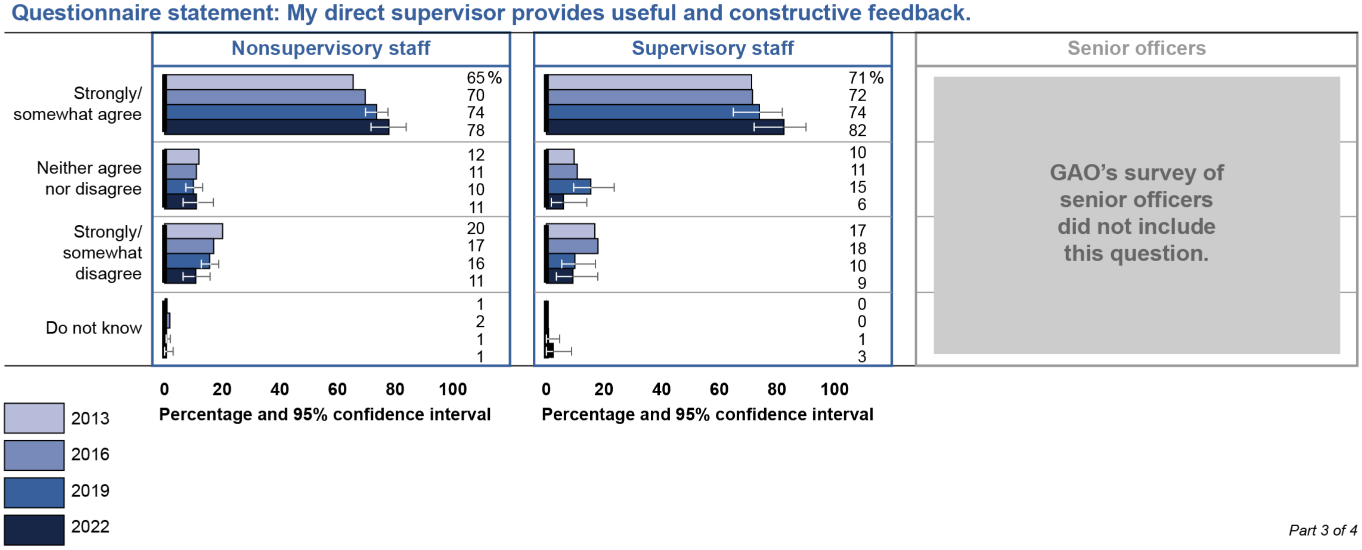
Part 2 of 4

Source: GAO. | GAO-23-105459

Questionnaire statement: In my view the fear of being wrong makes senior officers in my division/office reluctant to take a stand on important issues.



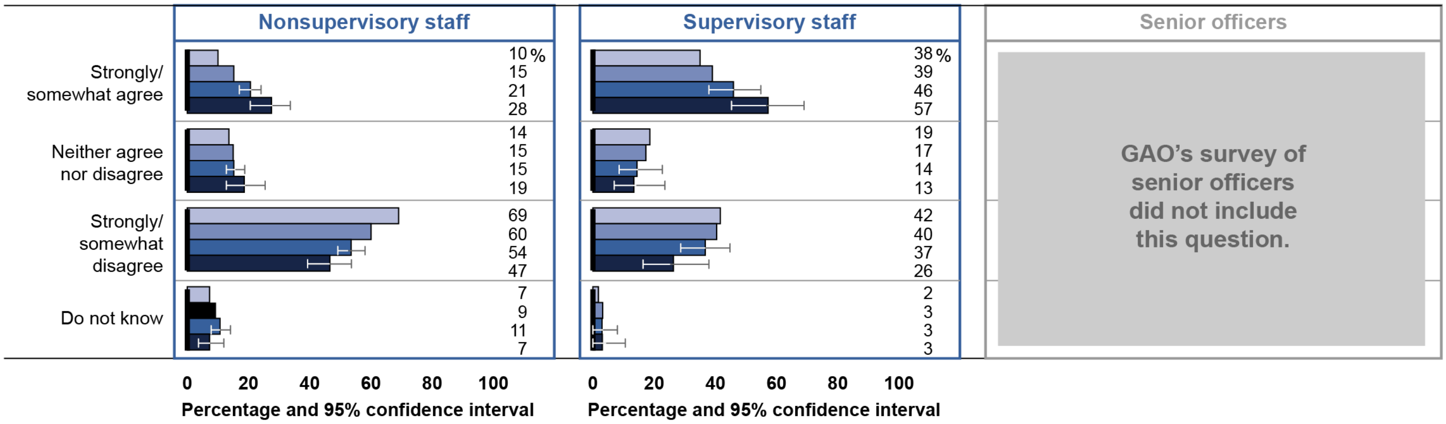
Questionnaire statement: My direct supervisor provides useful and constructive feedback.



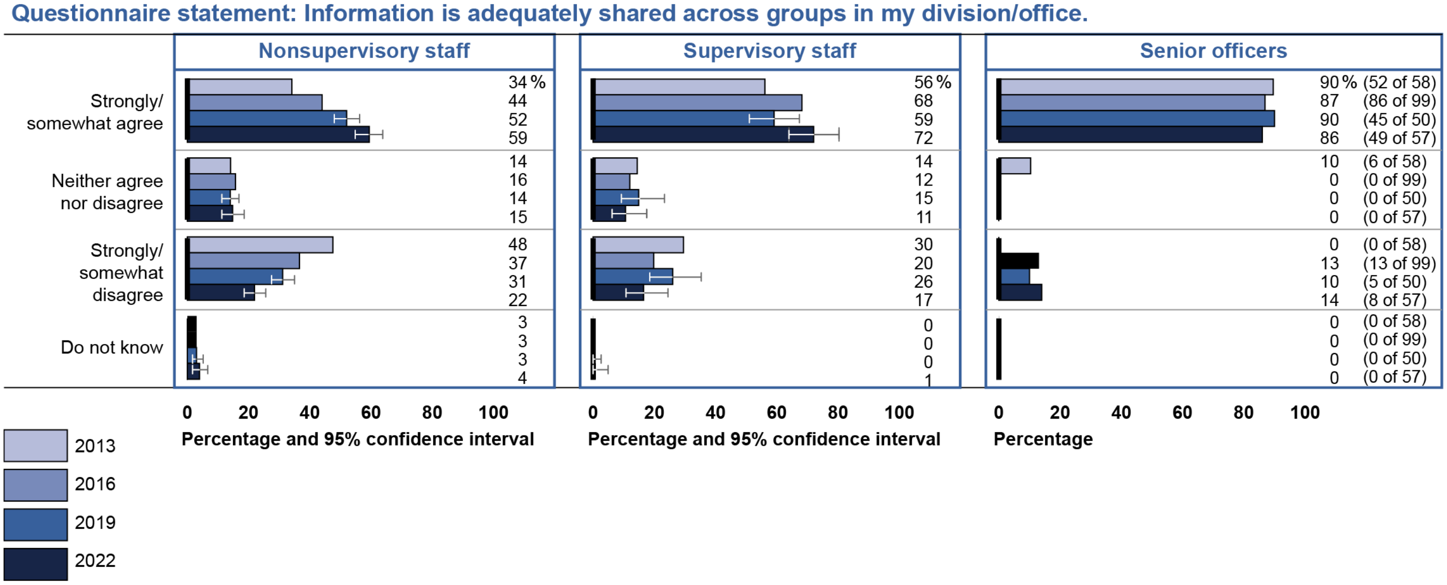
Part 3 of 4

Source: GAO. | GAO-23-105459

Questionnaire statement: The criteria for promoting staff are clearly defined.



Questionnaire statement: Information is adequately shared across groups in my division/office.



Source: GAO. | GAO-23-105459

Part 4 of 4

Note: This figure reflects the survey responses of nonexecutive SEC employees in mission-critical occupational categories and mission-critical divisions and offices and all senior officers in mission-critical occupational categories and mission-critical divisions and offices. There are important limitations in comparing the results of our 2022 and 2019 surveys to those of the 2013 and 2016 surveys. First, while results of the 2019 and 2022 surveys were generalizable to all mission-critical employees, the 2013 and 2016 results were not. Second, for our 2019 and 2022 surveys we expanded the definition of mission-critical to include the Offices of Information Technology, Credit Ratings, and the Chief Accountant and information technology specialists. We also removed financial analysts from our list of mission-critical occupations. Third, while we surveyed a representative sample of mission-critical employees for our 2019 and 2022 surveys, we surveyed all mission-critical employees in the previous surveys. We present our 2019 and 2022 results as estimated percentages and ranges within a 95 percent confidence interval. We present the results of the 2013 and 2016 surveys as tabulations from a census survey. Percentages may not add up to 100 because of rounding.

Appendix III: Ratios of SEC Supervisors and Senior Officers, Fiscal Years 2013–2021

Section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act included a provision for us to review whether there is an "excessive number of low-level, mid-level, or senior-level managers" at the Securities and Exchange Commission (SEC).[1] We did not identify any standards that have been established for evaluating excessive numbers of supervisors. Therefore, we are reporting on the ratio of SEC employees at various levels for fiscal years 2013 through 2021 in mission-critical offices and divisions. Table 3 provides the ratio of nonsupervisors to supervisors at SEC. Table 4 provides the ratio of nonsupervisors to senior officers, and table 5 provides the ratio of supervisors to senior officers.

Table 3: Ratio of Nonsupervisors to Supervisors in Mission-Critical Offices and Divisions at the Securities and Exchange Commission (SEC), Fiscal Years 2013–2021

	Ratio of nonsupervisors to supervisors								
	FY 13	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Division									
Division of Corporation Finance	5.1	5.0	5.3	5.0	5.0	4.2	4.2	5.2	4.9
Division of Economic and Risk Analysis	7.7	7.4	7.3	7.4	7.8	8.6	7.5	9.7	9.1
Division of Enforcement	7.6	8.0	7.6	6.6	7.3	6.6	6.2	6.2	6.3
Division of Investment Management	3.8	4.5	4.0	4.7	4.2	3.9	4.3	4.3	4.7
Division of Trading and Markets	4.7	4.2	4.9	4.9	4.6	4.7	5.0	4.9	5.1
Division of Examinations	3.5	3.5	3.4	3.4	3.4	3.4	3.2	3.2	3.3
Office of Information Technology	n/a[a]	n/a[a]	n/a[a]	3.6	3.4	3.8	3.5	3.6	4.1
Office of the Chief Accountant	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	6.3	5.8	11.3	8.5
Office of Credit Ratings	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	4.6	4.3	5.0	7.4

Legend: FY = fiscal year; n/a = not applicable

Source: GAO analysis of SEC data. | GAO-23-105459

[a]We did not include data for fiscal years 2013–2015 because SEC designated the Office of Information Technology as mission-critical in 2016, according to SEC officials.

[b]We did not include data for fiscal years 2013–2017 because SEC designated the Offices of the Chief Accountant and Credit Ratings as mission-critical in 2018, according to SEC officials.

[1]Pub. L. No. 111-203, § 962(b)(1)(G), 124 Stat. 1376, 1909 (2010) (codified at 15 U.S.C. §78d-7(b)(1)(G)).

Table 4: Ratio of Nonsupervisors to Senior Officers in Mission-Critical Offices and Divisions at the Securities and Exchange Commission (SEC), Fiscal Years 2013–2021

	Ratio of nonsupervisors to senior officers								
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Division									
Division of Corporation Finance	31.9	30.5	31.2	31.4	25.8	24.4	28.5	29.6	31.8
Division of Economic and Risk Analysis	28.3	22.2	26.2	31.0	24.7	27.6	37.7	31.5	23.6
Division of Enforcement	31.4	30.3	32.8	31.9	29.0	29.5	31.7	30.4	31.2
Division of Investment Management	16.8	18.6	18.4	19.5	19.4	15.8	15.3	19.0	32.6
Division of Trading and Markets	16.7	15.2	12.8	15.5	15.0	14.1	15.9	16.8	21.0
Division of Examinations	32.1	40.4	32.2	35.5	36.0	33.7	34.7	32.2	29.0
Office of Information Technology	n/a[a]	n/a[a]	n/a[a]	34.8	22.3	23.2	26.6	23.7	31.8
Office of the Chief Accountant	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	8.8	17.5	6.8	8.5
Office of Credit Ratings	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	16.0	15.0	17.5	18.5

Legend: FY = fiscal year; n/a = not applicable

Source: GAO analysis of SEC data. | GAO-23-105459

[a]We did not include data for fiscal years 2013–2015 because SEC designated the Office of Information Technology as mission-critical in 2016, according to SEC officials.

[b]We did not include data for fiscal years 2013–2017 because SEC designated the Offices of the Chief Accountant and Credit Ratings as mission-critical in 2018, according to SEC officials.

Table 5: Ratio of Supervisors to Senior Officers in Mission-Critical Offices and Divisions at the Securities and Exchange Commission (SEC), Fiscal Years 2013–2021

	Ratio of supervisors to senior officers								
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Division									
Division of Corporation Finance	6.2	6.1	5.9	6.3	5.2	5.8	6.7	5.7	6.5
Division of Economic and Risk Analysis	3.7	3.0	3.6	4.2	3.2	3.2	5.0	3.3	2.6
Division of Enforcement	4.1	3.8	4.3	4.8	4.0	4.5	5.1	4.9	5.0
Division of Investment Management	4.4	4.1	4.6	4.1	4.6	4.0	3.6	4.4	7.0
Division of Trading and Markets	3.5	3.6	2.6	3.1	3.3	3.0	3.2	3.4	4.1
Division of Examinations	9.2	11.5	9.5	10.4	10.7	10.0	10.9	10.0	8.7
Office of Information Technology	n/a[a]	n/a[a]	n/a[a]	9.8	6.7	6.2	7.6	6.5	7.8
Office of the Chief Accountant	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	1.4	3.0	0.6	1.0
Office of Credit Ratings	n/a[b]	n/a[b]	n/a[b]	n/a[b]	n/a[b]	3.5	3.5	3.5	2.5

Legend: FY = fiscal year; n/a = not applicable

Source: GAO analysis of SEC data. | GAO-23-105459

[a]We did not include data for fiscal years 2013–2015 because SEC designated the Office of Information Technology as mission-critical in 2016, according to SEC officials.

[b]We did not include data for fiscal years 2013–2017 because SEC designated the Offices of the Chief Accountant and Credit Ratings as mission-critical in 2018, according to SEC officials.

Appendix IV: Percentage of Staff Who Left SEC, Fiscal Years 2013–2021

Section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act included a provision for us to review turnover within Securities and Exchange Commission (SEC) subunits, including consideration of supervisors whose subordinates have an unusually high rate of turnover.[1] We previously reported that Merit Systems Protection Board officials noted that turnover was not a good indicator of poor supervision for several reasons.[2] For example, staff may leave to pursue opportunities with a different employer or a different career path, or for personal reasons. Tables 6 and 7 show the percentage of staff who left SEC from fiscal years 2013 through 2021 from headquarters and the 11 regional offices, respectively. Table 8 shows the total number of staff who left SEC during the same period.

[1]Pub. L. No. 111-203, § 962(b)(1)(F), 124 Stat. 1376, 1909 (2010) (codified at 15 U.S.C. §78d-7(b)(1)(F)).

[2]GAO, *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (Washington, D.C.: Dec. 29, 2016) and *Securities and Exchange Commission: Improving Personnel Management Is Critical for Agency's Effectiveness*, GAO-13-621 (Washington, D.C.: July 18, 2013).

Table 6: Mission-Critical Headquarters Staff Who Left the Securities and Exchange Commission (SEC), Fiscal Years 2013–2021

		Percentage separated (total staff)								
Reason for separation	**Employee category**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Retirement	Nonsupervisors	1.3 (1,420)	1.7 (1,450)	1.3 (1,512)	0.5 (1,751)	1.5 (1,748)	1.1 (1,710)	1.1 (1,296)	1.4 (1,339)	2.0 (1,313)
	Supervisors	2.3 (263)	2.2 (268)	1.1 (283)	1.5 (341)	1.5 (344)	1.1 (351)	1.7 (299)	2.4 (294)	1.7 (290)
	Senior officers	3.1 (65)	4.7 (64)	0.0 (71)	2.7 (75)	2.5 (80)	10.5 (86)	0.0 (64)	2.9 (69)	3.1 (65)
Resignation	Nonsupervisors	3.9 (1,420)	4.6 (1,450)	3.9 (1,512)	3.1 (1,751)	3.2 (1,748)	2.9 (1,710)	1.5 (1,296)	1.7 (1,339)	2.6 (1,313)
	Supervisors	4.6 (263)	1.9 (268)	4.9 (283)	1.5 (341)	4.4 (344)	2.3 (351)	4.0 (299)	0.7 (294)	3.8 (290)
	Senior officers	16.9 (65)	7.8 (64)	9.9 (71)	10.7 (75)	11.3 (80)	2.3 (86)	0.0 (64)	2.9 (69)	18.5 (65)
Removal or termination	Nonsupervisors	0.4 (1,420)	0.2 (1,450)	0.4 (1,512)	0.2 (1,751)	0.5 (1,748)	0.4 (1,710)	0.2 (1,296)	0.5 (1,339)	0.6 (1,313)
	Supervisors	0.0 (263)	0.0 (268)	0.0 (283)	0.0 (341)	0.0 (344)	0.0 (351)	0.0 (299)	0.0 (294)	0.0 (290)
	Senior officers	0.0 (65)	0.0 (64)	0.0 (71)	0.0 (75)	0.0 (80)	1.2 (86)	0.0 (64)	0.0 (69)	3.1 (65)
	Total	**6.3 (1,748)**	**6.3 (1,782)**	**5.9 (1,866)**	**4.1 (2,167)**	**5.7 (2,172)**	**4.6 (2,147)**	**3.3 (1,659)**	**3.6 (1,702)**	**6.0 (1,668)**

Legend: FY = fiscal year

Source: GAO analysis of SEC data. | GAO-23-105459

Table 7: Mission-Critical Staff Who Left the Securities and Exchange Commission (SEC) from 11 Regional Offices, Fiscal Years 2013–2021

		Percentage separated (total staff)								
Reason for separation	**Employee category**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Retirement	Nonsupervisors	1.2 (1,205)	1.2 (1,182)	0.7 (1,201)	0.6 (1,253)	1.5 (1,238)	1.1 (1,192)	0.9 (1,504)	1.0 (1,569)	1.3 (1,628)
	Supervisors	0.0 (247)	0.8 (237)	1.2 (246)	0.4 (279)	1.1 (270)	0.0 (269)	0.9 (329)	1.2 (333)	2.7 (334)
	Senior officers	7.1 (28)	7.1 (28)	3.7 (27)	0.0 (27)	3.2 (31)	3.5 (29)	0.0 (42)	4.6 (44)	0.0 (43)
Resignation	Nonsupervisors	2.2 (1,205)	2.9 (1,182)	2.7 (1,201)	1.8 (1,253)	1.4 (1,238)	1.9 (1,192)	2.0 (1,504)	1.0 (1,569)	1.6 (1,628)
	Supervisors	3.2 (247)	2.1 (237)	0.4 (246)	1.1 (279)	1.1 (270)	1.1 (269)	2.1 (329)	0.6 (333)	1.5 (334)
	Senior officers	3.6 (28)	0.0 (28)	11.1 (27)	7.4 (27)	9.7 (31)	3.5 (29)	0.0 (42)	4.6 (44)	7.0 (43)
Removal or termination	Nonsupervisors	0.4 (1,205)	0.2 (1,182)	0.2 (1,201)	0.2 (1,253)	0.2 (1,238)	0.1 (1,192)	0.3 (1,504)	0.3 (1,569)	0.3 (1,628)
	Supervisors	0.0 (247)	0.0 (237)	0.0 (246)	0.0 (279)	0.4 (270)	0.0 (269)	0.3 (329)	0.0 (333)	0.0 (334)
	Senior officers	0.0 (28)	0.0 (28)	0.0 (27)	0.0 (27)	0.0 (31)	0.0 (29)	0.0 (42)	0.0 (44)	2.3 (43)
	Total	**3.9 (1,480)**	**4.0 (1,447)**	**3.5 (1,474)**	**2.5 (1,559)**	**3.2 (1,539)**	**2.8 (1,490)**	**3.2 (1,875)**	**2.3 (1,946)**	**3.4 (2,005)**

Legend: FY = fiscal year

Source: GAO analysis of SEC data. | GAO-23-105459

Table 8: All Mission-Critical Staff Who Left the Securities and Exchange Commission (SEC), Fiscal Years 2013–2021

		Percentage separated (total staff)								
Reason for separation	**Employee category**	**FY 13**	**FY 14**	**FY 15**	**FY 16**	**FY 17**	**FY 18**	**FY 19**	**FY 20**	**FY 21**
Retirement	Nonsupervisors	1.3 (2,625)	1.4 (2,632)	1.1 (2,713)	0.6 (3,004)	1.5 (2,986)	1.1 (2,902)	1.0 (2,800)	1.2 (2,908)	1.6 (2,941)
	Supervisors	1.2 (510)	1.6 (505)	1.1 (529)	1.0 (620)	1.3 (614)	0.7 (620)	1.3 (628)	1.8 (627)	2.2 (624)
	Senior officers	4.3 (93)	5.4 (92)	1.0 (98)	2.0 (102)	2.7 (111)	8.7 (115)	0.0 (106)	3.5 (113)	1.9 (108)
Resignation	Nonsupervisors	3.2 (2,625)	3.8 (2,632)	3.4 (2,713)	2.6 (3,004)	2.4 (2,986)	2.5 (2,902)	1.8 (2,800)	1.3 (2,908)	2.0 (2,941)
	Supervisors	3.9 (510)	2.0 (505)	2.8 (529)	1.3 (620)	2.9 (614)	1.8 (620)	3.0 (628)	0.6 (627)	2.6 (624)
	Senior officers	12.9 (93)	5.4 (92)	10.2 (98)	9.8 (102)	10.8 (111)	2.6 (115)	0.0 (106)	3.5 (113)	13.9 (108)
Removal or termination	Nonsupervisors	0.4 (2,625)	0.2 (2,632)	0.3 (2,713)	0.2 (3,004)	0.4 (2,986)	0.3 (2,902)	0.3 (2,800)	0.3 (2,908)	0.4 (2,941)
	Supervisors	0.0 (510)	0.0 (505)	0.0 (529)	0.0 (620)	0.2 (614)	0.0 (620)	0.2 (628)	0.0 (627)	0.0 (624)
	Senior officers	0.0 (93)	0.0 (92)	0.0 (98)	0.0 (102)	0.0 (111)	0.9 (115)	0.0 (106)	0.0 (113)	2.8 (108)
	Total	**5.2 (3,228)**	**5.3 (3,229)**	**4.8 (3,340)**	**3.4 (3,726)**	**4.6 (3,711)**	**3.9 (3,637)**	**3.2 (3,534)**	**2.9 (3,648)**	**4.6 (3,673)**

Legend: FY = fiscal year

Source: GAO analysis of SEC data. | GAO-23-105459

Appendix V: Comments from the Securities and Exchange Commission

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

December 7, 2022

Michael E. Clements
Director
Financial Markets and Community Investment
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Clements:

Thank you for your report, *Securities and Exchange Commission: Employee Views of Personnel Management Improved, but Action Needed on Measuring Diversity and Inclusion Goals* (GAO-23-105459) and survey supplement entitled *Supplemental Material for GAO-23-105459: SEC Personnel Survey Results* (GAO-23-106234), completed under Section 962 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. We appreciate GAO's insights and recommendation related to the SEC's human capital management programs and practices.

We are pleased to see the report's findings reflecting favorable views on many aspects of the SEC's personnel management, and we appreciate the feedback about opportunities for continued improvement. The agency is committed to continuing to ensure that we are recruiting, retaining, and developing staff with the right mix of skills and expertise, and fostering a culture that promotes diversity, awareness, inclusion, and mutual respect within our workforce so that every staff member has an equal opportunity to contribute and succeed.

The GAO's report contains one recommendation for the SEC to ensure that performance measures for its diversity and inclusion strategic plan for fiscal years 2023-2026 align with the plan's goals and are clear, measurable, objective, and reliable. We believe our extensive efforts to advance diversity, equity, inclusion and accessibility in our agency are paying dividends, and we concur with the recommendation to create additional clarity around our goals and performance metrics to measure our outcomes and progress.

Thank you for the consideration you and your staff have shown our agency during this engagement. If you have any questions, please do not hesitate to contact me at (202) 551-4306.

Sincerely,

KENNETH JOHNSON
Digitally signed by KENNETH JOHNSON
Date: 2022.12.07 10:53:42 -05'00'

Kenneth A. Johnson
Chief Operating Officer

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Michael E. Clements, (202) 512-8678 or clementsm@gao.gov

Staff Acknowledgments

In addition to the contact above, Marshall Hamlett (Assistant Director), Christopher Lee (Analyst-in-Charge), Carl Barden, Danielle Curet, Pamela Davidson, Shira Diamond, David Hu, Lydie Loth, Marc Molino, Kirsten Noethen, Jennifer Schwartz, and Alex Shura made key contributions to this report.

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