RECORDS MANAGEMENT OVERSIGHT INSPECTION REPORT 2014

U.S. Securities and Exchange Commission
Office of Records Management Services

NATIONAL ARCHIVES *and* RECORDS ADMINISTRATION

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EXECUTIVE SUMMARY

In 2014, the National Archives and Records Administration (NARA) inspected the U.S. Securities and Exchange Commission (SEC) Office of Records Management Services (ORMS). NARA conducted this effort under the authority granted it by 44 United States Code (U.S.C.) 2904(c)(7) and 2906 to inspect records management programs and practices of Federal agencies.

This inspection has two main purposes. The first is to examine the progress SEC ORMS has made since a 2012 SEC OIG report on the agency's records management program. Second, this inspection serves to validate the SEC's score of 100 out of 100 possible points on the 2013 Records Management Self-Assessment (RMSA).[1] This score indicates the agency is fully compliant with regulations under 36 Code of Federal Regulations (CFR) Chapter XII, Subchapter B. In addition to these objectives, NARA seeks to determine if SEC's records management program has policies, procedures, and/or methods that could serve as models or examples for other Federal agencies.

After the stock market crash of October 29, 1929, there were calls for the reform of securities trading, which was largely an unregulated industry. Three acts of Congress, including the Securities Exchange Act of 1934, established the SEC and defined its responsibilities in relation to regulating the buying and selling of stocks, bonds, and other securities. The current mission of the agency, according to its website, "is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation".

SEC is organized into five Divisions and 23 Offices, each of which is headquartered in Washington, DC. The Commission has approximately 3,500 employees who are located in Washington and in 11 Regional Offices throughout the country.

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[1] Records Management Self-Assessment Reports 2009-2013, National Archives and Records Administration, http://www.archives.gov/records-mgmt/resources/self-assessment.html.

INSPECTION OBSERVATIONS AND RECOMMENDATIONS

NARA conducted this inspection with the expectation that the SEC has made considerable improvements to its records and information program over the last several years and that its high scores on the RMSA suggests compliance with Federal statutes and regulations. We did not find anything during this inspection to contradict SEC's own assessment of its records management program as being fully compliant.

Records and information management is a process requiring continual improvements to keep up with changes in legislation, agency organization, and business processes. Accordingly, the SEC has a comprehensive strategic plan that allows for evolution of its records management program. See Appendix C.

As part of the inspection process, the targeted agency, in conjunction with NARA, typically develops a Plan of Corrective Action (PoCA) to address findings and recommendations. In this case, because the SEC has been responding recently to recommendations in an OIG report and because the agency has a strong records management strategic plan, we will not require a formal PoCA. However, we will continue to work with the SEC, watching their progress as outlined in their strategic plan, and ask to be kept informed as the plan evolves and changes.

SEC's organization of it record liaison network and so called "Records Council;" strategic plan; innovative use of records management directives; as well as, other elements of its RM program may serve as models for other Federal agencies of similar size and/or regulatory functions. It benefits the SEC, NARA, and the Federal records management community for the SEC to continue to share their progress with us and others.

We do have five observations and recommendations for further improvements that we will follow up on with the SEC. A complete description can be found beginning on page 10 of this report. The main concerns are a need for:

- follow-up activity after site visits and program evaluations;
- consistent handling of applying and lifting freezes;
- consistency in records management practices and disposition of records between regions;
- backlog in the identification of permanent cases; and
- back-up support for the staff in Boston responsible for handing case filing.

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INSPECTION REPORT

INTRODUCTION

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NARA chose to conduct this inspection in part to gauge the progress SEC ORMS has made since being subject in 2012 to an SEC Office of Inspector General (OIG) audit. The objective of the audit was to determine if ORMS had a fully functional records management program and was compliant with Federal statutes and regulations. In the subsequent report, SEC OIG made 12 recommendations. ORMS closed out all the report's recommendations within 9 months.

The head of ORMS was mixed as to whether the OIG inspection helped to strengthen the records management program at SEC. He indicated that some of the recommendations SEC OIG made supported initiatives that were already in progress or in the planning stages. He felt that some of the recommendations changed ORMS' priorities, but they did little to change the overall direction of the program. He did indicate that he was able to leverage the IG report to gain support from other SEC offices for various records management initiatives.

AGENCY HISTORICAL BACKGROUND

After the stock market crash of October 29, 1929, there were calls for the reform of securities trading, which was largely an unregulated industry. Three acts of Congress, including the Securities Exchange Act of 1934, established the SEC and defined its responsibilities in relation to regulating the buying and selling of stocks, bonds, and other securities. The current mission of the agency, according to its website, "is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation."

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INSPECTION PURPOSE

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METHODOLOGY

NARA conducted a series of interviews with ORMS staff, SEC senior officials, and other staff who serve as records liaisons within SEC Offices, Branches and Divisions; and agency program (mission staff) in Washington, DC, New York City, NY, and Boston, MA. The staff was forthcoming throughout the process and provided excellent support and access to relevant information and personnel. We would like to especially acknowledge the support from David Brown, Archivist and ORMS staff for their assistance with this inspection.

NARA's inspections are based on a set of compliance guidance documents and a standardized set of investigative questions based on existing statutes and regulations. Questions for specific inspections are selected based on an inspection's purpose and scope. Questions for this inspection are included as Appendix F.

STRUCTURE OF THE REPORT
In accordance with 36 CFR 1239 this report contains:

> (1) An executive summary;
> (2) Background and purpose of inspection;
> (3) Inspection methodology, including offices visited;
> (4) Findings;
> (5) Corrective actions needed and other recommendations; and
> (6) Any necessary appendices, such as summaries of each site visit or the inspection instrument.

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[2] Records Management Self-Assessment Reports 2009-2013, National Archives and Records Administration, http://www.archives.gov/records-mgmt/resources/self-assessment.html.
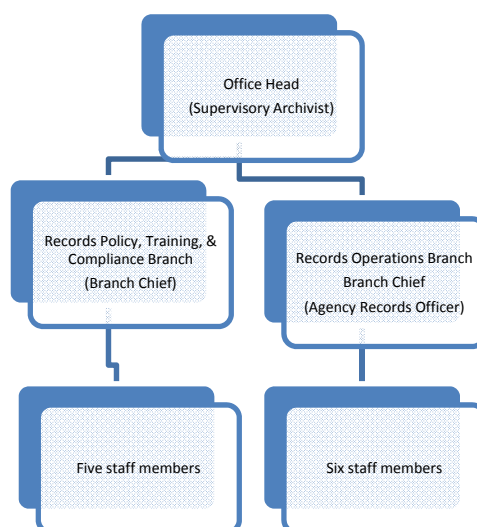
SECTION ONE: SEC RECORDS MANAGEMENT PROGRAM

ORGANIZATIONAL STRUCTURE

ORMS is under the Office of Support Operations (OSO). OSO also includes four other offices: Office of FOIA Services; Office of Security Services; Office of Building Operations; and Business Management Office. ORMS' placement within OSO is appropriate and effective. The heads of the offices that make up OSO are most likely to be informed about a variety of issues that are either impacted by the availability of records and information or issues that impact the records themselves, which ensures that ORMS is made aware of situations quickly.

The information that businesses are required to submit to the SEC and the decisions the agency makes based on that information are critical. This means it is essential for the agency to have good records and information policies and procedures that ensure the integrity, quality, and availability of agency information. ORMS is working to ensure that the records management program is in line with these principles.

Prior to its current structure, ORMS was the Office of Filing Services (OFS). For many years the main focus of the SEC's records staff was to certify copies of documents on request as well as to store and retrieve records. Both of these remain functions of ORMS. However, the restructuring increased staffing levels and resulted in major changes in how ORMS works with other SEC Divisions and Offices. The changes included returning ownership and responsibility of maintaining records to the creating offices, and have allowed ORMS to focus on core records management functions such as developing records management policies, training, networking, records inventories, and retention scheduling and disposition.

Structure of the Office of Records Management Services (ORMS)

INNOVATIVE APPROACHES

There are several projects being implemented at the SEC that may rise to the level of best practices. Among these are the creation of a SEC Records Council; an effective and empowered records liaison (RL) network; individual points of contact within ORMS for SEC offices and divisions; an effective and novel use of records and information policy and directives; and an outstanding strategic plan. Some of these approaches have been underway for some time while others have developed in the wake of the 2012 OIG report.

➢ Creation of a SEC Records Council

This council is an interesting and perhaps powerful use of the standard concept of a records liaison network. The members of this council are all high level executives for each of the divisions and offices of the SEC. The council meets biannually to discuss records management issues, common problems, specific solutions, and other related topics as needed.

➢ Records Liaison (RL) Network

36 CFR 1220.34 (d) requires that someone be assigned records management responsibilities in each program and administrative area. The SEC not only meets this requirement but has made its RL network even more effective by making certain that the RL role is filled by staff who have the authority to make decisions or by staff who have a close relationship to the decision maker within their particular office or division. The majority of records liaisons that we talked to during this inspection were executive level staff or from the Office of Chief Counsel. All were highly engaged in efforts to identify records management challenges, create solutions, and implement sound records management practices. Engagement at this level of the organization helps to resolve issues and to embed records management into the routine processes of the organization.

➢ Point of Contact within ORMS for SEC Offices

The Operations Branch of ORMS divides responsibility for the SEC offices among staff members. Each staff member serves as a Point of Contact (POC) for several offices. The duties of the POCs include working with specific offices to create inventories; identifying unscheduled records; assisting with implementation of existing retention schedules; providing feedback to the Agency Records Officer on any issues or needs; and serving as liaison between the offices and ORMS. This interaction increases visibility of ORMS and contributes to building relationships. These relationships make it easier to ensure that records management is being implemented effectively.

> Changes to SEC Records Management Policy (SEC 7-1) and the establishment of Records Management Directives

ORMS has decided to simplify its records management policy as much as possible and move more of its guiding language into directives. This modification allows for faster and more effective changes to procedures because the SEC directives approval process is quicker and easier than the SEC policy approval process. The SEC Records Management Policy now only includes high level policy and remains more or less static. The policy is supplemented with a series of topical record management directives. The directives are very specific and include individual topics such as "Removal of Records and Non-Public Information by Departing SEC Personnel" and "Requirements for Transferring SEC Records to Federal Records Centers."

> Records Management Strategic Plan

ORMS has developed a comprehensive strategic plan that allows for evolution of its records management program. The strategic plan identifies specific areas that ORMS will focus on to best utilize their resources and to make the most impact. ORMS considers this a dynamic document that will be adjusted, revised, and revisited as needed.

OTHER EFFORTS

In addition to these organizational elements that help to make the records program at SEC effective, there are several other efforts that have been untaken that should be mentioned.

> Returning services of active records to SEC Offices

Over time the SEC records management staff became responsible for the management of active records from various program offices within SEC. This is contrary to best practice, and as part of the restructuring of the records management program at SEC; the operational control, administration, and responsibility of managing active records was returned to the offices that creates them. This move reconnected offices to their records and shifted accountability to the records creators. The shift allowed ORMS to concentrate on higher level records management issues such as creating and/or updating records management directives and procedures.

> Records Scheduling

ORMS is working to update portions of its records schedule that are out of date and to create disposition authorities for records not previously scheduled. When this work is completed, a comprehensive, agency-wide schedule will be created. Currently ORMS is using a master Excel spreadsheet for tracking program schedules, which is working but

not entirely effective. Continued progress in this area is dependent on work to be completed by NARA.

The SEC has several requests for disposal authority pending approval by NARA. At this time NARA is working these through the appraisal process. The appraisal process can be lengthy, and NARA continues to work with the SEC Agency Records Officer to schedule records as efficiently as possible. A further explanation of NARA's appraisal process and scheduling efforts by the SEC are included as Appendix G.

➢ Site Assessments and Evaluations

ORMS has a routine site assessment and evaluation process to monitor implementation of its records management policy and directives. Beginning with regional records offices, and now continuing with headquarters, this process rates the maturity of individual records management programs within program offices. The evaluations provide office heads and other senior management with reports that include recommendations for improvement. The POC network works with headquarters based offices to improve records management based in part on the site assessments. There is continual interaction and follow-up after the assessment, usually records scheduling initiatives; however, at this time, there is little or no formal follow up with the regional offices.

ELECTRONIC RECORDS MANAGEMENT

The SEC has a fairly sophisticated program for the management of electronic records. ORMS has a database to capture and maintain the dynamic and evolving inventory of all SEC electronic information systems (EIS). ORMS is also involved in the Systems Development Lifecycle (SDLC) as well as other preliminary discussions on EIS which contain federal records, to ensure the systems have records management functionality built in as early as possible in the development stage. ORMS also maintains authority to affect implementation of systems that are not production ready, by recommending "No-Go" decisions concerning implementation. Moreover, ORMS is working on baseline records management requirements for all systems at the SEC.

Examples of electronic systems critical to the mission of the SEC:

➢ EDGAR System

Most of the materials the agency receives from the companies it regulates are maintained in electronic format by the Electronic Data Gathering Analysis and Retrieval (EDGAR) system. This is a web-based system containing permanent records. Currently, ORMS is ensuring that the files are properly maintained in the system and is working with NARA on ways to transfer eligible records to the National Archives.

> HUB System

  The SEC also maintains the HUB System. The HUB (not an acronym) is a central case management system focusing on the main mission activities of the SEC. The HUB was originally created in the Boston Regional Office. This system is used agency wide, with maintenance centralized in the Office of Information Technology at SEC HQ. There is no original information in the system other than case summaries that are entered directly into the system. HUB links related cases, names of companies and individuals, and contains information related to any distribution of monies. While not officially a records management system, involvement by ORMS staff is essential for workflow information, metadata capture, and records identification and disposition. The head of ORMS is involved as a stakeholder and consults with the design staff on changes and upgrades to HUB.

  HUB contains information from 2007 to the present. Modifications have been made to the system when new legislation changed or added requirements to SEC functions, such as "Dodd–Frank Wall Street Reform and Consumer Protection Act (Public Law 111–203, H.R. 4173). The HUB has meticulous metadata that provides essential searching capabilities, which enable the SEC to find information on specific cases, companies, and individuals as needed. The HUB contains reference copies of permanent and temporary records. The originals are maintained either in paper or electronically as part of the case file. The system has a flag for tracking criminal cases and landmark cases and for identifying permanent case files. The SEC is working on making improvements in software to make this a complete document management system in the future.

> Email

  As detailed in the SEC's first annual Senior Agency Official (SAO) report, SEC has an email policy and its Office of Information Technology (OIT) is working to ensure preservation of email. The SEC is proposing to use the Capstone[3] approach to managing email and has submitted a related retention schedule to NARA. Therefore, the agency is well positioned to meet the two main requirements of the NARA/OMB *Managing Government Records Directive* (M-12-18), released in 2012, to maintain all email (temporary or permanent) in electronic form by 2016 and all other permanent records electronically by 2019.

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[3] Capstone offers agencies the option of using a more simplified and automated approach to managing email, as opposed to using either print and file systems or records management applications that require staff to file email records individually. Using this approach, an agency can categorize and schedule email based on the work and/or position of the email account owner. The Capstone approach allows for the capture of records that should be preserved as permanent from the accounts of officials at or near the top of an agency or an organizational subcomponent. An agency may designate email accounts of additional employees as Capstone when they are in positions that are likely to create or receive permanent email records.

SECTION TWO: SEC OFFICE OF INSPECTOR GENERAL REPORT, SEPTEMBER 2012

The magazine *Rolling Stone* published an article on August 17, 2011, that alleged the unauthorized disposal of records known as "Matters Under Inquiry" (MUI) at the SEC. As part of the response to the allegation, the agency's OIG conducted its own investigation regarding destruction of "Matters Under Inquiry" by the Division of Enforcement and released its report in October 5, 2011. The OIG found that the SEC's Enforcement staff destroyed documents related to closed MUIs that should have been preserved as Federal records. The issues involved in this investigation have been resolved. Because of this investigation the profile of records management in general and ORMS in particular was raised.

Separate from the investigation of the handling of MUIs, the SEC OIG conducted an audit of the SEC records management practices and released its report September 30, 2012. It is as a result of this audit that NARA decided to conduct its inspection. The OIG audit report contained 9 findings and made 12 recommendations for improvement. The findings touched on such areas as the need for more staff assistance visits, inadequate records management training, the need for updating records schedules, and program offices failing to review their records schedules and follow the instructions in their files plans.

It should be noted that a major overhaul of the records management program at the SEC was underway at the time of the OIG audit. Some of the recommendations in the OIG report incorporated initiatives that were already in progress. Moreover, there was a lengthy period between the OIG's conducting its investigation and the release of its findings and recommendations. ORMS continued to make improvements during the interim, including filling two management positions. ORMS closed out all the report's recommendations within 9 months.

IMPACT OF THE OIG REPORT

One SEC program staff member indicated that the unauthorized destruction alleged in the *Rolling Stone* article provided opportunities to make positive changes more so than the actual OIG inspection. ORMS staff itself had mixed opinions about the impact of the OIG report and the experience of going through the audit. Although many of the items noted in the report were being worked on prior to the audit, the extent to which the improvements would have been made without the OIG's involvement is largely unknowable. However, the fact that the audit occurred and the report was not particularly favorable did provide ORMS with some leverage to make major improvements. In particular, the OIG report may have positively impacted the following areas: higher level people appointed as RLOs; the hiring additional positions, such as RM staff in Enforcement HQ; and increased organization-wide support for the points of contact structure.

Specific areas mentioned in the OIG report that NARA looked as part of this inspection include:

> Site Assessments and Evaluations
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> A plan to conduct site visits and assessments was in progress during the course of the OIG inspection; but having this as a recommendation in the report may have provided more support for the travel funds needed to assess all 11 locations. To conduct assessments, ORMS developed a standardize questionnaire, which was helpful in recommending and implementing consistent improvements across all regions. Assessments are now incorporated into ORMS routine business practices. SEC assesses regional offices every two years. The practice is being expanded to include headquarters offices, and the assessment of these offices was in progress at the time of NARA's inspection. As noted earlier, there is continual interaction and follow-up after the assessment, usually records scheduling initiatives; however, NARA noted that little or no formal follow-up is done after the regional office assessments.

> Records Management Training
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> Prior to the OIG inspection, ORMS had the goal to create a records management training program but had yet to fully implement such a program. An SEC records management training curriculum is now complete and is currently in use. The training is mandatory for all agency employees and contractors, and it is included in the orientation for all new hires. ORMS leveraged the OIG report to help obtain approval to make records management mandatory for all staff.

> Business Goals
>
> The OIG report indicated that there were certain failures in the way staff followed the ORMS standard operating procedures (SOP). Since the OIG report, SOPs have been updated and issues with implementation are discussed at monthly ORMS staff meetings. This increased communication helps to alleviate any confusion as well as brings any problems to the attention of the management. The OIG report may have helped bring high level attention to these problems so that they could be appropriately addressed.

> Records Management practices
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> Several of the findings and recommendations of the OIG report centered on standard records management activities such as records retention scheduling; schedule implementation and related disposition and storage issues; and the vital records program. The OIG indicated they found some offices did not fully understand their records responsibilities and were unaware of records retention schedules and related disposition instructions. The OIG also found that there was a backlog of records eligible for disposal at the Washington National Records Center (WNRC) and that the vital records inventory was obsolete. These findings and recommendations led to a re-prioritization of several

projects. For example, ORMS addressed the backlog of records eligible for disposal at the WNRC soon after the OIG inspection, moving it ahead of other on-going initiatives. Again, ORMS staff had mixed feelings on whether changing the priorities was helpful or perhaps delayed other, more strategic, initiatives.

SECTION THREE: OBSERVATIONS AND RECOMMENDATIONS

This inspection had a different purpose than a typical NARA inspection. Generally, when NARA inspects agencies we make findings and recommendations that the inspected agency must address in a Plan of Corrective Action (PoCA). For this inspection we were specifically looking at improvements that have already been made in response to an audit by the SEC OIG. As the SEC records management program had recently completed this evaluative process with the OIG and as the strategic plan the SEC has in place addresses most of the findings that NARA would otherwise make, it does not serve any additional benefits for us to require a PoCA from SEC. However, there are a few observations and recommendations that should be made. NARA will follow-up with the SEC on implementation of their strategic plan and any changes made due to our recommendations.

Observation 1: While ORMS evaluates records management in offices and divisions, it does not require them to create corrective action plans or make any reports to ORMS on steps taken to make improvements.

This is particularly true in the Regional Offices, in part due to the organizational relationship between SEC headquarters and regional offices. There are various levels of autonomy that allow for local differences in how information is created and managed. As part of NARA's inspection we visited the New York City and Boston Regional Offices. While both offices remembered the assessments by ORMS, neither office remembered what was in the resulting reports or indicated that they did anything to improve their processes because of these assessments.

> *Recommendation 1: Using POCs, RLOs, and Records Management Council, the Office of Support Services and ORMS should put in place post assessment follow up procedures that should include written plans of corrective action and ORMS tracking of the completion of recommendations.*

The benefit of the above recommendation would be that the assessments would have more meaning to the offices being assessed and improvements would be more likely to be made. ORMS would further strengthen the POC relationships it has with various offices, and future assessments could be done more efficiently and perhaps in less time as they could build on what had been done during the two years in between assessments.

Observation 2: Based on our site visits at SEC Headquarters and the regional offices in New York City and Boston, it was found that there are inconsistencies in records management practices and disposition standards.

While we only looked at two regions, we assume there are additional inconsistencies in records management practices in other regions as well. These have an effect on the closing of cases, which then directly affects FOIA responses, storage of records, the determination of record copy formats (paper vs. electronic), records retrieval, and the identification of permanent case files.

For example, the case closure process:

- The high volume of active case loads and small staffs contribute to a significant backlog of cases waiting for closure.

- The case closure process is often slowed while staff wait to secure necessary input from units across the organization to address legal holds, FOIA, other related issues.

  o The Boston Regional Office currently imposes a standardized, color-coded filing structure on cases at the time the case opens. Each case has a standardized set of pre-labeled folders to separate the document types that are present in all cases files. In addition, this office digitizes documents as they are received and requires the digitized copies to be the main source of access for staff, therefore limiting access to original materials. The electronic filing system mirrors the paper-based filing system, and the shared drive (J-drive) is organized the same way as the physical filing cabinets.

  o The New York regional Office currently files cases by document categories after a case closes based on a previous retention schedule. The majority of case materials are maintained in the format in which they were received; therefore, paper records are comingled with a wide variety of media types including hard drives, flash drives, disks, and even tapes.

It should be noted that ORMS while fully aware of the issues, does not control how offices physically manage their files. Each location has local policies and procedures for handling active files and the closing of cases. ORMS is working on disposition standards and guidance that will be helpful.

> *Recommendation 2: The Office of Enforcement, with the help of ORMS should review case closing practices to determine if standardization is possible.*

Observation 3: The Boston Regional Office has a very good records management program in place; however, the entire system is dependent on one person who monitors all correspondence, scans documents, and maintains the paper and electronic filing of all case file materials. This person has no backup.

While this system works very well, it comes to a complete halt when the person responsible for the records management is out of the office for any reason. It causes considerable back logs from time to time, not to mention stress on the employee who is in the role. This is a considerable single point of failure scenario.

> *Recommendation 3: The Boston Regional Office should designate a responsible and qualified person to assist and serve as backup staff for maintaining the filing system.*

Observation 4: There is a 60 year gap in the identification of landmark cases hindering the ability to identify permanent records for transfer to the National Archives.

The Office of Enforcement is using annual reports to identify landmark cases. This is very labor intensive and will take time to complete. Completion of this project will enable SEC to work with NARA's Federal Records Center Program (FRCP) to identify eligible permanent records for transfer as well as identify records that maybe stored elsewhere. The problem was created in large part due to the previously approved records schedule had subjective, rather than objective selection criteria. The new records schedule corrected the issue and will prevent this problem from continuing.

> *Recommendation 4: As cases are identified, the SEC Office of Enforcement and ORMS should work with the FRCP and establish a routine method for the identification and eventual transfer of permanent cases to the National Archives.*

Observation 5: SEC staff indicated that holds (also called freezes) are unevenly applied, and the notification as to when freezes are imposed or lifted is inconsistent.

This situation puts the SEC at risk of failure to apply a hold or of maintaining records longer than necessary after a hold is lifted. The problem has been identified by ORMS. The litigation holds process is not managed by ORMS; but ORMS is working with the Office of Chief Counsel to improve the process. The inclusion of flags to identify the status of litigation holds in the HUB is one part of the solution. This could work if staff members consistently update the field as the status changes. This problem is not unique to the SEC. The methods SEC puts in place to improve its holds process could be of interest to other agencies, as this is a universal records management concern. When the process is satisfactorily in place, SEC should share the information with other NARA and other agencies.

Recommendation 5: ORMS should continue to work with Office of Chief Counsel to improve the litigation holds process.

CONCLUSIONS

Agencies, like the SEC, dealing strictly with the financial sector have unique recordkeeping and information issues. Even the smallest most trivial appearing piece of information may have the power to move markets. SEC is involved in a considerable amount of litigation and has high volumes of confidential, privileged, and proprietary information. Whether this information qualifies as record or non-record is not necessarily as important as managing the information as a whole, regardless of its record status. At this time the SEC is handling this obligation carefully and taking it very seriously.

Overall, the SEC records management program is compliant with Federal laws and regulations and is well managed. Like the majority of records management programs, there are areas that still need improvement, and other areas that will need continual monitoring to stay effective as changes occur within the agency and technology advances. The SEC Senior Agency Official for records management, the SEC Archivist (who serves as the head of ORMS), and the Agency Records Officer are fully aware of areas that need improvement. They are fully engaged in making improvements, monitoring other areas and working to ensure the program continues to improve and remain current.

APPENDIX A
RELEVANT PRE-INSPECTION DOCUMENTS

SEC Records and Information Strategic Plan for October 1, 2013 – September 30, 2015

SECR 7-1 Records and Information Management Program Policy

Destruction Directive

Essential Records Guidance

GRS Items on Shared Drive Directive

IM Directive

Reference Request and Tracking Standard Operating Procedure

SEC 2889 Internal Destruction Deletion Form

Standard Operating Procedure 4: Certification Requests

Senior Agency Official Annual Report on Implementation of the Managing Government Records Directive

Responses to the annual Records Management Self-Assessment

NARA Scheduling and Appraisal Monthly Reports

U.S. SEC Office of Inspector General Semiannual report to Congress, 2012

U.S. SEC Report on Investigation Case No. OIG-567: Destruction of Records Related to Matters Under Inquiry and Incomplete Statements to the National Archives and Records Administration Regarding that Destruction by the Division of Enforcement, October 5, 2011

U.S. SEC Office of Inspector General Office of Audits Report No. 505: SEC Records Management Practices, September 30, 2012

Rolling Stone Magazine

APPENDIX B
AUTHORITIES AND FOLLOW-UP ACTIONS

AUTHORITIES

- 44 U.S.C. Chapter 29

- 36 CFR Chapter XII, Subchapter B

- 36 CFR 1239, Program Assistance and Inspections

FOLLOW-UP ACTIONS

- ACTION PLAN

  Records and Information Strategic Plan for October 1, 2013 – September 30, 2015

- CONTINUED COMMUNICATION

  SEC will find ways to share what their progress with other agencies

  NARA will follow up six months after the release of this report and every six months thereafter to discuss progress on the strategic plan.

APPENDIX C
Based on information from
US Securities and Exchange Commissions
Office of Support Operations
Office of Records Management Services
Records and Information Strategic Plan for October 1, 2013 – September 30, 2015
Updated: November 2013

[Begins on next page]

PDF VERSION WILL HAVE THE SEC STRATEGIC PLAN

APPENDIX D
OFFICES VISITED DURING INSPECTION

Securities and Exchange Commission Headquarters, Washington, DC
> Division of Enforcement
> Division of Corporation Finance
> Office of the Chief Operating Officer
> Office of Support Operations
> Office of Chief Council for the Office of Enforcement
> Office of Public Affairs
> Office of General Council
> Office of Compliance, Inspection and Examinations

Securities and Exchange Commission – Regional Office, New York, New York

Securities and Exchange Commission – Regional Office, Boston, Massachusetts

SELECTED COMPLIANCE QUESTIONS

The following is a list of questions based on the CFR and other NARA guidance used to gather information during the course of this inspection. The questions are divided into specific records management topics.

DISCUSSION TOPICS FOR RESPONSE TO OIG AUDIT

What improvements were made prior to, during, and after the OIG engagement and report? How did the OIG affect the improvements SEC ORMS was already working on, what new initiatives did it bring about and how did the engagement help SEC ORMS get to where it is now?

What continuing improvements is SEC ORMS working on now?

How did SEC ORMS handle the issue that led to the OIG Audit (namely the confusion over disposal of preliminary files)? This should be a discussion of steps that were taken and how would these be helpful to other agencies that may find themselves in a similar situation?

How did SEC ORMS approach their OIG audit and the recommendations?

SEC ORMS conducted an effort in FY 2012 to assess the current state of records management at all SEC regional offices in FY 2012, as described in the ORMS Records Management Site Assessment Visits Comprehensive Report, February 2013. What was the methodology? What are the plans to address the commonalities and other obstacles identified in this report?

PROGRAM REQUIREMENTS

A compliant, effective, and efficient Federal records management program requires senior management support at the highest levels; a clear definition of program objectives, responsibilities, and authorities; allocation of sufficient resources to administer the program; assignment of the program to an appropriate office within the agency's organizational structure; continuous training for records management staff; and regular internal evaluations to monitor compliance and program effectiveness.

Has records management responsibility been assigned to a headquarters Records Officer (RO) and office with appropriate authority within the agency to coordinate and oversee implementation of the agency records management program?

Have records management responsibilities been assigned to a network of records liaison officers (RLOs) in program and field offices to ensure recordkeeping requirements and practices are incorporated into agency programs, processes, systems, and procedures?

Is the records management program placed appropriately within the agency's organizational structure? Are the RO and RLOs sufficiently represented among management and included on management "teams"?

Are lines of communication and control between the RO and the RLOs clear and consistent?

Do those individuals with responsibility for records management have core competencies consistent with their duties, and is this reflected in their position descriptions and performance plans?

Do those individuals with responsibility for records management have the opportunity for on-going training, continuing education, and professional development consistent with their responsibilities?

Does senior management provide adequate resources for the records management program including budget allocations for:

- Maintenance of recordkeeping systems
- Storage and maintenance of records

Does senior management provide adequate resources for the records management program including budget allocations for continued improvements to records management, including additional staff, training for staff, procurement of equipment, and other resources?

RECORDKEEPING REQUIREMENTS

A compliant, effective, and efficient Federal records management program is based upon the establishment of recordkeeping requirements for records in all media. Recordkeeping requirements include clear guidance and the appropriate determination of what constitutes a record, and distinguishes records from non-record material and personal papers. Recordkeeping requirements should specify the creation and maintenance of specific records to document agency operation and activities; ensure that all records are covered by a records retention and disposition schedule; protect records from removal or alienation; define records management responsibilities; and provide training.

Do agency personnel properly distinguish between records, non-record materials, and personal papers?

Does the agency maintain a record set of all directives documenting agency programs, policies, and procedures?

Is the agency schedule reviewed annually?

Does the agency prohibit the removal of records by employees?

Are exit briefings documented for purposes of accountability?

Are departing employees and senior officials required to obtain approval from records management program staff or other designated official(s) before removing personal papers and copies of records?

CREATION, MAINTENANCE, AND STORAGE REQUIREMENTS

A compliant, effective, and efficient Federal records management program requires that each agency ensure "adequate and proper documentation" of agency programs; establish recordkeeping requirements for agency programs; issue policies and procedures for organizing, maintaining, and storing records; and safeguard records from damage and unauthorized access, destruction, or removal.

Has the agency established and implemented standards and procedures for classifying, indexing, filing, and retrieving records, and have the standards and procedures been made available to all employees?

Is access to all records, regardless of media, limited to authorized personnel?

Are permanent series of records identified and maintained separately from temporary records?

Does the agency send records off-site for storage?

RECORDS SCHEDULING AND DISPOSITION REQUIREMENTS

A compliant, effective, and efficient Federal records management program requires that each agency ensure that all records are covered by a NARA-approved records retention and disposition schedule so that records are retained as long as needed for business purposes; to meet legal and fiscal requirements; and to preserve records with permanent and enduring value. Agencies must also ensure that these records schedules are implemented and that records are disposed of in accordance with these NARA-approved schedules.

Records Scheduling Requirements

Does the agency maintain an accurate, current schedule for all agency records?

Is the schedule reviewed and updated, if necessary, on an annual basis?

Has the agency identified a list of circumstances that may affect a schedule? Do procedures clearly indicate what changes require NARA approval?

Does the agency have any unscheduled records? Is a schedule being developed for these records? Are these records being retained until a schedule is developed?

Are unscheduled records retained until an approved schedule is developed? Do agency directives and other policy issuances instruct staff to treat any unscheduled records as permanent until an appropriate disposition authority is obtained?

Do agency personnel have easy access to, and are they familiar with, the agency's records schedule?

Does agency guidance provide adequate standards and procedures for classifying, indexing, filing, and retrieving records?

Are standardized reference procedures in place to facilitate the locating, retrieving, and refiling of records that have been retired? Obtain copies of these documents. If so, is there a quality control process in place to ensure the correct files are retrieved and ensure that they are returned to the proper file?

Records Disposition Requirements

Is there a current list of personnel (liaisons, file custodians, line staff, contractors, program managers) responsible for the activities related to the disposition of records?

Has the agency developed and implemented an internal training curriculum that covers the roles and responsibilities of these records management staff with regards to disposition?

Has the agency issued a handbook, guidance, or a directive that contains records disposition policies and procedures as well as the NARA-approved agency records schedule and the General Records Schedule?

Has the agency developed and implemented a training curriculum for all staff covering their responsibilities concerning the disposition of records under their immediate control?

Does the agency have disposition instructions for all non-record material?

Is the records schedule being applied properly and consistently?

For records that are eligible for destruction, does the agency follow one of the approved methods of destruction in 36 CFR 1226.24?

Does records management staff conduct exit briefings for departing employees and senior officials on the appropriate disposition of records under their immediate control? If not, who conducts these briefings?

Are exit briefings documented for purposes of accountability?

Are departing employees and senior officials required to obtain approval from records management program staff or other designated official(s) before removing personal papers and copies of records?

ELECTRONIC RECORDS REQUIREMENTS

A compliant, effective, and efficient Federal records management program requires incorporation of the management of electronic records into records management activities; integration of records management functionalities and preservation considerations into the design, development, enhancement, and implementation of electronic information systems; and appropriate management of electronic records.

Has the agency assigned responsibility for the development and implementation of the agency-wide program to manage all records created, received, maintained, used, or stored on electronic media?

Does the agency have procedures or a protocol in place for ensuring that records management requirements, including recordkeeping requirements and disposition, are addressed before approving new electronic information systems or enhancements to existing systems?

Is adequate training on recordkeeping requirements and the distinction between record and non-record material provided to those who use electronic mail systems?

Is adequate training provided to those who use electronic information systems in the operation, care, and handling of the equipment and software in order to minimize lost or altered information?

Does the agency maintain an inventory of electronic information systems, their location, applicable disposition authorities (or status as unscheduled), and media in which electronic records are maintained in order to facilitate the management and disposition of electronic records?

Does the agency conduct periodic reviews of electronic information systems to ensure that they conform to the agency's policies and procedures as required by 44 U.S.C. 3506?

Does the agency implement a records security program that incorporates the following:

   (a) ensures that only authorized personnel have access to electronic records;
   (b) provides for backup and recovery of records to protect against loss of information;
   (c) ensures that appropriate agency personnel are trained to safeguard sensitive or classified electronic records;
   (d) minimizes the risk of unauthorized alteration or erasure of records;
   (e) ensures that electronic records security is included in computer systems security plans prepared pursuant to the Computer Security Act of 1987?

VITAL RECORDS REQUIREMENTS

The agency identifies and protects records essential for continuing operations under abnormal business conditions, resuming business once conditions have normalized, and protecting the legal and financial right of the government and citizens.

Has the agency conducted a formal risk assessment concerning the potential risks to the agency's records?

Has the agency identified all of its vital records in all program and administrative offices?

Does the agency maintain and keep current an inventory of all vital records and their locations?

Does the agency have vital records policies and procedures?

Does Records Management Staff work with agency Emergency Management Staff in Continuity of Operations Planning?

APPENDIX F
ACRONYMS AND ABBREVIATIONS

EDGAR   Electronic Data Gathering Analysis and Retrieval

FOIA   Freedom of Information Act

HQ   Headquarters

NARA   National Archives and Records Administration

OIG   Office of Inspector General

ORMS   Office of Records Management Services

OSO   Office of Support Operations

POC   Point of Contact

PoCA   Plan of Corrective Action

RL   Records Liaison

RMSA   Records Management Self Assessment

SAO   Senior Agency Official

SDLC   Solutions Development Life-Cycle

SEC   Securities and Exchange Commission

APPENDIX G

RETENTION SCHEDULING PROJECTS
OF THE
U.S. SECURITIES AND EXCHANGE COMMISSION

Individual appraisal archivists at the National Archives are assigned several agencies for whom they process proposed records schedules, and endeavor to keep numerous schedules moving through the approval process at any given time. Staff prioritizes their workload based on a number of factors including whether the schedule is in the backlog and agency priorities. Since an internal reorganization of NARA's Records Management Services in early 2012, there has been a division-wide priority placed on backlog schedules. Backlog schedules are those schedules which have not been completed within two fiscal years after the year in which the schedule was submitted. As of October 1, 2014 the backlog will include those schedules submitted in FY 2012 and earlier. No SEC schedule will be in the backlog in FY15. If an agency indicates that a schedule is high priority (such as an agency/commission sun-setting, a need for coding a disposition into a new system, etc.), appraisers will endeavor to move those schedules along faster, such as initiating the Federal Register process prior to completing appraisal review when appropriate. The NARA appraisal archivist has not been apprised of any high priority schedules.

The speed at which any given schedule is processed is based in part on the appraiser's workload, the complexity of the schedules, and the availability of agency staff to answer questions and set-up appraisal meetings with program staff. The chart below lists SEC submitted schedules since August 1, 2013 and the next steps for their completion as of as of August 21, 2014. Since the inspection was completed one schedule has been withdrawn, two have been submitted for signature by the Archivist of the United States, and six schedules are pending public comment via the Federal Register notice process. Ten of the pending SEC schedules were submitted to NARA in the 4th quarter of FY 2014, and the remaining 4 pending schedules were submitted in FY 2013.

Job Number	Subject	Date Received	Last Action	Status	Next Steps
DAA-0266-2013-0001	Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certifications to Periodic Reports (2002)	3/18/2013	5/2/2014	Forwarded to internal stakeholder units for review.	Need to address the concerns raised by the stakeholder unit, including disposition changes.
DAA-0266-2013-0002	Website	6/27/2013	7/7/2014	Published on the Federal Register on 7/7/2014	Records schedule closed on the Federal Register on 8/6/2014. It has been sent forward for signature.
DAA-0266-2013-0004	Office of Compliance Inspections and Examinations	8/12/2013	12/20/2014	Appraisal meeting conducted on 12/20/2014	Need to forward appraisal report to stakeholder units and publish notice on Federal Register.
DAA-0266-2013-0005	Registration Statements	8/22/2013	11/8/2013	Forwarded to internal stakeholder units for review.	Need to address the concerns raised by the stakeholder unit, including disposition changes.
DAA-0266-2014-0001	Confidential Treatment Records	2/5/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.
DAA-0266-2014-0002	Strategic Planning	3/4/2014	8/5/2014	Forwarded to the Federal Register for publication.	Upon return from stakeholder units, will address concerns/ questions. Note: this schedule was fast tracked to the Federal Register. Schedule has been reassigned to Rania Mahmoud.
DAA-0266-2014-0003	Organizational Structure	3/4/2014	8/5/2014	Forwarded to the Federal Register for publication.	Upon return from stakeholder units, will address concerns/questions. Note: this schedule was fast tracked to the Federal Register. Schedule has been reassigned to Rania Mahmoud.
DAA-0266-2014-0004	SEC Policies and Procedures	3/26/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions. Schedule has been reassigned to Rania Mahmoud.
DAA-0266-2014-0005	Records of the Office of Credit Ratings	3/28/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.
DAA-0266-2014-0006	Evaluation, Data Gathering, Analysis, Evaluation and Retrieval (EDGAR) System	5/28/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.

Job Number	Subject	Date Received	Last Action	Status	Next Steps
DAA-0266-2014-0007	Filing Activity Tracking System (FACTS)	5/29/2014	8/5/2014	Forwarded to the Federal Register for publication.	Upon return from stakeholder units, will address concerns/questions. Note: this schedule was fast tracked to the Federal Register.
DAA-0266-2014-0008	Email	6/4/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.
DAA-0266-2014-0009	Tips, Complaints, and Referrals Intake and Resolution System	6/20/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.
DAA-0266-2014-0010	SEC Audiovisual Records	7/3/2014	7/30/2014	Forwarded to internal stakeholder units for review.	Upon return from stakeholder units, will address concerns/questions and forward to the Federal Register.