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Description of document: Securities and Exchange Commission (SEC) Selected Inspector General (OIG) Investigation Reports 2013-2019

Requested date: 01-August-2020

1st Partial Release date: 21-September-2020

2nd Partial Release date: 23-December-2020

3rd Release date: 19-October-2021

Posted date: 09-October-2023

Note: Material released 23-Dec-2020 starts on PDF page 47
Material released 30-Aug-2021 starts on PDF page 98

Source of document: FOIA Request
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
STATION PLACE
100 F STREET, NE
WASHINGTON, DC 20549-2465

Office of FOIA Services

September 21, 2020

Re: Freedom of Information Act (FOIA), 5 U.S.C. § 552
Request No. **20-00007-OIG**

This is a partial response to your August 1, 2020 request for copies of the following Office of Inspector General reports:

14-ENF-0098-I, 14-OIT-0021-I, 14-ENF-0011-I, 14-ENF-0175-I
14-ENF-0561-I, 14-DTM-0772-I, 14-ENF-0849-I, 15-ENF-0596-I
16-HR-0437-I, 16-OIT-0366-I, 17-ALJ-0008-I, 17-ENF-0222-I
17-DCF-0412-I, 17-HR-0703-I, 18-OIT-0031-I, 18-OIG-0263-I
18-ZZZ-0345-I, 18-ENF-0611-I, 18-ZZZ-0835-I, 18-ZZZ-0844-I
19-OIG-0142-I, 19-OIT-0304-I, 19-OSO-0018-I, 19-ENF-0027-I

Access is granted in part to 16-HR-0437-I, 17-ALJ-0008-I, 17-DCF-0412-I, 17-HR-0703-I, 18-OIG-0263-I, 18-ZZZ-0835-I, 19-OSO-0018-I and 19-ENF-0027-I. Information within these reports is being withheld under 5 U.S.C. § 552(b)(6) and (7)(C), for the following reasons.

Under Exemption 6, the release of certain information would constitute a clearly unwarranted invasion of personal privacy. Under Exemption 7(C), the release of this information could reasonably be expected to constitute an unwarranted invasion of personal privacy. Further, public identification of SEC staff could conceivably subject them to harassment in the conduct of their official duties and in their private lives.

I am the deciding official with regard to this determination. You have the right to appeal my decision to the SEC's General Counsel under 5 U.S.C. § 552(a)(6), 17 CFR § 200.80(f)(1). The appeal must be received within ninety (90) calendar days of the date of this adverse decision. Your appeal must be in writing, clearly marked "Freedom of Information Act

Appeal," and should identify the requested records. The appeal may include facts and authorities you consider appropriate.

You may file your appeal by completing the online Appeal form located at https://www.sec.gov/forms/request_appeal, or mail your appeal to the Office of FOIA Services of the Securities and Exchange Commission located at Station Place, 100 F Street NE, Mail Stop 2465, Washington, D.C. 20549, or deliver it to Room 1120 at that address.

If you have any questions, you can contact me at sifordm@sec.gov or (202)551-7201. You may also contact the SEC's FOIA Public Service Center at foiapa@sec.gov or (202) 551-7900. For more information about the FOIA Public Service Center and other options available to you, please see the attached addendum.

Sincerely,



Mark P. Siford
Counsel to the Director/Chief FOIA Officer
Office of Support Operations

Attachment

ADDENDUM

For further assistance you can contact a SEC FOIA Public Liaison by calling (202) 551-7900 or visiting <https://www.sec.gov/oso/help/foia-contact.html>.

SEC FOIA Public Liaisons are supervisory staff within the Office of FOIA Services. They can assist FOIA requesters with general questions or concerns about the SEC's FOIA process or about the processing of their specific request.

In addition, you may also contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA dispute resolution services it offers. OGIS can be reached at 1-877-684-6448 or via e-mail at ogis@nara.gov. Information concerning services offered by OGIS can be found at their website at Archives.gov. Note that contacting the FOIA Public Liaison or OGIS does not stop the 90-day appeal clock and is not a substitute for filing an administrative appeal.

**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 16-HR-0437-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



Abbreviated
Report of Investigation

Subject: (b)(6),(b)(7)(C)
Title: [REDACTED]

Case #: 16-HR-0437-I

SK-Level/Grade: SK-13
Office: Human Resources
Region: Washington, DC

Origin: Anonymous Complaint/Office of Human Resources

Security Clearance: Y / N

Investigation Initiated: May 9, 2016

Investigation Completed: JUN 27 2019

OVERVIEW

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission (SEC), Office of Inspector General (OIG), Office of Investigations, into allegations that (b)(6),(b)(7)(C) Office of Human Resources (OHR), may have teleworked full-time from South Carolina while her SEC duty station and approved alternate work station were in the Washington-Baltimore-Arlington locality pay area.

BACKGROUND

On May 9, 2016, the SEC OIG initiated an investigation after receiving an anonymous complaint pertaining to (b)(6),(b)(7)(C) request to telework full-time from South Carolina. It was subsequently reported by OHR staff (b)(6),(b)(7)(C) had a duty station in the Washington-Baltimore-Arlington locality pay area, teleworked full-time, and had an approved alternate work station in (b)(6),(b)(7)(C) MD. (b)(6),(b)(7)(C) requested to telework from South Carolina, and was denied by OHR. It was further reported that in (b)(6),(b)(7)(C) submitted a temporary medical telework request to work from an address in (b)(6),(b)(7)(C) SC, and submitted medical documentation from a South Carolina physician in conjunction with her request. (EXHIBIT 1)

INVESTIGATIVE FINDINGS

The OIG investigation revealed [REDACTED] was hired by the SEC in [REDACTED] and her duty station was in the Washington-Baltimore-Arlington locality pay area. Beginning [REDACTED] 2013, following a request for reasonable accommodation under the SEC's Disability Program, [REDACTED] approved to telework full-time from her residence listed on her telework agreement, which was in the Washington-Baltimore-Arlington locality pay area.

[AGENT'S NOTE: [REDACTED] 2013, [REDACTED] received approval to telework full-time, her approved alternate work station was an [REDACTED] VA, address. In [REDACTED] 2015, Ball changed her alternate work station to a [REDACTED] MD, address.]

The OIG investigation determined that in or about August 2013, [REDACTED] began looking for property to purchase in the [REDACTED] SC, area; and [REDACTED] began living in and teleworking from [REDACTED] SC, in or about [REDACTED] 2013. [REDACTED] to telework full-time from South Carolina through her resignation from the SEC in [REDACTED] 2017, and had effectively changed her worksite to South Carolina without SEC authorization.

The OIG investigation also determined that during 2014 to 2017, [REDACTED] misleading and/or false statements regarding her residence, alternate work station (telework location), and personal circumstances, in conjunction with her SEC employment. The investigation determined that one such statement [REDACTED] Questionnaire for Public Trust Positions (Standard Form 85-P), submitted and [REDACTED] on [REDACTED] 2014, in [REDACTED] falsely stated that she lived in [REDACTED] VA, from in or around [REDACTED] 2013 to [then] present, when in fact she had been living in [REDACTED] SC, since in or around [REDACTED] 2013.

During the period [REDACTED] worked for the SEC while living in [and teleworking full-time from] South Carolina, she received locality pay based on her purported residence in the Washington-Baltimore-Arlington locality pay area. For the pay period beginning on [REDACTED] 1, 2013, through the pay period ending [REDACTED] 2017, [REDACTED] locality pay was adjusted by the SEC, during the course of the OIG's investigation, [REDACTED] approximately \$30,801.84 more in locality pay than she would have if her pay had been based on her actual residence (worksite) in South Carolina.

On [REDACTED] 2018, a Criminal Information was filed in United States District Court for the District of Columbia (USDC-DC), [REDACTED] one count of False Statements or Entries, in violation of Title 18, United States Code (USC), Section 1001(a)(3).

On [REDACTED] entered a guilty plea in USDC-DC to one count False statements, in violation of 18 USC § 1001(a)(3). (EXHIBITS 2 and 3)

Report of Investigation

Case Title: (b)(6);(b)(7)(C)

Case # 16-HR-0437-1

Page 3 of 4

On (b)(6);(b)(7)(C) was sentenced in USDC-DC to 12 months of probation, 120 hours of community service; and was ordered to pay restitution to the SEC in the amount of \$30,801.84 and a \$100.00 assessment. (EXHIBIT 4)

Distribution

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- Robert Stebbins, General Counsel
- Kenneth Johnson, Chief Operating Officer
- James McNamara, Chief Human Capital Officer

Signatures

Case Agent:

(b)(6);(b)(7)(C)

05/31/19
Date

(b)(6);(b)(7)(C)

5/31/19
Date

Approved:



Nicholas Padilla Jr., Deputy Inspector General
for Investigations

4/24/19
Date

Report of Investigation

Case Title: [REDACTED]

Case # 16-HR-0437-I

Page 4 of 4

Exhibits

1. Predicating documents, OIG Complaint Intake Form, dated April 13, 2016.
2. Memorandum of Activity regarding the Criminal Information filed, dated [REDACTED] 2018.
3. Memorandum of Activity [REDACTED] Arraignment and Plea, dated [REDACTED] 2019.
4. Memorandum of Activity [REDACTED] Sentencing, dated [REDACTED] 2019.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

October 23, 2018

TO: FILE

FROM: (b)(6), (b)(7)(C)
Office of Investigations

THROUGH: (b)(6), (b)(7)(C)
Office of Investigations

SUBJECT: Case No. 17-ALJ-0008-1
Alleged Transmission of Nonpublic Information to Personal E-mail Accounts

The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

On October 9, 2015, (b)(6), (b)(7)(C) Securities and Exchange Commission (SEC) Office of Inspector General (OIG) Office of Investigations (OI) Digital Forensics and Investigations Unit (DFIU), along with (b)(6), (b)(7)(C) briefed (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) concerning evidence of apparent non-public information sent to non-SEC e-mail accounts. (b)(6), (b)(7)(C) made this discovery while reviewing (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) SEC e-mail during an analysis for OIG case number 15-ALJ-0482-1 (case closed on March 31, 2016 without further review of the release of non-public information). On October 7, 2016, a case was opened to investigate the alleged transmission of non-public information to e-mail accounts external to the SEC.

The OIG reviewed (b)(6), (b)(7)(C) e-mails and discovered some e-mails that were sent to (b)(6), (b)(7)(C) personal e-mail addresses and contained (b)(6), (b)(7)(C) When interviewed by the OIG, (b)(6), (b)(7)(C) affirmed that (b)(6), (b)(7)(C) were considered non-public information

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Office of Inspector General – Investigations
U.S. Securities and Exchange Commission

(b)(6), (b)(7)(C) The OIG also reviewed the training records pertaining to (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) completed Protecting Non-Public Information for Employees training in 2014, 2015, 2016, and 2017. Furthermore, (b)(6), (b)(7)(C) completed Privacy and Information Security Awareness training in 2014, 2015, 2016, 2017, and 2018. The information provided to the OIG did not contain training data prior to 2014.

On August 2, 2018, the OIG interviewed (b)(6), (b)(7)(C) in regards to the allegations of sending non-public information to non-SEC e-mail accounts. (b)(6) was an unintentional mistake. (b)(6), (b)(7)(C) explained that there was a realization in the office that if a personal e-mail was associated to a user in the SEC's e-mail system, it would appear when typing their first name in the address box. In contrast, an SEC e-mail address would automatically appear when entering a user's last name. (b)(6), (b)(7)(C) informed the OIG that this was an issue discussed within the ALJ office at an unrecalled date after a work related e-mail was sent to an ALJ staff member's personal e-mail address. The OIG has verified that the SEC's Microsoft Outlook e-mail system functions as described by (b)(6), (b)(7)(C). (b)(6), (b)(7)(C) acknowledged that sending non-public information to a non-SEC e-mail account was a violation of SEC policy. The OIG found that (b)(6), (b)(7)(C) did not send any additional e-mails to non-SEC accounts following an e-mail message (b)(6), (b)(7)(C) in a matter before the SEC.

In conclusion, the OIG found no evidence that (b)(6), (b)(7)(C) intentionally sent non-public information to non-SEC e-mail accounts. All available investigative leads have been exhausted. Accordingly, based on these factors, a report to management is not warranted and administratively closing this case is recommended.

Concurrence:
(b)(6), (b)(7)(C)

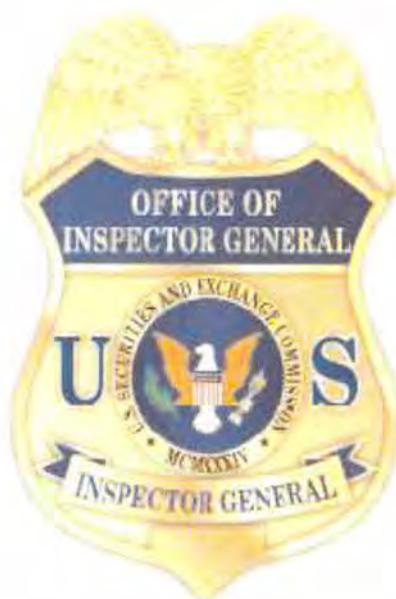
10-23-2018
Date

Approved:
John R. Hartman
John R. Hartman, Assistant Inspector General
for Investigations

10-23-18
Date

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**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 17-DCF-0412-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



**Abbreviated
Report of Investigation**

Subject: Robert W. Murray
Title: Civilian
SK-Level/Grade: N/A
Office: N/A
Region: N/A

Case #: 17-DCF-0412-I
Origin: U.S. Attorney's Office for the
Southern District of New York

Security Clearance: Y / N

Investigation Initiated: May 30, 2017

Investigation Completed: MAR 23 2018

OVERVIEW

This report summarizes the results of a joint investigation conducted by the U.S. Attorney's Office for the Southern District of New York (USAO-SDNY), the U.S. Postal Inspection Service, and the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG). The investigation focused on allegations that a false filing announcing a bid to takeover Fitbit, Inc. (Fitbit) was submitted in the SEC's Electronic Data Gathering, Analysis, and Retrieval System (EDGAR) and the filing had the effect of manipulating the price of the company's stock.

In summary, the investigation determined that Robert W. Murray of Chesapeake, Virginia, submitted the false Fitbit information to the SEC. The findings resulted in Murray pleading guilty to criminal charges relating to the false EDGAR filing. (EXHIBIT 1)

INVESTIGATIVE FINDINGS

The investigation determined that EDGAR was accessed from two specific Internet Protocol (IP) addresses to process the Fitbit filing. Murray was determined to be associated with those IP addresses. Specifically, on November 8, 2016, Murray, purporting to be the Chief Financial Officer of ABM LTD (ABM), a Chinese-based company, created an account in the EDGAR system. On November 9, 2016, Murray submitted a filing in the EDGAR system reporting that ABM had offered to purchase Fitbit for a significant premium to the price of Fitbit stock at that time. Specifically, the filing stated that ABM submitted an offer to the board of directors of Fitbit proposing to acquire all outstanding common shares of the company at a premium price. This offering is known as a tender offer, and is required to be filed in EDGAR. In the false filing, Murray provided an international phone number and address in Shanghai, China.

On November 10, 2016, the filing became publicly accessible in EDGAR, which significantly increased the trading volume of Fitbit and temporarily increased the company's market capitalization. Soon thereafter, on the same date, representatives from Fitbit announced that the tender offer filed with the SEC was entirely fictitious.

The investigation further determined that ABM had been created on November 5, 2016, a few days before the false filing. Murray took multiple steps to conceal his identity in the creation of the company. However, information used to establish ABM and the IP addresses used to access ABM linked Murray to ABM. A review of Murray's browser history revealed searches for: ways to disguise IP addresses, SEC EDGAR filings, and news articles about past false tender offers filed with the SEC.

With respect to financial impact, the investigation determined that Murray profited from his activities. On November 9, 2016, Murray purchased Fitbit stock—prior to the false EDGAR filing—and later sold the stock on November 10, 2016, after the price had increased. Murray's rate of return for his sale of Fitbit stock was approximately 300 percent. Murray admitted that he filed the fictitious tender offer for Fitbit stock in an attempt to increase the value of options that he held in in the company. (EXHIBIT 2)

On May 5, 2017, as the result of the investigation, a criminal complaint was filed in the U.S. District Court for the Southern District of New York (USDC-SDNY) charging Murray with violations of 15 United States Code (U.S.C.) §§ 78j(b) and 78ff, Securities Fraud, Manipulative and Deceptive Devices; 17 Code of Federal Regulations (CFR) § 240.10b-5, Securities and Exchange Act, Employment of Manipulative and Deceptive Devices; and 18 U.S.C. § 1343, Wire Fraud.

On November 7, 2017, Murray pleaded guilty to one count each of the violations. (EXHIBIT 3)

On March 9, 2018, Murray appeared before U.S. District Court Judge Katherine B. Forrest, USDC-SDNY, and was sentenced to 24 months imprisonment and 24 months of supervised release. He was also ordered to forfeit \$3,914.08 and pay a \$100.00 Special Assessment. (EXHIBIT 4)

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William Hinman, Director, Division of Corporation Finance

Signatures

Case Agent:



3/23/18
Date

3/23/18
Date

Approved:

John R. Hartman, Deputy Inspector General
for Investigations

3/23/18
Date

Exhibits

1. Predicating document, Complaint Intake Form, dated November 16, 2016.
2. Memorandum of Activity, regarding Criminal Complaint, dated May 30, 2017.
3. Memorandum of Activity, regarding the Plea Agreement, dated March 23, 2018.
4. Memorandum of Activity, regarding Judgment and Conviction, dated March 9, 2018.

REPORT OF INVESTIGATION

CASE# 17-HR-0703-I



Office of Inspector General

U.S. Securities and Exchange Commission



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



Report of Investigation

Subject: (b)(6), (b)(7)(C)
Title: [Redacted]

Case #: 17-HR-0703-I

Origin: Office of the Ethics Counsel

SK Level/Grade: (b)(6), (b)(7)(C)
Office: Office of Human Resources
Region: Washington, D.C.

Security Clearance: Y / N

Investigation Initiated: September 7, 2017

Investigation Completed: APR 23 2019

SUMMARY

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission’s (SEC) Office of Inspector General (OIG).

The OIG initiated an investigation based on a referral from the SEC’s Office of the Ethics Counsel (OEC) regarding (b)(6), (b)(7)(C) Office of Human Resources (OHR). Specifically, it was alleged (b)(6), (b)(7)(C) (1) failed to pre-clear securities since she was hired in (b)(6), (b)(7)(C) (2) failed to upload statements concerning her securities holdings; (3) violated the required holding period; (4) held securities that were prohibited and traded in a security that was on the SEC’s “Watch List. (EXHIBIT 1)

The OIG’s investigation substantiated the allegations against (b)(6), (b)(7)(C) The investigation determined that between 2011 and 2018, (b)(6), (b)(7)(C) and her spouse executed over one hundred trades in their brokerage accounts that total \$594,213.13. In addition, during the investigation, the OIG discovered that between 2012 and 2014 (b)(6), (b)(7)(C) submitted inaccurate Office of Government Ethics Forms 450, *Confidential Financial Disclosure Reports* (OGE Forms 450) which did not report all of the holdings for her spouse.

Accordingly, the OIG referred the facts and evidence developed during this investigation to the U.S. Attorney’s Office for the District of Columbia for consideration; however, prosecution of the matter was declined.

BACKGROUND

On [REDACTED] began employment with the SEC. Since [REDACTED] she

[REDACTED]

[REDACTED]

[REDACTED] as such, she is required, annually, to file an OGE Form 450.

(EXHIBIT 2)

[REDACTED] is married to [REDACTED]

The SEC's Supplemental Standards for Ethical Conduct of August 2010 (Supplemental Standards for Ethical Conduct), 5 Code of Federal Regulations (CFR) § 2634 (Confidential Financial Disclosure Reports), and the SEC Ethics Handbook require SEC employees to pre-clear certain securities transactions, make certifications that their holdings are in compliance with these regulations, and annually file financial disclosure forms (OGE Forms 450) to disclose assets held for investment with a value greater than \$1,000 or that produced more than \$200 in income at the end of the reporting period.¹ The OGE Form 450 includes holdings for the preceding calendar year (January 1 to December 31) and requires employees to certify the statements made are true, complete, and correct. SEC employees must execute pre-cleared transactions within five business days of receiving approval, and must hold and securities for a 6-month period with limited exceptions. The requirements apply to all securities holdings or transactions effected, directly or indirectly, by or on behalf of a member or employee to include the member's or employee's spouse. Employees are also prohibited from holding or purchasing securities or other financial interests in an entity "directly regulated by the commission." In addition, SEC employees cannot purchase or sell any security of an entity that is (1) under investigation by the Commission; (2) a party to a proceeding before the Commission; or (3) a party to a proceeding in which the Commission is a party. Generally, securities falling into the aforementioned categories are on the SEC's "Watch List."

Further, the SEC's Ethics Handbook states that it is impermissible for employees to "Engage in Discretionary/Managed Accounts where the employee has given the broker the authority to make trades without first allowing the employee to seek pre-clearance via the [PTCS]."

[AGENT'S NOTE: The SEC implemented PTCS in February 2012. Between August 2010 and October 2011, employees requested pre-clearance through the SEC's Ethics Program

¹ The Supplemental Standards of Ethical Conduct state that all securities transactions must be pre-cleared, except for: (1) transactions in the Thrift Savings Plan, the SEC Supplemental Retirement Plan, or other Federal Government retirement plan, (2) U.S. Government securities (e.g., U.S. Treasury Bonds), and (3) FDIC-insured bank products. In addition, dividend reinvestments do not need to be pre-cleared. Further, the SEC Ethics Handbook states that only the initial purchase and final disposition of 529 Education Plan accounts need to be pre-cleared.

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System (EPS). The SEC phased out EPS in October 2011, and between October 2011 and February 2012, employees requested pre-clearance by sending an e-mail to the OEC.]

The SEC's employees receive training related to the Supplemental Standards for Ethical Conduct, PTCS, and filing OGE Forms 450. Between May 2013 and August 2018, [REDACTED] completed six training courses related to the SEC's personal trading rules and three training courses related to filing OGE Forms 450. (EXHIBITS 3 and 4)

SCOPE

The OIG considered the following potential violations:

- Title 18 United States Code § 1001, Statements or Entries, Generally
- Title 5 CFR § 4401, Supplemental Standards of Ethical Conduct for Members and Employees of the SEC
- Title 5 CFR § 2635.101, Basic Obligation of Public Service
- Title 17 CFR § 200.735-3, General Provisions
- Title 17 CFR § 200.735-5, Securities Transactions
- Title 5 CFR Part 2634, Subpart I, Confidential Financial Disclosure Reports

Additionally, the OIG interviewed the following individuals:

- [REDACTED] OEC
- [REDACTED] OEC
- [REDACTED] OHR
- [REDACTED] OEC
- [REDACTED] Regulatory Relations, JP Morgan

Finally, the OIG reviewed the following documents:

- [REDACTED] brokerage statements
- PTCS records
- OGE Forms 450
- [REDACTED] training records and personnel records
- SEC e-mail records

RESULTS OF INVESTIGATIVE ACTIVITY

Document Reviews

Brokerage Statements and PTCS Records

The OIG reviewed the records [REDACTED] filed with the OEC, as well as records obtained from three investment firms. These records revealed that [REDACTED] severally maintained five brokerage accounts. [REDACTED] held two accounts with Morgan Stanley, in which she had a nondiscretionary agreement and was the only authorized individual to enact trades in her accounts, [REDACTED] held three accounts with DOW Wealth Management LLC (DOW), managed on a discretionary basis by his broker.

Specifically, [REDACTED] held the following accounts with Morgan Stanley and DOW:

Table 1: [REDACTED] Brokerage Accounts

Broker Name	Type of Account	Account Holder
Morgan Stanley	Basic Securities Account	[REDACTED]
Morgan Stanley	Roth Individual Retirement Account (IRA)	[REDACTED]
DOW*(DOW accounts formerly held with Cantella and Co. Inc.)	Traditional IRA	[REDACTED]
DOW	Roth IRA	[REDACTED]
DOW	Basic Securities Account	[REDACTED]

*Source: [REDACTED] Brokerage Account Statements

The OIG reviewed brokerage statements for each of [REDACTED] accounts in conjunction with her PTCS records dated between January 2011 and January 2018. This review revealed the following four issues. First, [REDACTED] failed to pre-clear all transactions prior to contact from the OEC in 2017. As the result of her failure to pre-clear these transactions, she was required to obtain retroactive pre-clearance for most of the transactions as requested by the OEC. Second, [REDACTED] traded securities prohibited by the SEC. Third, [REDACTED] purchased and sold securities within a six-month period violating the SEC’s six-month holding period requirement. Fourth, prior to 2017, [REDACTED] failed to upload any of the DOW accounts’ statements into PTCS. (EXHIBITS 5-10)

[AGENT’S NOTE: The review of the brokerage statements determined that between 2011 and 2018, the transactions (buys/sells) executed in the accounts totaled \$594,213.13. The majority of the transactions executed were in [REDACTED] DOW accounts.]

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Report of Investigation

Case Title: (b) (5) (DPP)

Case # 17-HR-0703-I

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Failure to Pre-Clear Transactions and Retroactive Pre-Clearance

The records reviewed associated with (b) (5) (DPP) accounts revealed 117 transactions executed in their Morgan Stanley and DOW accounts. Specifically, there were 16 executed in the Morgan Stanley account, and 101 executed in the DOW account. Of these transactions, 116 were executed after the implementation of the SEC's PTCS system, and the remaining transaction pre-dated the PTCS system. When these 116 transactions were compared to her PTCS records, (b) (5) (DPP) did not pre-clear any of them.

As the result of her failure to appropriately pre-clear their securities transactions, (b) (5) (DPP) requested and received waivers from the OEC and made retroactive entries in PTCS. Specifically, in August 2017, (b) (5) (DPP) requested and received waivers from the OEC for 32 trades involving (b) (5) (DPP) DOW accounts and made retroactive entries in PTCS for trades in that account executed between April 2016 and December 2016.

Similarly, in September 2018, (b) (5) (DPP) requested and received waivers from the OEC for nine trades in (b) (5) (DPP) DOW accounts and made retroactive entries in PTCS for trades that were executed in January 2018. (EXHIBITS 6, 9 - 12)

[AGENT'S NOTE: As discussed further below, in August 2017, the OEC contacted (b) (5) (DPP) and instructed her to pre-clear, retroactively, all transactions. The OEC informed the (b) (5) (DPP) that, generally, it does not require retroactively reporting transactions older than a previous calendar year. The OEC confirmed that as of September 2018, (b) (5) (DPP) was current with respect to her reporting requirements in PTCS. (EXHIBITS 12 and 13)]

Trading Prohibited Securities

During the OIG's review of (b) (5) (DPP) DOW accounts, it discovered that he traded two prohibited securities and traded one security on the SEC's "Watch List." Specifically, between August 2014 and April 2016, using his DOW account, (b) (5) (DPP) purchased JP Morgan Alerian MLP Index ETN (AMJ) and Paychex, Inc. (PAYX). The SEC deemed both AMJ and PAYX prohibited holdings. In April 2016, (b) (5) (DPP) purchased Google, which, at the time of the transaction, was on the SEC's "Watch List." (b) (5) (DPP) failed to pre-clear these transactions in PTCS. (EXHIBIT 9)

On August 22, 2017, (b) (5) (DPP), OEC, sent an e-mail to (b) (5) (DPP) about the prohibited holdings identified in (b) (5) (DPP) DOW accounts. (b) (5) (DPP) instructed (b) (5) (DPP) to submit a pre-trade request to sell AMJ and PAYX immediately. She further instructed (b) (5) (DPP) to notify the OEC after the sale was complete. On August 23, 2017, (b) (5) (DPP) submitted a request in PTCS to sell AMJ and PAYX, and in an e-mail to the OEC on August 28, 2017, she confirmed the sale of both securities. (EXHIBIT 5)

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Report of Investigation

Case Title: (b)(6)(b)(7)(C)

Case # 17-HR-0703-I

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[AGENT'S NOTE: Under the office's current practice regarding securities on the SEC "Watch List," the OEC did not require (b)(6)(b)(7)(C) to divest of Google.]

Six-Month Holding Period Violation

Also during the OIG's review of (b)(6)(b)(7)(C) DOW accounts, it discovered that he violated the SEC's 6-month holding period requirement. Specifically, on April 25, 2016 (b)(6)(b)(7)(C) purchased LKQ Corporation, Cracker Barrel Old Country Store, Inc., and A.O. Smith Corporation. He sold these three securities on October 11, 2016, 14 days prior to the 6-month period that violated the SEC's holding requirement. (EXHIBIT 9)

Failure to Report Brokerage Accounts

The OIG's review of (b)(6)(b)(7)(C) PTCS records also revealed that prior to the SEC's annual certification of holdings capturing 2016 she failed to report the DOW accounts in PTCS. (EXHIBIT 14)

OGE Forms 450 and Brokerage Statements

A review of (b)(6)(b)(7)(C) OGE Forms 450 submitted for 2012 through 2014, in comparison with her brokerage statements and (b)(6)(b)(7)(C) brokerage statements for the corresponding years, revealed that (b)(6)(b)(7)(C) did not report all the holdings for (b)(6)(b)(7)(C) investment accounts as required. Specifically, on her 2012 OGE Form 450 filing (b)(6)(b)(7)(C) failed to report 2 securities; 5 securities on her 2013 filing; and 12 securities on her 2014 filing. (EXHIBIT 15)

[AGENT'S NOTE: (b)(6)(b)(7)(C)

(b)(6)(b)(7)(C)

(b)(6)(b)(7)(C)

therefore, she is required annually to complete an OGE Form 450.]

E-mails

The OIG also reviewed e-mails, which revealed that between July 2017 and September 2017, the OEC contacted (b)(6)(b)(7)(C) about her 2016 annual attestation. During its review of (b)(6)(b)(7)(C) attestations, the OEC noted that she had newly reported the DOW accounts, and it noted other issues affecting those accounts. Specifically, the OEC noted that (b)(6)(b)(7)(C) reported no holdings and provided insufficient documentation regarding her accounts. (EXHIBIT 5)

No Holdings Reported for 2016

On July 5, 2017, the OEC sent an e-mail to (b)(6)(b)(7)(C) and advised that the OEC completed a random audit of her 2016 Annual Holdings disclosure and identified certain discrepancies from

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Report of Investigation

Case Title: [REDACTED]

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prior years. In this e-mail, the OEC questioned why in 2015 [REDACTED] certified that she had “No Holdings” when she had reported a Morgan Stanley account in previous years and there was no record of her divesting of the account. Additionally, the OEC asked [REDACTED] to explain why she reported additional accounts for 2016 since there were no pre-trade requests for the new securities.

On July 17, 2017 [REDACTED] sent an e-mail to the OEC and stated her failure to disclose her husband’s DOW Wealth Management account was “a miscommunication” and “not intentional...” (EXHIBIT 5)

Insufficient Documentation for Annual Attestations for 2016

Between July 5, 2017, and August 17, 2017, the OEC exchanged several e-mails with [REDACTED] informing her that she had uploaded insufficient documentation for her 2016 annual attestation of holdings. In these e-mails, the OEC instructed her to provide full brokerage statements by August 17, 2017, which [REDACTED] completed. The OEC also instructed [REDACTED] to enter and pre-clear all retroactive transactions, which she completed, and on September 7, 2017, [REDACTED] notified the OEC of her last trade confirmation. (EXHIBIT 5)

Interviews

The OIG interviewed [REDACTED] and certain OEC officials regarding these issues. They provided the following information with respect to each of the issues.

Failure to Pre-Clear Transactions; Prohibited Holdings Issue; and Holding Period Violation

During an interview with the OIG, [REDACTED] stated she contacted [REDACTED] in July 2017, after reviewing [REDACTED] DOW account statements that revealed [REDACTED] failed to pre-clear [REDACTED] investment account transactions. She also found that [REDACTED] held AMJ and traded PAYX in April 2016. The SEC considers both PAYX and AMJ prohibited holdings. [REDACTED] stated that on August 22, 2017, she sent an e-mail to [REDACTED] and told her to submit a request to divest of both prohibited securities.

[REDACTED] stated [REDACTED] explained that she did not believe she was required to pre-clear any transactions for her husband because [REDACTED] told her that he did not have anything reportable and only mentioned a “retirement account.” [REDACTED] said she explained to [REDACTED] that it was her responsibility to ensure that complete investment statements were uploaded into PTCS and that she was required to pre-clear securities transactions for both she and her husband. (EXHIBIT 13)

During interviews with the OIG, with regard to [REDACTED] (1) failure to pre-clear transactions; (2) prohibited holdings issue; and (3) holding period violation, [REDACTED] stated she thought she was only required to pre-clear transactions involving stocks and not mutual funds.

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Report of Investigation

Case Title: (b)(6)(b)(7)(C)

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(b)(6)(b)(7)(C) said sometime that in 2009 or 2010 she had a conversation with her previous supervisor about an SEC employee's reporting requirements concerning securities and stated, "I was like, Oh my God—this is complex." According to (b)(6)(b)(7)(C) her prior supervisor advised her "if you own any stocks, just sell them." (b)(6)(b)(7)(C) said she contacted her broker and stated, "Sell every stock. My stuff has to be all in like, mutual and index funds." (b)(6)(b)(7)(C) stated "...I wasn't clear about the mutual fund thing..." (b)(6)(b)(7)(C) stated, "These actions were not based on any intentional information or disclosure of information from the SEC to my husband or his broker, or any of the conversations about any of the inner workings of the SEC or any things that's happening at my job."

(b)(6)(b)(7)(C) stated she was unaware of her husband's DOW investment accounts until he told her about them in 2017. She further stated she was unaware of the prohibited holdings in the DOW accounts until (b)(6)(b)(7)(C) contacted her in July 2017. (b)(6)(b)(7)(C) stated "...I think my husband was unclear about all of the rules... And we've had that conversation that he was unclear about the rules. For some reason, he thought it was around sales and not purchases or something." With respect to additional trades executed in the DOW accounts in January 2018 after OEC contacted (b)(6)(b)(7)(C) she stated "...I'm surprised that this happened in January, which was after that incident in the summer of 2017." (EXHIBITS 16 and 17)

Inaccurate OGE Forms 450

During an interview with the OIG, (b)(6)(b)(7)(C) OEC, stated that at times it could be complicated for SEC employees to determine what mutual funds are required to be reported because employees are required to report sector mutual funds while they are not required to report diversified mutual funds. She also said without reviewing its underlying holdings in a particular fund it is not always transparent whether the security is a sector or diversified mutual fund. (EXHIBIT 18)

[AGENT'S NOTE: Following her interview, (b)(6)(b)(7)(C) sent an e-mail to the OIG concerning her review of the OIG's findings uncovered during the investigation related to (b)(6)(b)(7)(C) OGE 450 Forms filings for 2012 through 2014. Attached to the e-mail were the lists of holdings of (b)(6)(b)(7)(C) and her husband, (b)(6)(b)(7)(C) that previously were provided to (b)(6)(b)(7)(C). In her e-mail, (b)(6)(b)(7)(C) identified 13 holdings for (b)(6)(b)(7)(C) that (b)(6)(b)(7)(C) failed to report between 2012 and 2014 during the period she was required to file the forms. (EXHIBIT 15)]

During an interview, (b)(6)(b)(7)(C) said she believed that she reported her holdings correctly on her OGE Forms 450. She stated, "I didn't think I owned individual securities." With respect to the reportable information for (b)(6)(b)(7)(C) investments, (b)(6)(b)(7)(C) said that prior to her reporting them in 2017, she was unaware of her husband's DOW accounts and stated, "...I didn't know it [they] existed."

Referral for Prosecution Consideration

The OIG referred the facts and evidence developed during this investigation to the U.S. Attorney's Office for the District of Columbia for consideration; however, prosecution of the matter was declined. (EXHIBIT 19)

Distribution

- Jay Clayton, Chairman
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- Danae Serrano, Ethics Counsel and Designated Agency Ethics Official

Signatures

(b)(6),(b)(7)(C)

[Redacted Signature]

4/22/19

Date

(b)(6),(b)(7)(C)

[Redacted Signature]

4/22/19

Date

Approved:

Nicholas Padilla, Jr.

4/22/19

Date

Nicholas Padilla, Jr. Deputy Inspector General
for Investigations

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Exhibits

1. Predicating document, E-mail from the OEC, dated August 29, 2017.
2. Memorandum of Activity, regarding records review and analysis, dated November 17, 2017, and December 4, 2017.
3. Memorandum of Activity, regarding the review of documents, dated August 23, 2018.
4. Memorandum of Activity, regarding the review of documents, dated November 6, 2018.
5. Memorandum of Activity, regarding the review of documents, dated May 1, 2018.
6. Memorandum of Activity, regarding the review of documents, dated April 30, 2018.
7. Memorandum of Activity, regarding the review of documents, dated August 8, 2018.
8. Memorandum of Activity, regarding the review of documents, dated August 8, 2018.
9. Memorandum of Activity, regarding the review of documents, dated August 8, 2018.
10. Memorandum of Activity, regarding the review of documents, dated January 31, 2019.
11. Memorandum of Activity, regarding records obtained, dated October 1, 2018.
12. Memorandum of Activity, regarding records obtained, dated October 1, 2018.
13. Memorandum of Activity, interview of [REDACTED] dated October 4, 2017.
14. Memorandum of Activity, regarding the review of documents, dated February 21, 2018.
15. Memorandum of Activity, regarding records obtained, dated September 11, 2018.
16. Memorandum of Activity, regarding the interview of [REDACTED] dated August 24, 2018.
17. Memorandum of Activity, regarding the interview of [REDACTED] dated October 22, 2018.
18. Memorandum of Activity, regarding the interview of [REDACTED] dated August 27, 2018.

Report of Investigation

Case Title: [REDACTED]

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19. Memorandum of Activity, Judicial Declination, dated November 7, 2018.

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OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

MEMORANDUM

September 27, 2018

TO: FILE
(b) (5) (B) (7)(C)

FROM: [Redacted]
Office of Investigations

SUBJECT: Case No. 18-OIG-0263-I
Acquisition Task Force Special Project Initiative

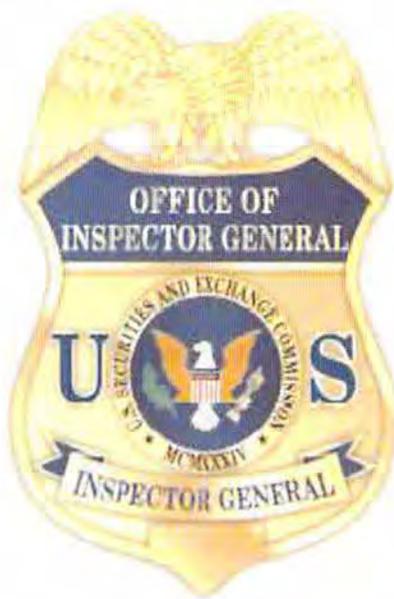
The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

This investigation number was opened for the purpose of documenting activities pertaining to the OIG's Acquisition Task Force (ATF). As referenced in the case opening document, this matter is closing in connection with the conclusion of the fiscal year; and, a new investigation number will be opened in the case management system to track the ATF's work performed in the next fiscal year. Accordingly, this project is administratively closed for fiscal year 2018.

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Office of Inspector General – Investigations
U.S. Securities and Exchange Commission

**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 18-ZZZ-0835-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



Abbreviated
Report of Investigation

Subjects: (b)(6);(b)(7)(C)

Region: N/A
Case #: 18-ZZZ-0835-1

Title: Chairman Jay Clayton Fictitious
Twitter Account (Impersonation)

Origin: Office of the Chairman

SK-Level/Grade: N/A
Office: N/A

Security Clearance: Y / N

Investigation Initiated: August 27, 2018

Investigation Completed: SEP 13 2019

OVERVIEW

This report is the summary of investigative activities conducted by the U.S. Securities and Exchange Commission (SEC) Office of Inspector General (OIG), Office of Investigations (OI).

On August 25, 2018, the SEC OIG was provided information by the Office of the Chairman concerning Twitter Inc. (Twitter) accounts allegedly impersonating SEC Chairman Jay Clayton. The complaint provided by then SEC Chief of Staff Lucas Moskowitz indicated that unknown individual(s) allegedly impersonated Chairman Clayton using fictitious Twitter accounts open for public viewing. Screenshots of the Twitter posts were provided. A review of the complaint information and the screenshots of the posts revealed three Twitter accounts utilized by the unknown subject(s): @JayClaytonSEC; @jay_claytonsec and @DouchebagJaySEC.

Subsequent to issuance of Inspector General Subpoenas to Twitter, Inc. and Verizon, the OIG determined that the fictitious Chairman Clayton Twitter postings were traced to a Verizon Internet Protocol (IP) address associated with (b)(6);(b)(7)(C) residential address in (b)(6);(b)(7)(C) New Jersey. In attempts to locate and interview (b)(6);(b)(7)(C) (b)(6);(b)(7)(C) was also identified as a resident of the (b)(6);(b)(7)(C) New Jersey address. (b)(6);(b)(7)(C) (b)(6);(b)(7)(C) and (b)(6);(b)(7)(C) were contacted by the OIG, but denied their involvement in the postings and declined to make additional statements or cooperate further with the investigation. The case was briefed to the United States Attorney's Office (USAO) in the District of New Jersey and was declined for prosecution.

BACKGROUND

Twitter, based in San Francisco, California, is an online news and social networking service where users post and interact with messages referred to as "tweets." Tweets were originally restricted to 140 characters, but were later doubled to 280 characters. Registered users can post, like, and retweet tweets, but unregistered users can only read them. Users access Twitter through its website interface, through Short Message Service (SMS) (commonly referred to as 'texting') or using Twitter's mobile-device application software.

INVESTIGATIVE FINDINGS

Suspect Identification

In conjunction with the OIG investigation, an Inspector General subpoena was served, via the Twitter Law Enforcement Internet Portal, to the Trust & Safety – Legal Policy department at Twitter. The subpoena was served pursuant to Title 18, Section 2703 to collect information regarding the registration of accounts used by the subject(s) to impersonate SEC Chairman Jay Clayton. The information provided by Twitter in response to the subpoena indicated that the posts were made from an Internet Protocol (IP) address assigned to Verizon. (EXHIBIT 3)

As a result of the information provided by Twitter, a subpoena was served to Verizon for the subscriber information associated with the IP address. The resulting information provided by Verizon indicated that the IP address associated with the Twitter accounts at the time the posts were made was assigned to [REDACTED] New Jersey. (EXHIBIT 4)

An attempt was made to interview [REDACTED] at her residence. While she was not at home, a male individual identifying himself as [REDACTED] answered the door. He declined to provide any information and stated that he would retain a lawyer prior to speaking with the OIG. The male individual was later identified as [REDACTED] (EXHIBIT 5)

Upon learning [REDACTED] had been contacted by the OIG at her residence, [REDACTED] contacted the OIG via telephone. She declined to meet with OIG agents, and when the reason for the requested OIG interview was described to her, she related that [REDACTED] has any interest in the SEC or in the SEC Chairman. She claimed that her e-mail account had been previously 'hacked' and stated that she would not meet with the OIG nor consent to any additional questions or searches of their personal electronic devices. (EXHIBIT 6)

Searches were conducted of the OIG complaint database as well as the SEC's IRIS and TCR systems, which revealed and no complaints either from or pertaining to [REDACTED] [REDACTED] (EXHIBIT 7)

Referral to The United States Attorney's Office

On May 6, 2019 Assistant United States Attorney (b)(6), (b)(7)(C) District of New Jersey, Trenton, New Jersey was contacted via telephone. The facts of the case were presented, and because the content of the tweets did not appear to be attempting any overt fraud and also did not contain any harmful or threatening language, the USAO declined prosecution in this matter. (EXHIBIT 8)

As a result, the OIG contemplates no further action in regards to the matters reported.

Distribution

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Matthew Estabrook, Counsel to the Commissioner, Office of Commissioner Roisman
Allison H. Lee, Commissioner
Andrew Feller, Counsel to the Commissioner, Office of Commissioner Lee
Robert Stebbins, General Counsel
Kenneth Johnson, Chief Operating Officer
James McNamara, Chief Human Capital Officer

Signatures

(b)(6), (b)(7)(C)

9/13/19
Date

Concurrence:

(b)(6), (b)(7)(C)

9/13/2019
Date

Approved:



Nicholas Padilla Jr., Deputy Inspector General
for Investigations

9/13/19
Date

Exhibits

1. Complaint intake form, dated August 27, 2018.
2. Screenshots of the Twitter account activity.
3. Memorandum of Activity –Twitter Subpoena Return, dated November 11, 2018.
4. Memorandum of Activity –Verizon Subpoena Return, dated December 13, 2018.
5. Memorandum of Activity – Interview of [REDACTED] dated April 3, 2019.
6. Memorandum of Activity – Interview of [REDACTED] dated April 3, 2019.
7. Memorandum of Activity – ISB Search of SEC Databases, dated August 26, 2019.
8. Memorandum of Activity – Case Presented for Prosecution – Criminal Declined, dated May 6, 2019.

**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 19-ENF-0027-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



Abbreviated
Report of Investigation

Subject: (b)(6)(b)(7)(C)
Title: (b)(6)(b)(7)(C)
Federal Bureau of Investigation

Case #: 19-ENF-0027-I
(Formerly – 17-ENF-0132-I)
Origin: Division of Enforcement

SK-Level/Grade: N/A
Office: Division of Enforcement
Region: San Francisco Regional Office
New York Regional Office

Security Clearance: Y / N

Investigation Initiated: December 20, 2016

Investigation Completed: NOV 26 2019

OVERVIEW

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG) regarding the alleged leak of nonpublic information related to an SEC Division of Enforcement (ENF) investigation. Specifically, ENF reported that on May 30, 2014, the *New York Times* published an article titled, "Investor, Bettor, Golfer: Insider Trading Inquiry Includes Mickelson, Icahn and William T. Walters" written by Ben Protess and Matthew Goldstein. The article mentioned that the Federal Bureau of Investigation (FBI) and SEC were conducting an investigation into "well-timed trades" of Clorox conducted by professional golfer Phil Mickelson, professional gambler William Walters and investor Carl Icahn. On June 11, 2014, in a *New York Times* article titled, "Golfer Mickelson's Role Said to Be Overstated in Insider Inquiry," Goldstein and Protess corrected the May 30, 2014, article and stated Mickelson "did not trade in the shares of Clorox." (EXHIBIT 1)

On December 20, 2016, the OIG initiated an investigation to determine whether nonpublic information was included in either *New York Times* article or whether any SEC employees had improperly disclosed the nonpublic information that may have been included in the article.

The investigation determined that there were parallel civil and criminal investigations. The U.S. Attorney's Office for the Southern District of New York (USAO-SDNY), along with the FBI New York Field Office (NYFO) handled the criminal investigation, and the SEC's San Francisco Regional Office (SFRO) and New York Regional Office (NYRO) handled the civil investigation. When both articles were published, they contained nonpublic information, specifically that the SEC was investigating the matter. However, the OIG did not identify any SEC employee improperly disclosed any nonpublic information that was included in the articles.

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Rather, [REDACTED] admitted providing nonpublic information about the criminal and civil investigations to the *New York Times* reporter. The U.S. Department of Justice (DOJ) OIG also investigated the allegation, and DOJ Criminal Division's Public Integrity Section considered prosecution of [REDACTED] [REDACTED] however, it declined pursuing the matter.

BACKGROUND

At the time the articles were published, the SEC was conducting an investigation concerning insider trading involving Mickelson, Icahn and Walters. Specifically, on July 18, 2011, the SFRO initiated an investigation of Icahn and Walters related to allegations concerning insider trading involving Clorox stock. The SFRO investigation also included Walters, Mickelson and Thomas Davis, former Chairman, Dean Foods, involving their trading of Dean Food's stock. NYRO joined the investigation after the FBI NYFO opened a parallel criminal investigation involving the same matter. Between July 2011 and September 2011, the USAO-SDNY and the FBI submitted access request letters to the SEC and received approval to obtain information about the SEC's investigation. (EXHIBITS 2 and 3)

On November 17, 2016, the U.S. District Court for the Southern District of New York (the Court) issued an order mandating an investigation into the leak involving the two *New York Times* articles. On December 16, 2016, the former U.S. Attorney, USAO-SDNY, filed an "Ex Parte" letter with the Court regarding his agency's investigative findings in response to the order. In this response, the former U.S. Attorney stated his office's investigation identified that [REDACTED] [REDACTED] admitted he was a significant source of confidential information regarding the investigation for the *New York Times*. The former U.S. Attorney's letter also mentioned that the articles' authors said they had a source within the SEC. The matter involving [REDACTED] was referred to the DOJ OIG and considered for prosecution by DOJ Criminal Division's Public Integrity Section. (EXHIBIT 3 and 4)

INVESTIGATIVE FINDINGS

In summary, the OIG confirmed that Mickelson, Walters, and Icahn were under investigation by the SEC at the time both articles were published and the investigation was nonpublic. The articles did not mention any specific details related to ENF's on-going investigation; however, it mentioned that the SEC, FBI, and Federal prosecutors were investigating Mickelson, Icahn and Walters for "well-timed" trades involving Clorox and Dean Foods securities. The OIG's investigation found no evidence that any SEC employee disclosed any nonpublic information in connection to the Clorox and Dean Foods investigation to the *New York Times*. (EXHIBITS 1 and 2)

The OIG identified and interviewed 12 current and former SEC employees and one contractor who, due to their involvement with or exposure to the Clorox and Dean Foods investigations, had access to the nonpublic information in the investigative files. Each employee denied disclosing or communicating any nonpublic information to the authors of the article.

Further, the interviews revealed that the May 30, 2014 article contained inaccurate information. Specifically, the article stated that Mickelson was under investigation for trading Clorox stock, and this information was later retracted in the June 11, 2014, article. The OIG reviewed the employees' SEC e-mails, phone, and mobile device records and uncovered no evidence to indicate that they communicated with authors of the *New York Times* article about the details of the Clorox or Dean Foods investigations. (EXHIBITS 3 and 5-21)

The ENF reported that the leak of nonpublic information had no an identifiable adverse effect on the SEC's settlement of its investigations. The OIG found that entities external to the SEC, including the Court and the FBI, had partial access to the nonpublic information mentioned in the article, particularly information related to the SEC's investigation. However, the individuals from those entities who were identified were not interviewed. (EXHIBIT 2)

In conclusion, the OIG's investigation found no evidence that any SEC employee disclosed nonpublic information to the media included in the *New York Times* articles about the SEC's Clorox or Dean Foods investigations. Additionally, the OIG's investigation found that the disclosure of the existence of an investigation, which is nonpublic and contained in the articles had no identifiable adverse effect on ENF's investigations or its ability to resolve the matters. Finally, [REDACTED] who had partial access to ENF's nonpublic information admitted leaking information about the investigation to the *New York Times*. (EXHIBITS 3 and 22)

Given the absence of evidence to identify a possible suspect from the SEC, the facts and evidence developed during this investigation were not referred to a U.S. Attorney's Office for consideration of prosecution. However, DOJ's Criminal Division's Public Integrity Section considered prosecution of [REDACTED] which it declined.

Distribution

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Stephanie Avakian, Co-Director, Division of Enforcement
Steven Peikin, Co-Director, Division of Enforcement

Signatures

(b)(6), (b)(7)(C)

10/31/19

Date

(b)(6), (b)(7)(C)

10/31/19

Date

Approved:



11/21/19

Date

Nicholas Padilla, Jr., Deputy Inspector General
for Investigations

Exhibits

1. Predicating information, e-mail from (b)(6)(b)(7)(C) Market Abuse Unit, NYRO, dated December 15, 2016
2. Memorandum of Activity, regarding records/information obtained, dated July 30, 2019.
3. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) dated December 22, 2016.
4. Memorandum of Activity, regarding judicial information, dated October 10, 2019.
5. Memorandum of Activity, regarding the interview of Jina Choi, former Regional Director, SFRO, dated February 7, 2017.
6. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) Staff Attorney, SFRO, dated February 7, 2017.
7. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) SFRO, dated February 7, 2017.
8. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) U.S. Attorney's Office for the Northern District of California, dated February 7, 2017.
9. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) Fenwick & West, dated February 7, 2017.
10. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) Paralegal Specialist, SFRO, dated February 8, 2017.
11. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) Contractor, CACI, dated February 8, 2017.
12. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) NYRO, dated February 17, 2017.
13. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) Staff Attorney, NYRO, dated February 17, 2017.
14. Memorandum of Activity, regarding the interview of (b)(6)(b)(7)(C) NYRO, dated February 17, 2017.

15. Memorandum of Activity, regarding the interview of [REDACTED] Debovoise & Pimpton, LLP, dated, March 3, 2017.
16. Memorandum of Activity, regarding the interview of [REDACTED] [REDACTED] Morgan Stanley, Co., dated March 3, 2017.
17. Memorandum of Activity, regarding the interview of [REDACTED] dated March 3, 2017.
18. Memorandum of Activity, regarding records/information reviewed (phone records), dated March 8, 2017.
19. Memorandum of Activity, regarding records/information reviewed (phone records), dated May 10, 2017.
20. Memorandum of Activity, regarding records/information reviewed (phone records), dated June 16, 2017.
21. Memorandum of Activity, regarding records/information reviewed (e-mail), dated June 16, 2017.
22. Memorandum of Activity, regarding records/information reviewed (e-mail), dated July 31, 2017.

**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 19-OSO-0422-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



Abbreviated
Report of Investigation

Subject: (b)(6), (b)(7)(C)
Title: Contractor
SK-Level/Grade: N/A
Office: Office of Support Operations
Region: Washington, D.C.

Case #: 19-OSO-0422-I

Origin: Confidential

Security Clearance: Y / N

Investigation Initiated: March 28, 2019

Investigation Completed: SEP 17 2019

OVERVIEW

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG) into allegations that a staff member in the Badge Office was taking pictures of a computer screen with his personal phone.

On March 11, 2019, an employee who requested confidentiality submitted the following to the Office of Inspector General (OIG) Employee Suggestion Program (ESP): "[o]ne of the badging staff was taking pictures of the computer screens on his personal phone during SEC staff appointments today. Not sure what displayed information he could be capturing." [EXHIBIT 1]

On March 28, 2019, the OIG initiated an investigation, which identified (b)(6), (b)(7)(C) Office of Support Operations (OSO), Office of Security Services (OSS), as the subject of the ESP inquiry. (b)(6), (b)(7)(C) is a contractor employed by (b)(6), (b)(7)(C). The OIG determined that (b)(6), (b)(7)(C) by his own admission, did take pictures of a computer screen in the Badge Office; however, the computer did not contain personally identifiable information (PII).

BACKGROUND

The Badge Office is responsible for issuing facilities access cards with applicable building access when a favorable interim suitability determination is rendered by Personnel Security Operations. The Badge Office is located in the SEC's home office, room (b)(7)(E) and is staffed with contractors, overseen by the OSS.

On March 14, 2019, the OIG interviewed the confidential employee (CE) who had submitted concerns to the ESP. The OIG showed the CE pictures of the Badge Office staff and the CE identified the individual that was using a cell phone to take pictures of a computer screen.

Abbreviated Report of Investigation

Case Title: [REDACTED]
Case # 19-OSO-0422-I
Page 2 of 4

The CE further explained that while getting their personal identity verification (PIV) card updated in the SEC's badging office, the CE noticed that an individual was taking pictures of a computer screen while using what looked like a personal cell phone. The CE described the cover of the cell phone as maroon in color and did not think it was an SEC-issued iPhone. Finally, the CE stated that they could not see what the individual was taking pictures of. [EXHIBIT 2]

INVESTIGATIVE FINDINGS

The OIG provided the CE with a photo line-up of employees in the Badge Office. The CE identified [REDACTED] as the individual observed taking a picture of the computer screen with a personal phone. [REDACTED] is a contractor employed by [REDACTED] assigned to the OSO, OSS, in the SEC's Badge Office.

As a result, on March 14, 2019, the OIG interviewed [REDACTED]. He acknowledged owning a personal phone with a maroon case. When asked, [REDACTED] confirmed that he had taken pictures of computer screens in the Badge Office. He explained that the computers in the Badge Office sometimes display an error message. [REDACTED] stated that he usually takes a picture of the error message for when he calls the SEC's Office of Information Technology (OIT). He further explained that he takes a picture of the error message rather than writing it down, because it is easier to read the message off of his phone when he calls OIT. When asked if [REDACTED] could show the OIG pictures of the error messages on his phone, [REDACTED] stated that he had deleted the screenshots.

[REDACTED] added that he does not have access to any personally identifiable information (PII) information in the Badge Office; he only sees the employee's name and their security profile on the screen. Finally, [REDACTED] stated that he has never sent any SEC nonpublic information to himself or anyone, and only took occasional pictures of the computer screen to capture the error message. [REDACTED] declined the OIG's invitation to provide his personal phone for review. [EXHIBIT 3]

On April 25, 2019, the OIG contacted [REDACTED] OSS, concerning which computer systems [REDACTED] can access in the Badge Office. The first system was identified as the

[REDACTED]

[REDACTED] informed the OIG that the Badge Office staff also uses a web-based system called [REDACTED] present on the computers in public view that was observable by the CE. The computers also have some standard SEC programs such as Microsoft Outlook, Microsoft Word, access to the SEC's Intranet, as well as Internet access. [EXHIBIT 4]

Abbreviated Report of Investigation

Case Title: [REDACTED]

Case # 19-OSO-0422-1

Page 3 of 4

On June 18, 2019, the OIG requested from OIT reports showing all Help Desk incidents for [REDACTED] as the end user. On June 19, 2019, OIT provided data which indicated that from December 19, 2015 until June 12, 2019 there were 47 different incidents or requests to the OIT Help Desk by [REDACTED] as the end user. The nature of the incidents include but are not limited to issues with the SEC's LEAP system, password resets, PIV card access exemptions, printer issues, computer boot failure, the "blue screen of death," and Outlook failure to open. There were no incidents listed for March 11, 2019 when the CE observed [REDACTED] taking a picture of a computer screen in the Badge Office. [EXHIBIT 5]

In conclusion, the investigation substantiated the allegation that [REDACTED] took pictures using his personal phone of SEC computer screens in the Badge Office. [REDACTED] claimed that he took pictures of the screen to read back the error message to the OIT Help Desk. [REDACTED] contacted the OIT Help Desk 47 times over an approximately three and a half year period, but the records reflected that there were no incidents listed for the date [REDACTED] was seen taking the picture. This report is being provided to management for whatever action is deemed necessary.

Distribution

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- James McNamara, Chief Human Capital Officer

Abbreviated Report of Investigation

Case Title: (b)(6), (b)(7)(C)

Case # 19-OSO-0422-I

Page 4 of 4

Signatures

Case Agent:

(b)(6), (b)(7)(C)

9-13-19
Date

Concurrence:

(b)(6), (b)(7)(C)

9-13-2019
Date

Approved:



Nicholas Padilla, Jr., Deputy Inspector General
for Investigations

9/13/19
Date

Exhibits

1. Predicating document, dated March 11, 2019.
2. Memorandum of Activity, Interview of Confidential Employee, dated March 14, 2019.
3. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) dated March 14, 2019.
4. Memorandum of Activity, Records Review, dated April 25, 2019.
5. Memorandum of Activity, Records Review, dated June 19, 2019.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
STATION PLACE
100 F STREET, NE
WASHINGTON, DC 20549-2465

Office of FOIA Services

December 23, 2020

Re: Freedom of Information Act (FOIA), 5 U.S.C. § 552
Request No. **20-00007-OIG**

This is the 2nd partial response to your August 1, 2020 request for copies of the following Office of Inspector General reports:

14-ENF-0098-I, 14-OIT-0021-I, 14-ENF-0011-I, 14-ENF-0175-I
14-ENF-0561-I, 14-DTM-0772-I, 14-ENF-0849-I, 15-ENF-0596-I
16-HR-0437-I, 16-OIT-0366-I, 17-ALJ-0008-I, 17-ENF-0222-I
17-DCF-0412-I, 17-HR-0703-I, 18-OIT-0031-I, 18-OIG-0263-I
18-ZZZ-0345-I, 18-ENF-0611-I, 18-ZZZ-0835-I, 18-ZZZ-0844-I
19-OIG-0142-I, 19-OIT-0304-I, 19-OSO-0018-I, 19-ENF-0027-I

On September 21, 2020 I issued a partial response and granted access in part to 16-HR-0437-I, 17-ALJ-0008-I, 17-DCF-0412-I, 17-HR-0703-I, 18-OIG-0263-I, 18-ZZZ-0835-I, 19-OSO-0018-I and 19-ENF-0027-I. At this time, access is granted in part to the following reports: 14-DTM-0772-I, 18-ZZZ-0844-I, 14-OIT-0021-I, 16-OIT-0366-I, 18-OIT-0031-I, and 19-OIT-0304-I. Information within these reports is being withheld under 5 U.S.C. § 552(b)(5), (6), (7)(A), (7)(C), (7)(E) and (8), for the following reasons.

Since certain information forms an integral part of the predecisional process, it is protected from release by the deliberative process privilege embodied in FOIA Exemption 5.

Under Exemption 6, the release of certain information would constitute a clearly unwarranted invasion of personal privacy. Under Exemption 7(C), the release of this information could

December 23, 2020

reasonably be expected to constitute an unwarranted invasion of personal privacy. Further, public identification of SEC staff could conceivably subject them to harassment in the conduct of their official duties and in their private lives.

Exemption 7(A) protects from disclosure information compiled for law enforcement purposes, the release of which could reasonably be expected to interfere with enforcement activities. The assertion of this exemption should not be construed as an indication by the SEC or its staff that any violations of law have occurred with respect to any person, entity, or security.

Certain information is being protected from disclosure under FOIA Exemption 7(E), since release could reasonably be expected to reveal specific investigative techniques, guidelines, and criteria, used in connection with the staff's review of corporate filings and thereby undermine the enforcement of the federal securities laws.

Finally, Exemption 8 protects from disclosure information contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

I am the deciding official with regard to this determination. You have the right to appeal my decision to the SEC's General Counsel under 5 U.S.C. § 552(a)(6), 17 CFR § 200.80(f)(1). The appeal must be received within ninety (90) calendar days of the date of this adverse decision. Your appeal must be in writing, clearly marked "Freedom of Information Act Appeal," and should identify the requested records. The appeal may include facts and authorities you consider appropriate.

You may file your appeal by completing the online Appeal form located at https://www.sec.gov/forms/request_appeal, or mail your appeal to the Office of FOIA Services of the Securities and Exchange Commission located at Station Place, 100 F Street NE, Mail Stop 2465, Washington, D.C. 20549, or deliver it to Room 1120 at that address.

If you have any questions, you can contact me at sifordm@sec.gov or (202)551-7201. You may also contact the SEC's FOIA Public Service Center at foiapa@sec.gov or (202) 551-

December 23, 2020

7900. For more information about the FOIA Public Service Center and other options available to you, please see the attached addendum.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Siford', written in a cursive style.

Mark P. Siford
Counsel to the Director/Chief FOIA Officer
Office of Support Operations

Attachment

ADDENDUM

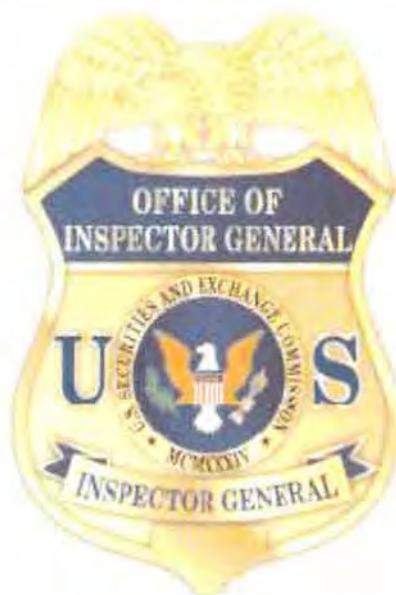
For further assistance you can contact a SEC FOIA Public Liaison by calling (202) 551-7900 or visiting <https://www.sec.gov/oso/help/foia-contact.html>.

SEC FOIA Public Liaisons are supervisory staff within the Office of FOIA Services. They can assist FOIA requesters with general questions or concerns about the SEC's FOIA process or about the processing of their specific request.

In addition, you may also contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA dispute resolution services it offers. OGIS can be reached at 1-877-684-6448 or via e-mail at ogis@nara.gov. Information concerning services offered by OGIS can be found at their website at [Archives.gov](https://www.archives.gov). Note that contacting the FOIA Public Liaison or OGIS does not stop the 90-day appeal clock and is not a substitute for filing an administrative appeal.

REPORT OF INVESTIGATION

CASE# 14-DTM-0772-I



Office of Inspector General

U.S. Securities and Exchange Commission



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



Report of Investigation

Subject: (b)(6),(b)(7)(C)
Title: [Redacted]
SK-Level/Grade: (b)(6),(b)(7)(C)
Office: Division of Trading and Markets
Region: Washington, D.C.

Case #: 14-DTM-0772-I

Origin: Government Accountability Office

Subject: (b)(6),(b)(7)(C)
Title: [Redacted]
SK-Level/Grade: (b)(6),(b)(7)(C)
Office: Division of Trading and Markets
Region: Washington, D.C.

Security Clearance: Y / N

Investigation Initiated: August 12, 2014

Investigation Completed: MAR 12 2018

SUMMARY

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission’s (SEC) Office of Inspector General (OIG).

The OIG initiated an investigation following the receipt of a referral from the U.S. Government Accountability Office (GAO). The GAO forwarded an anonymous complaint alleging, in summary, that (b)(6),(b)(7)(C) Division of Trading and Markets (TM), obtained “insider information” during the course of her employment with the SEC and disclosed it to her husband, (b)(6),(b)(7)(C). Allegedly, (b)(6),(b)(7)(C) used the information for personal gain, and provided it to his friends or management at his place of employment, (b)(6),(b)(7)(C). It was further alleged that (b)(6),(b)(7)(C) TM, provided (b)(6),(b)(7)(C) with “insider information” (b)(6),(b)(7)(C). In addition, it was alleged that (b)(6),(b)(7)(C) “padded” U.S. Government contracts and bought his wife (b)(6),(b)(7)(C) watch that was charged to a contract with (b)(6),(b)(7)(C) (EXHIBIT 1)

The OIG opened an investigation to determine if (b)(6),(b)(7)(C) and/or (b)(6),(b)(7)(C) improperly disclosed material non-public information and to determine if (b)(6),(b)(7)(C) alleged conduct impacted the SEC and/or was appropriate for referral to another Government agency.

Report of Investigation

Case Title: (b)(6)(b)(7)(C)

Case # 14-DTM-0772-I

Page 2 of 11

In summary, the OIG investigation did not find evidence that (b)(6)(b)(7)(C) or (b)(6)(b)(7)(C) improperly disclosed material non-public information. However, during the course of the OIG investigation, it was determined that (b)(6)(b)(7)(C)

- Failed to report rental properties on her Office of Government Ethics Confidential Financial Disclosure Report (OGE Forms 450), (b)(6)(b)(7)(C)
- Used SEC office equipment, including e-mail, in conjunction with the management of her rental properties; and,
- Failed to declare holdings, pre-clear transactions and upload statements to the Personal Trading Compliance System (PTCS) despite prior notice from the Office of the Ethics Counsel (OEC).

The investigation did not find evidence that (b)(6)(b)(7)(C) “padded” U.S. Government contracts, or that he bought (b)(6)(b)(7)(C) watch that was charged to a contract with (b)(6)(b)(7)(C)

The United States Attorney’s Office for the District of Columbia declined to pursue prosecution of (b)(6)(b)(7)(C)

BACKGROUND

(b)(6)(b)(7)(C) entered on duty with the SEC in (b)(6)(b)(7)(C) and is presently (b)(6)(b)(7)(C)
(b)(6)(b)(7)(C)
(b)(6)(b)(7)(C) TM. (EXHIBIT 2)

(b)(6)(b)(7)(C) has been employed with the SEC (b)(6)(b)(7)(C)
(b)(6)(b)(7)(C)
(EXHIBIT 3)

SCOPE

The OIG investigated the following potential violations:

- Title 18 United States Code (USC) § 1905 – Disclosure of confidential information generally
- Title 18 USC § 1001 – Statements or entries generally
- Title 5 CFR § 2635 – Subpart C – Gifts Between Employees
 - § 2635.302 General standards
- Title 5 Code of Federal Regulations (CFR) § 2635 - Subpart G – Misuse of Position
 - § 2635.703 Use of nonpublic information
 - § 2635.704 Use of Government property

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Report of Investigation

Case Title: [REDACTED]

Case # 14-DTM-0772-I

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- Title 5 CFR Part 4401 - SEC Ethics Supplemental Regulation
- SEC Administrative Regulation, SECR 23-2a – Safeguarding Non-Public Information
- SEC Administrative Regulation, SECR 24-4.3 – Use of SEC Office Equipment
- SEC Ethics Handbook

Additionally, the OIG interviewed the following individuals:

- [REDACTED] Assistant Compliance Counsel (PTCS), OEC
- [REDACTED]
- [REDACTED]
- [REDACTED] TM
- [REDACTED] TM
- [REDACTED] TM
- Shira Minton, Ethics Counsel and Designated Agency Ethics Official, OEC

Finally, the OIG reviewed the following records:

- [REDACTED] electronic Official Personnel Folder (eOPF)
- [REDACTED] eOPF
- Hub records
- Name Relationship Search Index (NRSI) records
- Tips, Complaints, and Referrals (TCR) records
- Tracking Reporting Examination National Documentation (TRENDS) records
- [REDACTED] SEC e-mail records
- SEC e-mail provided by [REDACTED] (OEC)
- Office of Government Ethics, Forms 450, Confidential Financial Disclosure Report (OGE Forms 450)
- [REDACTED] Tax and Revenue records
- Personal Trading Compliance System (PTCS) records, including Certifications of Holdings, related financial statements, and Pre-Trade Requests
- Charles Schwab brokerage statements
- Information Technology Rules of the Road certifications
- Learn, Engage, Achieve, and Perform (LEAP) records
- Office of Acquisitions (OA) records
- Office of Security Services (OSS) records

RESULTS OF INVESTIGATIVE ACTIVITY

Records Reviews

OGE Forms 450

The OIG reviewed (b)(6)(b)(7)(C) OGE Forms 450, (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) for calendar years (b)(6)(b)(7)(C). The review determined that for (b)(6)(b)(7)(C) through calendar year (b)(6)(b)(7)(C) reported a "Residential Home" in (b)(6)(b)(7)(C) which she noted as a "(Rental)," but did not report (b)(6)(b)(7)(C) rental properties owned by (b)(6)(b)(7)(C) or her spouse during the reporting periods. In February (b)(6)(b)(7)(C) for calendar year (b)(6)(b)(7)(C) reported (b)(6)(b)(7)(C) rental properties in (b)(6)(b)(7)(C) which each included a notation that read, "failed to report the rental properties in prior years." (EXHIBITS 4-6)

SEC e-mail records

An OIG review of (b)(6)(b)(7)(C) SEC e-mail records revealed that (b)(6)(b)(7)(C) used SEC e-mail for communications related to the management of the (b)(6)(b)(7)(C) rental properties. The e-mails included communications regarding property showings, leasing terms, rental payments, and property maintenance; however, none of the e-mails contained a signature block identifying (b)(6)(b)(7)(C) or associating her with the SEC. (EXHIBIT 7)

SEC e-mail record provided by (b)(6)(b)(7)(C)

In September 2014, (b)(6)(b)(7)(C) (OEC) e-mailed (b)(6)(b)(7)(C) regarding the review of her annual certification of holdings in PTCS (for calendar year 2013). In summary, he advised (b)(6)(b)(7)(C) that she did not declare any holdings, did not upload financial statements, and she did not submit any pre-trade requests, yet her Form 450 (for calendar year 2013) disclosed two mutual funds and stock in four companies, some of which were reported as no longer held. In addition to notifying her of the inconsistencies, (b)(6)(b)(7)(C) advised (b)(6)(b)(7)(C) that statements for reportable securities must be uploaded as part of the annual certification. In response to (b)(6)(b)(7)(C) e-mail and request for an explanation, (b)(6)(b)(7)(C) advised that she sold the stock in the four companies in (b)(6)(b)(7)(C) but did not provide an explanation regarding why she failed to pre-clear the transactions. (EXHIBIT 8)

PTCS records, including Certifications of Holdings, related financial statements, and pre-trade requests

In addition to the conduct addressed by (b)(6)(b)(7)(C) in September 2014, an OIG review of (b)(6)(b)(7)(C) PTCS records identified additional failures to declare holdings, upload financial statements, and/or submit pre-trade requests.

The OIG review of (b)(6)(b)(7)(C) PTCS records revealed that for calendar year (b)(6)(b)(7)(C) provided statements that included holdings in Schwab funds (b)(6)(b)(7)(C) however, there were no corresponding statements provided for those funds since (b)(6)(b)(7)(C) for calendar year (b)(6)(b)(7)(C)

(b)(6)(b)(7)(C) nor were there any pre-trade requests for the those Schwab funds (i.e., indicating that they were sold).

The review further revealed that for calendar year (b)(6)(b)(7)(C) declared "Holdings" and included the following comment: "I spoke with (b)(6)(b)(7)(C) [OEC] on (b)(6)(b)(7)(C) that I did not upload these investment statements to PTCS in the past but the investments were reported in the OGE Form 450. He advised me to just report the investment statements from (b)(6)(b)(7)(C)." For calendar year (b)(6)(b)(7)(C) statements were included for three accounts, including a Schwab account, (b)(6)(b)(7)(C) 401(k) plan account, and an (b)(6)(b)(7)(C) account.

The OIG review revealed that, in addition to not providing financial statements for the (b)(6)(b)(7)(C) or (b)(6)(b)(7)(C) accounts prior to (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) statements for calendar year (b)(6)(b)(7)(C) both reflected purchases of six funds (12 funds total); however, there were no pre-trade or periodic investment plan requests recorded in PTCS for the identified holdings. The SEC's Supplemental Ethics Regulations require employees to pre-clear certain trades, including transactions in underlying securities of 401(k) accounts.

It was not determined when (b)(6)(b)(7)(C) spouse established the (b)(6)(b)(7)(C) 401(k) plan and (b)(6)(b)(7)(C) account and 401(k) plan, but by her own statement in her certification of holdings filing (for calendar year (b)(6)(b)(7)(C)) did not upload the investment statements to PTCS "in the past." It was reported that (b)(6)(b)(7)(C) spouse began his employment with (b)(6)(b)(7)(C) in approximately (b)(6)(b)(7)(C) and according to (b)(6)(b)(7)(C) OGE Form 450, her spouse began his employment with (b)(6)(b)(7)(C) (EXHIBITS 9-11)

Information Technology (IT) Rules of the Road certifications

The OIG requested IT Rules of the Road certifications and training records (b)(6)(b)(7)(C) the Office of Information Technology (OIT) and the Office of Human Resources (OHR) respectively. The Chief Information Security Officer advised that searches were conducted, but OIT was unable to locate any signed Rules of the Road certifications for (b)(6)(b)(7)(C) OHR provided (b)(6)(b)(7)(C) record, which did not include completion of the IT Rules of the Road training. (EXHIBITS 12 and 13)

Learn, Engage, Achieve, and Perform (LEAP) records

The OIG reviewed LEAP records for (b)(6)(b)(7)(C). The review revealed that (b)(6)(b)(7)(C) completed Online Ethics 450 Filer training on (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) attended and completed an instructor-led Ethics 450 Filer training on (b)(6)(b)(7)(C) (b)(6)(b)(7)(C)

The review further revealed that (b)(6)(b)(7)(C) completed Personal Trading Rules training on (b)(6)(b)(7)(C) (b)(6)(b)(7)(C). The Personal Trading Rules (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) included a slide stating, "As an SEC employee, you cannot purchase or sell any security of an entity that is under investigation by the Commission; a party to a proceeding before the

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Commission; a party to a proceeding in which the Commission is a party.” Another slide in the training stated, “Employees must pre-clear securities transactions...” (EXHIBIT 14)

OA records

The OIG received information from OA indicating there was no record of (b)(6)(b)(7)(C) ever working at the SEC as a contract employee for (b)(6)(b)(7)(C) or any other vendor. (EXHIBIT 15)

OSS records

The OIG received information from OSS indicating that there was no record of (b)(6)(b)(7)(C) working at the SEC as a contractor dating back to April 2012. OSS could not provide information for dates prior to April 2012 because they did not maintain those records. (EXHIBIT 16)

Interviews

Minton

During an interview with the OIG, Minton stated that (b)(6)(b)(7)(C) should have reported her rental properties on the OGE Forms 450. Minton advised that (b)(6)(b)(7)(C) did not need to amend her prior filings, but should add the properties to the list of Assets and Income going forward and should indicate (when she initially reported them) that she failed to report them previously. (EXHIBIT 17)

(b)(6)(b)(7)(C)

During interviews with the OIG, (b)(6)(b)(7)(C) advised he was (b)(6)(b)(7)(C) supervisor (b)(6)(b)(7)(C) in TM's (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) advised he found it difficult to believe (b)(6)(b)(7)(C) would have information from which she could profit. (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) said he could not recall any instances of (b)(6)(b)(7)(C) working on matters related to (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) also advised that (b)(6)(b)(7)(C) did not have any procurement responsibilities in the sense of authorizing spending, and when working on (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) related to the work. (EXHIBITS 18 and 19)

(b)(6)(b)(7)(C)

During interviews with the OIG, (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) TM, indicated that he (b)(6)(b)(7)(C) He also stated that he had both a professional and personal relationship with (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) (b)(6)(b)(7)(C)

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(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C) stated he had no idea whether (b)(6),(b)(7)(C) passed nonpublic information to her husband, but indicated the information that (b)(6),(b)(7)(C) indicated that due to (b)(6),(b)(7)(C) passed more information to him than he did to her. (b)(6),(b)(7)(C) also stated he and (b)(6),(b)(7)(C) did not discuss business in public places or in front of (b)(6),(b)(7)(C) (EXHIBIT 20 and 21)

(b)(6),(b)(7)(C)

During an interview with the OIG, (b)(6),(b)(7)(C) stated that her husband worked for (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) stated that she did not discuss work with her husband and denied passing any nonpublic information to him. (b)(6),(b)(7)(C) indicated that her husband "... does not do finances," and advised that she and her husband did not actively trade on the market. (b)(6),(b)(7)(C) financial holdings, including mutual funds and stock, that she reported when she entered on duty with the SEC, remained the same until (b)(6),(b)(7)(C) when they sold their holdings. (b)(6),(b)(7)(C) denied accessing SEC databases and sharing information with others outside of the SEC. (b)(6),(b)(7)(C) stated that (b)(6),(b)(7)(C) never passed insider information to her and indicated that they did not talk about work outside of the professional context.

(b)(6),(b)(7)(C) admitted that she did not preclear the (b)(6),(b)(7)(C) transactions and said that she had since cleared up the issue with the OEC. (b)(6),(b)(7)(C) explained that she held the subject stock prior to (b)(6),(b)(7)(C) and she did not engage in any trading activity until (b)(6),(b)(7)(C) when the shares were sold. (b)(6),(b)(7)(C) stated she did not pay attention to the buying and selling activity, and indicated she lacked familiarity with the PTCS because she had not had a need to use it. (b)(6),(b)(7)(C) she always reported the holdings on her OGE Forms 450 and she thought the only remaining holding after the (b)(6),(b)(7)(C) sale(s) was her husband's 401(k) plan with (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C) stated that in addition to their (b)(6),(b)(7)(C) residence, which she reported as a rental on her OGE Forms 450, she and her husband owned rental properties in (b)(6),(b)(7)(C) that she forgot to report on her OGE Forms 450. (b)(6),(b)(7)(C) stated that in (b)(6),(b)(7)(C) in addition to their residence, they owned (b)(6),(b)(7)(C) dwelling that they purchased in approximately (b)(6),(b)(7)(C) and a (b)(6),(b)(7)(C) dwelling that they purchased in approximately (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) rented out. (b)(6),(b)(7)(C) indicated that the lack of reporting was an oversight on her part and stated that it was not her intention to hide the rental properties. (b)(6),(b)(7)(C) stated that they did not purchase the rental properties as a business, but more as a long term investment.

(b)(6),(b)(7)(C) indicated that her husband primarily managed the rental properties, but admitted that she might have used her SEC e-mail to correspond with some of the renters. (b)(6),(b)(7)(C) stated that she would fix that going forward by using her personal e-mail address and her smartphone,

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from which she could access her personal e-mail account. (b)(6), (b)(7)(C) also acknowledged signing the Information Technology rules of behavior.

(b)(6), (b)(7)(C) recalled that when her husband was with (b)(6), (b)(7)(C) he worked on a government contract with (b)(6), (b)(7)(C) years (b)(6), (b)(7)(C) [interview] and she thought he might have worked on (b)(6), (b)(7)(C) contract for a few weeks. (b)(6), (b)(7)(C) stated that her husband moved to commercial contracts approximately five or six years (b)(6), (b)(7)(C) [interview] and had not worked on another Government contract. (b)(6), (b)(7)(C) advised that both she and her husband have (b)(6), (b)(7)(C) watches that were given to them as a wedding gift (b)(6), (b)(7)(C) (EXHIBIT 22)

(b)(6), (b)(7)(C)

During a telephone interview with the OIG, (b)(6), (b)(7)(C) stated he was a (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) said he met (b)(6), (b)(7)(C) in approximately (b)(6), (b)(7)(C) when (b)(6), (b)(7)(C) began working for (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) advised that he never received any insider information on the stock market from (b)(6), (b)(7)(C) and that (b)(6), (b)(7)(C) never discussed non-public information with him. (b)(6), (b)(7)(C) also advised that he had not heard from anyone else at (b)(6), (b)(7)(C) that (b)(6), (b)(7)(C) provided insider information to them, nor that there were concerns about an investigation into (b)(6), (b)(7)(C) conduct.

(b)(6), (b)(7)(C) advised that (b)(6), (b)(7)(C) was assigned to (b)(6), (b)(7)(C) contract related to (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) also indicated that (b)(6), (b)(7)(C) worked on (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) stated that it would have been impossible for (b)(6), (b)(7)(C) to "pad" contracts because he did not function in such a role; he had no responsibility or ability to affect the contracting process; and he would not be able to "pad" contracts because of (b)(6), (b)(7)(C) internal oversight. (EXHIBIT 23)

Other Matters

As noted above, (b)(6), (b)(7)(C) indicated that (b)(6), (b)(7)(C) provided him with occasional transportation home from work at the SEC Headquarters building. During interviews with the OIG, (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) indicated that (b)(6), (b)(7)(C) periodically provided rides home to both (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) The commute was described as being on or near (b)(6), (b)(7)(C) route, and (b)(6), (b)(7)(C) home. (EXHIBITS 20-22, and 24)

The OIG did not identify (b)(6), (b)(7)(C) financial gain (b)(6), (b)(7)(C) as a result of the transportation she provided to (b)(6), (b)(7)(C)

(b)(6), (b)(7)(C)

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Referral for Prosecution Consideration

The OIG presented this case to the United States Attorney's Office for the District of Columbia, which declined criminal prosecution of (b)(6);(b)(7)(C) (EXHIBIT 25)

Distribution

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Kenneth Johnson, Chief Operating Officer
Lacey Dingman, Chief Human Capital Officer
Shira Pavis Minton, Ethics Counsel, Office of the Ethics Counsel
Brett Redfearn, Director, Division of Trading and Markets

Signatures

Case Agent:

(b)(6);(b)(7)(C)

03/12/18

Date

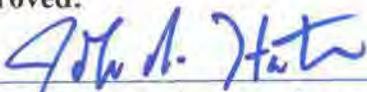
Concurrence:

(b)(6);(b)(7)(C)

3-12-18

Date

Approved:



3/12/18

Date

John R. Hartman, Assistant Inspector General
for Investigations

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Exhibits

1. Predicating document, Referral from GAO, dated July 10, 2014.
2. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) eOPF, dated November 10, 2014.
3. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) OPF, dated September 27, 2017.
4. Memorandum of Activity, Records/Information Review – Forms 450, dated February 5, 2016.
5. Memorandum of Activity, Records/Information Obtained (b)(7)(D)(7)(F) Forms 450, certifications of holdings, and PTCS records, dated April 3, 2017.
6. Memorandum of Activity, Records/Information Review – District of Columbia Tax and Revenue records, dated September 29, 2017.
7. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) e-mail, dated July 1, 2016.
8. Memorandum of Activity, Interview of (b)(7)(D)(7)(F) Dated June 2, 2015.
9. Memorandum of Activity, Records/Information Review – Certifications of Holdings, dated January 2, 2015.
10. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) financial statements, dated January 2, 2015.
11. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) Certifications of Holdings, financial statements, Forms 450, and PTCS records, dated September 21, 2017.
12. Memorandum of Activity, Records/Information Review – IT Rules of the Road records, dated May 24, 2016.
13. Memorandum of Activity, Records/Information Review (b)(7)(D)(7)(F) training records, dated December 14, 2017.

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14. Memorandum of Activity, Records/Information Review [REDACTED] LEAP records, dated July 1, 2016.
15. Memorandum of Activity, Records/Information Review – OA contractor records, dated June 7, 2016.
16. Memorandum of Activity, Records/Information Review – OSS contractor records, dated June 7, 2016.
17. Memorandum of Activity, Interview of Shira Minton, dated May 29, 2015.
18. Memorandum of Activity, Interview of [REDACTED] dated February 3, 2015.
19. Memorandum of Activity, Interview of [REDACTED] dated May 26, 2015.
20. Memorandum of Activity, Interview of [REDACTED] dated May 26, 2015.
21. Memorandum of Activity, Interview of [REDACTED] dated October 17, 2016.
22. Memorandum of Activity, Interview of [REDACTED] dated May 29, 2015.
23. Memorandum of Activity, Interview of [REDACTED] dated November 19, 2015.
24. Memorandum of Activity, Interview of [REDACTED] dated February 10, 2017.
25. Memorandum of Activity, Judicial – Criminal Declination, dated September 27, 2017.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

June 24, 2019

TO: FILE

FROM: (b)(6), (b)(7)(C)
Office of Investigations

THROUGH: (b)(6), (b)(7)(C)
Office of Investigations

SUBJECT: Case No.18-ZZZ-0844-1
Institute for Wealth Holdings et al

The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

(b)(8)

(b)(8)

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Office of Inspector General – Investigations
U.S. Securities and Exchange Commission

(b)(7)(D)(7)(C)(1)(D)(1)

Adviser Registration), filed by IWH in January 2017 and January 2018 with the Financial Industry Regulatory Authority, reported that (b)(7)(D)(7)(C)(1)(D)(1) disciplinary information failed to disclose his “Heightened Supervision” status (b)(7)(D)(7)(C)(1)(D)(1) from the State of Washington-Department of Financial Institutions, for (b)(7)(D)(7)(C)(1)(D)(1) misconduct related to customers’ accounts at a prior employer in 2010 and 2012.

On April 24, 2019, (b)(7)(D)(7)(C)(1)(D)(1) Economic Crimes Section, U.S. Attorney’s Office for the District of Colorado was advised of the facts and circumstances of this investigation and she declined prosecution of IWH and its affiliated companies.

Based on the above factors, a report to management is not warranted and administratively closing this case is recommended. (b)(7)(D)(7)(C)(1)(D)(1) will be notified of the closure.

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Office of Inspector General – Investigations
U.S. Securities and Exchange Commission

(b)(6), (b)(7)(C)



6/24/19
Date

Approved:



6/24/19

Nicholas Padilla, Jr., Deputy Inspector General
for Investigations

Date

(b)(8)



(b)(6), (b)(7)(C)



By (Initials)

(b)(6), (b)(7)(C)



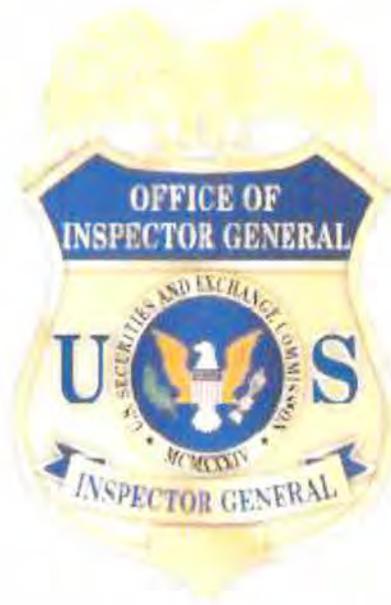
Person Notified
Via Email

6/24/19
Date

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REPORT OF INVESTIGATION

CASE# 14-OIT-0021-I



Office of Inspector General

U.S. Securities and Exchange Commission



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



Report of Investigation

Subject: (b)(6), (b)(7)(C) **Case #:** 14-OIT-0021-I
Title: (b)(6), (b)(7)(C)
SK-Level/Grade: (b)(6), (b)(7)(C) **Origin:** Anonymous
Office: Office of Information Technology
Region: Washington, D.C.
Security Clearance: Y / N (b)(6), (b)(7)(C)

Subject: (b)(6), (b)(7)(C)
Title: (b)(6), (b)(7)(C)
SK Level/Grade: (b)(6), (b)(7)(C)
Office: Office of Information Technology
Region: Washington, D.C.
Security Clearance: Y / N

Subject: (b)(6), (b)(7)(C)
Title: (b)(6), (b)(7)(C)
SK Level/Grade: (b)(6), (b)(7)(C)
Office: Office of Information Technology
Region: Washington, D.C.
Security Clearance: Y / N

Investigation Initiated: November 15, 2013

Investigation Completed: MAY 14 2018

SUMMARY

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG).

The OIG initiated an investigation based on anonymous allegations regarding (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) Office of Information Technology (OIT); (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) OIT; and (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) OIT. Specifically, it was alleged that (b)(6), (b)(7)(C) provided preferential treatment to (b)(6), (b)(7)(C) because (b)(6), (b)(7)(C) had provided her with personal legal assistance. Additionally, it was alleged that (b)(6), (b)(7)(C) provided preferential treatment to (b)(6), (b)(7)(C) by providing promotions and awards and overlooking his failing projects because he had purchased real estate from her and he had provided her with a loan. One of the project failures named in the allegation was the SEC's (b)(6), (b)(7)(C) It was also alleged

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that [REDACTED] had an attendance problem and frequently arrived to work late and left early. Additionally, it was alleged that [REDACTED] inappropriately permitted the OIT's [REDACTED] Team to telework.

The OIG subsequently received an additional anonymous allegation related to [REDACTED] and [REDACTED]. Specifically, it was alleged that [REDACTED] and [REDACTED] maintained an inappropriate personal relationship. This allegation was incorporated into the OIG's investigation. (EXHIBIT 1)

In summary, evidence collected during the OIG's investigation disclosed that:

- On one occasion [REDACTED] paid [REDACTED] for personal legal services related to a real estate transaction. The evidence did not support that as a result of this personal business dealing [REDACTED] provided preferential treatment to [REDACTED].
- [REDACTED] 2011, a limited liability company managed by [REDACTED] purchased real estate from [REDACTED]. The evidence did not support that as a result of this personal business dealing, [REDACTED] provided preferential treatment to [REDACTED].
- [REDACTED] time and attendance records did not accurately reflect his time spent working in the office or teleworking. Specifically, there were several instances—based on building access records and e-mails—when [REDACTED] did not appear to work the hours that were reflected in the SEC's time and attendance system. The apparent shortfall was 187 hours and 20 minutes.

No evidence was developed that [REDACTED] and [REDACTED] had maintained an inappropriate relationship; that [REDACTED] had loaned her money; or that she overlooked his failed projects. Furthermore, no evidence was developed that [REDACTED] inappropriately allowed the [REDACTED] employees to telework.

The facts and evidence developed during this investigation were referred to the U.S. Attorney's Office for the District of Columbia for consideration of prosecution; however, the matter was declined.

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BACKGROUND

In (b)(6)/(b)(7)(C) joined the SEC (b)(6)/(b)(7)(C) (b)(6)/(b)(7)(C) (b)(6)/(b)(7)(C) officially became (b)(6)/(b)(7)(C) first-level supervisor in (b)(6)/(b)(7)(C) but signed as the "Rating Official" for his final (b)(6)/(b)(7)(C) Performance Work Plan. For the subsequent years (b)(6)/(b)(7)(C) was both the "Rating Official" and the "Deciding Official" for (b)(6)/(b)(7)(C) performance rating. (EXHIBITS 2 – 4)

[AGENT'S NOTE: For (b)(6)/(b)(7)(C) final performance rating there was no signature contained in the records maintained by the OIT. The OIG contacted the SEC's Office of Human Resources (OHR), which did not have copies of these records.]

From approximately (b)(6)/(b)(7)(C) to (b)(6)/(b)(7)(C) served as (b)(6)/(b)(7)(C) OIT and when (b)(6)/(b)(7)(C) reported directly to (b)(6)/(b)(7)(C) in (b)(6)/(b)(7)(C) (b)(6)/(b)(7)(C) (EXHIBITS 5 and 6)

(b)(6)/(b)(7)(C) (b)(6)/(b)(7)(C) reports directly to (b)(6)/(b)(7)(C) (EXHIBIT 7)

(b)(6)/(b)(7)(C) currently used at the SEC. When it was deployed by the OIT (b)(6)/(b)(7)(C) it required the upgrade of all SEC users' workstations which (b)(6)/(b)(7)(C) led and managed. (EXHIBITS 1 and 7)

(b)(6)/(b)(7)(C) Team is part of OIT's (b)(6)/(b)(7)(C) and is responsible for (b)(6)/(b)(7)(C) (b)(6)/(b)(7)(C) (EXHIBITS 8 and 9)

Report of Investigation

Case Title: [REDACTED] et al.

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SCOPE

The OIG considered the following potential violations:

- Title 18 U.S. Code § 1001, Statements or entries generally
- Title 5 Code of Federal Regulations (CFR) § 2635.202, Standards of Ethical Conduct (Subpart B), Gifts from Outside Sources
- Title 5 CFR § 2635.302, Gifts Between Employees
- Title 5 CFR § 2635.702, Use of Public Office for Private Gain
- Title 5 CFR § 2635.705, Official Use of Time
- Title 17 CFR § 200.735-2, Standards of Ethical Conduct

Additionally, the OIG interviewed the following individuals:

- [REDACTED] OIT
- [REDACTED] Litigation and Administrative Practice, Office of the General Counsel
- [REDACTED] OIT
- [REDACTED] OIT
- [REDACTED] OIT
- [REDACTED] OIT

Finally, the OIG also reviewed the following documents:

- SEC e-mail records
- Electronic Official Personnel Folder (eOPF) records
- SEC Headquarters badge access logs
- Time and attendance records
- Office of Government Ethics (OGE) Forms 450, *Confidential Financial Disclosure Reports*

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RESULTS OF INVESTIGATIVE ACTIVITY

Allegations Related to (b)(6)(b)(7)(C) Providing Legal Services to (b)(6)(b)(7)(C)

Document Reviews

Electronic Official Personnel Folder (eOPF)

An OIG review of (b)(6)(b)(7)(C) eOPF for the period from (b)(6)(b)(7)(C) 2011, near or when she provided personal legal services to (b)(6)(b)(7)(C) revealed (b)(6)(b)(7)(C) received awards and bonuses, as shown in Table 1.

Table 1: Awards, Bonuses, and Promotions between (b)(6)(b)(7)(C)

Date	Action
(b)(6)(b)(7)(C)	individual cash award
(b)(6)(b)(7)(C)	individual cash award
(b)(6)(b)(7)(C)	lump sum performance payment

Source: Table created based on Standard Forms-50 in eOPF.

[AGENT'S NOTE: (b)(6)(b)(7)(C) received the (b)(6)(b)(7)(C) performance award (b)(6)(b)(7)(C) (b)(6)(b)(7)(C)

The Standard Form-50 dated (b)(6)(b)(7)(C) for the (b)(6)(b)(7)(C) awarded indicated that the award was related to a "performance based bonus based on (b)(6)(b)(7)(C) performance evaluation period." The forms for the (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) awards did not list a reason for the awards. (EXHIBIT 10)

[AGENT'S NOTE: The OHR informed the OIG that it did not maintain information regarding the recommending official for employee awards and bonuses before 2014. As a result, information regarding the recommending official for (b)(6)(b)(7)(C) awards was not available for the period reviewed by the OIG.]

(b)(6)(b)(7)(C) OGE Forms 450

An OIG review of (b)(6)(b)(7)(C) OGE Forms 450 for the calendar years ended (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) revealed that (b)(6)(b)(7)(C) reported holding an outside position with (b)(6)(b)(7)(C) (b)(6)(b)(7)(C) did not report any income derived from this outside position. (b)(6)(b)(7)(C) signed each OGE Form 450 as the (b)(6)(b)(7)(C) (EXHIBIT 11)

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[AGENT'S NOTE: The OGE Form 450 requires employees to report all sources of earned income greater than \$200 and all positions outside the U.S. Government held at any time during the reporting period, regardless if the employee was compensated or not.]

Interviews

(b)(6)(b)(7)(C)

During an interview with the OIG, (b)(6)(b)(7)(C) stated that in 2011 or 2012, (b)(6)(b)(7)(C) had helped her with a personal legal matter by helping her write a letter to resolve a payment dispute involving a real estate transaction. (b)(6)(b)(7)(C) said she was discussing the issue at work and could not remember if she asked (b)(6)(b)(7)(C) to help draft a letter or if (b)(6)(b)(7)(C) offered assistance. (b)(6)(b)(7)(C) stated that she paid (b)(6)(b)(7)(C) approximately \$350 via a personal check to draft the letter and (b)(6)(b)(7)(C) performed the services outside of her official work time. (b)(6)(b)(7)(C) said she also gave (b)(6)(b)(7)(C) a \$100 gift card as a "thank you." (b)(6)(b)(7)(C) said she did not pressure (b)(6)(b)(7)(C) to provide personal legal services to her. She also said (b)(6)(b)(7)(C) did not receive any bonuses, awards, or promotions at the SEC as a result of the personal legal work she had provided. (b)(6)(b)(7)(C) stated she was not aware of any issues regarding the permissibility of paying (b)(6)(b)(7)(C) to perform legal services. (EXHIBIT 2 and 12)

[AGENT'S NOTE: (b)(6)(b)(7)(C) reported to the OIG that she attempted to locate the canceled check; however, she did not retain a copy of it and her bank was not able to locate one.]

(b)(6)(b)(7)(C)

The OIG interviewed (b)(6)(b)(7)(C) who said that in either 2012 or 2013, she spent approximately 16 hours working on an "innocuous" personal legal matter for (b)(6)(b)(7)(C) outside of her work at the SEC. (b)(6)(b)(7)(C) would not provide the OIG with any information regarding the nature of the legal matter, citing attorney-client privilege, but she stated that she helped (b)(6)(b)(7)(C) draft a letter. (b)(6)(b)(7)(C) also said (b)(6)(b)(7)(C) paid her for the personal legal work she performed which (b)(6)(b)(7)(C) had asked her to undertake, but did not disclose the amount she was paid.

[AGENT'S NOTE: Absent (b)(6)(b)(7)(C) cooperation related to her payment from (b)(6)(b)(7)(C) such as disclosing the amount paid and other details—the OIG was unable to determine whether she should have claimed this payment as income on her OGE Form 450.]

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[REDACTED] said [REDACTED] asked her to perform the legal work, but she did not feel pressured by [REDACTED] to provide assistance, and said she would not have performed the work if she was not comfortable with it. However, she stated that because [REDACTED] was her supervisor, it was a “fine line” if something went wrong involving the matter. [REDACTED] stated that as a result of the personal legal work she performed for [REDACTED] she did not receive preferential treatment, bonuses, or awards. Further, [REDACTED] SEC. (EXHIBIT 5)

Allegation Related to Real Estate Purchase and [REDACTED] Preferential Treatment of [REDACTED]

Document Reviews

E-mail

In an e-mail [REDACTED] sent to the OIG, he stated that on [REDACTED] 2011, he and [REDACTED] purchased [REDACTED] from [REDACTED]. [REDACTED] also said that he and [REDACTED] paid [REDACTED] as the gross sales price and [REDACTED] in settlement charges, for a total of [REDACTED] (EXHIBIT 13)

Property Records

The OIG reviewed the property deed, settlement statement, lien release, and borrower’s agreement for [REDACTED] and determined that [REDACTED] purchased this property for [REDACTED] from [REDACTED] 2011. The OIG confirmed through documents from the [REDACTED] [REDACTED] [REDACTED] [REDACTED] (EXHIBITS 14 – 16)

[AGENT’S NOTE: [REDACTED] did not report directly to [REDACTED] at the time the property was purchased by [REDACTED] (EXHIBIT 3)]

eOPF

An OIG review of [REDACTED] eOPF for the period [REDACTED] 2011, when [REDACTED] purchased the property from [REDACTED] to [REDACTED] 2015, revealed [REDACTED] received awards, bonuses, and promotions, as shown in Table 2. (EXHIBITS 3, 17 – 19)

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Table 2: Awards, Bonuses, and Promotions from (b)(6),(b)(7)(C) 2011 to (b)(6),(b)(7)(C) 2015

Date	Action
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) time off award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) time off award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) time off award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) lump sum performance payment
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) lump sum performance payment
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)	(b)(6),(b)(7)(C) individual cash award

Source: Table created based on Standard Forms-50 in eOPF.

AGENT'S NOTE (b)(6),(b)(7)(C) has served as (b)(6),(b)(7)(C) immediate supervisor since (b)(6),(b)(7)(C). As noted above, the OHR informed the OIG that it did not maintain information regarding the recommending official for employee awards and bonuses before 2014. As a result, information regarding the recommending official for (b)(6),(b)(7)(C) awards and bonuses was only available for his awards beginning in (b)(6),(b)(7)(C). The OHR did not have records for the award (b)(6),(b)(7)(C) received in (b)(6),(b)(7)(C) 2015.]

Interviews

(b)(6),(b)(7)(C)

During an interview with the OIG, (b)(6),(b)(7)(C) stated she owned (b)(6),(b)(7)(C) that went into short sale and, in approximately (b)(6),(b)(7)(C) it was sold to (b)(6),(b)(7)(C). According to (b)(6),(b)(7)(C) overheard a lunchroom discussion in which she was discussing her need to sell the property and he later approached her inquiring about it. (b)(6),(b)(7)(C) said she provided (b)(6),(b)(7)(C) with the contact information for her real estate agent and had no further discussions with him about the property. In reference to the transaction, (b)(6),(b)(7)(C) stated:

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"I was still the owner, but the bank made all the decisions. So, they [REDACTED] and his real estate agent] worked directly with the bank. So, whatever offer was made or any of that was with the bank. And so, once the bank made the agreement, I just had to sign off on the final thing. But I had no involvement with the negotiations with the bank at all."

[REDACTED] also said [REDACTED] made no profit from the property sale and they paid [REDACTED] settlement costs in excess of [REDACTED] stated, [REDACTED] did not directly report to me at the time. [REDACTED] said [REDACTED] did not receive any preferential treatment to include any bonuses, promotion, or awards as a result of purchasing the property from her. (EXHIBITS 2 and 12)

With respect to alleged preferential treatment, [REDACTED] said [REDACTED] bonuses, promotions, and awards were all based on the merit of his work and she stated, "I think I've done a really good job of detailing in his performance ratings, what that – those work accomplishments have been." [REDACTED] also said the documentation of [REDACTED] performance "goes in to extensive detail on his accomplishments in his management roles, as well as the projects that he managed effectively." (EXHIBIT 2)

With respect to [REDACTED] overlooking [REDACTED] project failures, [REDACTED] stated that [REDACTED] worked on special projects and "performs very well" and was "one of the [OIT's] [REDACTED] [REDACTED] said the [REDACTED] project was "launched successfully" and "it would not be a true statement" to say the project failed or that she allowed the project to fail as alleged. She stated, "I put a lot of skin in the game to make sure that that didn't fail." She stated:

"The [REDACTED] project managed by [REDACTED] was deployed to over 6000 workstations with little to no impact to the users. We still use [REDACTED] [REDACTED] at the SEC today. When deployed, [REDACTED] [REDACTED]

[REDACTED] also said [REDACTED] helped coordinate the OIT's [REDACTED] [REDACTED] She stated it was a successful project, and added:

[REDACTED] also worked with me to establish [REDACTED] [REDACTED] As a result of the [REDACTED] team received the highest [C]ommission award The Chairman's Award for Excellence for the project." (EXHIBITS 2 and 12)

With respect to the alleged loan between [REDACTED] and [REDACTED] stated she never requested or received a loan from [REDACTED] (EXHIBIT 2)

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(b)(6) (b)(7)(C)

During an interview with the OIG, (b)(6) (b)(7)(C) stated he overheard (b)(6) (b)(7)(C) in the lunchroom discussing a property that she owned that was for sale and he asked her to provide the contact information for the real estate agent who had listed it. (b)(6) (b)(7)(C) stated that after he acquired the real estate agent's name, he dealt directly with them and he did not discuss or negotiate any terms of the sale directly with (b)(6) (b)(7)(C). (b)(6) (b)(7)(C) also stated that he and (b)(6) (b)(7)(C) purchasing (b)(6) (b)(7)(C) was not an attempt to conceal the fact that he purchased the property from (b)(6) (b)(7)(C). Furthermore, he stated (b)(6) (b)(7)(C) did not ask him to purchase the property and he felt no pressure to do so. (b)(6) (b)(7)(C) said that he did not receive any preferential treatment from (b)(6) (b)(7)(C) as a result of his purchase of the property from her. (EXHIBITS 7, 13 and 14)

With respect to alleged preferential treatment (b)(6) (b)(7)(C) said, "I have received all the good comments and some awards because I was able to perform and I was able to show her (b)(6) (b)(7)(C) that I can go beyond my duties to finish my job." He said all of his promotions and awards were based on merit, and stated, "It's completely my performance and my work product, honestly."

With respect to (b)(6) (b)(7)(C) overlooking (b)(6) (b)(7)(C) project failures, (b)(6) (b)(7)(C) stated the (b)(6) (b)(7)(C) project was "a major undertaking" in which the OIT was responsible for (b)(6) (b)(7)(C). He stated he led this project and "took it 75 percent to completion." He stated he had to hand the project over to two other OIT employees to complete (b)(6) (b)(7)(C).

(b)(6) (b)(7)(C) stated the (b)(6) (b)(7)(C) "was successful." He stated it was "very hectic. It was a last-minute thing, and I did my best." (b)(6) (b)(7)(C) stated (b)(6) (b)(7)(C) asked him to help with the project, but he was not responsible for leading it.

With respect to the alleged loan between (b)(6) (b)(7)(C) and (b)(6) (b)(7)(C) denied that he ever provided a loan to (b)(6) (b)(7)(C) (EXHIBIT 7)

Allegations Related to (b)(6) (b)(7)(C) Time and Attendance

Document Reviews

Time and Attendance and SEC Badge Access Records

The OIG reviewed (b)(6) (b)(7)(C) time and attendance records dated between May 12, 2015 (Pay Period 2015-11) and April 2, 2016 (Pay Period 2016-8). The review revealed that he claimed 1,497 regular hours and 108 telework hours, for a total of 1,872 hours. For each pay period

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reviewed, [REDACTED] worked a “standard schedule,” meaning he was scheduled to work eight hours per day. For all of the pay periods reviewed, [REDACTED] certified [REDACTED] time and attendance.

[AGENT’S NOTE: The SEC core hours, which are the hours all full-time employees are required to be at work unless on approved leave, are from 10:00 a.m. to 3:00 p.m. However, [REDACTED] required [REDACTED] to work until 7:30 p.m. to satisfy her commitment to the Commissioners for IT staff coverage.]

[REDACTED] SEC Headquarters badge access (in/out) activity was also reviewed for the same timeframe (May 2015 to April 2016). The access logs revealed that [REDACTED] was in the SEC building a total of 1,140 hours and 38 minutes, which was 356 hours and 20 minutes less than the 1,497 hours he had claimed in WebTA, the SEC’s time and attendance system.

[REDACTED] SEC Headquarters badge access records also revealed that he left the building before 7:30 p.m., his scheduled departure time, on 159 of the 170 days (94 percent) in which he was in the office. The building access logs show that the difference between his arrival time and departure time was less than 8 hours on 133 of these 159 days (84 percent).

In addition, for 169 of the 171 days (99 percent) [REDACTED] was in the office, he arrived later than 10:00 a.m., which starts the core hours in which employees are required to be at work. (EXHIBITS 20 and 21)

[REDACTED] *E-mails*

The OIG analyzed [REDACTED] SEC e-mails in connection with his time and attendance and his SEC Headquarters badge access records and subtracted those hours in which he was teleworking, traveling, or in which the office was closed. In addition, during an interview with the OIG, [REDACTED] provided additional documentation regarding time spent on official travel or teleworking. Based on an analysis of the e-mails and information obtained during the interview, the OIG was able to document 169 hours of the 356 hours and 20 minutes of [REDACTED] time that appeared to be short (per his time and attendance records). However, the OIG was unable to verify a total of 187 hours and 20 minutes of the time [REDACTED] claimed and was required to be in the office, as shown in Table 3 below. (EXHIBITS 11, 20 and 21)

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Table 3: [REDACTED] Net Deficit Hours

Net Hours in Office Less Than Shown on Badge Access Records	(356:20)
Hours on Business-Related Travel (per e-mail review and Sharma interview)	80:00
Hours Teleworking (per e-mail review and Sharma interview)	53:00
Office Closures (per e-mail review)	16:00
Early Dismissal/Late Arrival (per e-mail review)	12:00
Incomplete Badge Data	8:00
Net Deficit Hours	(187:20)

Source: Figures based on information obtained from [REDACTED] Time and Attendance Records, Badge Access Records, e-mail review, and OIG interview.

Interviews

[REDACTED]

[REDACTED] told the OIG that his typical work schedule is 10:00 a.m. to 6:00 p.m., but stated there was a “little weakness there.” [REDACTED] stated that he runs late, is “not right on time,” and his arrival time “[p]ushes towards 11:00.” He said when this occurs, he informs [REDACTED] that he is running late. [REDACTED] stated there is “[n]o question” that he works the required eight hours per day and stated, “I’m normally here until 7:00, 7:30, yeah. I make up my hours.”

[REDACTED] also said, “I’m always engaged. I’m on BlackBerry. I put lots of hours, honestly, and lot of time....” He said, in general, that he tried to cover the hours he was required to work through an informal tracking process and he would “mentally note” if he needed to stay late to cover his hours, and further stated,

“...if somebody’s claiming that I’m not doing my – and my job performance, never is impacted because I’m engaged....And I’m not going to lie about it. If it’s my 10:00, I’m, lot of time, not here exactly at 10:00. I’m very honest about it....And if that’s going to be a disciplinary action, I’m ready to take it. It’s a mistake I made, yes.” (EXHIBITS 5 and 13)

[REDACTED]

[REDACTED] told the OIG that [REDACTED] comes in “later.” She stated that “he’s supposed to be here at 10:30. He usually gets here somewhere between 10:30 and 11:00,” and that “there are days he gets here at 10:30; there’s days he’s running late, you know.” She stated [REDACTED] “should be definitely here until 7:30 [p.m.]” According to [REDACTED]

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“I actually have a commitment with the [C]ommissioners that we will have people here until – up until 7:30. [Commissioner] Piwowar specifically has asked for that. Contractors can’t go to the [C]ommissioners’ sites – offices without being escorted. So, OSO [Office of Support Operations] has given [REDACTED] and myself [sic] access to the [C]ommissioners’ suites to support them. The other thing is, we also support the 11 regions. And so, it’s 8:00 at night here when it’s 5:00 there... So, there’s been times when issues have come up with the regions that he can run down. I’m honestly here, like, 10 or 11 hours a day. And so, about 6:30, 6:00, 6:30, I leave. He’s always here after I leave, so he is here late.”

[REDACTED] said that she has discussed with [REDACTED] his lack of adhering to his proper scheduled time and he “always receives the criticism and coaching.” She stated, “like, with a lot of people you’ll see a pattern of it gets better and then maybe it slips a little bit.” She also stated that because she leaves the office before [REDACTED] “I have to trust that he’s putting in his time.”

She stated, “it’s not impacting his ability to produce. But...I’ve said to him before, ‘You need to make sure you’re conforming to whatever is in the book.’” [REDACTED] stated [REDACTED] has worked this schedule since prior to her employment with the SEC and said she thought the SEC core hours started at 10:30 a.m. (EXHIBIT 2)

Allegation Related to [REDACTED] Inappropriately Allowing the [REDACTED] Team to Telework

Interviews

The OIG interviewed the OIT staff responsible for the SEC’s [REDACTED]

[REDACTED]
[REDACTED] Each one stated the [REDACTED] Team frequently teleworked, but the allegations of the team’s employees inappropriately teleworking were untrue. [REDACTED] explained that the team’s employees answered [REDACTED]

[REDACTED] Additionally, [REDACTED] stated the team’s employees had enough work to fill their day and the team’s jobs were conducive to teleworking. [REDACTED] said she had no involvement with directly supervising the team’s employees or approving their schedules. (EXHIBITS 2, 8 and 9)

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Allegation Related to [REDACTED] and [REDACTED] Had an Inappropriate Personal Relationship

Both [REDACTED] and [REDACTED] denied that they have or had an inappropriate personal relationship. During an interview with the OIG [REDACTED] stated she and [REDACTED] have a “friendship” and “do talk outside of the office about various things,” but stated she would not call it a “personal relationship.” She stated they do not see each other outside of work and she has “no inappropriate relationship” with [REDACTED]. [REDACTED] stated, “We are professional. She is my manager.” He stated he goes to lunch with [REDACTED] but does not socialize with her outside of work. (EXHIBITS 2 and 5)

No other information came to the OIG’s attention that would contradict the statements from

[REDACTED] and [REDACTED]

Referral for Prosecution Consideration

The facts and evidence developed during this investigation were referred to the U.S. Attorney’s Office for the District of Columbia for consideration of prosecution; however, the matter was declined. (EXHIBIT 22)

Distribution

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Signatures

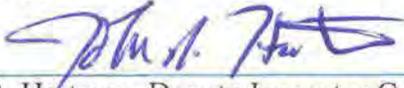
(b)(6), (b)(7)(C)

5/10/18
Date

(b)(6), (b)(7)(C)

5/10/18
Date

Approved:



John R. Hartman, Deputy Inspector General
for Investigations

5/10/18
Date

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Exhibits

1. Predicating Information, dated November 14, 2013; March 4, 2014; March 10, 2014; and February 22, 2016.
2. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated August 25, 2016.
3. Memorandum of Activity, Records Obtained and Reviewed, dated February 13, 2018.
4. Memorandum of Activity, Records Review, dated January 9, 2018.
5. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated July 19, 2016.
6. Memorandum of Activity, Records Obtained and Reviewed, dated May 10, 2018.
7. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated August 25, 2016.
8. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated March 16, 2016.
9. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated March 18, 2016.
10. Memorandum of Activity, Records/Information Obtained and Reviewed, dated March 19, 2018.
11. Memorandum of Activity, Form 450 Review, dated January 24, 2017.
12. Memorandum of Activity, Records Obtained, dated September 19, 2016.
13. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated August 26, 2016, and September 12, 2016.
14. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated September 27, 2017
15. Memorandum of Activity, Interview of (b)(6), (b)(7)(C) OIT, dated October 2, 2017.

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16. Memorandum of Activity, Records Obtained, dated September 20, 2017.
17. Memorandum of Activity, eOPF Review, dated December 1, 2015.
18. Memorandum of Activity, eOPF Review, dated October 11, 2017.
19. Memorandum of Activity, Records Review, dated January 4, 2018.
20. Memorandum of Activity, Badge Access and Time and Attendance Analysis, dated December 9, 2015.
21. Memorandum of Activity, Badge Access and Time and Attendance Analysis, dated July 18, 2016.
22. Memorandum of Activity, Judicial Declination, dated August 19, 2016.

**ABBREVIATED
REPORT OF INVESTIGATION
CASE# 16-OIT-0366-I**



Office of Inspector General

U.S. Securities and Exchange Commission



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



Abbreviated
Report of Investigation

Subject: (b)(6),(b)(7)(C)
Title: [Redacted]
SK-Level/Grade: (b)(6),(b)(7)(C)
Office: Office of Information Technology
Region: Washington, D.C.

Case #: 16-OIT-0366-I

Origin: Office of Human Resources

Security Clearance: Y / N

Investigation Initiated: May 9, 2016

Investigation Completed: MAR 01 2018

OVERVIEW

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG) into allegations involving (b)(6),(b)(7)(C) Office of Information Technology (OIT). Specifically, it was alleged that while (b)(6),(b)(7)(C) served as the chair of a technical evaluation panel for a task order under SEC contract number (b)(6),(b)(7)(C) she exerted significant influence over other panel members to recommend (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) for the award. It was also alleged (b)(6),(b)(7)(C) had a conflict of interest because she had worked previously with two of (b)(6),(b)(7)(C) senior managers while they were employed together at another company.

During the investigation, the OIG received an additional allegation that (b)(6),(b)(7)(C) manipulated the results of a separate evaluation of a (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) tool used by the OIT, which resulted in the OIT's selection of a product named (b)(6),(b)(7)(C) (EXHIBIT 1)

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BACKGROUND

(b)(6) (b)(7)(C)

Since (b)(6) (b)(7)(C) has been employed by the SEC as a (b)(6) (b)(7)(C) (b)(6) (b)(7)(C) From (b)(6) (b)(7)(C) to (b)(6) (b)(7)(C) served as a (b)(6) (b)(7)(C) for OIT's (b)(6) (b)(7)(C) In (b)(6) (b)(7)(C) 2016, (b)(6) (b)(7)(C) was reassigned to the OIT (b)(6) (b)(7)(C) Branch, where she (b)(6) (b)(7)(C) however, she (b)(6) (b)(7)(C) (EXHIBITS 2 and 3)

OIT (b)(6) (b)(7)(C) Tool Replacement

In (b)(6) (b)(7)(C) the SEC OIT decided to procure a tool to replace (b)(6) (b)(7)(C) (b)(6) (b)(7)(C) tool used by the OIT at the time. According to information collected during the investigation (b)(6) (b)(7)(C) was the OIT's system (b)(6) (b)(7)(C) It was being replaced because (b)(6) (b)(7)(C) (b)(6) (b)(7)(C) OIT, assigned the task of finding the replacement product to (b)(6) (b)(7)(C) then assigned her staff to evaluate (b)(6) (b)(7)(C) and (b)(6) (b)(7)(C) as possible replacements for (b)(6) (b)(7)(C) staff included (b)(6) (b)(7)(C) (b)(6) (b)(7)(C) and (b)(6) (b)(7)(C) (referred to collectively as the (b)(6) (b)(7)(C) (EXHIBITS 4 - 9)

OIT (b)(6) (b)(7)(C)

Separately, in (b)(6) (b)(7)(C) the SEC issued a solicitation for a multi-award Indefinite-Delivery, Indefinite-Quantity (IDIQ) contract for OIT (b)(6) (b)(7)(C) The intended purpose of the contract was to (b)(6) (b)(7)(C) contracts to be consolidated under one vehicle. The IDIQ contract (Contract number (b)(6) (b)(7)(C) was awarded in (b)(6) (b)(7)(C) to (b)(6) (b)(7)(C) vendors, one of which was (b)(6) (b)(7)(C) After the IDIQ contract was awarded, individual task orders were issued under it and each of the nine vendors had an opportunity to bid on each of the task orders.

SEC contract (b)(6) (b)(7)(C) also known as Task Order #1) under the IDIQ contract was solicited for OIT (b)(6) (b)(7)(C) to develop (b)(6) (b)(7)(C) for the (b)(6) (b)(7)(C) vendors of the original eligible (b)(6) (b)(7)(C) vendors, including (b)(6) (b)(7)(C) submitted proposals for Task Order #1. In response to the solicitation, the OIT formed a panel to evaluate the proposals received for (b)(6) (b)(7)(C) The panel consisted of (b)(6) (b)(7)(C) OIT; and (b)(6) (b)(7)(C) OIT. (b)(6) (b)(7)(C) served as the Chair of the panel. The panel was responsible for determining evaluation criteria for Task Order #1, reviewing the proposals submitted, and recommending a vendor. (b)(6) (b)(7)(C) served as

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the awarding contracting officer and, as the result of the recommendation from the panel, he awarded Task Order #1 to (b)(6)(b)(7)(C) (EXHIBITS 4, 5, 10, and 11)

INVESTIGATIVE FINDINGS

In summary, with respect to the original allegation regarding the selection of (b)(6) the OIG investigation did not identify evidence (b)(6)(b)(7)(C) improperly exerted significant influence over the members of the panel during the selection process. While (b)(6)(b)(7)(C) served as the chair of the panel for the task order awarded to (b)(6) the other panel members signed a consensus memorandum which indicated their unanimous recommendation of (b)(6)(b)(7)(C). The other panel members did not identify any specific actions by (b)(6)(b)(7)(C) that constituted pressure or influence on them to recommend (b)(6) for the award. Additionally, each member of the panel was afforded an opportunity to provide their input on the consensus memorandum which supported the recommendation of (b)(6) and one of the panel members provided refinements to the memorandum which were incorporated into the panel's final recommendation.

The investigation confirmed that (b)(6)(b)(7)(C) had worked previously with two of (b)(6)(b)(7)(C) senior managers at another company. However, the investigation did not find that (b)(6)(b)(7)(C) received or is receiving any financial benefit while employed at the SEC as the result of (b)(6)(b)(7)(C) selection or her previous working relationships with employees of (b)(6)(b)(7)(C).

Finally, with respect to the allegation about the (b)(6)(b)(7)(C) replacement, the OIG investigation did not identify evidence that (b)(6)(b)(7)(C) manipulated the results of the evaluation relating to (b)(6)(b)(7)(C).

Allegations Related to the (b)(6)(b)(7)(C) Task Order

(b)(6)(b)(7)(C) Exerted Significant Influence for the (b)(6)(b)(7)(C) Recommendation

The OIG reviewed documents related to the technical evaluation panel and found that on (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) signed a consensus memorandum which recommended the award of the task order to (b)(6)(b)(7)(C). The memorandum included a narrative of the strengths and weaknesses of each proposal they reviewed and stated that the panel "unanimously concurs that (b)(6)(b)(7)(C) clearly provided the most superior proposal." The OIG learned that (b)(6)(b)(7)(C) offered both (b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) an opportunity to provide comments about the consensus memorandum. (b)(6)(b)(7)(C) provided comments that included the addition of strengths relating to the technical abilities for three of the proposals. (b)(6)(b)(7)(C) made revisions to the memorandum based on (b)(6)(b)(7)(C) input. (b)(6)(b)(7)(C) did not provide any comments. (EXHIBITS 1, 6, and 12)

(b)(6)(b)(7)(C) and (b)(6)(b)(7)(C) informed the OIG that (b)(6)(b)(7)(C) was qualified for the project, but was not their first choice. They stated that they signed the consensus memorandum recommending (b)(6)(b)(7)(C) primarily because (b)(6)(b)(7)(C) was their supervisor and she stated she preferred (b)(6)(b)(7)(C). They stated they agreed to the selection of (b)(6)(b)(7)(C) because they "got tired" of the panel discussions and "didn't want tension" with (b)(6)(b)(7)(C). Neither (b)(6)(b)(7)(C) nor (b)(6)(b)(7)(C) identified any specific actions by (b)(6)(b)(7)(C) that constituted pressure or influence on them to recommend (b)(6)(b)(7)(C) for the award, and both stated

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(b)(6),(b)(7)(C) did not use her position as a branch chief to “threaten” or “force” them to select (b)(6),(b)(7)(C). When interviewed by the OIG, (b)(6),(b)(7)(C) stated she did not force or otherwise exert influence over (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) to sign the consensus memorandum or to recommend (b)(6) for the award. (EXHIBITS 3 – 5)

(b)(6),(b)(7)(C) *Conflict of Interest Relating to Previous Work Relationships*

The OIG reviewed Certificates of Non-Disclosure and Financial Interest which (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) each signed stating neither they nor any member of their immediate family had a direct or indirect interest in any firm that submitted a response to the proposal which included (b)(6),(b)(7)(C). The OIG interviewed (b)(6),(b)(7)(C) who confirmed that she had previously worked with (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) who also worked for (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) worked together in the (b)(6),(b)(7)(C). (b)(6),(b)(7)(C) stated neither (b)(6),(b)(7)(C) nor (b)(6),(b)(7)(C) hired her or served as her direct supervisor during the time they worked at (b)(6),(b)(7)(C). During her interview with the OIG, (b)(6),(b)(7)(C) stated she maintained a primarily professional relationship with (b)(6),(b)(7)(C) after she left (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) but socialized with him and his family on occasion. She stated she neither had a financial interest in (b)(6) nor did she receive anything of value as a result of (b)(6) award for Task Order #1. (EXHIBITS 3 and 11)

Allegation Related to the (b)(6),(b)(7)(C) Selection

Through the review of documents and interviews, the OIG learned that the (b)(6),(b)(7)(C) developed a requirements list for the (b)(6),(b)(7)(C) tool replacement for (b)(6),(b)(7)(C) and, per (b)(6),(b)(7)(C) instruction, analyzed and evaluated (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) based on these requirements. (b)(6),(b)(7)(C) was also evaluated for comparison based on the same requirements. The (b)(6),(b)(7)(C) attended product demonstrations and each member prepared an individual evaluation that included a list of pros and cons for each product. Based on the evaluations, the (b)(6),(b)(7)(C) recommended (b)(6),(b)(7)(C) over (b)(6),(b)(7)(C). (b)(6),(b)(7)(C) then consolidated these evaluations into a single evaluation that reflected the individual (b)(6),(b)(7)(C) member evaluations. He sent this consolidated evaluation to (b)(6),(b)(7)(C) on (b)(6),(b)(7)(C).

During interviews with the OIG, members of the (b)(6),(b)(7)(C) stated that (b)(6),(b)(7)(C) told them she preferred (b)(6),(b)(7)(C) but they did not know why. In his interview with the OIG, (b)(6),(b)(7)(C) stated (b)(6),(b)(7)(C) previously used (b)(6),(b)(7)(C) and was more familiar with it. However, when interviewed by the OIG, (b)(6),(b)(7)(C) could not recall which product she preferred, but stated that (b)(6),(b)(7)(C) was known to her as “the government standard” for (b)(6),(b)(7)(C). (b)(6),(b)(7)(C) was not the deciding official for the selection, but rather was tasked by Jeffrey Stagnitti to Associate Director, OIT, to make a product recommendation. (EXHIBITS 3 – 5, 7, 8, 10, 12, and 13)

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In (b)(6) (b)(7)(C) met with Pamela Dyson, Director/Chief Information Officer, OIT, and Stagnitti to discuss the replacement for (b)(6) (b)(7)(C). (b)(6) (b)(7)(C) informed the OIG that she did not recommend or select (b)(6) (b)(7)(C) but rather Dyson and Stagnitti chose (b)(6) (b)(7)(C). During an interview with the OIG, Stagnitti confirmed (b)(6) (b)(7)(C) did not make a recommendation or express a preference for either product but instead told Stagnitti that the decision on which product would meet OIT's needs was his and Dyson's to make. Stagnitti stated that prior to Dyson and him selecting (b)(6) (b)(7)(C) three members of (b)(6) (b)(7)(C) branch informed him (b)(6) (b)(7)(C) over (b)(6) (b)(7)(C). He stated that (b)(6) (b)(7)(C) he and Dyson selected (b)(6) (b)(7)(C). He stated they selected it (b)(6) (b)(7)(C) (b)(6) (b)(7)(C) was procured through an interagency agreement with the U.S. General Services Administration. (EXHIBITS 3, 9, 11, 12, and 14)

Coordination with the U.S. Attorney's Office

The facts and evidence discovered during this investigation were presented to the U.S. Attorney's Office for District of Columbia; however, the matter was declined for prosecution. (EXHIBIT 15)

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Signatures

(b)(6),(b)(7)(C)

2/28/18
Date

(b)(6),(b)(7)(C)

2/28/18
Date

Approved:



John R. Hartman, Assistant Inspector General
for Investigations

2/28/18
Date

Abbreviated Report of Investigation

Case Title: [REDACTED]

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Exhibits

1. Predicating Document, Intake E-mail, dated March 21, 2016.
2. Memorandum of Activity, Records/Information Review, dated January 10, 2018.
3. Memorandum of Activity, regarding the interview of [REDACTED] dated December 11, 2017.
4. Memorandum of Activity, regarding the interview of [REDACTED] dated April 26, 2017.
5. Memorandum of Activity, regarding the interview of [REDACTED] dated May 16, 2017.
6. Memorandum of Activity, Document Receipt and Review, dated May 16, 2017.
7. Memorandum of Activity, regarding the interview of [REDACTED] dated May 25, 2017.
8. Memorandum of Activity, regarding the interview of [REDACTED] dated May 25, 2017.
9. Memorandum of Activity, regarding the interview of Stagnitti, dated January 23, 2018
10. Memorandum of Activity, regarding the interview of [REDACTED] dated July 12, 2017.
11. Memorandum of Activity, Records Obtained, dated October 23, 2017.
12. Memorandum of Activity, Records Review, dated October 4, 2017.
13. Memorandum of Activity, regarding the interview of [REDACTED] dated July 25, 2016.
14. Memorandum of Activity, Document Receipt and Review, dated June 6, 2017.
15. Memorandum of Activity, Judicial - Declined, dated December 4, 2017.



OFFICE OF
INSPECTOR GENERAL

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

MEMORANDUM

JAN 11 2018

TO: FILE

FROM: (b)(6),(b)(7)(C)
Office of Investigations (b)(6),(b)(7)(C)

THROUGH: (b)(6),(b)(7)(C)
Office of Investigations

SUBJECT: Case No. 18-OIT-0031-I
Unknown Subject
Nonpublic EDGAR Information Leak

The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

On October 10, 2017, the OIG received a referral from the U.S. Securities and Exchange Commission's (SEC) Office of Information Technology (OIT) regarding an allegation of a potential leak of nonpublic information to the media. Specifically, it was alleged that the exact language from an internal SEC e-mail regarding a technical defect in a pilot project in the Electronic Data Gathering, Analysis and Retrieval (EDGAR) system was quoted in an October 6, 2017, Reuters article. The Reuters article reported that the source of the nonpublic information came from an internal memorandum dated September 22, 2017, which was the date of the internal SEC e-mail referencing the defect.

The OIG initiated an investigation regarding the potential leak. According to the OIT, while OIT was testing a new filing in EDGAR in September 2017, an information technology program manager (PM) discovered what appeared to be a technical defect that he believed, at the time, may have posed a denial of service (DOS) vulnerability to the EDGAR system.

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Office of Inspector General - Investigations
U.S. Securities and Exchange Commission

During this investigation, the OIG learned that companies that submit filings to EDGAR access the system through (b)(7)(E)

(b)(7)(E)

[AGENT'S NOTE: In September 2017, the OIG completed an audit related to EDGAR and published a report entitled, *Audit of the SEC's Progress in Enhancing and Redesigning the Electronic Data Gathering, Analysis, and Retrieval System, Report No. 544.*]

After the Reuters article was published, the PM and IT specialist discovered through coordination with other OIT staff that the filing (b)(7)(E)

(b)(7)(E)

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The OIG identified three SEC employees who were involved in addressing the potential technical defect that was disclosed in the Reuters article. Those employees' SEC e-mails, phone, and mobile device records were reviewed and revealed that none of the employees had contact with the authors of the article or Reuters. The OIG interviewed the three employees and each one denied disclosing nonpublic information to the authors of the article or Reuters. Additionally, during interviews with the OIG, the OIT staff involved with the matter stated that (b)(7)(E)

(b)(7)(E)

In conclusion, the investigation found no evidence that any of the three SEC employees disclosed nonpublic information to the media in connection with the Reuters article about a possible DOS vulnerability in the SEC's EDGAR system. Further, it was determined that (b)(7)(E)

(b)(7)(E)

Based on these factors, a report to management is not warranted and administratively closing this case is recommended. If approved, OIT will be notified of the closure.

(b)(6);(b)(7)(C)

1/10/18

Date

Approved:



John R. Hartman, Assistant Inspector General
for Investigations

1/10/18

Date

Office of Information Technology Notified:

(b)(6);(b)(7)(C)

By (Initials)

Pam Dyson
Person Notified
via email

1/11/18
Date

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

September 13, 2019

TO: FILE (b)(6),(b)(7)(C)

FROM: (b)(6),(b)(7)(C)
Office of Investigations

THROUGH: (b)(6),(b)(7)(C)
Office of Investigations

SUBJECT: Case No.19-OIT-0304-I
Potential Exposure of SEC Nonpublic Information
Office of Information Technology

The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

On January 29, 2019, Andrew Krug, SEC Chief information Security Officer (CISO), Office of Information Technology (OIT) provided information to the OIG relating to an Oklahoma Department of Securities (ODS) data breach. According to Krug, ODS notified the SEC that a server involved in the breach contained SEC data. The ODS stated that among the documents accessed were two sets of documents that had been provided by SEC Litigation Support during 2018, potentially encompassing thousands of documents that may contain personally identifiable information (PII) of investors. The breach occurred as a result of a misconfiguration that allowed for public access to the documents from November 20, 2018 to December 7, 2018.

According to Krug, news of the breach became public when UpGuard Inc. (UpGuard), a cyber security company, released an online article titled *Out of Commission: How the Oklahoma Department of Securities Leaked Millions of Files*. The article was published on January 16, 2019, and detailed how

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Office of Inspector General - Investigations
U.S. Securities and Exchange Commission

UpGuard accessed the ODS servers which were misconfigured with publically accessible Internet connections. The article provided a detailed description of the types of data found on the exposed servers. The SEC was not specifically mentioned in UpGuard's report. On the same day, the financial periodical Forbes released an online article titled *Massive Oklahoma Government Data Leak Exposes 7 Years of FBI Investigations*. The Forbes article reiterated the UpGuard findings, but also did not mention the SEC specifically.

On January 31, 2019, Krug informed the OIG that a privacy assessment had been initiated and that no SEC data was confirmed to be exposed at that time. Krug informed the OIG that there was insufficient information to warrant convening the Privacy Incident Response Team (PIRT). Krug also stated that his office and the Division of Enforcement (ENF) would continue to collect information and assess the possibility of compromised SEC data.

On February 20, 2019, the OIG opened this matter as a Preliminary Inquiry. This action was taken based on information from Krug that the SEC Privacy Office was continuing to evaluate information provided by ENF concerning the scope of case data potentially exposed. Krug's office contacted representatives of ODS who were reviewing network and server logs to determine potential exposure beyond what had already been identified. The ODS also reported the involvement of the Federal Bureau of Investigation (FBI) as a result of FBI data potentially compromised by the exposure.

(b)(6),(b)(7)(C)

Additional information became available on March 14, 2019, when Krug informed OIG that file identifiers provided from the exposed files to ENF matched markers in the SEC's "Woodbridge" case. Later de-duplication efforts revealed approximately 12,000 social security numbers (SSNs) and associated names potentially exposed, which included a single document that contained approximately 3,000 SSNs and/or employee identification numbers (EINs). In addition, there were approximately 30,000 documents without SSNs that may contain financial information.

On May 8, 2019, the OIG spoke with (b)(6),(b)(7)(C) the FBI Oklahoma City Field Office. (b)(6),(b)(7)(C) related that the FBI is not actively investigating this matter as a criminal incident. According to (b)(6),(b)(7)(C) discussions with the Oklahoma City United States Attorney's Office indicate that prosecution is "neither warranted nor viable" with respect to UpGuard. (b)(6),(b)(7)(C) further indicated that there was no evidence that data accessed by UpGuard was ever disseminated further. This matter remains part of the FBI's "Continuous Assessment" program for computer intrusion activity in general.

On August 9, 2019, Krug reported that the ODS analysis was essentially completed. As a result of logging issues, the ODS indicated that they may never know whether their data was exposed beyond the apparent access on the part of UpGuard. As a result, the ODS relayed their intent to begin notifying approximately 300,000 individuals of potential PII exposure. The ODS has advised the SEC that 12,733

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notifications resulted from 12,934 records related to SEC data. The majority of the records pertained to the SEC's Woodbridge matter. The ODS indicated they will conduct the notifications and provide credit monitoring in accordance with applicable state laws, as there are some variations - the affected individuals reside in all 50 United States and Canada. According to Krug, the PIRT will not be convened and ENF has a complete list of all the names related to SEC data.

In conclusion, the information collected by the OIG in response to this incident did not find evidence that warrant criminal investigation by the OIG. SEC management was aware of the incident and actively worked with the ODS to resolve the matter. Accordingly, a report to management is not warranted and administratively closing this case is recommended. If approved, the office of the CISO will be notified of the closure.

Concurrence:

(b)(6), (b)(7)(C)


9-13-2019

Date

Approved:



9/13/19

Nicholas Padilla, Jr., Deputy Inspector General
for Investigations

Date

OIT Notified

(b)(6), (b)(7)(C)


By (Initials)

CISO Andrew Krug

Person Notified

9-13-2019

Date

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Office of Inspector General - Investigations
U.S. Securities and Exchange Commission



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
STATION PLACE
100 F STREET, NE
WASHINGTON, DC 20549-2465

Office of FOIA Services

October 19, 2021

Re: Freedom of Information Act (FOIA), 5 U.S.C. § 552
Request No. 20-00007-OIG

This is the final response to your August 1, 2020 request for copies of the following Office of Inspector General reports:

14-ENF-0098-I, 14-OIT-0021-I, 14-ENF-0011-I, 14-ENF-0175-I, 14-ENF-0561-I, 14-DTM-0772-I, 14-ENF-0849-I, 15-ENF-0596-I, 16-HR-0437-I, 16-OIT-0366-I, 17-ALJ-0008-I, 17-ENF-0222-I, 17-DCF-0412-I, 17-HR-0703-I, 18-OIT-0031-I, 18-OIG-0263-I, 18-ZZZ-0345-I, 18-ENF-0611-I, 18-ZZZ-0835-I, 18-ZZZ-0844-I, 19-OIG-0142-I, 19-OIT-0304-I, 19-OSO-0018-I and 19-ENF-0027-I.

On September 21, 2020, December 23, 2020, and August 25, 2021 I issued partial responses and granted access in part to 16-HR-0437-I, 17-ALJ-0008-I, 17-DCF-0412-I, 17-HR-0703-I, 18-OIG-0263-I, 18-ZZZ-0835-I, 19-OSO-0018-I and 19-ENF-0027-I, 14-DTM-0772-I, 18-ZZZ-0844-I, 14-OIT-0021-I, 16-OIT-0366-I, 18-OIT-0031-I, 19-OIT-0304-I, 14-ENF-0561-I, 18-ENF-0611-I, 14-ENF-0175-I, 17-ENF-0222-I, 19-OIG-0142-I and 15-ENF-0596-I.

At this time, I am granting access in part to the following reports: 14-ENF-0098-I, 14-ENF-0011-I and 14-ENF-0849-I. Information within these reports is being withheld under 5 U.S.C. § 552(b)(5), (6) and (7)(C).

Since certain information forms an integral part of the predecisional process, it is protected from release by the deliberative process privilege embodied in FOIA Exemption 5.

October 19, 2021

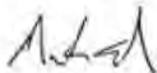
Under Exemption 6, the release of certain information would constitute a clearly unwarranted invasion of personal privacy. Under Exemption 7(C), the release of this information could reasonably be expected to constitute an unwarranted invasion of personal privacy. Further, public identification of SEC staff could conceivably subject them to harassment in the conduct of their official duties and in their private lives.

I am the deciding official with regard to this determination. You have the right to appeal my decision to the SEC's General Counsel under 5 U.S.C. § 552(a)(6), 17 CFR § 200.80(f)(1). The appeal must be received within ninety (90) calendar days of the date of this adverse decision. Your appeal must be in writing, clearly marked "Freedom of Information Act Appeal," and should identify the requested records. The appeal may include facts and authorities you consider appropriate.

You may file your appeal by completing the online Appeal form located at https://www.sec.gov/forms/request_appeal, or mail your appeal to the Office of FOIA Services of the Securities and Exchange Commission located at Station Place, 100 F Street NE, Mail Stop 2465, Washington, D.C. 20549, or deliver it to Room 1120 at that address.

If you have any questions, you can contact me at sifordm@sec.gov or (202)551-7201. You may also contact the SEC's FOIA Public Service Center at foiapa@sec.gov or (202) 551-7900. For more information about the FOIA Public Service Center and other options available to you, please see the attached addendum.

Sincerely,



Mark P. Siford
Attorney Adviser
Office of FOIA Services

Attachment

ADDENDUM

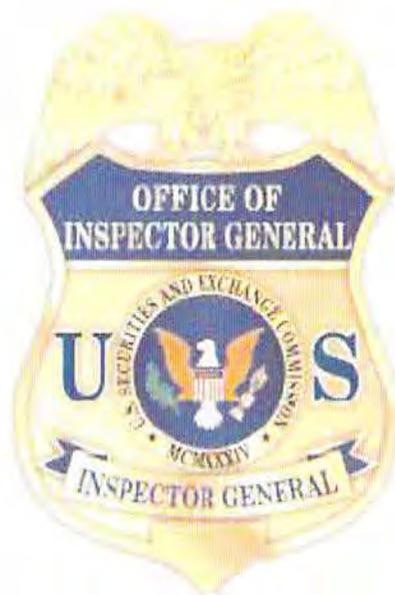
For further assistance you can contact a SEC FOIA Public Liaison by calling (202) 551-7900 or visiting <https://www.sec.gov/oso/help/foia-contact.html>.

SEC FOIA Public Liaisons are supervisory staff within the Office of FOIA Services. They can assist FOIA requesters with general questions or concerns about the SEC's FOIA process or about the processing of their specific request.

In addition, you may also contact the Office of Government Information Services (OGIS) at the National Archives and Records Administration to inquire about the FOIA dispute resolution services it offers. OGIS can be reached at 1-877-684-6448 or via e-mail at ogis@nara.gov. Information concerning services offered by OGIS can be found at their website at [Archives.gov](https://www.archives.gov). Note that contacting the FOIA Public Liaison or OGIS does not stop the 90-day appeal clock and is not a substitute for filing an administrative appeal.

REPORT OF INVESTIGATION

CASE# 14-ENF-0011-I



Office of Inspector General

U.S. Securities and Exchange Commission



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



Report of Investigation

Subject: (b)(6), (b)(7)(C)
Title: General Attorney
SK Level/Grade: (b)(6), (b)(7)(C)
Office: Division of Enforcement
Region: (b)(6), (b)(7)(C)

Case #: 14-ENF-0011-I
Origin: Office of the Ethics Counsel

Security Clearance: Y / N

Investigation Initiated: November 27, 2013

Investigation Completed: JUL 11 2016

Summary and Conclusion

On November 27, 2013, the U.S. Securities and Exchange Commission (SEC), Office of Inspector General (OIG), Office of Investigations, initiated an investigation based on an allegation provided by the Office of the Ethics Counsel (OEC). (b)(6), (b)(7)(C) General Attorney, (b)(6), (b)(7)(C) contacted the OEC and informed them that since she married (b)(6), (b)(7)(C) she had not reported or pre-cleared any of her husband's (b)(6), (b)(7)(C) holdings. (b)(6), (b)(7)(C) told the OEC that her finances were separate from her husband's and (b)(6), (b)(7)(C) would not tell her about his finances.

During the investigation, additional allegations were developed relating to the nature and reporting of (b)(6), (b)(7)(C) accounts and holdings, the reporting of (b)(6), (b)(7)(C) holdings, disqualifying financial conflicts of interest, the improper use of a government system, and the improper use of SEC e-mail.

The investigation determined that (b)(6), (b)(7)(C) had two brokerage accounts, neither of which (b)(6), (b)(7)(C) reported to the SEC, and (b)(6), (b)(7)(C) did not pre-clear transactions that were effected in the accounts as required. Additionally (b)(6), (b)(7)(C) held Citigroup and Morgan Stanley, both of which are considered prohibited holdings. Further, (b)(6), (b)(7)(C) brokerage accounts were active margin accounts that held derivatives, both of which are prohibited for SEC employees to hold either personally or through the ownership by anyone whose interests are imputed to them under the financial conflict of interest statutes and the Office of Government Ethics (OGE) and SEC regulations. It was further determined that, based on her husband's holdings (b)(6), (b)(7)(C) had disqualifying financial conflicts of interest with respect to two investigations to which she was assigned.

The investigation also determined that in 2011 and 2012, (b)(6), (b)(7)(C) did not report her own personal brokerage accounts as required. Specifically (b)(6), (b)(7)(C) held a Fidelity mutual fund in a

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Fidelity Brokerage Services account, AT&T stock held directly at AT&T, and Vanguard funds held in (b)(6), (b)(7)(C) 529 Plan accounts in her children's names.

In addition, (b)(6), (b)(7)(C) sent nonpublic information to her personal e-mail account on 26 separate instances and to her husband's e-mail account on two separate instances. These e-mails did not relate to (b)(6), (b)(7)(C) holdings. Further, (b)(6), (b)(7)(C) used her access to a government system (Lexis/Nexis) for purposes that were not work-related.

The facts and information of this investigation were presented to the U.S. Attorney's Office for the (b)(6), (b)(7)(C) for prosecution, and was declined for lack of prosecutorial merit.

Relevant Authorities

- 18 United States Code (U.S.C.) § 1001, Statements, Generally
- 18 U.S.C § 208, Acts affecting a personal financial interest
- 5 Code of Federal Regulations (CFR) § 4401.101, Supplemental Standards of Ethical Conduct for Members and Employees of the SEC
- 5 CFR § 4401.102, Prohibited and Restricted Holdings and Transactions
- 5 CFR § 2635.402, Disqualifying Financial Interests
- 5 CFR § 2635.403, Prohibited Financial Interests
- 17 CFR § 200.735-3, General Provisions
- Office of Information Technology Rules of the Road Concerning Use of E-mail
- SEC Administrative Regulation SECR5-10, Administrative Practices, Electronic Mail
- Office of Information Technology Rules of the Road Concerning the Conduct of Unauthorized Business on SEC Automated Systems or Networks

Basis and Scope

The investigation was initiated on November 27, 2013, based on information provided by the OEC alleging (b)(6), (b)(7)(C) since she married in (b)(6), (b)(7)(C) had not reported or pre-cleared any of her spouse's holdings. (b)(6), (b)(7)(C) began employment with the SEC in (b)(6), (b)(7)(C) as a general attorney in (b)(6), (b)(7)(C) where she continued and remains with the SEC. She is an (b)(6), (b)(7)(C) and, as such, she was not required to file an OGE Form 450, *Confidential Financial Disclosure Report*, and did not otherwise meet the requirements for having to file the form. (EXHIBIT 1)

The SEC's Supplemental Standards of Ethical Conduct for Members and Employees of the Securities and Exchange Commission and Revisions to the Commission's Ethics Rules (Supplemental Standards of Ethical Conduct), adopted on or about August 19, 2010, prohibit employees (including employee's spouses, minor children and dependents) from holding a financial interest in an entity directly regulated by the Commission. The OEC publishes a list of these entities ("prohibited holdings list") on the SEC Intranet, which is accessible to all SEC

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Report of Investigation

Case Title: (b)(5), (b)(7)(C)

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employees. The OEC has various reporting mechanisms in place to ensure that employees report their holdings, and the SEC routinely provides guidance and training to its employees on how to request waivers and to divest of prohibited holdings.

The Supplemental Standards of Ethical Conduct further prohibit employees or any person whose interests are imputed to the employee from the following: purchasing or carrying securities on margin; engaging in transactions involving financial instruments that are derivatives of securities; or participating in any matter in which the employee has a financial interest. The Supplemental Standards of Ethical Conduct, adopted in August 2010, required employees to annually submit duplicate financial securities statements and certify that they have submitted all statements and reported all reportable holdings.

During the course of the investigation, the OIG interviewed the following individuals:

- (b)(5), (b)(7)(C) Attorney, OEC
- (b)(5), (b)(7)(C) OEC
- (b)(5), (b)(7)(C) OEC
- (b)(5), (b)(7)(C) Litigation and Administrative Practices, Office of the General Counsel (OGC)
- (b)(5), (b)(7)(C) Attorney, (b)(5), (b)(7)(C)

In addition, the OIG reviewed documents relevant to the investigation, including:

- Bluesheet Management System records
- SEC HUB database query results
- SEC Name Relationship Search Index (NRSI) database query records
- SEC Tips, Complaints, and Referrals (TCR) database query records
- SEC Tracking and Reporting Exam National Documentation System (TRENDS) query records
- (b)(5), (b)(7)(C) e-mail correspondence
- Personal Trading Compliance System (PTCS) records
- Ethics Program System (EPS) holdings and records
- PTCS Annual Certifications
- Fidelity Investments brokerage records
- TD Ameritrade brokerage records
- (b)(5), (b)(7)(C) 529 College Saving Program records

Investigative Activity

Allegation #1: (b)(6),(b)(7)(C) Failed to Report Her Husband's Holdings

A. Contact with the Office of the Ethics Counsel

According to the complaint received from the OEC, (b)(6),(b)(7)(C) contacted (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) OEC, on November 26, 2013, and informed him that during the time she had been married, she had not pre-cleared or reported any of her husband's transactions or holdings. She told (b)(6),(b)(7)(C) her finances were separate from those of her husband and he would not tell her what he did with his finances. (EXHIBIT 1)

During an interview with the OIG, (b)(6),(b)(7)(C) stated that (b)(6),(b)(7)(C) informed him that her husband maintained a brokerage account which he had prior to their marriage. (b)(6),(b)(7)(C) further stated that he informed (b)(6),(b)(7)(C) that her finances could not be separated from her husband's and, as a result of her failure to report her husband's holdings, it was likely (b)(6),(b)(7)(C) made inaccurate certifications in PTCS. (EXHIBIT 2)

B. (b)(6),(b)(7)(C) Accounts

An OIG review of records from the Bluesheet Management System revealed that (b)(6),(b)(7)(C) had two accounts, both with TD Ameritrade. The TD Ameritrade records showed that (b)(6),(b)(7)(C) had two accounts (b)(6),(b)(7)(C) Transfer on Death (TOD) and (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) Roth Individual Retirement Account (IRA). (b)(6),(b)(7)(C) was the beneficiary for the TOD Account. (b)(6),(b)(7)(C) TOD account was opened before he married (b)(6),(b)(7)(C) and his Roth IRA account was opened in (b)(6),(b)(7)(C) 2010. A review of (b)(6),(b)(7)(C) PTCS Annual Certification for calendar year 2015 revealed that (b)(6),(b)(7)(C) opened a third TD Ameritrade IRA account on (b)(6),(b)(7)(C) 2015. (EXHIBITS 3, 4, and 5)

An OIG review of (b)(6),(b)(7)(C) EPS and PTCS information revealed that she did not report any security holdings associated with the TOD TD Ameritrade account to the SEC until the Annual Certification for calendar year 2014, which (b)(6),(b)(7)(C) submitted on (b)(6),(b)(7)(C) 2015. (b)(6),(b)(7)(C) did not report (b)(6),(b)(7)(C) TD Ameritrade Roth IRA on the 2014 Annual Certification. (b)(6),(b)(7)(C) included this account on the Annual Certification for calendar year 2015, which she submitted on (b)(6),(b)(7)(C) 2016. Both (b)(6),(b)(7)(C) Roth IRA and TOD accounts were open as of August 2010, when the Supplemental Standards of Ethical Conduct were adopted. (EXHIBITS 5 and 6)

In addition, a review of EPS and PTCS information revealed that between January 2007 and March 2014, (b)(6),(b)(7)(C) did not report any of the transactions in her husband's TOD and Roth IRA accounts. During this time period, 30 transactions were effected in these brokerage accounts (29 transactions in Account (b)(6),(b)(7)(C) and one transaction in Account (b)(6),(b)(7)(C) as provided in Table 1. (EXHIBITS 4 and 6)

Table 1: (b)(6)(b)(7)(C) Purchases and Sales (January 2007 to March 2014)

Date	Transaction	Quantity	Security
(b)(6)(b)(7)(C)	2007 Buy	1	Baidu.com Put
(b)(6)(b)(7)(C)	2007 Sale	91	Juniper Networks Inc.
(b)(6)(b)(7)(C)	2007 Sale	1	Baidu.com Put
(b)(6)(b)(7)(C)	2007 Buy	200	Baidu.com ADR
(b)(6)(b)(7)(C)	2007 Buy	3	Baidu.com Call
(b)(6)(b)(7)(C)	2007 Buy	4	Baidu.com Call
(b)(6)(b)(7)(C)	2007 Buy	2	Baidu.com Put
(b)(6)(b)(7)(C)	2007 Buy	1,000	CDC Corp
(b)(6)(b)(7)(C)	2007 Sale	300	Sohu.com
(b)(6)(b)(7)(C)	2007 Buy	1,500	CDC Corp
(b)(6)(b)(7)(C)	2008 Sale	300	Sohu.com
(b)(6)(b)(7)(C)	2008 Sale	200	Intel Corp
(b)(6)(b)(7)(C)	2008 Buy	300	Sohu.com
(b)(6)(b)(7)(C)	2008 Buy	300	Citigroup
(b)(6)(b)(7)(C)	2008 Buy	200	Citigroup
(b)(6)(b)(7)(C)	2008 Buy	300	Morgan Stanley
(b)(6)(b)(7)(C)	2008 Sale	500	Netease.com
(b)(6)(b)(7)(C)	2009 Buy	1,000	Citigroup
(b)(6)(b)(7)(C)	2009 Buy	1,000	Citigroup
(b)(6)(b)(7)(C)	2009 Sale	8	Time Warner
(b)(6)(b)(7)(C)	2009 Sale	33	Time Warner
(b)(6)(b)(7)(C)	2010 Buy	100	Chesapeake Energy Corp
(b)(6)(b)(7)(C)	2010 Buy	200	Morgan Stanley
(b)(6)(b)(7)(C)	2011 Buy	400	Cree Inc.
(b)(6)(b)(7)(C)	2013 Sale	500	Netease.com
(b)(6)(b)(7)(C)	2013 Sale	600	Ctrip Com Int'l ADR
(b)(6)(b)(7)(C)	2013 Sale	280	Yahoo
(b)(6)(b)(7)(C)	2013 Buy	200	Cree Inc.
(b)(6)(b)(7)(C)	2014 Sale	500	Morgan Stanley
(b)(6)(b)(7)(C)	2014 Sale	250	Citigroup

Source: Figures based on information obtained from (b)(6)(b)(7)(C) brokerage statements. (EXHIBIT 4)

An OIG review of the Roth IRA and TOD TD Ameritrade account statements submitted in conjunction with (b)(6)(b)(7)(C) 2015 Annual Certification revealed that (b)(6)(b)(7)(C) made two purchases of Chipotle Mexican Grill (CMG) in his TD Ameritrade TOD account and one purchase of CMG in his TD Ameritrade IRA account, as provided in Table 2.

Table 2: (b)(6)(b)(7)(C) CMG Purchases (December 2015)

Date	Account	Shares Purchased	Price per Share	Total Transaction
(b)(6)(b)(7)(C)	2015 TOD	50	\$525.00	\$26,250.00
(b)(6)(b)(7)(C)	2015 IRA	25	\$500.00	\$12,500.00
(b)(6)(b)(7)(C)	2015 TOD	50	\$530.00	\$26,500.00

Source: Figures based on information obtained from (b)(6)(b)(7)(C) brokerage statements. (EXHIBIT 5)

A review of PTCS information revealed that on (b)(6)(b)(7)(C) 2015, (b)(6)(b)(7)(C) submitted a pre-clearance request for the CMG purchase. However, a review of the transaction confirmation information revealed that (b)(6)(b)(7)(C) inaccurately confirmed a (b)(6)(b)(7)(C) 2015 purchase of only 100 shares of CMG. (b)(6)(b)(7)(C) did not confirm or otherwise include information regarding the purchase of 25 shares on (b)(6)(b)(7)(C) 2015, in PTCS. (EXHIBIT 5)

C. (b)(6)(b)(7)(C) Statements Regarding Failing to Report Her Husband's Accounts

During her interview with the OIG (b)(6)(b)(7)(C) stated, "In 2007 I don't know that I had any understanding....I don't believe I knew what the reporting requirements were.... I can't remember way back then but I know whenever I get guidance on something...I do it. So if there was guidance in 2007 I followed it."

(b)(6)(b)(7)(C) further stated she did not know that (b)(6)(b)(7)(C) had brokerage accounts when they were married in (b)(6)(b)(7)(C) and she did not ask him. She stated that her first attestation of holdings was in 2012 and she believed it was at that time that she became aware of her requirement to report (b)(6)(b)(7)(C) holdings. (b)(6)(b)(7)(C) said she asked (b)(6)(b)(7)(C) if he had anything to certify, and he told her he did not. (b)(6)(b)(7)(C) stated she believed that he was truthful and she was not aware that her husband had any holdings. According to (b)(6)(b)(7)(C) sometime in November 2013, she became aware that (b)(6)(b)(7)(C) had a TD Ameritrade account when he "casually mentioned" it. She stated that (b)(6)(b)(7)(C) informed her that he "had this account for a while...[s]ince before I met you." (b)(6)(b)(7)(C) said that, as a result, she called the OEC and subsequently took steps to obtain information from (b)(6)(b)(7)(C) about his holdings.

(b)(6)(b)(7)(C) stated that she did not report her husband's holdings until 2013 because she did not know he had a brokerage account. Further, (b)(6)(b)(7)(C) stated that (b)(6)(b)(7)(C) had been made aware that she was required to pre-clear any transactions he effected in any of his trading/brokerage accounts. She stated that she did not have access to any of his accounts, but since March 2014, he had not asked her to pre-clear any transactions and, since that time, she did not believe he had effected any trades. (EXHIBIT 7)

Further, an OIG review of (b)(6)(b)(7)(C) TD Ameritrade brokerage statements for the period from April 2014 through April 2015 confirmed that during this period (b)(6)(b)(7)(C) had not effected any transactions in his accounts. (EXHIBIT 8)

Developed Allegation #1: (b)(6),(b)(7)(C) Husband Held Prohibited Holdings

A. Review of (b)(6),(b)(7)(C) Brokerage Statements

The OIG’s investigation revealed that (b)(6),(b)(7)(C) held Citigroup and Morgan Stanley, both of which are prohibited holdings. A review of (b)(6),(b)(7)(C) TD Ameritrade brokerage statements revealed that between August 2008 and May 2010, (b)(6),(b)(7)(C) made four purchases of Citigroup (totaling 2,500 shares) and two purchases of Morgan Stanley (totaling 500 shares). (EXHIBIT 4)

An OIG review of PTCS records revealed that on (b)(6),(b)(7)(C) 2014, (b)(6),(b)(7)(C) requested to sell 500 shares of Morgan Stanley and 250 shares of Citigroup.

[Agent’s Note: In May 2011, there was a reverse split in Citigroup, resulting in (b)(6),(b)(7)(C) holding a total of 250 shares of Citigroup.]

A review of the PTCS records showed that the original purchase date for Morgan Stanley was listed as (b)(6),(b)(7)(C) 2008, and the original purchase date for Citigroup was listed as (b)(6),(b)(7)(C) 2008.

[Agent’s Note: Citigroup and Morgan Stanley were added to the prohibited holdings list on or about August 19, 2010 (when the Supplemental Standards of Ethical Conduct were implemented) and were required to be divested at that time.]

(b)(6),(b)(7)(C) submitted a Waiver Request on (b)(6),(b)(7)(C) 2014, stating, “I just found out that my husband has a prohibited holding. . . .” The transactions were approved by OEC (b)(6),(b)(7)(C) on the same day. The trade date for the transactions was listed as (b)(6),(b)(7)(C) 2014, and (b)(6),(b)(7)(C) confirmed the trades in PTCS on (b)(6),(b)(7)(C) 2014, as provided in Table 3. (EXHIBIT 6)

Table 3: Prohibited Holding Transactions

Security	Original Purchase Date	Date Waiver Request Submitted	Date Security Sold	Date Transaction Confirmed in PTCS
Citigroup	(b)(6),(b)(7)(C) 2008	(b)(6),(b)(7)(C) 2014	(b)(6),(b)(7)(C) 2014	(b)(6),(b)(7)(C) 2014
Morgan Stanley	(b)(6),(b)(7)(C) 2008	(b)(6),(b)(7)(C) 2014	(b)(6),(b)(7)(C) 2014	(b)(6),(b)(7)(C) 2014

Source: Based on information obtained from (b)(6),(b)(7)(C) brokerage statements and PTCS records. (EXHIBITS 4 and 6)

B. (b)(6),(b)(7)(C) Statements Regarding Her Husband’s Prohibited Holdings

During an interview with the OIG, when asked why she waited from November 2013, when she found out about (b)(6),(b)(7)(C) account and spoke to the OEC, until March 2014 to divest of her husband’s prohibited holdings, (b)(6),(b)(7)(C) stated she asked her husband for his brokerage statements

soon after November 2013, but it “took a little while” to get them. She stated, “As a general matter it took a while for me to get my husband to give me his statement...It just took a long time to impress upon my husband how important it was to get the information.” (EXHIBIT 7)

According to the PTCS records, (b)(6), (b)(7)(C) completed her PTCS “Certification declaring [sic] Holdings” on (b)(6), (b)(7)(C) 2014, for calendar year 2013, in which she certified that she held securities as of December 31, 2013, and that she complied with all pre-clearance, reporting and holding requirements, and the rules regarding prohibited holdings. (b)(6), (b)(7)(C) uploaded a statement as of December 31, 2013, for (b)(6), (b)(7)(C) TD Ameritrade brokerage account (Account number (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) which included prohibited holdings Citigroup and Morgan Stanley, valued at \$13,027.50 and \$15,680.00, respectively. (b)(6), (b)(7)(C) did not report (b)(6), (b)(7)(C) TD Ameritrade IRA (Account number (b)(6), (b)(7)(C) During an interview with the OIG, (b)(6), (b)(7)(C) stated that she was only aware of (b)(6), (b)(7)(C) having one TD Ameritrade account when she completed this certification. (EXHIBITS 6 and 7)

C. (b)(6), (b)(7)(C) *Gains from Prohibited Holdings*

An OIG review of (b)(6), (b)(7)(C) TD Ameritrade brokerage statements revealed that between August 2008 and the sale of the prohibited holdings in March 2014, (b)(6), (b)(7)(C) received a total of \$125 worth of dividends for his Citigroup holding and a total of \$536 worth of dividends for his Morgan Stanley holding. Further, by continuing to hold Citigroup and Morgan Stanley from the date they became prohibited holdings in August 2010 to the date he sold them in March 2014, (b)(6), (b)(7)(C) received additional gains or losses avoided of \$2,320 and \$2,505, respectively, for a total amount of \$4,825, provided in Table 4 below: (EXHIBITS 4 and 9)

Table 4: (b)(6), (b)(7)(C) *Gains from Prohibited Holdings*

Security	Shares Purchased (A)	Total Purchase Cost (B)	Closing Price on Required Sale Date* (b)(6), (b)(7)(C) 2010 (C)	Sale Value on (b)(6), (b)(7)(C) 2010 (D) [A x C]	Gain(Loss) as of (b)(6), (b)(7)(C) 10 (E) [D – B]	Actual Sale Proceeds on (b)(6), (b)(7)(C) 2014 (F)	Added Gain or Loss Avoided as a Result of Holding while Prohibited (F – D)
Citigroup	2,500	\$15,548.00	\$3.79	\$9,475.00	(\$6,073.00)	\$11,795.00	\$2,320.00
Morgan Stanley	500	\$9,452.00	\$25.99	\$12,995.00	\$3,543.00	\$15,500.00	\$2,505.00
Total	3,000	\$25,000.00		\$22,470.00	(\$2,530.00)	\$27,295.00	\$4,825.00

Source: Figures based on information obtained from (b)(6), (b)(7)(C) brokerage statements. (EXHIBIT 9)

*Citigroup and Morgan Stanley were added to the prohibited holdings list on or about August 19, 2010, and were required to be divested at that time.

D. (b)(6),(b)(7)(C) Knowledge of Prohibited Holdings and Ethics Rules

Despite (b)(6),(b)(7)(C) statement that she did not know the reporting requirements for holdings and transactions, an OIG review of (b)(6),(b)(7)(C) SEC e-mails revealed that between October 18, 2010 and August 4, 2014, she received at least 61 e-mails related to the SEC's Supplemental Ethics Rules and amendments to the Ethics Rules and requirements to pre-clear transactions and report holdings in EPS and PTCS. Of these 61 e-mails, 45 were sent to all SEC staff (21 SEC Administrative Notices, 18 SEC Today, and 6 OEC or Office of Chief Operating Officer notifications); 16 of the 61 e-mails were sent from or among (b)(6),(b)(7)(C) staff. The e-mails related to, among other topics, annual certification requirements, financial conflicts of interest, the requirement to report spousal holdings, and prohibited holdings. (EXHIBIT 10)

In addition, a review of (b)(6),(b)(7)(C) training history revealed that between June 2013 and March 2014, she completed four training sessions related to personal trading and nonpublic information titled Personal Trading Rules Online Training (June 2013), 2013 Cyber Security and Privacy Awareness Training (September 2013), Nonpublic Information (February 2014), and (b)(6),(b)(7)(C) Mandatory In Person Ethics Training (March 2014). (EXHIBIT 11)

Developed Allegation #2: (b)(6),(b)(7)(C) Had Margin Accounts and Held Derivatives

A. Review of Brokerage Statements

An OIG review of (b)(6),(b)(7)(C) TD Ameritrade account statements revealed that his accounts (b)(6),(b)(7)(C) and (b)(6),(b)(7)(C) were margin accounts. During the period December 30, 2006 to April 30, 2015, (b)(6),(b)(7)(C) account (b)(6),(b)(7)(C) included a margin loan value up to \$36,394.25. During the period January 1, 2010 to April 30, 2015, (b)(6),(b)(7)(C) account (b)(6),(b)(7)(C) included a margin loan value of \$2. The OIG's review of (b)(6),(b)(7)(C) TD Ameritrade account statements further revealed that his account (b)(6),(b)(7)(C) included a short position of 200 shares of Baidu.com American Depository Receipt, with a total short value of \$24,680; and derivative positions (puts and calls) in January, February, July, and August 2007. (EXHIBITS 4 and 8)

B. (b)(6),(b)(7)(C) Statements Regarding Her Husband's Accounts

During an interview with the OIG, (b)(6),(b)(7)(C) stated she was not aware of the restrictions regarding margin accounts and derivatives and was not aware that (b)(6),(b)(7)(C) accounts were margin accounts or that he held derivatives. (EXHIBIT 7)

Developed Allegation #3: (b)(6),(b)(7)(C) Failed to Accurately Report Her Own Holdings

A. EPS and PTCS Records Review

An OIG review of EPS records revealed that on (b)(6),(b)(7)(C) 2009, (b)(6),(b)(7)(C) reported having a brokerage account with Fidelity Brokerage Services, LLC. (b)(6),(b)(7)(C) also reported four holdings in three accounts held until at least December 31, 2010. Additionally, a review of (b)(6),(b)(7)(C) Annual

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Certification of Holdings required by the Supplemental Standards of Ethical Conduct disclosed that she certified having no holdings for calendar years 2011 and 2012 and certified that she was in compliance with all pre-clearance, reporting, and holding requirements and the rules regarding prohibited holdings. Although (b)(6), (b)(7)(C) reported holdings as of December 31, 2010, and no holdings as of December 31, 2011, (b)(6), (b)(7)(C) entered no pre-trade requests or transactions in EPS.

When (b)(6), (b)(7)(C) completed her PTCS "Certification declaring [sic] Holdings" for calendar year 2013 on (b)(6), (b)(7)(C) 2014, she certified that she held securities as of December 31, 2013, and that she complied with all pre-clearance, reporting and holding requirements, and the rules regarding prohibited holdings. (b)(6), (b)(7)(C) uploaded statements as of December 31, 2013, for AT&T; (b)(6), (b)(7)(C) 529 Plans in the names of (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) and a Fidelity Investments brokerage account in her name. (EXHIBIT 6)

(b)(6), (b)(7)(C) completed her PTCS "Certification declaring [sic] Holdings" for calendar year 2014 on (b)(6), (b)(7)(C) 2015, and certified that she held securities as of December 31, 2014, and that she complied with all pre-clearance, reporting and holding requirements, and the rules regarding prohibited holdings. (b)(6), (b)(7)(C) uploaded statements for (b)(6), (b)(7)(C) 529 Plans in the names of (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) for the period of October 2014 to December 2014; her Fidelity Investments brokerage account for January 2014 to December 2014; and (b)(6), (b)(7)(C) TD Ameritrade TOD account for December 2014. (b)(6), (b)(7)(C) did not upload statements for or report the AT&T account or (b)(6), (b)(7)(C) Roth IRA account. (EXHIBIT 5)

During an interview with the OIG, the OEC (b)(6), (b)(7)(C) stated (b)(6), (b)(7)(C) submission for the 2014 Annual Certification for (b)(6), (b)(7)(C) TD Ameritrade account was not compliant with the reporting requirements because it included information only for December 2014 and employees are required to submit statements covering the entire calendar year. According to (b)(6), (b)(7)(C) providing a December statement for 529 plans is sufficient for annual reporting purposes. (EXHIBIT 12)

(b)(6), (b)(7)(C) completed her PTCS "Certification declaring [sic] Holdings" for calendar year 2015 on (b)(6), (b)(7)(C) 2016, and certified that she held securities as of December 31, 2015, and that she complied with all pre-clearance, reporting and holding requirements, and the rules regarding prohibited holdings and uploaded statements reflecting all reportable securities. (b)(6), (b)(7)(C) uploaded statements for (b)(6), (b)(7)(C) 529 Plans in the names of (b)(6), (b)(7)(C) her Fidelity Investments brokerage account; (b)(6), (b)(7)(C) TD Ameritrade TOD, Roth IRA, and IRA accounts; and her AT&T account. Each of the statements submitted reflected activity and holdings for the entire 2015 calendar year. (EXHIBIT 5)

B. (b)(6), (b)(7)(C) Statements Regarding Her Failure to Report Her Holdings

During her interview with the OIG, (b)(6), (b)(7)(C) stated she did not remember reporting her Fidelity account in 2009 and 2010. According to (b)(6), (b)(7)(C) her Fidelity account was a 401(k) retirement account which she did not consider to be a brokerage account that had to be reported. She stated that she had the Fidelity account in 2011 and 2012, and her failure to report it during that period

“was just a mistake.” (b)(6),(b)(7)(C) stated that she understood the requirement to report her brokerage accounts and she believed she was truthful when she certified having no holdings in 2011 and 2012.

(b)(6),(b)(7)(C) stated that she had at least one 529 plan in 2011 and 2012, but she did not know that she had to report these types of accounts. She stated that she now understood the requirement to report them. (EXHIBIT 7)

C. Brokerage Statement Review

The OIG obtained (b)(6),(b)(7)(C) Fidelity brokerage statements and discovered that from November 7, 2009 to November 7, 2014, (b)(6),(b)(7)(C) held between 461,468 and 599,450 shares of Fidelity Low-Priced Stock Fund (FLPSX). During this timeframe, the total value ranged from \$14,416.26 to \$29,762.69. (EXHIBIT 13)

The OIG also obtained copies of (b)(6),(b)(7)(C) 529 account statements. A review of these statements revealed that (b)(6),(b)(7)(C) Individual 529 accounts in the names of her children (b)(6),(b)(7)(C) as provided in Table 5.

Table 5: (b)(6),(b)(7)(C) 529 Plans

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

The OIG’s review revealed that on (b)(6),(b)(7)(C) 2012, the 529 plan for (b)(6),(b)(7)(C) was rebalanced (reallocated among different portfolios); and on (b)(6),(b)(7)(C) 2015, the 529 plans for (b)(6),(b)(7)(C) were rebalanced. During an interview with the OIG, (b)(6),(b)(7)(C) stated that pre-clearance for 529 plans was generally only required when the account was opened and when it was completely cashed out, but if an employee rebalanced a 529 account by switching from one portfolio to another, pre-clearance was required. A review of EPS revealed that (b)(6),(b)(7)(C) did not pre-clear the initial 529 purchases or the portfolio rebalances. (EXHIBITS 6, 14, and 15)

D. E-mail Review

As stated, (b)(6),(b)(7)(C) certified having no holdings in calendar years 2011 and 2012. However, an OIG review of (b)(6),(b)(7)(C) SEC e-mails revealed that, during the period from August 8, 2011 to February 7, 2014, (b)(6),(b)(7)(C) received 10 e-mails in her SEC e-mail account from Fidelity Investments regarding her account. In addition, she received an e-mail on January 10, 2012, from (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) 529 (b)(6),(b)(7)(C) Plan regarding an account. (EXHIBITS 6 and 10)

Developed Allegation #4: (b)(6), (b)(7)(C) Had Disqualifying Financial Interests

A. (b)(6), (b)(7)(C)

An OIG review of (b)(6), (b)(7)(C) TD Ameritrade account statements for account (b)(6), (b)(7)(C) revealed that from January 1, 2010 through June 30, 2014, (b)(6), (b)(7)(C) held (b)(6), (b)(7)(C). A review of the HUB Matter Detail Report for (b)(6), (b)(7)(C) revealed that on (b)(6), (b)(7)(C) 2012, (b)(6), (b)(7)(C) was assigned to a Division of Enforcement (ENF) market manipulation investigation of (b)(6), (b)(7)(C) stock (b)(6), (b)(7)(C). When (b)(6), (b)(7)(C) was assigned to the investigation, (b)(6), (b)(7)(C) held 100 shares of (b)(6), (b)(7)(C) valued at \$1,690. As of July 31, 2014, (b)(6), (b)(7)(C) held 100 shares of (b)(6), (b)(7)(C) valued at \$2,637. (EXHIBITS 4, 16, and 17)

During an interview with the OIG, (b)(6), (b)(7)(C) stated she was aware that she was prohibited from working on matters in which she held a financial interest. She further stated that she was not aware that her husband held (b)(6), (b)(7)(C) shares, she did not tell her husband she was working on that case, and she did not provide him with nonpublic information regarding (b)(6), (b)(7)(C) (EXHIBIT 7)

B. (b)(6), (b)(7)(C)

A review of (b)(6), (b)(7)(C) SEC e-mails revealed that, during the period of July 2012 to July 2013, in connection with an ENF investigation of (b)(6), (b)(7)(C) communicated with and sent document requests to (b)(6), (b)(7)(C) pursuant to Section 17(a) of the Securities Exchange Act of 1934, which states that required records must be made available for examination by representatives of the SEC. (b)(6), (b)(7)(C) held prohibited holdings (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) from August and October 2008, respectively, until March 2014. (EXHIBITS 4 and 10)

During an interview with the OIG, (b)(6), (b)(7)(C) stated that (b)(6), (b)(7)(C) were not "targets" of the (b)(6), (b)(7)(C) investigation and the documents requested were account statements since the companies were the custodians of records. She stated that she did not tell her husband about the case or that documents were requested from (b)(6), (b)(7)(C) (EXHIBIT 7)

Developed Allegation #5: (b)(6), (b)(7)(C) Used Personal E-mail to Send Nonpublic Information

A. *E-mail Review*

1. (b)(6), (b)(7)(C) *Sent Nonpublic Information to Her Personal E-mail Account*

An OIG review of (b)(6), (b)(7)(C) SEC e-mails from September 2010 through August 2014 revealed 26 instances (between January 2011 and August 2014) in which (b)(6), (b)(7)(C) either forwarded SEC nonpublic information to her personal e-mail account or sent SEC nonpublic information from her personal e-mail account to her SEC e-mail account. These e-mails included Action Memoranda, documents produced during ENF investigations, testimony outlines and transcripts, and case notes. Six of the e-mails contained information that was specifically marked as

“privileged and confidential” or “attorney work product.” The OIG did not find that any of the nonpublic information (b)(6),(b)(7)(C) sent to her personal e-mail account was related to her or (b)(6),(b)(7)(C) holdings. (EXHIBIT 10)

2. (b)(6),(b)(7)(C) Sent Nonpublic Information to Her Husband

An OIG review of (b)(6),(b)(7)(C) SEC e-mails from September 2010 through August 2014 also revealed two instances (March 2012 and October 2013) in which (b)(6),(b)(7)(C) sent SEC nonpublic information to one of her husband’s e-mail accounts. One of the e-mails was a draft Action Memorandum that contained nonpublic information and was explicitly marked as “privileged and confidential.” The OIG did not find that any of the nonpublic information (b)(6),(b)(7)(C) sent to (b)(6),(b)(7)(C) was related to her or (b)(6),(b)(7)(C) holdings. (EXHIBIT 10)

B. Office of General Counsel Opinion

During an interview with the OIG, (b)(6),(b)(7)(C) Litigation and Administrative Practices, Office of the General Counsel, reviewed the 26 e-mails that (b)(6),(b)(7)(C) sent to her personal e-mail account and determined that each of the e-mails and/or attachments contained SEC nonpublic information. Further, (b)(6),(b)(7)(C) reviewed the two e-mails that (b)(6),(b)(7)(C) sent to (b)(6),(b)(7)(C) and determined that each of them also contained SEC nonpublic information. (EXHIBIT 18)

C. (b)(6),(b)(7)(C) Statements Regarding the Use of Personal E-mail

During her interview with the OIG, (b)(6),(b)(7)(C) stated that it was easier for her to use her personal e-mail account to send documents because, in the past, she had issues connecting through the SEC’s Citrix system. She acknowledged that the information she sent to and from her personal e-mail account was SEC nonpublic information, but she stated that “[a]t the time I did this I did not understand this to be a violation” and “wouldn’t have done it if I believed that it was....”

(b)(6),(b)(7)(C) told the OIG she did not remember sending e-mails containing SEC nonpublic information to her husband and stated, “I have no idea why I sent that to him. There was no reason I should have sent that.” She acknowledged that the information she sent to his e-mail accounts was nonpublic information that she was providing outside the SEC, but stated she did not have discussions with him about the documents or the related cases and stated “[h]e definitely would not have read them.” (EXHIBIT 7)

The OIG requested consent to search (b)(6),(b)(7)(C) personal computer for these or other e-mails, but (b)(6),(b)(7)(C) declined to provide consent. However, (b)(6),(b)(7)(C) reported to the OIG that she searched her personal e-mail account and deleted all e-mails she received from her SEC e-mail account. (b)(6),(b)(7)(C) stated she did not have access to her husband’s e-mail account, but he had informed her that he searched all folders in his account and found no e-mails from her SEC e-mail account. (EXHIBIT 19)

Developed Allegation #6: (b)(6), (b)(7)(C) *used an SEC System for Unauthorized Purposes*

A. E-mail Review

The OIG's review of (b)(6), (b)(7)(C) SEC e-mails revealed instances in which she appeared to have used Lexis/Nexis, an internet-based searchable legal and public records database that is made available to SEC employees through the SEC Library, for non-SEC work-related purposes. Specifically, on (b)(6), (b)(7)(C) 2013, (b)(6), (b)(7)(C) e-mailed Courtlink Dockets for U.S. Bankruptcy Court, (b)(6), (b)(7)(C) from her SEC e-mail account to her personal e-mail account. In the docket, the litigant was listed as (b)(6), (b)(7)(C) and the creditor was listed as (b)(6), (b)(7)(C). In addition, on (b)(6), (b)(7)(C) 2013, (b)(6), (b)(7)(C) e-mailed Lexis/Nexis records for (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) from her SEC e-mail account to her personal e-mail account.

An OIG query of SEC databases revealed that (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C) were not listed as associated persons, parties, or witnesses in connection with any past or current ENF investigations.

In addition, an OIG review of SEC e-mail revealed that, on (b)(6), (b)(7)(C) 2013, (b)(6), (b)(7)(C) e-mailed a Lexis/Nexis report (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) stating "lists same contact number as on your lexis report" to her husband's work e-mail account. The Lexis/Nexis report lists (b)(6), (b)(7)(C) as owner of (b)(6), (b)(7)(C) (EXHIBIT 10)

B. (b)(6), (b)(7)(C) Statements Regarding Her Use of Lexis/Nexis

During her interview with the OIG, (b)(6), (b)(7)(C) stated she did not remember the names (b)(6), (b)(7)(C) (b)(6), (b)(7)(C) and (b)(6), (b)(7)(C). Further, she did not recall the reason she conducted searches on these names.

(b)(6), (b)(7)(C) stated she conducted a credit search on her husband and found information for another unrelated (b)(6), (b)(7)(C) which led her to search the Lexis/Nexis database for (b)(6), (b)(7)(C) stated that she did not previously see an issue with using the SEC's Lexis/Nexis system for personal searches, but said that she now saw that there was an issue. She stated she would not have used the system in this manner if she thought it was an issue. (EXHIBIT 7)

Other Information

A. (b)(6), (b)(7)(C) Declined to Be Interviewed

The OIG contacted (b)(6), (b)(7)(C) and attempted to interview him regarding the allegations; however, he declined to participate in an interview. (EXHIBIT 20)

B. Prosecution Declination

The OIG referred the facts of this investigation to the USAO (b)(6) (b)(7)(C) for prosecution, and the case was declined for lack of prosecutorial merit. (EXHIBIT 21)

Findings

The investigation determined that (b)(6) (b)(7)(C) had two brokerage accounts, neither of which (b)(6) (b)(7)(C) reported to the SEC, and that (b)(6) (b)(7)(C) did not pre-clear transactions that were effected in the accounts as required. Additionally, (b)(6) (b)(7)(C) held Citigroup and Morgan Stanley, both of which are considered prohibited holdings. Further, (b)(6) (b)(7)(C) brokerage accounts were active margin accounts that held derivatives, both of which are prohibited for SEC employees to hold either personally or through the ownership by anyone whose interests are imputed to them under the financial conflict of interest statutes and the OGE and SEC regulations. It was further determined that, based on her husband's holdings, (b)(6) (b)(7)(C) had disqualifying financial conflicts of interest with respect to two investigations to which she was assigned.

The investigation also determined that in 2011 and 2012, (b)(6) (b)(7)(C) did not report her own personal brokerage accounts as required. Specifically, (b)(6) (b)(7)(C) held a Fidelity stock fund in a Fidelity Brokerage Services account, AT&T stock held directly at AT&T, and Vanguard funds held in (b)(6) (b)(7)(C) 529 Plan accounts in her children's names.

In addition, (b)(6) (b)(7)(C) sent nonpublic information to her personal e-mail account on 26 separate instances and to her husband's e-mail account on two separate instances. These e-mails did not relate to (b)(6) (b)(7)(C) or (b)(6) (b)(7)(C) holdings. Further, (b)(6) (b)(7)(C) used her access to a government system (Lexis/Nexis) for purposes that were not work-related.

Based on the findings of our investigation, it appears that the following pertinent statute(s), regulation(s), and/or policy(ies) were violated or could be applied to the case:

- 5 CFR § 4401.101, Supplemental Standards of Ethical Conduct for Members and Employees of the SEC, and Revisions to the Commission's Ethics Rules, General, states:

In accordance with 5 CFR 2635.105, the regulations in this part apply to members and employees of the Commission and supplement the Standards of ethical conduct for employees of the executive branch contained in 5 CFR part 2635. Members and employees of the Commission are required to comply with 5 CFR part 2635 and this part.

- 5 CFR § 4401.102(c), SEC Standards of Ethical Conduct – Subpart D, Conflicting Financial Interests, Prohibited and restricted holdings and transactions, states:

Members and employees are prohibited from knowingly purchasing or holding a security or other financial interest in an entity directly regulated by the Commission; purchasing or otherwise carrying securities on margin; selling securities short; or engaging in

transactions involving financial instruments that are derivatives of securities. Requirements of this section apply to all securities holdings or transactions effected, directly or indirectly, by or on behalf of a member or employee, the member's or employee's spouse, the member's or employee's unemancipated minor child, or any person for whom the member or employee serves as legal guardian.

- 5 CFR § 4401.102(d), Prohibited Financial Interests, Prior clearance of transactions in securities or related financial interests, states:

Members and employees must confirm before entering into any security or other related financial transaction that the security or related financial transaction is not prohibited or restricted as to them by clearing the transaction.

- 5 CFR § 4401.102(f), Reporting requirements, states:

Members and employees must report and certify all securities holdings and submit duplicate statements for every account containing reportable securities. Members and employees must report all purchases, sales, acquisitions, or dispositions of securities within five business days after receipt of confirmation of the transaction.

- 5 CFR § 2635.402, Disqualifying Financial Interests, states:

An employee is prohibited from participating in an official capacity in any particular matter in which, to his knowledge, he or any person whose interests are imputed to him has a financial interest, if the particular matter will have a direct and predictable effect on that interest.

- 5 CFR § 2635.403, Prohibited Financial Interests, states:

An employee shall not acquire or hold any financial interest that he is prohibited from acquiring or holding by statute or agency regulation.

- 17 CFR § 200.735-3, General Provisions, states:

A member or employee of the Commission shall not divulge to any unauthorized person or release in advance of authorization for its release any nonpublic Commission document, or any information contained in any such document or any confidential information.

- Office of Information Technology Rules of the Road Concerning Use of E-mail, states:

All users of SEC computing and network facilities, including Federal employees and contractors, must follow the SEC Rules of the Road, issued March 1, 2004, and updated on June 23, 2010 and May 15, 2015, when using any SEC information technology source, including email. The SEC Rules of the Road require SEC users to protect IT resources

within their control or possession and ensure they do not disclose data to unauthorized persons. The SEC Rules of the Road further require users to exercise common sense, good judgment and propriety in the use of e-mail and use e-mail responsibly and in accordance with policy contained in SEC Administrative Regulation SECR5-10. In addition, users should encrypt e-mails that contain nonpublic or sensitive data and are prohibited from sending sensitive information to a personal e-mail account.

- SEC Administrative Regulation SECR5-10, Electronic Mail, states:

Do not send any messages over the Internet that contain confidential, non-public, or sensitive information.

- Office of Information Technology Rules of the Road Concerning the Conduct of Unauthorized Business on SEC Automated Systems or Networks, states:

The SEC Rules of the Road obligate SEC users to conduct their system activities in keeping with the SEC's mission, goals and objectives and state that all use of SEC network and automated systems must be consistent with this purpose. The SEC Rules of the Road further prohibit the use of SEC IT resources for commercial purposes or personal financial gain.

Distribution

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Office of the Ethics Counsel

(b)(7)(C)

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Signatures

(b)(6), (b)(7)(C)

7/11/16

Date

(b)(6), (b)(7)(C)

7/11/16

Date

Approved:

(b)(6), (b)(7)(C)

for

Mary Beth Harrell, Deputy Inspector General

7/11/16

Date

EXHIBITS

1. Predicating document, Complaint Intake Form, dated November 26, 2013.
2. Memorandum of Activity, Interview of (b)(6)(b)(7)(C) dated November 27, 2013.
3. Memorandum of Activity, Bluesheet Database Query, dated December 2, 2013.
4. Memorandum of Activity, Brokerage Statement Review, dated November 24, 2014.
5. Memorandum of Activity, Review of Ethics Documents, dated May 10, 2016.
6. Memorandum of Activity, Review of Ethics Documents, dated August 15, 2014.
7. Memorandum of Activity, Subject Interview of (b)(6)(b)(7)(C) dated April 30, 2015.
8. Memorandum of Activity, Brokerage Statement Review, dated June 8, 2015.
9. Memorandum of Activity, Gain and Loss Analysis, dated July 29, 2015.
10. Memorandum of Activity, E-mail Review, dated December 16, 2014.
11. Memorandum of Activity, Review of Training Records, dated April 23, 2015.
12. Memorandum of Activity, Interview of (b)(6)(b)(7)(C) dated May 9, 2016.
13. Memorandum of Activity, Brokerage Statement Review, dated December 29, 2014.
14. Memorandum of Activity, 529 Account Statement Review, dated October 22, 2015.
15. Memorandum of Activity, Interview of (b)(6)(b)(7)(C) dated November 4, 2015.
16. Memorandum of Activity, HUB Query, dated February 5, 2014.
17. Memorandum of Activity, HUB Query, dated September 29, 2015.
18. Memorandum of Activity, Interview of (b)(6)(b)(7)(C) dated September 30, 2015.
19. Memorandum of Activity, Confirmation of E-mail Deletion, dated May 8, 2015.

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20. Memorandum of Activity, Telephone Call to [REDACTED] dated June 8, 2015.

21. Memorandum of Activity, Criminal Declination, dated March 25, 2015.

REPORT OF INVESTIGATION

CASE# 14-ENF-0849-I



Office of Inspector General

U.S. Securities and Exchange Commission



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



Report of Investigation

Subject: (b)(6); (b)(7)(C)
Title: (b)(6); (b)(7)(C)
SK-Level/Grade: (b)(6); (b)(7)(C)
Office: Division of Enforcement
Region: (b)(6); (b)(7)(C)

Case #: 14-ENF-0849-I

Origin: Office of the Ethics Counsel

Security Clearance: Y / N

Investigation Initiated: September 26, 2014

Investigation Completed: SEP 28 2017

SUMMARY

This report summarizes the results of an investigation conducted by the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG). The investigation involved allegations that (b)(6); (b)(7)(C) Division of Enforcement (ENF), (b)(6); (b)(7)(C) worked on two ENF matters, one in 2009 and one in 2012, involving health care while maintaining in excess of \$50,000 in a health sector mutual fund. The Office of Ethics Counsel (OEC) referred the matter to the OIG. **(EXHIBIT 1)**

The OIG opened an investigation to determine whether (b)(6); (b)(7)(C) participated personally and substantially in a particular matter that had a direct and predictable effect (b)(6); financial interest in a Vanguard health care fund in violation of Title 18 United States Code (U.S.C.) § 208 - *Acts affecting a personal financial interest*.

In summary, the OIG's investigation determined that between August 2008 and April 2015, (b)(6); (b)(7)(C) participated in four ENF matters involving five companies that were identified as holdings in a Vanguard health care fund, during a period in (b)(6); financial interest in the fund exceeded the \$50,000 threshold. Those holdings were (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) The investigation did not identify evidence indicating that (b)(6); (b)(7)(C) participated in matters involving these health care companies (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) should not have had any involvement (b)(6); financial interest in the Vanguard fund exceeded \$50,000. (b)(6); financial interest exceeded the threshold during each year ending 2008 to 2015. The OIG determined that (b)(6); (b)(7)(C) was not granted any waivers to Title 18 U.S.C. § 208 for participating in matters relating to holdings in the Vanguard fund. The U.S. Department of Justice declined to pursue prosecution of (b)(6); (b)(7)(C)

BACKGROUND

In September 2014, OEC contacted [REDACTED] following their review of [REDACTED] 2014 Office of Government Ethics (OGE) Confidential Financial Disclosure Form 450. [REDACTED] admitted to OEC [REDACTED] worked on two ENF matters ([REDACTED]) involving companies in a health care sector fund [REDACTED] held. (EXHIBIT 2)



SCOPE

The OIG investigated the following potential violations:

- Title 18 U.S.C. § 208 – *Acts affecting a personal financial interest*. In summary, this statute prohibits an employee of the Executive Branch of the United States Government from participating personally and substantially as a Government employee in a particular Government matter that will affect his or her own financial interests or the interests of certain other persons. Title 18 U.S.C. § 208 has a 5-year statute of limitations. It also includes a waiver provision, as follows:
 - a) *Requirements for issuing an individual waiver under 18 U.S.C. 208(b)(1)*. Pursuant to 18 U.S.C. 208(b)(1), an agency may determine in an individual case that a disqualifying financial interest in a particular matter or matters is not so substantial as to be deemed likely to affect the integrity of the employee's services to the Government. Upon making that determination, the agency may then waive the employee's disqualification notwithstanding the financial interest, and permit the employee to participate in the particular matter.
- Code of Federal Regulations (CFR) 5 § 2635.402(a), *Disqualifying financial interests*:
 - (a) *Statutory prohibition*. An employee is prohibited by criminal statute, 18 U.S.C. 208(a), from participating personally and substantially in an official capacity in any particular matter in which, to his knowledge, he or any person whose interests are imputed to him under this statute has a financial interest, if the particular matter will have a direct and predictable effect on that interest.
- 5 CFR 2640.201(b)(2)(i), *Exemptions for interests in mutual funds, unit investment trusts, and employee benefit plans*:

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- (i) An employee may participate in a particular matter affecting one or more holdings in a sector fund, when the matter pertains to the sector in which the fund's investments are concentrated provided the aggregate value of interests in all sector funds focusing on the same sector do not exceed \$50,000 (aggregate self, spouse, and minor child).

Additionally, the OIG interviewed the following individuals:

- [REDACTED] Assistant Compliance Attorney, OEC
- [REDACTED]
- Gerald Hodgkins, Associate Director, ENF
- [REDACTED] Senior Counsel, ENF
- Shira Pavis Minton, Ethics Counsel, OEC
- David Rosenfeld, Assistant Director, Division of Corporation Finance (CorpFin)
- [REDACTED] Ethics Counsel, OEC

Finally, the OIG reviewed the following documents:

- [REDACTED] certifications of holdings in the Personal Trading Compliance System (PTCS)
- Brokerage statements for [REDACTED] for the period 2005 to 2014
- [REDACTED] SEC e-mails for the period of June 1, 2008 through May 27, 2015
- [REDACTED] OGE Form 450's for the years 2009 through 2014
- HUB Reports (the case management tracking system used by ENF)

RESULTS OF INVESTIGATIVE ACTIVITY

Document Reviews

[REDACTED] *Interest in a Vanguard Health Care Sector Fund*

An OIG review of Vanguard brokerage year end statements for [REDACTED] revealed [REDACTED] financial interest in the Vanguard's health care sector fund exceeded \$50,000 during the entire period from December 31, 2004, until December 31, 2014. **(EXHIBIT 4)**

[REDACTED] *Participation in Health Care Related Matters*

An OIG review of the HUB, the case management tracking system used by ENF, revealed that [REDACTED] participated in four ENF matters involving five companies that were identified as holdings in the Vanguard health care sector fund. [REDACTED] involvement occurred [REDACTED] financial interest in the fund exceeded \$50,000. [REDACTED] The HUB did not provide sufficient information concerning the type, nature and extent of [REDACTED] involvement in the matters. **(EXHIBITS 4 and 5)**

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(b)(6);(b)(7)(C) OGE Form 450s

The OIG reviewed (b)(6);(b)(7)(C) OGE Confidential Financial Disclosure Forms 450 for the years 2009 through 2014¹. The review revealed that (b)(6);(b)(7)(C) disclosed for those years (b)(6);(b)(7)(C) held Vanguard mutual funds, including a health care fund. (EXHIBIT 6)

(b)(6);(b)(7)(C) SEC E-mails

The OIG reviewed (b)(6);(b)(7)(C) e-mails for evidence of any potential personal and substantial involvement in particular matters relating to company stocks held in the Vanguard health care sector fund. Various e-mails showed (b)(6);(b)(7)(C). For example, on November 1, 2011, (b)(6);(b)(7)(C) wrote (b)(6);(b)(7)(C) has time to meet us this morning to briefly discuss (b)(6);(b)(7)(C). Please meet me at 10:30 in (b)(6);(b)(7)(C) office.” Additionally, on June 19, 2013, “Please send me the draft action memo.”

Various e-mails also showed (b)(6);(b)(7)(C) involvement in the (b)(6);(b)(7)(C) matter. For example, on (b)(6);(b)(7)(C) 2008, (b)(6);(b)(7)(C) sent an e-mail to (b)(6);(b)(7)(C) @sec.gov and advised (b)(6);(b)(7)(C) had reviewed the Formal Order memo and provided a suggestion for it. Additionally, on (b)(6);(b)(7)(C) 2009, (b)(6);(b)(7)(C) sent an e-mail to (b)(6);(b)(7)(C) @sec.gov and requested to be removed from access to the (b)(6);(b)(7)(C) file (b)(6);(b)(7)(C) recusing (b)(6);(b)(7)(C) from the matter, after (b)(6);(b)(7)(C) realized (b)(6);(b)(7)(C) Vanguard health care mutual fund.

Furthermore, e-mails showed (b)(6);(b)(7)(C) involvement in the (b)(6);(b)(7)(C) matter. For example, on (b)(6);(b)(7)(C) 2013, (b)(6);(b)(7)(C) advised (b)(6);(b)(7)(C) U.S. Attorney’s Office, (b)(6);(b)(7)(C) was looking forward to working with (b)(6);(b)(7)(C) as they looked into whether (b)(6);(b)(7)(C) misled investors based on the (b)(6);(b)(7)(C) trial that was proceeding at that time. The OIG also found additional e-mails regarding (b)(6);(b)(7)(C) Vanguard health care sector fund holdings of (b)(6);(b)(7)(C) related to other ENF matters (b)(6);(b)(7)(C) (EXHIBITS 7 and 8)

The review did not reveal any other e-mails of investigative interest (i.e., e-mails that disclosed the extent and nature of (b)(6);(b)(7)(C) involvement in the matters in question).

Interviews

(b)(6);(b)(7)(C)

During an interview with the OIG, (b)(6);(b)(7)(C) advised (b)(6);(b)(7)(C) responsible for reviewing (b)(6);(b)(7)(C) 2014 OGE Form 450. As a result of the review, (b)(6);(b)(7)(C) identified that (b)(6);(b)(7)(C) had an interest in health care sector funds. (b)(6);(b)(7)(C) advised (b)(6);(b)(7)(C) via e-mail that, “We (OEC) are advising employees who report holding sector funds of [sic] the \$50,000 regulatory de minimis

¹ The OEC did not have OGE Forms 450 for (b)(6);(b)(7)(C) prior to 2009.

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threshold for sector funds under the criminal conflicts of interest law (18 U.S.C. 208). If your sector funds are valued at more than that in each sector (aggregating them all in the same sector) you would be considered to have a financial interest in all of the underlying holdings in that sector. Section 208 essentially prohibits federal employees from working on matters in which they have a financial interest.”

According to (b)(6);(b)(7)(C) responded to the e-mail requesting a meeting with (b)(6);(b)(7)(C) (b)(6);(b)(7)(C) week later. (b)(6);(b)(7)(C) met with (b)(6);(b)(7)(C) soon thereafter, when (b)(6);(b)(7)(C) admitted to having worked on two health care matters, one of which was closed and another that was just opened. **(EXHIBIT 9)**

Minton

During an interview with the OIG, Minton was asked whether there was a process or a policy in place for SEC staff obtaining recusals pertaining to working on matters. Minton advised there is no policy or particular process for obtaining a recusal in a particular matter and that the key to recusing from a matter is that the individual who is recused “no longer participates” in the matter that caused the conflict. Minton further explained that does not preclude the recused individual from knowing or learning about the matter but that he/she cannot comment or direct action in the matter as a result. Minton stated that there is no requirement for the recusal to be in writing and that there is no requirement to advise or obtain permission from a supervisor, or anyone else, to be recused. Minton also indicated that OEC had no documentation concerning a waiver for (b)(6);(b)(7)(C) participation in the four matters relating to the Vanguard health care fund. **(EXHIBITS 10 and 11)**

(b)(6);(b)(7)(C)

During an interview with the OIG (b)(6);(b)(7)(C) was asked questions pertaining (b)(6); role as (b)(6);(b)(7)(C) provided an e-mail from (b)(6);(b)(7)(C) 2009, in which (b)(6);(b)(7)(C) advised (b)(6);(b)(7)(C) and (b)(6);(b)(7)(C) was recusing (b)(6);(b)(7)(C) from the (b)(6);(b)(7)(C) matter. (b)(6);(b)(7)(C) believed that (b)(6);(b)(7)(C) took over the investigation based on a (b)(6);(b)(7)(C) 2010 e-mail in which (b)(6);(b)(7)(C) discussed closing the (b)(6);(b)(7)(C) case. (b)(6);(b)(7)(C) did not recall whether (b)(6);(b)(7)(C) continued to work on the (b)(6);(b)(7)(C) matter. (b)(6);(b)(7)(C) did not believe so. In regards to the (b)(6);(b)(7)(C) matter, (b)(6);(b)(7)(C) could not recall the matter and did not have a file on it.

(b)(6);(b)(7)(C) could not recall having any discussions with (b)(6);(b)(7)(C) regarding (b)(6);(b)(7)(C) holdings in a health care sector fund relative to (b)(6);(b)(7)(C) work. (b)(6);(b)(7)(C) not recall (b)(6);(b)(7)(C) discuss a conflict and stated that if (b)(6);(b)(7)(C) had discussed it with (b)(6);(b)(7)(C) would have contacted OEC for guidance. According to (b)(6);(b)(7)(C) (b)(6);(b)(7)(C) “would do the right thing.” (b)(6);(b)(7)(C) stated (b)(6);(b)(7)(C) was an insider trading investigation, so there was nothing to gain by (b)(6);(b)(7)(C) involvement in the matter.

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When asked about (b)(6) review of OGE Forms 450 provided by (b)(6) subordinates, (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) did review the OGE Forms 450, to include (b)(6); (b)(7)(C) but (b)(6); (b)(7)(C) looked for conflicts with individual stocks and did not pay attention to mutual funds. (b)(6); (b)(7)(C) stated if (b)(6); (b)(7)(C) review OGE Forms 450s now, (b)(6); (b)(7)(C) look for stocks and funds with a value exceeding more than \$50,000. (EXHIBIT 12)

(b)(6); (b)(7)(C)

During interviews with the OIG, (b)(6); (b)(7)(C) explained (b)(6) involvement in ENF matters related to (b)(6); (b)(7)(C) health care holdings as follows:

<u>Company</u>	<u>Activities</u>
(b)(6); (b)(7)(C)	(b)(6); (b)(7)(C) before recusing (b)(6); (b)(7)(C) (b)(6); (b)(7)(C)

Source: (b)(6); (b)(7)(C) testimony taken on February 24, 2015, August 1, 2016, and June 12, 2017.

During an interview with the OIG on June 12, 2017, (b)(6); (b)(7)(C) further stated that (b)(6); (b)(7)(C) are still over the \$50,000 threshold in the Vanguard health care fund but are “actively in the process of divesting.” (b)(6); (b)(7)(C) sold \$20,000 of the health care fund in late July 2016. Additionally, (b)(6); (b)(7)(C) stated, “You know, all my holdings were purchased prior to coming to the SEC. I know that that’s not—doesn’t negate the \$50,000 rule, but it’s not like something that I was actively buying and selling in a health care fund. The positions have been static for well over (b)(6); (b)(7)(C) years until my most recent divestments.” (b)(6); (b)(7)(C) indicated (b)(6); (b)(7)(C) was not thinking (b)(6); (b)(7)(C) interest in the health care fund, (b)(6); (b)(7)(C) concern was for (b)(6); (b)(7)(C) (b)(6); (b)(7)(C) stated (b)(6); (b)(7)(C) makes sure that new cases (b)(6); (b)(7)(C) do not involve the health care industry. (EXHIBITS 13, 14 and 15)

Referral for Prosecution Consideration

The OIG presented the facts and evidence discovered during this investigation to the U.S. Attorney’s Office (USAO), (b)(6); (b)(7)(C) The USAO declined to pursue prosecution of (b)(6); (b)(7)(C) (EXHIBIT 16)

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Distribution

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(b)(6), (b)(7)(C)

Signatures

(b)(6), (b)(7)(C)

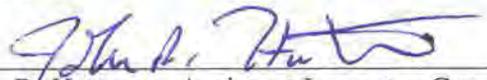
9/27/17
Date

Concurrence:

(b)(6), (b)(7)(C)

9/27/2017
Date

Approved:


John R. Hartman, Assistant Inspector General
for Investigations

9/27/17
Date

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Exhibits

1. Case Predicating E-mail, dated September 24, 2014.
2. Memorandum of Activity, Document Review: e-mail review, dated February 2, 2015.
3. Memorandum of Activity, Document Review: eOPF, dated November 10, 2014.
4. Memorandum of Activity, Document Review: Vanguard records, dated August 12, 2015.
5. Memorandum of Activity, Document Review: Semi-annual records for Vanguard, dated October 11, 2016.
6. Memorandum of Activity, Document Review: OGE 450s review for [REDACTED] dated February 19, 2016.
7. Memorandum of Activity, Document Review: e-mail review for [REDACTED] dated December 3, 2015.
8. Memorandum of Interview, Document Review: e-mail review for [REDACTED] dated September 6, 2016.
9. Memorandum of Interview, [REDACTED] interview, dated January 30, 2015.
10. Memorandum of Interview, Minton interview, dated January 30, 2015.
11. Memorandum of Interview, Minton interview, dated December 4, 2015.
12. Memorandum of Interview, [REDACTED] interview, dated February 23, 2015.
13. Memorandum of Interview, [REDACTED] interview, dated February 24, 2015.
14. Memorandum of Interview, [REDACTED] interview, dated August 1, 2016.
15. Memorandum of Interview, [REDACTED] interview, dated June 12, 2017.
16. Memorandum of Activity, Request for Prosecutorial Decision, dated August 12, 2016.



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

OFFICE OF
INSPECTOR GENERAL

MEMORANDUM

December 12, 2017

TO: FILE

FROM: (b)(6)
Office of Investigations

THROUGH: (b)(6)
Office of Investigations

SUBJECT: Case No. 14-ENF-0098-I
(b)(6)

The purpose of this memorandum is to document the Office of Inspector General's (OIG) investigative activities and to recommend case closure.

On August 7, 2013, the OIG received a referral from (b)(6) Committee on the Judiciary, U.S. Senate. (b)(6) forwarded copies of three separate e-mails that he had sent to the U.S. Department of Justice (DOJ) OIG on August 5, 2013, regarding possible leaks to the media related to an ongoing insider trading investigation [In the Matter of Humana, Inc., NY-8910 (Humana)], worked jointly by the Securities and Exchange Commission's (SEC) Division of Enforcement (ENF), the DOJ, and the U.S. Department of Health and Human Services OIG. (b)(6) alluded to information about the investigation, involving staffers of Senator Charles Grassley, which was allegedly leaked to *The Wall Street Journal (WSJ)* by someone from the SEC. The concerns brought by (b)(6) included *WSJ's* reporting that Senate staff were obstructing or thwarting the investigation, such as with the assertion of Congressional Speech or Debate Clause privilege. (b)(6) raised no specific concerns about non-public SEC information pertaining to the underlying Humana matter.

The OIG reviewed Hub records, which indicated that an ENF Matter Under Investigation (MUI) was opened on April 2, 2013, and the Humana Investigation (INV) was subsequently opened on April 8, 2013. The investigation is currently open; however, it is slated to be closed soon. The INV Executive Summary, Summary of Facts, reads, in part:

(b)(3)(D), (b)(7)(C)

The Hub records identified (b)(6) New York Regional Office (NYRO) (b)(6). The Hub records also revealed that the Grassley staffers identified in (b)(6) e-mails were interviewed during the course of the Humana investigation and that on June 20, 2014, the SEC filed a subpoena enforcement action against the Ways and Means Committee (the Committee) of the U.S. House of Representatives (House) and (b)(3)(D), (b)(7)(C) (b)(6), (b)(7)(D) after the Committee and (b)(6) failed to comply with SEC subpoenas.

The OIG interviewed Lara Mehraban, Assistant Regional Director, NYRO, who was the first-line supervisor for the Humana investigation. Mehraban stated she did not have any contact with the media related to the Humana investigation, but was aware that *WSJ* reporter Brody Mullins had contacted (b)(6) and (b)(6) NYRO. Mehraban said that Mullins contacted (b)(6) and invited her for coffee, but (b)(6) declined his offer, and that Mullins called (b)(6) but she (Mehraban) was not aware of the substance of their conversation. Mehraban subsequently provided e-mail records indicating that on October 11, 2013, Mullins invited (b)(6) for coffee, which (b)(6) declined, and on June 16, 2014, Sanjay Wadhwa, Senior Associate Regional Director, NYRO, notified (b)(6) and Mehraban that (b)(6) received a call from the *WSJ* and spoke with Mullins.

The OIG interviewed (b)(6) who confirmed he had communicated with Mullins. (b)(6) said that Mullins called him several times and that he went to lunch with Mullins on one occasion. (b)(6) denied that he was the source for the *WSJ* (Mullins') reporting in June and August 2013 [relating to the Grassley staffers named in (b)(6) e-mails], and stated that Mullins called him when the SEC was moving towards filing the subpoena enforcement action against the Ways and Means Committee and (b)(6) which he recalled was filed in June 2014. (b)(6) stated that he spoke to Mullins "off-the-record," which he understood meant that anything he said to Mullins could not be attributed to him, a source, or the SEC. (b)(6) stated he never gave Mullins substantive information about the investigation and did not recall giving Mullins any non-public information. (b)(6) said he "spoke to [Mullins] very generally" and indicated that he was motivated to talk to Mullins because so much of the reporting about the case was inaccurate or "just dead wrong." (b)(6) indicated that his supervisor, Wadhwa, was aware that he wanted to talk to Mullins before his conversation with Mullins occurred. (b)(6) explained that he received a voicemail message from Mullins, which he mentioned to Wadhwa, and said that he told Wadhwa he would like to talk to Mullins because of the incorrect reporting. Mullins indicated that Wadhwa authorized him to talk to Mullins. The OIG reviewed (b)(6) electronic official personnel folder (eOPF) and determined that (b)(6)

The OIG interviewed Wadhwa, who indicated that he never communicated with Mullins and

confirmed he was aware (b)(6)(b)(7)(C) spoke to Mullins in June 2014. Wadhwa said he knew that (b)(6)(b)(7)(C) spoke to Mullins because he located an e-mail he (Wadhwa) had drafted, which said the *WSJ* or Mullins spoke to (b)(6)(b)(7)(C). Wadhwa also confirmed that, "at some point," (b)(6)(b)(7)(C) asked him if he could talk to Mullins, but indicated he did not have a specific memory of what he told (b)(6)(b)(7)(C) in response. Wadhwa indicated that he did not know the extent of (b)(6)(b)(7)(C) off-the record communications with Mullins or that (b)(6)(b)(7)(C) had gone to lunch with Mullins, and as a result, was reluctant to comment about the potential impact of (b)(6)(b)(7)(C) purported conversation with Mullins.

When the OIG interviewed (b)(6)(b)(7)(C), (b)(6)(b)(7)(C) stated that she never spoke to the media regarding SEC matters or investigations. (b)(6)(b)(7)(C) confirmed that she received at least one e-mail from Mullins and recalled that he had left voice mail messages for her and (b)(6)(b)(7)(C) stated she never spoke to Mullins and responded to Mullins' e-mail by referring him to the SEC's Office of Public Affairs (OPA). (b)(6)(b)(7)(C) said she did not recall (b)(6)(b)(7)(C) describing any communications he had with Mullins and stated that she would be surprised if (b)(6)(b)(7)(C) had spoken to Mullins. Subsequent to the interview, (b)(6)(b)(7)(C) provided an e-mail record indicating that (b)(6)(b)(7)(C) spoke with Mullins on June 16, 2014; however, the e-mail did not describe the substance of the conversation. (b)(6)(b)(7)(C) stated that some of *WSJ's* reporting was inaccurate, for example, it portrayed that Senate staff were obstructing or thwarting the investigation, which was contrary to her experience, and she recalled that at the time of the [August 2013] *WSJ* reporting, the Senate staff was cooperating with the investigation.

The OIG requested SEC-wide searches of incoming and outgoing telephone calls, for both office and cellular records, from and to Mullins' telephone number (b)(6)(b)(7)(C) for the period of April 1, 2013, through April 18, 2016. (b)(6)(b)(7)(C) Office of Information Technology (OIT) advised that telephone records for dates prior to February 4, 2014, were not available for SEC office numbers and in order to obtain some of the requested cellular records, AT&T required a subpoena. OIT produced SEC office telephone records for the period of February 4, 2014, through April 18, 2016, as well as cellular records that included call data from December 2014 through January 2016. The OIG also issued a subpoena to AT&T for cellular records.

The OIG reviewed the SEC-produced office telephone records for the period of February 4, 2014, through April 18, 2016, which revealed 19 calls from Mullins' telephone number (b)(6)(b)(7)(C) to (b)(6)(b)(7)(C) NYRO telephone number (b)(6)(b)(7)(C). The first identified call to (b)(6)(b)(7)(C) number occurred on June 16, 2014, which was consistent with (b)(6)(b)(7)(C) statements regarding the timing of his conversations with Mullins, and the last identified call occurred on January 22, 2015. Other identified calls from Mullins included calls to the NYRO General Information number and numbers assigned to the OPA and the Office of Freedom of Information Act Services (FOIA). The OIG reviewed SEC and AT&T-produced cellular data, which revealed six calls between Mullins and OPA personnel.

The OIG also reviewed the SEC e-mail records for communications specifically relevant to the referral from (b)(6)(b)(7)(C) and for any inappropriate disclosures of non-public information related to the Humana investigation. The records revealed that as early as April 3, 2013, Mullins was in communication with CMS personnel regarding the underlying possible insider trading violations, and as early as April 4, 2013, the *WSJ* (Mullins) published an article about the alleged conduct, which noted

noted that the subject broker dealer was regulated by the SEC. In addition, e-mail communications indicated that prior to April 29, 2013, and on June 10, 2013, Mullins contacted two Senate staffers about the investigation, including one who he told that another, “[WSJ] reporter got DOJ to confirm [information related to the investigation].” With the exception of requests to the FOIA office and the OPA, there were no identified e-mail communications between reporters and SEC personnel specifically concerning the Humana investigation or Congressional involvement. The only identified e-mail communications between a known reporter and non-FOIA/OPA personnel pertained to Mullins’ October 11, 2013, invitation to (b)(6),(b)(7) for coffee.

In conclusion, the investigation did not find any evidence of a disclosure of nonpublic information by any SEC officials. The investigation revealed that (b)(6),(b)(7) had communications with Mullins, however, the only confirmed communications occurred well after (b)(6),(b)(7) referral to the SEC OIG and there was no evidence that (b)(6),(b)(7) disclosed non-public SEC information concerning the Humana investigation. (b)(6),(b)(7)(C) Additionally, according to (b)(6),(b)(7) knowledge of interviews with Congressional staff members extended beyond the SEC to the Federal Bureau of Investigation and the U.S. Department of Justice. Based on these factors, the issue does not merit further OIG investigation. A report to management is not warranted and administratively closing this case is recommended. If approved, ENF will be notified.

(b)(6),(b)(7)(C)

12 DEC 2017

Date

Approved:

John R. Hartman

12-DEC-2017

John R. Hartman, Assistant Inspector General
for Investigations

Date

Division of Enforcement Notified:

(b)(6),(b)(7)(C)

19 DEC 2017

By (Initials)

Person Notified

Date