



<http://finance.senate.gov>
Press_Office@finance-rep.senate.gov

MEMORANDUM

TO: Reporters and Editors
FR: Jill Kozeny, 202/224-1308
The Office of Senator Chuck Grassley
RE: GAO report on the SEC Division of Enforcement
DA: Monday, September 17, 2007

Senator Chuck Grassley said today that a new report by the Government Accountability Office (GAO) reinforces the need for recommendations he made to the Securities and Exchange Commission (SEC) in August 2007, following an extensive investigation of the allegations of a fired SEC Enforcement Division attorney.

Senator Grassley requested the review by the independent GAO in September 2006, due to the vital roles played by the SEC's Enforcement Division and Office of Compliance, Inspection and Examination in bringing civil enforcement actions and administrative proceedings against individuals and companies who violate securities laws and regulations.

In a report to be released today, the GAO report (posted with this statement in the Grassley press releases at <http://finance.senate.gov>) found that two-thirds of the SEC's cases had been open for more than two years, one-third had been open for more than five years, and 13 percent had been open for more than 10 years. Many of these cases "had not resulted in an enforcement action and were no longer being actively pursued," according to the GAO. The GAO also found that the SEC's system for tracking cases was "severely limited and virtually unusable."

Senator Grassley's comment:

"This GAO report tells me that our congressional investigation into the SEC was on the money. We heard an allegation last year that many of the cases that the SEC tells Congress it's pursuing are really just at a standstill, waiting to be closed, and this report confirms it. That's not fair to those under investigation and it misleads the public by implying that the SEC is more active than it really is.

"Although the SEC has big plans to fix the problems identified by GAO with a new computer system, it should not put all its eggs in one basket and just rely on the promise of new

technology to manage the agency. The SEC also needs to implement the recommendations we made last month to draft a procedures manual and to identify important cases that need more resources to get the job done in a timely manner. The GAO recommended that SEC start documenting criminal referrals of cases to other agencies two years ago, but it still hasn't happened. I hope it doesn't take that long to get action on these new recommendations.”