



U.S. Securities and Exchange Commission  
Office of Inspector General  
Office of Audits

Audit of the SEC's Progress in Enhancing and Redesigning the Electronic Data Gathering, Analysis, and Retrieval System



September 28, 2017  
Report No. 544

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OFFICE OF  
INSPECTOR GENERAL

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

**M E M O R A N D U M**

September 28, 2017

**TO:** Kenneth Johnson, Acting Chief Operating Officer

**FROM:** Carl W. Hoecker, Inspector General 

**SUBJECT:** *Audit of the SEC's Progress in Enhancing and Redesigning the Electronic Data Gathering, Analysis, and Retrieval System, Report No. 544*

Attached is the Office of the Inspector General (OIG) final report detailing the results of our audit of the U.S. Securities and Exchange Commission's (SEC) progress in enhancing and redesigning the Electronic Data Gathering, Analysis, and Retrieval system. The report contains nine recommendations for corrective action that, if fully implemented, should improve the SEC's controls over EDGAR system enhancements and redesign efforts.

On September 15, 2017, we provided management with a draft of our report for review and comment. In its September 26, 2017, response, management concurred with our recommendations. We have included management's response as Appendix III in the final report.

Within the next 45 days, please provide the OIG with a written corrective action plan that addresses the recommendations. The corrective action plan should include information such as the responsible official/point of contact, timeframe for completing required actions, and milestones identifying how the agency will address the recommendations.

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

Attachment

cc: Jay Clayton, Chairman  
Lucas Moskowitz, Chief of Staff, Office of Chairman Clayton  
Sean Memon, Deputy Chief of Staff, Office of Chairman Clayton  
Peter Uhlmann, Managing Executive, Office of Chairman Clayton  
Michael S. Piwowar, Commissioner  
Richard Grant, Counsel, Office of Commissioner Piwowar  
Kara M. Stein, Commissioner  
Robert Peak, Advisor to the Commissioner, Office of Commissioner Stein  
Robert B. Stebbins, General Counsel  
Rick A. Fleming, Investor Advocate

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John J. Nester, Director, Office of Public Affairs  
Bryan Wood, Director, Office of Legislative and Intergovernmental Affairs  
Pamela C. Dyson, Director/Chief Information Officer, Office of Information Technology  
Vance Cathell, Director, Office of Acquisitions  
Mark Ambrose, Director, Office of Strategic Initiatives, Office of the Chief Operating  
Officer  
Darlene L. Pryor, Management and Program Analyst, Office of the Chief Operating  
Officer

# Executive Summary

## Audit of the SEC’s Progress in Enhancing and Redesigning the Electronic Data Gathering, Analysis, and Retrieval System Report No. 544 September 28, 2017

### Why We Did This Audit

The U.S. Securities and Exchange Commission’s (SEC or agency) ability to fulfill its mission is, in part, dependent on the successful operation of the Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system. The SEC consistently spends over \$14 million a year on the EDGAR system, or about 6 percent of the agency’s information technology budget. These costs cover both ongoing operations and enhancements to the current EDGAR system. Separately, since fiscal year 2014, the agency has spent at least \$3.4 million on efforts to redesign the EDGAR system. A disciplined process for managing the enhancements and redesign of the EDGAR system is necessary to ensure adequate system functionality and to avoid cost overruns and schedule delays in the SEC’s efforts related to this mission-essential system.

### What We Recommended

We made nine recommendations, including that the SEC more clearly define the EDGAR system governance structure; enhance the relevant lessons learned process; improve EDGAR system scope management processes; ensure the EDGAR system engineering contractor complies with earned value management requirements and performance expectations; update the EDGAR change management policies and procedures; and address constraints impacting the timely completion, review, and approval of ERD contract deliverables. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action. We are not releasing the full version of this report because the report contains sensitive information about the EDGAR system.

### What We Found

Since 2014, the SEC has made several improvements in its planning and governance of the program to redesign the EDGAR system while continuously enhancing the system in operation. Our audit included reviewing a non-statistical sample of 6 of the 29 releases (or about 21 percent) deployed by the SEC to enhance the EDGAR system between October 1, 2013, and September 30, 2016. We also interviewed personnel and reviewed program documentation to assess the planning and governance of the SEC’s EDGAR Redesign (ERD) program. We determined that:

- the SEC’s governance of EDGAR system enhancements, including the governance and operation of the EDGAR Requirements Subcommittee and the EDGAR system enhancement lessons learned process, needs improvement;
- the Office of Information Technology (OIT) did not consistently manage the scope of EDGAR system releases to ensure SEC needs were achieved;
- the SEC should improve its management of the EDGAR system engineering contract;
- OIT did not fully and consistently implement EDGAR system enhancements in compliance with Federal and SEC change management controls; and
- although the SEC has taken steps to improve its ability to develop and implement a new electronic disclosure system that meets agency needs, further improvements can strengthen the agency’s ERD program governance and planning.

In addition, during our audit, two other matters of interest that did not warrant recommendations came to our attention. The first matter related to two systems the SEC used for enterprise configuration management, including to manage the configurations of the EDGAR system. We determined that OIT miscategorized one of the two systems, and did not clearly define the other system as a component of the EDGAR system authorization boundary. The second matter related to potential negative impacts on system operations of ongoing EDGAR system enhancements resulting from rules adopted by the Commission. We discussed these matters with agency management for their consideration.

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

## Major Contributors to the Report

Kelli Brown-Barnes, Audit Manager

Michael Burger, Lead Auditor

Sara Tete Nkongo, Auditor

Sumeer Ahluwalia, Auditor

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Office of Inspector General  
100 F Street, N.E.  
Washington, DC 20549

## 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](mailto:AUDplanning@sec.gov). Comments and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed above.