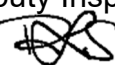




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 24, 2025

TO: Paul S. Atkins, Chairman

FROM: Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations,
and Special Projects 

SUBJECT: *Final Management Letter: Potential Opportunity to Consolidate the SEC's
Disclosure Review Information Technology Systems*

The U.S. Securities and Exchange Commission's (SEC or agency) Office of Inspector General (OIG) is assessing disclosure review programs in the Division of Corporation Finance (CF) and the Division of Investment Management (IM).¹ During our work, we identified four information technology (IT) systems that CF and IM rely on to perform disclosure reviews. These systems have some similar functionality and store some similar data, presenting a potential opportunity for consolidation, potential cost savings, and improved compliance with federal efficiency requirements. We did not fully assess these issues in accordance with generally accepted government auditing standards or the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* because the issues are outside the scope and objectives of our ongoing work. However, we are bringing this matter to management's attention without delay and requesting additional information to help us determine whether further action by the OIG is warranted.

Background

CF and IM review disclosures submitted to the SEC by different types of entities. CF's Disclosure Review Program reviews filings made to the SEC when a company initially offers its securities to the public and on an ongoing basis, including periodic reports and transactional filings made under both the Securities Act of 1933 and the Securities Exchange Act of 1934.² IM's Disclosure Review and Accounting Office is primarily responsible for reviews of investment company and insurance product disclosures made to the SEC under the federal securities laws, including reviews of initial registration statements, post-effective amendments thereto, and proxy statements.³ In addition, no less than once every three years, CF and IM accountants review registrant financial statements as required by the Sarbanes-Oxley Act of 2002 (SOX).⁴

¹ We announced audits of CF's disclosure operations and IM's Disclosure Review and Accounting Office operations on September 17, 2024, and December 11, 2024, respectively.

² Securities Act of 1933, Pub. L. No. 73-22, 48 Stat. 74 (1933) (codified as amended at 15 U.S.C. §§ 77a -77aa); and Securities Exchange Act of 1934, Pub. L. No. 73-291, 48 Stat. 881 (codified as amended at 15 U.S.C. §§ 78a -78rr). Regulation S-K, codified at 17 C.F.R. Part 229, provides instructions for filings required by these Acts.

³ Securities Act of 1933, Securities Exchange Act of 1934, and Investment Company Act of 1940, Pub. L. No. 76-768, 54 Stat. 789 (1940) (codified as amended at 15 U.S.C. §§ 80a-1 – 80a-64).

⁴ Pub. L. No. 107-204, § 408(c), 116 Stat. 745, 790 (codified at 15 U.S.C. § 7266(c)).

CF and IM receive filings through the SEC’s Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, which is the primary system for companies and others to submit documents under the federal securities laws. EDGAR contains millions of company and individual filings and receives about 3,000 filings per day. However, the system does not suit all of CF’s and IM’s disclosure review needs and has been undergoing redesign for several years.⁵ In fiscal year (FY) 2016, the SEC awarded a \$6 million EDGAR redesign contract.⁶ Among other things, the contractor developed high-level, functional requirements for a single system to support all of the SEC’s disclosure review programs, thereby eliminating the need to maintain multiple IT systems in CF and IM.⁷ The SEC has since enhanced EDGAR but has not developed a consolidated disclosure review system as planned.⁸ Therefore, in 2017, IM developed the Investment Management Dissemination Management (IM-DM) system and the RoboSOX system. Then, in 2018, CF implemented the System for Workflow Activity Tracking (SWAT). As the table below shows, these systems have somewhat similar functionality and store similar data for those areas that are comparable between the two divisions.

TABLE. Systems That CF and IM Rely on to Perform Disclosure Reviews

System Name	Functionality The system is used to . . .	Relied On By	
		CF	IM
EDGAR	Receive, accept, disseminate, and analyze SEC-mandated filings	X	X
IM-DM	Screen and assign filings to staff and disseminate staff’s comment letters to registrants ⁹	X	X
RoboSOX	Develop SOX filing populations, assign filings to staff, document staff’s comments, and report monthly review totals		X
SWAT	Assign filings to staff, document staff screenings and filing reviews, document staff’s comment letters, and document other administrative tasks performed during the screening and review of a filing	X	

Source: OIG-generated based on a review of the systems and procedures.

Results

Consolidating CF’s and IM’s disclosure review systems could eliminate redundancy, reduce data fragmentation, achieve cost savings, and improve compliance with federal requirements, including recent executive orders to modernize federal technology, maximize efficiency, cut

⁵ The SEC’s EDGAR redesign program is a multi-year, cross-agency initiative aimed toward delivering a new electronic disclosure solution to replace the current system.

⁶ Contract no. SECHQ1-16-C-0115 concluded in November 2018; all deliverables were received. This was in addition to other EDGAR redesign contracts, totaling about \$4.5 million, to review and analyze the SEC’s current disclosure environment, identify EDGAR system stakeholder needs, and prepare a request for proposal.

⁷ The single IT disclosure system was titled “Review Management Capability” and included requirements that enabled and supported various types of SEC user reviews of submitted filings from acceptance through dissemination.

⁸ In 2017 and 2019, we issued an audit report and a management letter on our assessments of the SEC’s progress in enhancing and redesigning EDGAR. See U.S. Securities and Exchange Commission, Office of Inspector General, *Audit of the SEC’s Progress in Enhancing and Redesigning the Electronic Data Gathering, Analysis, and Retrieval System* (Report No. 544; September 28, 2017); and *Final Management Letter: Update on the SEC’s Progress Toward Redesigning the Electronic Data Gathering, Analysis, and Retrieval System* (May 23, 2019).

⁹ In 2021, CF and IM consolidated processes for disseminating staff’s comment letters. As a result, IM publicly releases comment letters issued by IM and CF using EDGAR and IM-DM.

costs, and promote efficient spending.¹⁰ Certain disclosure review officials were not aware of why the SEC did not implement the single disclosure review system or whether the agency conducted a cost-benefit analysis in making this decision. Furthermore, the requirements that were developed through the FY 2016 contract are now outdated.

Development, enhancement, and maintenance costs for the multiple systems that CF and IM use have totaled at least \$23 million to date. Specifically, the SEC has spent about \$3 million for IM-DM, \$2 million for RoboSOX, and at least \$18 million for SWAT, in addition to the costs for supporting, maintaining, and redesigning EDGAR.^{11,12} While both CF and IM rely on aspects of EDGAR and IM-DM, they continue to fund other systems, potentially resulting in unnecessary spending.

Notably, the Office of Management and Budget's Circular A-130 instructs agencies to:

... establish a comprehensive approach to improve the acquisition and management of their information resources by: performing information resources management activities in an efficient, effective, economical, secure, and privacy-enhancing manner; focusing information resources planning to support their missions; implementing an IT investment management process that links to and supports budget formulation and execution; and rethinking and restructuring the way work is performed before investing in new information systems.¹³

In carrying out this policy, agencies are to analyze the technical, cost, and risk considerations of alternatives, and consider solutions for meeting their needs and avoiding duplicative IT investments.¹⁴ Additionally, since 2015, the U.S. Government Accountability Office has identified the government's management of IT acquisitions and operations as a high-risk area, warning that "the federal government may be expending resources on IT investments that could be duplicative."¹⁵

Conclusion

The SEC should aim to reduce duplicative IT systems to enhance efficiency and reduce costs. Duplicative systems can lead to redundancy, wasted resources, inefficient processes, and fragmented data management. Although we are not making any formal recommendations at this time, we encourage the SEC to analyze the costs and benefits of consolidating the SEC's disclosure review systems.

¹⁰ Executive Order 14158, *Establishing and Implementing the President's "Department of Government Efficiency"* (January 20, 2025); and Executive Order 14222, *Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative* (February 26, 2025).

¹¹ SWAT costs are limited to development, modernization, and enhancement costs plus steady state costs as reported by the SEC's Office of Information Technology for FY 2020 through FY 2024.

¹² IM-DM costs include development and enhancement costs only for FY 2017 through April 2025, and RoboSOX costs cover FY 2020 through FY 2024. The operations and maintenance budget for these two systems is part of an enterprise platform contract managed by the SEC's Office of Information Technology and was excluded from the amounts shown.

¹³ Office of Management and Budget, Circular No. A-130, *Managing Information as a Strategic Resource* (July 2016); pg. 5.

¹⁴ *Id.* at pg. 11.

¹⁵ U.S. Government Accountability Office, *HIGH-RISK SERIES Critical Actions Needed to Urgently Address IT Acquisition and Management Challenges* (GAO-25-107852, January 2025).

On May 30, 2025, we provided SEC management with a draft of our management letter for review and comment. On June 18, 2025, the SEC indicated it would not be providing a written response.

To help us determine whether further action by the OIG is warranted, we request that management provide the OIG, no later than August 8, 2025, a detailed description of any actions the SEC has taken or plans to take to address the issues raised in this letter.

We appreciate management's cooperation as we proceed with our ongoing work. If you have questions, please contact me, Eileen Kao, Audit Manager, or Colin Heffernan, Audit Manager.

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