U.S. SECURITIES AND
EXCHANGE COMMISSION

REPORT NO. 588

SEPTEMBER 29, 2025

OFFICE OF
INSPECTOR
GENERAL

OFFICE OF AUDITS

Observations on the SEC's Rulemaking Process

This report contains non public information about the U.S. Securities and Exchange Commission's information technology program. We redacted the non public information to create this public version. All redactions are pursuant to Freedom of Information Act exemption (b)(7)(E) unless otherwise stated.

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

OFFICE OF
INSPECTOR GENERAL

M E M O R A N D U M

September 29, 2025

TO: Paul S. Atkins, Chairman

FROM: Kevin Muhlendorf, Inspector General

KEVIN MUHLENDORF

Digitally signed by KEVIN MUHLENDORF
Date: 2025.09.29 14:00:55 -04'00'

SUBJECT: *Observations on the SEC's Rulemaking Process,* Report No. 588

Attached is the Office of Inspector General final report detailing the results of our audit of aspects of the U.S. Securities and Exchange Commission's rulemaking process and related internal controls. The report contains no recommendations for corrective actions.

On August 19, 2025, we provided management with a draft of our report for review and comment. On September 19, 2025, the SEC stated it would not be submitting a formal written response.

We appreciate the courtesies and cooperation extended to us during the audit. If you have questions, please contact me or Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

cc: Gabriel Eckstein, Chief of Staff, Office of Chairman Atkins
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EXECUTIVE SUMMARY

Observations on the SEC's Rulemaking Process

REPORT NO. 588 | SEPTEMBER 29, 2025

WHY WE DID THIS AUDIT

The U.S. Securities and Exchange Commission (SEC, Agency, or Commission) regulates the securities markets and, like other federal agencies, must generally notify the public of its proposed rules, assess the economic implications of its rulemaking, and consider comments received. In October 2022, we reported an overall increase in SEC rulemaking activities, and we identified associated risks and challenges.

We conducted this audit to assess aspects of the SEC's rulemaking process and related internal controls. Specifically, we reviewed the SEC's processes for (1) giving interested persons an opportunity to participate in rulemaking; and (2) assessing and documenting the impact(s) of proposed rules on efficiency, competition, and capital formation. We also reviewed Agency actions to ensure staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules.

AGENCY'S RESPONSE

On August 19, 2025, we provided SEC management with a draft of this report for review and comment. On September 19, 2025, management told us that the Agency would not be submitting a formal written response.

This report contains non-public information about the SEC's information technology program. We redacted the non-public information to create this public version

WHAT WE FOUND

We reviewed SEC rulemaking activities from January 2018 through December 2022, assessed a sample of 24 rules proposed and/or finalized during that time, and surveyed 647 knowledgeable Agency managers and staff and found that, overall, the SEC defined processes for (1) giving interested persons an opportunity to participate in rulemaking; (2) assessing and documenting the impact(s) of proposed rules on efficiency, competition, and capital formation; and (3) ensuring that staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules. Nonetheless, information we gathered warrants management's attention as the SEC continues to assess newly issued federal directives and their impact on the rulemaking of historically independent regulatory agencies, such as the SEC.

Specifically, we determined that the SEC provided a comment period ranging from 30 to 92 days for rules issued during the period we reviewed. And, in accordance with SEC internal guidance, SEC rulemaking divisions consistently collaborated with the Agency's Division of Economic and Risk Analysis and the Office of the General Counsel. However, other SEC divisions and offices were not always involved in rulemakings within their subject matter expertise.

Additionally, for each of the 24 rules in our sample, the SEC assessed the impact(s) on efficiency, competition, and capital formation. Nonetheless, some SEC staff expressed concerns about limited data and time to perform economic analyses.

Finally, before December 2024, the SEC had not performed an Agencywide assessment of the knowledge, skills, and competencies of its rulemaking staff. In addition, non-federal personnel who worked at the SEC under Intergovernmental Personnel Act (IPA) agreements, and who were involved in rulemaking, performed unauthorized supervisory functions. During our audit, the SEC finalized a rulemaking competency study and corresponding dashboard and, as of March 2025, the Agency no longer had IPA personnel onboard.

We also reviewed two matters that were not directly related to our audit objectives but that we discussed with Agency officials. These matters involved technological errors that impacted the SEC's receipt of public comments, and Agency personnel releasing embargoed rulemaking information without authorization from the Commission.

The SEC took actions during our audit that addressed some of our concerns. More changes may come from the newly issued federal directives discussed in this report. Although we are not making formal recommendations at this time, we encourage management to consider whether additional actions are required to address our observations.

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For additional information, contact the Office of Inspector General at (202) 551-6061 or http://www.sec.gov/oig

Contents

Figure and Tables

Abbreviations

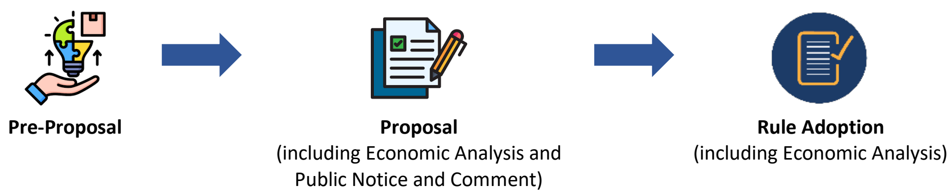
APA	Administrative Procedure Act
CF	Division of Corporation Finance
CY	calendar year
DERA	Division of Economic and Risk Analysis
E.O.	Executive Order
FTE	full-time equivalent
FY	fiscal year
GAO	U.S. Government Accountability Office
IM	Division of Investment Management
IPA	Intergovernmental Personnel Act
OGC	Office of the General Counsel
OHR	Office of Human Resources
OIG	Office of Inspector General
OPA	Office of Public Affairs
RFA	Regulatory Flexibility Act
SEC, Agency, or Commission	U.S. Securities and Exchange Commission
SECR	SEC administrative regulation
TM	Division of Trading and Markets

Introduction and Objectives

INTRODUCTION

Rulemaking is the process by which federal agencies create or update rules (also called regulations) to implement legislation passed by Congress and signed into law by the President. The Administrative Procedure Act (APA) establishes procedural requirements for federal rulemaking and generally requires that agencies notify the public about, and solicit comments on, proposed rules via a Federal Register notice.[1] Under the APA, agencies generally must also consider relevant comments received on rule proposals. Fundamentally, as the figure below shows, rulemaking relies on a meaningful opportunity for public input and high-quality analysis about the rule's likely consequences, including economic consequences.

Figure. Overview of Federal Rulemaking Process



Source: Office of Inspector General (OIG)-generated based on "A Guide to the Rulemaking Process," prepared by the Office of the Federal Register.

As part of its oversight responsibilities, the U.S. Securities and Exchange Commission (SEC, Agency, or Commission) regulates the securities market and creates or updates rules that impact market participants. To begin the process, an SEC rulemaking team identifies a topic—for example, from either a statutory requirement or the SEC's regulatory agenda or in response to a market event—and drafts a rationale for the rule along with a high-level description of the Agency's economic analysis. The proposal stage involves developing the specific text of the proposed rule, the Commission's approval of the proposed rule, and the publication of the proposed rule to solicit public comments. Lastly, the rule adoption stage involves developing the final rule after consideration of public comments received. Once approved by the Commission and published in the Federal Register, after a specified period, the final rule becomes effective.

The SEC Chair/Chairman's office is responsible for developing the Agency's regulatory agenda. SEC rules are generally drafted by staff in one of the following three divisions (hereafter referred to as the rulemaking divisions): (1) the Division of Trading and Markets (TM), (2) the Division of Investment Management (IM), and (3) the Division of Corporation Finance (CF). The Chair/Chairman's office oversees the rulemaking divisions' development of draft rules from inception through the Commission's approval.

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[1] 5 U.S.C. § 553.

- TM - Recommends rules and issues interpretations on matters affecting the operation of the securities markets, and regulates the major securities market participants, including broker-dealers, self-regulatory organizations, and transfer agents.
- IM - Recommends rules that affect the asset management industry and develops regulatory policy for investment companies and investment advisers.
- CF - Recommends rules to facilitate capital formation and protect investors, and seeks to ensure that investors are provided with information needed to make informed investment and voting decisions when a company initially offers its securities to the public and on an ongoing basis.

The SEC's rulemaking divisions draft proposed and final rules with assistance from other divisions and offices such as the Division of Economic and Risk Analysis (DERA) for economic analyses; the Office of the General Counsel (OGC) for legal advice; and the Office of the Secretary for processing public comments, posting releases to *sec.gov*, and facilitating the publication of releases in the Federal Register.

OBJECTIVES

Our overall objective was to assess aspects of the SEC's rulemaking process and related internal controls. Specifically, we reviewed the SEC's processes for (1) giving interested persons an opportunity to participate in rulemaking; and (2) assessing and documenting the impact(s) of proposed rules on efficiency, competition, and capital formation. We also reviewed Agency actions to ensure staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules.

We focused our review on the Agency's rulemaking activities from calendar year (CY) 2018 through 2022 (that is, between January 1, 2018, and December 31, 2022). Our objectives and scope stemmed from the risks and challenges posed by the increase in the SEC's rulemaking activities noted in our October 2022 report on the SEC's management and performance challenges.[2] In addition, on March 16, 2023, the OIG received a letter from members of the U.S. Senate inquiring about the SEC's process for (1) providing meaningful opportunity to comment on proposed rules, (2) assessing rules' impact on efficiency, competition, and capital formation, and (3) utilizing the expertise of SEC career staff.

[2] U.S. Securities and Exchange Commission, Office of Inspector General, *The Inspector General's Statement on the SEC's Management and Performance Challenges* (October 13, 2022).

Results in Brief

Based on our review of rulemaking activities from January 2018 through December 2022, we determined that the SEC defined processes to give interested persons an opportunity to participate in rulemaking. The Agency provided a comment period ranging from 30 to 92 days. While the rulemaking divisions consistently collaborated with DERA and OGC in accordance with internal guidance, they did not always involve other divisions and offices in rulemakings within their subject matter expertise. (Finding 1)

The SEC also defined processes to assess and document the impact(s) of proposed rules on efficiency, competition, and capital formation. Yet, some SEC staff expressed concerns about limited data and time to perform economic analyses. (Finding 2)

The SEC further established processes to ensure staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules. However, an Agencywide assessment of the knowledge, skills, and competencies of rulemaking staff was not available until December 2024, and non-federal personnel who worked at the SEC under Intergovernmental Personnel Act (IPA) agreements and who were involved in rulemaking performed unauthorized supervisory functions. (Finding 3)

We also reviewed the following matters that warrant management's attention:

1. Technological errors impacted the SEC's receipt of public comments.
2. SEC personnel released embargoed rulemaking information without authorization from the Commission.

Since January 2025, a series of federal directives (discussed throughout this report) impacted the rulemaking activities of historically independent regulatory agencies such as the SEC. We are not making formal recommendations at this time because the SEC took actions during our audit that addressed our concerns and is continuing to assess the impact of the new directives on its rulemaking process. However, we encourage management to consider the results of our work, as appropriate.

Appendix I of this report includes additional information about our scope and methodology, including our methodology for selecting and reviewing samples of rules proposed and/or finalized during our scope period and comments received, as well as our methodology for surveying SEC managers and staff. Appendices II through IV summarize our analysis of the SEC's notice and comment process, economic analysis process, and rulemaking workforce.

Results

FINDING 1. THE SEC DEFINED PROCESSES TO GIVE INTERESTED PERSONS AN OPPORTUNITY TO PARTICIPATE IN RULEMAKING

Under the APA, an agency generally must first provide notice that it intends to promulgate a rule by publishing a notice of proposed rulemaking in the Federal Register. The SEC established policies and procedures that generally address the various stages in the Agency's rulemaking process, including processes for giving interested persons an opportunity to participate. Providing interested persons an opportunity to participate in rulemaking promotes the consideration of diverse views throughout the rulemaking process. During our scope period, the SEC published rule proposals for public comment and provided a comment period ranging from 30 to 92 days from the date of publication in the Federal Register. In addition, the SEC published proposed rules on its website on average about 28 days earlier than the Federal Register publication date, thereby giving interested persons additional time to review and submit comments. While SEC internal guidance does not describe the factors considered in setting the comment period, Agency officials explained that they used a consultative process to determine the comment period and primarily considered the complexity of each rule and any statutory deadline in establishing the comment period. Although the APA does not prescribe minimum comment periods, Executive Order (E.O.) 12866 recommends that, in most cases, proposed rules include a comment period of not less than 60 days (based on the Federal Register publication date).[3] However, until recently, historically independent regulatory agencies such as the SEC were exempted from most of the requirements of E.O. 12866. In February 2025, that exemption was removed by a new directive (E.O. 14215), which required all executive departments, including historically independent regulatory agencies such as the SEC, to comply with requirements set forth in E.O. 12866.[4]

We also noted that rulemaking divisions consistently collaborated with DERA and OGC throughout the rulemaking process (in accordance with SEC internal guidance). However, they did not always involve other divisions and offices, including the Division of Enforcement, the Office of the Advocate for Small Business Capital Formation, and the Office of the Chief Accountant, in rulemakings within their subject matter expertise. Officials from the Office of the Chief Accountant identified three rules in our sample related to matters under their responsibility; however, their feedback was not solicited for these rules. Officials from the Office of the Advocate for Small Business Capital Formation identified that their expertise regarding small businesses could have been beneficial, at a minimum after the 30-day draft stage, for six rules in our sample. Similarly, officials from the Division of Enforcement identified two rules in our sample related to matters within their scope and stated that their perspective would have been beneficial regarding the rules' implementation. Although there are no explicit statutory requirements to provide drafts of proposed rules to other divisions and offices, their input could be beneficial for rules impacting processes within their purview.

[3] E.O. 12866, *Regulatory Planning and Review* (September 30, 1993).

[4] E.O. 14215, *Ensuring Accountability for All Agencies* (February 18, 2025).

Consistent with recent federal guidance,[5] during our audit the SEC designated a Regulatory Second whose responsibilities include coordinating Agency work on all regulatory actions reviewed under E.O. 12866 and reviewing draft releases for compliance with applicable laws and directives. The SEC is continuing to assess the impact of the new directives on its rulemaking process. Although we are not making any recommendations for corrective action, we encourage management to consider whether additional actions are required to address our observations.

FINDING 2. THE SEC DEFINED PROCESSES TO ASSESS AND DOCUMENT THE IMPACT OF ITS RULES ON EFFICIENCY, COMPETITION, AND CAPITAL FORMATION

As previously noted, until February 2025, the SEC was not obligated to follow E.O. 12866, which, among other things, requires the analysis of the costs and benefits of a regulation and its alternatives. However, the Commission is statutorily required to consider efficiency, competition, and capital formation whenever it is engaged in rulemaking and is required to consider or determine whether an action is necessary or appropriate in the public interest.[6] Additionally, Section 23(a)(2) of the Securities Exchange Act of 1934 (Exchange Act) requires the Commission to consider the impact that any rule promulgated under that Act would have on competition and to include in the rule's statement of basis and purpose "the reasons for the Commission's . . . determination that any burden on competition imposed by such rule or regulation is necessary or appropriate in furtherance of the purposes of [the Exchange Act]."[7] The D.C. Circuit Court of Appeals has viewed these provisions, together with the requirement under the APA that Commission rulemaking be conducted "in accordance with law," as imposing on the Commission a "statutory obligation to determine as best it can the economic implications of the rule."[8]

In light of this legal framework, the SEC established processes to assess the costs and benefits of its proposed and final rules as well as their impact on efficiency, competition, and capital formation (that is, economic analysis). Specifically, in 2012 DERA and OGC developed the *Current Guidance* which discusses the Agency's economic analysis processes and draws on principles set forth in federal guidance such as Office of Management and Budget Circular A-4, *Regulatory Analysis* (September 17, 2003), and E.O. 12866.[9] In 2013, the then-Chair of the SEC, in coordination with DERA and OGC, also established operating procedures to help ensure that the economic analysis is properly integrated into the SEC's rulemaking process. As further discussed in Appendix III, the Chief Economist's (i.e., the DERA Director's) concurrence in the economic analysis is a key control in the SEC's rulemaking process. Consistent with SEC internal guidance[10], the agency performed an economic analysis, and the Chief

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[5] Office of Management and Budget M-25-24, *Interim Guidance Implementing Section 3 of Executive Order 14215, Titled "Ensuring Accountability for All Agencies"* (April 17, 2025).

[6] *See* 15 U.S.C. § 77b(b); 15 U.S.C. § 78c(f); 15 U.S.C. § 80a-2(c); 15 U.S.C. § 80b-2(c).

[7] 15 U.S.C. § 78w(a)(2).

[8] *Chamber of Commerce v. SEC*, 412 F.3d 133 (D.C. Cir. 2005).

[9] U.S. Securities and Exchange Commission, *Current Guidance on Economic Analysis in SEC Rulemakings* (March 16, 2012).

[10] *Memorandum to Staff of the Division of Economic and Risk Analysis - Internal Policy Directive Regarding the Concurrence Process* (October 25, 2018).

Economist concurred, for each of the 24 rules we assessed as part of our audit. However, some SEC staff we surveyed expressed concerns about limited data and time to perform economic analyses.

For example, about 53 percent of the SEC managers and staff (including DERA staff) who were involved in preparing, reviewing, or updating economic analyses for SEC rules and who responded to our survey (or 105 of 197) identified insufficient cost and benefit data as a factor impacting the quality of the Agency's economic analyses.[11] Additionally, 95 survey respondents (or about 48 percent) stated that there was limited time to obtain, research, and analyze relevant data.[12] Sixty of 116 respondents who were involved in economic analysis for more than 3 years (or about 52 percent) identified the time allocated to research, prepare, and/or update economic analyses as an increasing challenge between December 2020 and December 2023.[13] Moreover, 9 of 17 DERA staff interviewed (or nearly 53 percent) identified timelines or unreasonable deadlines as opportunities for improvement.

We note that the SEC requested cost and benefit data from commenters for the proposed releases we reviewed and, when available, the Agency considered data provided by commenters when drafting final releases in accordance with its *Current Guidance*. In addition, DERA officials stated that they have continuous discussions on the factors that may negatively impact the economic analysis at every level. Importantly, although challenges in Federal court to several rules adopted within our scope period raised arguments concerning the adequacy of the economic analysis, as of August 2025, no SEC rules adopted during our scope period were vacated based on a deficient or flawed economic analysis.[14]

As previously stated, to comply with recent directives, the SEC designated a Regulatory Second to coordinate Agency work on all regulatory actions reviewed under E.O. 12866. Additionally, the Agency is continuing to assess the impact of the new directives on its rulemaking process, including any potential changes to its economic analysis processes. Although we are not making any recommendations for corrective action, we encourage management to consider whether additional actions are required to address our observations.

[11] When asking about "insufficient data," our survey did not differentiate between data that did not exist and data that the SEC could not or did not obtain or analyze. The 197 survey respondents who were involved in preparing, reviewing, or updating economic analyses for SEC rules included 60 DERA staff, half of which identified insufficient cost and benefit data as a factor impacting the quality of the Agency's economic analyses.

[12] Thirty-five of 60 DERA staff that responded (or about 58 percent) stated that there was limited time to obtain, research, and analyze relevant data.

[13] These 116 survey respondents included 29 DERA staff, of which 20 (or about 69 percent) identified the time allocated to research, prepare, and/or update economic analyses as an increasing challenge.

[14] While outside the scope and period we reviewed for our audit, we are aware that both the 5th and 11th Circuits have, in separate cases, questioned the economic analysis undertaken in conjunction with various 2023 Commission rules and an order. *See National Association of Private Fund Managers v. SEC*, No. 23-60626 (5th Circ. Aug. 25, 2025) (Reporting of Securities Loans, 88 Fed. Reg. 75644 (Nov. 3, 2023), and Short Position and Short Activity Reporting by Institutional Investment Managers, 88 Fed. Reg. 75100 (Nov. 1, 2023)); *Am. Sec. Ass'n v. United States SEC,* 147 F.4th 1264 (11th Cir. 2025) (Joint Industry Plan; Order Approving an Amendment to the National Market System Plan Governing the Consolidated Audit Trail; Notice, 88 Fed. Reg. 62628 (Sept. 12, 2023)); and *Chamber of Commerce v. SEC*, 85 F.4th 760 (5th Cir. 2023) (Share Repurchase Disclosure Modernization, 88 Fed. Reg. 36002 (June 1, 2023)).

FINDING 3. SEC STAFF GENERALLY HAD ADEQUATE SKILLS, EXPERIENCE, AND EXPERTISE

Overall, SEC personnel we interviewed or surveyed generally had positive views on the skills, experience, and expertise of staff involved in rulemaking. However, before December 2024, the SEC had not performed an Agencywide assessment of the knowledge, skills, and competencies of the rulemaking staff needed to implement its regulatory agenda. Furthermore, non-federal personnel who worked at the SEC under IPA agreements (including those in senior positions related to SEC rulemaking) performed certain unauthorized supervisory functions. Because the SEC took actions to address these matters during our audit, we are not making any recommendations for corrective action at this time but encourage management to consider whether additional actions are required to address our observations discussed below.

The SEC Had Not Performed a Rulemaking Competency Study

During the period we reviewed, the SEC had not performed an Agencywide assessment of the knowledge, skills, and competencies of its rulemaking staff.[15] Such studies define the technical competencies required to effectively perform a job function and help inform vacancy announcements, hiring actions, training needs, and skills gap analyses. Federal internal control standards state that effective management of an entity's workforce—its human capital—is essential to achieving results, and management should continually assess its knowledge, skills, and ability needs to obtain a workforce that has the required competencies to achieve organizational goals.[16] A competency study for the SEC's rulemaking function was not completed because past Agencywide assessments—conducted every five years—were based on job series (e.g., attorney) rather than job function (e.g., rulemaking). In December 2024, the SEC finalized a rulemaking competency study and corresponding dashboard.

New directives implemented a federal civilian hiring freeze which, upon expiration, will limit federal agencies to hiring no more than one new employee for every four who leave federal service.[17] Also, attrition following early retirement and buy-out offers in the first months of CY 2025 are expected to reduce the SEC's fiscal year (FY) 2026 staffing by 447 full-time equivalents (FTE).[18] This includes attrition among rulemaking staff. The SEC is evaluating new directives, including potential changes to its use of the new rulemaking competency dashboard, to determine how staffing will be affected.

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[15] Information about SEC personnel involved in formulating and reviewing rules is available in Appendix IV.

[16] U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G; September 2014); Principle 10, Design Control Activities (10.03).

[17] Recent directives include Presidential Memorandum, *Hiring Freeze* (January 20, 2025), *Fact Sheet: President Donald J. Trump Extends the Hiring Freeze* (April 17, 2025), and Presidential Memorandum, *Ensuring Accountability and Prioritizing Public Safety in Federal Hiring* (July 7, 2025).

[18] U.S. Securities and Exchange Commission, *Fiscal Year 2026 Congressional Budget Justification Annual Performance Plan; Fiscal Year 2024 Annual Performance Report*; May 30, 2025. The term "FTE" is used to quantify employment as a function of hours worked rather than by the number of individual employees. One FTE is also known as one work year and is equivalent to 2,080 hours of work. The number of FTEs in a Federal agency is calculated by determining the total number of regular straight time hours (in other words, not including overtime or holiday hours) worked by employees and dividing that figure by the number of compensable hours applicable to each fiscal year.

Non-Federal Employees Involved in Rulemaking Performed Unauthorized Supervisory Functions

The IPA mobility program provides for the temporary assignment of skilled personnel between the federal government and local governments, colleges and universities, and other eligible organizations.[19] Between FY 2018 and FY 2023, the SEC had 37 IPA agreements of which 8 (or about 22 percent) were for senior leadership positions—director or deputy director—in key divisions involved in rulemaking (i.e., CF, TM, IM, and DERA). In July 2022, the U.S. Office of Personnel Management revised IPA guidance to prohibit such non-federal employees from performing certain supervisory functions over federal employees, including conducting their annual performance ratings, engaging in performance-based or adverse action procedures, and rewarding employees. Although the SEC's Office of Human Resources (OHR) took steps to implement the new guidance, OHR identified multiple instances where IPA assignees performed supervisory roles after July 2022. Specifically, there were 18 instances of IPA assignees inappropriately signing-off as second-level reviewers on SEC employees' CY 2022 performance ratings, and 176 IPA assignee recommendations for SEC employee special act or time-off awards.[20] Moreover, during our audit, we identified four IPA agreements that contained inappropriate supervisory language. OHR personnel explained that this was an oversight and, during our audit, took corrective actions. Furthermore, as of March 2025, the SEC no longer had any IPA assignees onboard. Therefore, we are not making any recommendations for additional corrective action at this time.

[19] U.S. Office of Personnel Management, *Intergovernment Personnel Act Overview*, last accessed March 7, 2024. The goal of the IPA mobility program is to facilitate the movement of employees, for short periods of time to (1) strengthen the management capabilities of the agency, (2) assist with the transfer and use of new technologies and approaches to solving governmental problems, (3) facilitate the involvement of state and local officials in developing Federal policies and programs, and (4) provide participants with experience that could enhance their performance in their regular job.

[20] OHR is ultimately vested with the authority to approve and issue all awards to ensure they are reasonable and consistent with Agency criteria. OHR determined that these awards met the relevant SEC and regulatory criteria.

Other Matters of Interest

During our audit, we reviewed the two matters described below that were not directly related to our audit objectives but warrant management's attention. We discussed these matters with Agency officials and encourage management to consider any actions needed in response.

Technological Errors Related to Public Comments

The SEC invites comments on proposed rules, concept releases, self-regulatory organization filings, Public Company Accounting Oversight Board rulemaking, other releases, and rulemaking petitions. Comments can be submitted via e-mail, regular mail, or an online form on *sec.gov*. Between May 30 and June 26, 2024, a technological error temporarily disabled the online form. During that time, individuals who sought to submit a comment via the online comment form may have received an error message indicating that they were unable to complete their submission; however, the public was still able to submit comments through email and regular mail.[21] According to Agency officials, the error occurred [redacted]. While this issue is different from the technological error experienced in 2022,[22] recurring issues with the proper functioning of the SEC's online form raise concerns about the public's ability to reliably and timely submit comments on SEC proposed rules and rules proposed by the Public Company Accounting Oversight Board and by self-regulatory organizations (which the SEC oversees). Agency officials stated that the Commission has previously considered receiving public comments through *regulations.gov* but determined that the current systems best serve the SEC's need to manage public comment intake and processing. Given the recent technological errors, we encourage SEC management to assess whether the online form on *sec.gov* is a reliable mechanism for receiving public comments.

Office of Public Affairs' Release of Embargoed Rulemaking Information

The SEC's Office of Public Affairs (OPA) regularly shares embargoed rulemaking information with journalists before the public announcement of the Commission's related action(s) and believes that this practice helps reduce inaccuracies in journalists' reporting. SEC administrative regulation (SECR) 23-2, *Safeguarding Nonpublic Information*, dated August 2023, states that nonpublic information may only be shared outside the Agency if the release is (1) approved in advance by the Commission or an individual with a delegation or designation to authorize such disclosure, and/or (2) made in accordance with laws, regulations, and SEC rules that authorize the disclosure.[23] Until July 2023, OPA did not seek authorization from the Commission (or an individual with a delegation) before releasing embargoed rulemaking information. OPA changed its process when OGC instructed OPA to request the Commission's authorization before releasing information to the public. In August 2025, OPA updated SECR 18-2, *Media Relations Policy*, to incorporate new processes for communicating rulemaking information to journalists. We encourage OPA to work with OGC to obtain proper authorization before OPA releases embargoed rulemaking information.

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[21] *Availability of SEC Online Comment Form Option.* 89 FR 58460 (July 18, 2024).

[22] U.S. Securities and Exchange Commission, Office of Inspector General, *Final Management Letter: Review of SEC Controls Over Public Comments Submitted Online and Actions Taken in Response to a Known Error* (April 14, 2023).

[23] The prior version of the policy (released September 2018) also included these requirements.

Appendix I. Scope and Methodology

We conducted this performance audit from July 2023 through September 2025, 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.

Objectives and Scope

Our overall objective was to assess aspects of the SEC's rulemaking process and related internal controls. Specifically, we reviewed the SEC's processes for (1) giving interested persons an opportunity to participate in rulemaking; and (2) assessing and documenting the impact(s) of proposed rules on efficiency, competition, and capital formation. We also reviewed Agency actions to ensure staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules.

Our scope included the SEC's rulemaking activities from CY 2018 through CY 2022 (that is, between January 1, 2018, and December 31, 2022). Based on our objectives, we focused our review on the SEC's rulemaking activities related to proposed rules and final rules.

Methodology

To address our objective, among other work performed, we:

- Met with SEC management and staff involved in rulemaking.
- Reviewed applicable federal laws and guidance and SEC policies, procedures, guidance, and administrative regulations.
- Surveyed SEC management and staff involved in rulemaking between CY 2018 and CY 2022.
- Tested a judgmental sample of 24 proposed and/or final rules to assess the collaboration between SEC divisions and offices and to determine whether the Agency developed and updated economic analysis in accordance with established guidance.
- Reviewed multiple judgmental samples of public comments, including those related to economic analysis, to determine whether they were considered.

Appendices II, III, and IV of this report include additional information about our review of the SEC's notice and comment process, economic analysis process, and rulemaking workforce.

Sampling Methodology. From the population of 159 SEC rulemaking releases (84 proposed rules and 75 final rules) issued between CY 2018 and CY 2022, we selected a judgmental sample of the 24 shown in Table 1. This included 12 proposed rules (2 of which were re-opened) and 12 final rules. We excluded rules adopted during our scope period and challenged in court as of December 2023. This included The Enhancement and Standardization of Climate-Related Disclosures for Investors rule (Release Number

33-11042), proposed during our scope period but challenged in various courts after the rule's adoption in March 2024.[24] We also selected multiple judgmental samples of public comments received for our selected rules. Although our samples were non-statistical and our results cannot be projected to the total population for each test performed, the evidence gathered helped support our findings and conclusions.

Table 1. Final and Proposed Rules Sampled

	Release Number	Title	Release Type
1	33-10814	Tailored Shareholder Reports, Treatment of Annual Prospectus Updates for Existing Investors, and Improved Fee and Risk Disclosure for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements	Proposed
2	33-10491	Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships	Proposed
3	34-93784	Prohibition Against Fraud, Manipulation, or Deception in Connection with Security-Based Swaps; Prohibition against Undue Influence over Chief Compliance Officers; Position Reporting of Large Security-Based Swap Positions	Proposed
4	34-87607	Use of Derivatives by Registered Investment Companies and Business Development Companies; Required Due Diligence by Broker-Dealers and Registered Investment Advisers Regarding Retail Customers' Transactions in Certain Leveraged/Inverse Investment Vehicles	Proposed
5	33-10750	Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information	Proposed
6	34-93614	Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants	Proposed
7	34-84289	Amendments to Rules for Nationally Recognized Statistical Rating Organizations	Proposed
8	33-10668	Modernization of Regulation S-K Items 101, 103, and 105	Proposed
9	33-10619	Securities Offering Reform for Closed-End Investment Companies	Proposed
10	34-87193	Rescission of Effective-Upon-Filing Procedure for NMS Plan Fee Amendments	Proposed
11	33-11048	Special Purpose Acquisition Companies, Shell Companies, and Projections	Proposed
11a	33-11117	Resubmission of Comments and Reopening of Comment Periods for Several Rulemaking Releases Due to a Technological Error in Receiving Certain Comments	Proposed (Reopened)
12	33-10569	Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts	Proposed
12a	33-10605	Reopening of Comment Period for Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts	Proposed (Reopened)
13	33-10890	Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information	Final
14	34-96034	Electronic Recordkeeping Requirements for Broker-Dealers, Security-Based Swap Dealers, and Major Security-Based Swap Participants	Final
15	34-86590	Amendments to Rules for Nationally Recognized Statistical Rating Organizations	Final
16	33-10825	Modernization of Regulation S-K Items 101, 103, and 105	Final
17	IA-4839	Exemptions from Investment Adviser Registration for Advisers to Small Business Investment Companies	Final
18	33-10771	Securities Offering Reform for Closed-End Investment Companies	Final
19	IC-34084	Use of Derivatives by Registered Investment Companies and Business Development Companies	Final
20	34-89618	Rescission of Effective-Upon-Filing Procedure for NMS Plan Fee Amendments and Modified Procedures for Proposed NMS Plans and Plan Amendments	Final
21	34-83506	Amendments to the Commission's Freedom of Information Act Regulations	Final
22	33-11125	Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements	Final
23	33-10648	Auditor Independence with Respect to Certain Loans or Debtor-Creditor Relationships	Final
24	33-10765	Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts	Final

Source: OIG-generated based on the list of SEC rulemakings issued between CY 2018 and CY 2022.

[24] *Iowa v. SEC*, No. 24-1522 (8th Cir. 2024).

Survey Methodology. In December 2023, we administered a voluntary, web-based survey to 647 SEC managers and staff that were involved in rulemaking. The survey included multiple choice questions and optional comment fields that sought to gather information about the SEC's rulemaking process and opportunities for improvement. Of the 647 recipients, 324 completed the survey for a response rate of about 50 percent. This included respondents from IM, TM, CF, DERA, OGC, and other SEC divisions and offices who were involved in rulemaking.

Internal Controls

We identified and assessed internal controls, applicable internal control components, and underlying principles significant to our objectives, as described below.

Control Environment. We assessed the control environment for the SEC's rulemaking process by reviewing applicable Federal and SEC guidance and by interviewing SEC management and staff from various divisions and offices, including officials from IM, TM, CF, DERA, and OGC, as well as officials from the former Chair's office and SEC Commissioners' offices. We also reviewed the rulemaking divisions' organizational structure and interviewed OHR officials involved in overseeing the rulemaking competency study and corresponding dashboard. As discussed throughout this report, SEC management is continuing to assess the impact of new directives on its rulemaking process.

Risk Assessment. We obtained and reviewed the rulemaking divisions' FY 2022 and FY 2023 risk control matrices. We identified risks and controls regarding rulemaking activities related to our audit objectives, and we reviewed the security assessment reports, system security plans, and authorizations to operate for applicable systems used in the SEC's rulemaking process.

Control Activities. We reviewed Federal laws and guidance, and SEC policies, procedures, guidance, and administrative regulations related to rulemaking activities. We also interviewed SEC management and staff involved in rulemaking across various divisions and offices to gain an understanding of the control activities applicable to our audit objectives.

Information and Communication. We met with SEC management and staff from various divisions and offices to evaluate the rulemaking divisions' coordination and collaboration efforts, and we reviewed evidence of collaboration for the SEC rules in our sample. As discussed in Finding 1, the rulemaking divisions did not always collaborate with SEC divisions and offices other than DERA and OGC.

Monitoring. We assessed the SEC's monitoring activities related to setting comment periods, performing economic analyses (including the Chief Economist's concurrence), and assigning staff with the needed skills, experience, and expertise to SEC rules.

Data Reliability

The U.S. Government Accountability Office's (GAO) *Assessing Data Reliability* (GAO-20-283G, December 2019) states reliability of data means that data are applicable for audit purpose and are sufficiently complete and accurate. Data primarily pertains to information that is entered, processed, or maintained in a data system and is generally organized in, or derived from, structured computer files.

Furthermore, GAO-20-283G defines “applicability for audit purpose,” “completeness,” and “accuracy” as follows:

- “Applicability for audit purpose” refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit’s research objectives.
- “Completeness” refers to the extent to which relevant data records and fields are present and sufficiently populated.
- “Accuracy” refers to the extent that recorded data reflect the actual underlying information.

To address our objectives, we relied on computer-processed data from the SEC’s Comment Letter Log and *sec.gov*. To assess the reliability of that data, we:

- Performed walkthroughs of the intake, categorization, and comment posting on *sec.gov* and reviewed relevant system user manuals and information security documents.
- Reconciled a sample of comments from the Comment Letter Log to the comments posted on *sec.gov* and traced those comments to source documents. We also traced a sample of proposed and final rules posted on *sec.gov* to the published releases in the Federal Register.

Overall, we found the data sufficiently reliable for the purpose of this audit.

Prior Coverage

Between 2013 and 2023, the SEC OIG and GAO issued the following reports of particular relevance to this audit:

SEC OIG:

- *Final Management Letter: Review of SEC Controls Over Public Comments Submitted Online and Actions Taken in Response to a Known Error* (April 2023).
- *Use of the Current Guidance on Economic Analysis in SEC Rulemakings* (Report No. 518; June 2013).
- *Implementation of the Current Guidance on Economic Analysis in SEC Rulemakings* (Report No. 516; June 2013).

GAO:

- *Federal Rulemaking: Selected Agencies Should Fully Describe Public Comment Data and Their Limitations* (GAO-21-103181; September 2021).
- *Federal Rulemaking: Information on Selected Agencies’ Management of Public Comments* (GAO-20-383R; April 2020).
- *Federal Rulemaking: Selected Agencies Should Clearly Communicate Practices Associated with Identity Information in the Public Comment Process* (GAO-19-483; June 2019).

These reports can be accessed at https://www.sec.gov/oig (SEC OIG) and https://www.gao.gov (GAO).

Appendix II. OIG Analysis of the SEC's Notice and Comment Process

The SEC's notice and comment process includes the activities leading to publication of a proposed rule in the Federal Register and on *sec.gov* (after Commission voting), review and consideration of public comments received, and publication of the final rule in the Federal Register and on *sec.gov* (after Commission voting). To understand how the SEC makes it possible for interested persons to participate in its rulemaking, we reviewed applicable Federal and SEC internal guidance, assessed a sample of rules—including a sample of public comments received—and analyzed the comment period length for SEC rules proposed between CY 2018 and CY 2022. We also reviewed relevant information collected through our survey of SEC employees and evidence of collaboration within the Commission.

Comment Period Analysis

The SEC starts accepting public comments when a proposed rule is published on *sec.gov*; however, the official comment period does not start until the proposed rule is posted in the Federal Register. As stated in Finding 1, between January 1, 2018, and December 31, 2022, the SEC's comment period varied from 30 to 92 days (from the date of publication of the proposed release in the Federal Register). Specifically, 47 of 84 proposed rules issued during that time had a comment period of 60 days or more; the remaining 37 rules had a comment period of 30 to 59 days. The comment period for one of these rules (*S7-17-21 Proxy Voting Advice rule*) was 31 days and the rule was challenged in two court cases on a variety of grounds, including the length of the comment period. The Fifth Circuit Court of Appeals vacated the rule, in part, and, although the court did not rule on the sufficiency of the comment period, it characterized the comment period as "highly truncated" and noted it "seems to have been designed to elicit as few comments as possible."[25] The Sixth Circuit Court of Appeals, in contrast, upheld the rule—specifically, the sufficiency of the 31-day comment period—and reiterated that the APA does not set a minimum comment period length and that the relevant standard is whether the agency provides a meaningful opportunity for comment. It further stated that courts generally uphold 30-day comment periods "absent extenuating circumstances," none of which were identified by the court as applying to this case.[26]

When asked about key factors considered when setting initial comment periods, about 58 percent of our survey respondents identified direction from the Chair's office as the most common factor. Rule complexity was the second most frequently identified factor.[27] For about 63 percent of the proposed rules issued during our scope period, the public submission of comments began before the Federal Register posting. In addition, 88 percent of the final rules issued during our scope period received comments after the official comment period ended. According to Agency officials, staff considered all relevant comments received for SEC proposed rules prior to the Commission approval and publication of the final rules on *sec.gov.*

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[25] *Nat'l Ass'n of Mfrs. v. United States SEC*, 105 F.4th 802 (5th Cir. 2024).

[26] *Chamber of Commerce v. SEC,* 115 F.4th 740 (6th Cir. 2024).

[27] Similarly, when asked about key factors considered when reopening comment periods, about 50 percent of survey respondents identified the direction from the Chair's office as the most common factor.

Appendix III. OIG Analysis of the SEC's Economic Analysis Process

To understand the SEC's processes for assessing and documenting the impact of proposed and final rules on efficiency, competition, and capital formation, we reviewed relevant SEC policies and procedures describing the substantive requirements for (or basic elements of) economic analysis in SEC rulemaking and how the economic analysis is integrated in each phase of the SEC's rulemaking process. In addition, for each rule in our audit sample, we examined the published release, relevant supporting documents, and comment summaries containing a discussion on economic analysis. We also reviewed relevant information collected through our survey of SEC employees and interviewed a judgmental sample of DERA economists, managers, and counsels involved in developing and reviewing the economic analysis for the final rules in our sample. Finally, we assessed the SEC's compliance with Regulatory Flexibility Act (RFA) requirements.[28]

Economic Analysis Policies and Procedures

As previously discussed, as an historically independent regulatory agency, until February 2025, the SEC was not required to follow the guidelines for regulatory cost-benefit analysis outlined in federal directives such as Office of Management and Budget Circular A-4 or E.O. 12866. Nevertheless, the *Current Guidance* relied on those principles. As a general matter, every economic analysis in SEC rulemakings should include the following basic elements: a justification or statement of need; a baseline against which to measure the likely economic consequences of the proposed regulation; alternative regulatory approaches; and a cost/benefit evaluation of the proposed or final rule and the regulatory alternatives. DERA internal guidance also discusses the need to integrate the economic analysis in each phase of the SEC's rulemaking process including by preparing an economic analysis term sheet;[29] reviewing public comments addressing economic analysis; and obtaining the Chief Economist concurrence in the economic analysis for each proposed and final release.

Economic Analysis in SEC Rulemakings and Supporting Documents

We examined the published releases for our sampled rules and determined that each release discussed the basic elements of the SEC's economic analysis. In addition, we examined various documents used to support the economic analyses included in the published releases (such as the term sheets describing the economic analysis, memorandums, outlines, and briefing documents).

Public Comments on Economic Analysis

We reviewed the comment summaries for the 12 final rules in our sample to determine whether the summaries were prepared by either the rulemaking division or DERA staff. Five of 12 final rules (or about 42 percent) had comment summaries that addressed the economic analysis or contained data relating to

[28] 5 U.S.C. §§ 601 – 612.

[29] The economic analysis for the term sheet identifies the anticipated major economic effects and/or controversial economic issues in the early stages of the rulemaking process and includes a summary of the rule and the economic analysis elements.

the economic analyses and were prepared by the rulemaking division.[30] While DERA staff are expected to look at every comment letter to identify information relevant to economic analysis, DERA management has the discretion to decide whether to prepare a separate comment summary focused on economic analysis, given the particular facts and circumstances for each rulemaking and comment file.

Concurrence Process

The Chief Economist's concurrence in economic analysis helps ensure that the analysis is sound, logical, and consistent with Agency guidance. For the proposed and final rules in our sample, we reviewed documentation to support the Chief Economist's (or designated official's) concurrence before the draft proposed and final releases were issued. We also examined concurrence documentation and determined that all proposed and final rules in our sample received concurrence by the Chief Economist (or the designated authority) before the Agency's issuance of the release.

Survey Results and Staff Interviews

As discussed in Finding 2, some SEC employees who responded to our survey, including DERA employees, expressed concerns about limited data and time to perform economic analyses. However, during interviews with the OIG, all 17 DERA staff involved in the Agency's rulemaking process for the 12 final rules in our sample generally said that DERA had sufficient policies, procedures, and guidance; and the staff were not aware of any instances of fraud, waste, or abuse as it relates to economic analysis. In addition, there were no retrospective reviews—10-year or otherwise— that had yet been required for the sampled final rules.

Compliance With Regulatory Flexibility Act Requirements

The RFA requires agencies to review, within 10 years of a final rule's publication, rules assessed as having a significant economic impact on a substantial number of small entities to determine if the rules should be continued without change, amended, or rescinded.[31] During our scope period, the SEC timely completed the 10-year review for 24 rules (adopted between CYs 2008 and 2012), but experienced delays reviewing 16 other rules (adopted between January 2008 and February 2009). However, by January 2025, the SEC had addressed those backlogged reviews. OGC officials pointed to several factors as the cause for the delayed reviews including competing workload priorities and a recent change in the review schedule and process. We also assessed the Agency's compliance with the RFA requirements related to the (1) SEC's regulatory agenda; (2) initial regulatory flexibility analysis; (3) final regulatory flexibility analysis; and (4) avoidance of duplicative or unnecessary analyses.[32] The SEC is compliant with these RFA requirements for the rules included in our sample.

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[30] Of the remaining seven final rules, two (2) had comment summaries prepared by DERA, two (2) had comment summaries prepared by the rulemaking division, as there were no comments related to economic analysis, and three (3) final rules received four (4) or less comments and therefore did not have comment summaries.

[31] 5 U.S.C. § 610. The RFA requires agencies to consider factors, including the continued need for the rule, comments received, and the complexity of the rule, among others.

[32] 5 U.S.C. §§ 602 - 605.

Appendix IV. OIG Analysis of the SEC's Rulemaking Workforce

To understand how the SEC ensures staff with sufficient and appropriate skills, experience, and expertise are involved in formulating and reviewing proposed rules, we interviewed and surveyed rulemaking personnel and reviewed training materials and staffing needs. We also reviewed attrition data for FYs 2018 through 2023 to identify any impact of departures on the Agency's rulemaking divisions.

Interviews and Survey of Rulemaking Personnel

We interviewed 25 rulemaking team members across CF, TM, and IM who worked on the rules included in our review. On average, these individuals had about 18 years of experience with the Commission. All team members also reported prior market participant experience, and all but one had previous direct experience with the APA. Additionally, survey respondents reported, on average, about 8 years of rulemaking experience, and interviewed and surveyed SEC personnel generally had positive views on the skills, experience, and experience of staff and management involved in rulemaking. From 207 survey responses received, 200 (or about 97 percent) stated that they have the appropriate level of skills, experience, and expertise to perform their rulemaking activities. Also, over 70 percent of respondents indicated that other staff and managers also had the appropriate level of skills, experience, and expertise.

Rulemaking Training and Staffing Needs

Rulemaking personnel we interviewed indicated that, while internal and external training is provided, most of the expertise acquired occurs through mentorships and on-the-job experience. For example, new rulemaking staff are often paired with senior staff on initial assignments. Additionally, management annually reviews priorities, workload, and staffing to prepare budget justifications. We corroborated that, between FY 2018 and FY 2023, the SEC's rulemaking divisions requested and received slots for positions to support rulemaking activities. Finally, those divisions have opportunities to integrate specialized knowledge from across the Agency through the use of internal details.

Attrition

In our survey, we asked SEC personnel involved in rulemaking to indicate whether departures or attrition have been a challenge in the previous 3 years (i.e., between December 2020 and December 2023). Around 31 percent of respondents (or 36 individuals) identified departures or attrition as an increasing challenge in their division or office, while about 57 percent (or 66 other individuals) reported that departures or attrition was not a challenge, remained consistent, or was perceived as a decreasing challenge.[33] Table 2 shows, how attrition fluctuated across rulemaking divisions in FYs 2018 through 2023.

[33] The remaining 12 percent (or 14 individuals) responded "do not know."

Table 2. SEC and Rulemaking Divisions' Attrition Rates for FY 2018 through FY 2023[a]

	SEC		CF Rulemaking		TM Rulemaking		IM Rulemaking	
FY	Attrition Rate	Exits	Attrition Rate	Exits	Attrition Rate	Exits	Attrition Rate	Exits
2018	6.90%	314	0.00%	0	5.47%	11	16.00%	4
2019	6.10%	268	7.14%	1	7.07%	14	14.29%	4
2020	5.30%	230	0.00%	0	2.39%	5	12.12%	4
2021	7.75%	336	9.52%	1	4.61%	10	25.00%	8
2022	8.69%	380	15.38%	2	7.83%	17	25.00%	8
2023	7.47%	341	18.18%	2	9.63%	21	25.00%	9

Source: OIG-generated based on data obtained from OHR and the rulemaking divisions.

[a] Attrition rates are sensitive to the total number of staff in each division, and include internal and external departures due to promotions and retirements. Further, unlike CF and IM, TM does not have dedicated rulemaking personnel and instead relies on personnel from across the entire division to work on rulemakings. On average, between FY 2018 and FY 2023, the SEC workforce totaled about 4,501 FTEs. During the same period, CF, TM, and IM rulemaking workforces averaged about 12 FTEs, 210 FTEs, and 31 FTEs, respectively.

The SEC's exit survey process is anonymous and voluntary, and results are shown by division and office rather than by exiting employee. Therefore, we were unable to review the surveys of departing rulemaking employees to identify specific causes for departure. Moreover, of the three rulemaking divisions, only IM conducted exit meetings with departing employees. IM's exit interviews noted employee movements for promotions outside of the rulemaking office, relocation needs, opportunities in the private sector (e.g., professional development and/or compensation), and internal transfer to other offices within IM or at the SEC as some of the reasons for departure from the rulemaking office. IM personnel explained that the rulemaking office's mission was not affected by these departures, nor did they reduce the scope of work.

TM and CF did not conduct interviews with departing staff and, according to TM personnel, the departures shown in Table 2 did not materially impact TM's rulemaking work.[34] A CF official provided similar information for CF. Although CF did not conduct exit interviews, the division explained that the six departures that occurred between FY 2018 and FY 2023 occurred because of internal transfers to other SEC divisions and offices and a transfer to another Federal agency to pursue a different field of interest. As mentioned in Finding 3, the SEC expects a decrease in its overall FY 2026 staffing level.

[34] In January 2025, CF implemented a new process for conducting exit interviews for staff involved in rulemakings.

Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, evaluations, or reviews, please send an e-mail to OIG Audit Planning at AUDplanning@sec.gov.

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