



Highlights of [GAO-03-795](#), a report to House Ranking Minority Members of congressional committees

### Why GAO Did This Study

Collecting fines ordered for violations of securities and futures laws helps ensure that violators are held accountable for their offenses and may also deter future violations. The requesters asked GAO to evaluate the actions the Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) have taken to address earlier recommendations for improving their collection programs. The committees also asked GAO to update the fines collection rates from previous reports.

### What GAO Recommends

SEC should (1) develop a strategy for referring older cases to Treasury for collection and (2) implement a reliable system to help manage all cases. SEC generally agreed with the facts presented and agreed to implement the recommendations made.

## SEC AND CFTC FINES FOLLOW-UP

### Collection Programs Are Improving, but Further Steps Are Warranted

#### What GAO Found

SEC and CFTC have improved their collection programs since GAO issued its 2001 fines report. While it was too early to fully assess the effectiveness of their actions, SEC could be doing more to maximize its use of Treasury's collection services. SEC has implemented regulations, procedures, collections guidelines, and controls for using the Treasury Offset Program (TOP), which applies payments the federal government owes to debtors to their outstanding debts. However, SEC has been focusing on referring to TOP those delinquent cases with amounts levied after its new collections guidelines went into effect. The agency has not developed a formal strategy for referring older cases, reducing the likelihood of collecting monies on what could be more than a billion dollars of delinquent debt. Further impeding collection efforts, SEC does not have a reliable system for tracking monies owed on these older cases and therefore could not determine which cases were not being referred to TOP. SEC has drafted an action plan for a new system to track all cases with a monetary judgment. Once the system is in place, the agency should have a tool for identifying all cases, including older delinquent cases that can be referred to TOP. However, SEC has not established a time frame for fully implementing the plan.

GAO's calculations for closed cases (collection actions completed) showed that regulators' collection rates on fines imposed between 1997 and August 2002 equaled or exceeded those from 1992 to 1996. Recalculating the rates to include closed and open cases (collection actions ongoing) affected SEC's and CFTC's collection rates, primarily because of a few large uncollected fines.

**Collection Rates for Fines Levied on Open and Closed Cases and Closed Cases for 1997–August 2002**

Securities and futures regulators	Open and closed cases	Closed cases
	Percentage collected	Percentage collected
SEC	40%	94%
CFTC	45	99
American Stock Exchange	87	95
Chicago Board Options Exchange	98	99
Chicago Board of Trade	94	95
Chicago Mercantile Exchange	96	97
Chicago Stock Exchange	91	100
NASD	66	95
National Futures Association	67	75
New York Mercantile Exchange	83	100
New York Stock Exchange	100	100

Source: GAO analysis of regulators' data, except NASD, which calculated its own rates.

[www.gao.gov/cgi-bin/getrpt?GAO-03-795](http://www.gao.gov/cgi-bin/getrpt?GAO-03-795).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Davi D'Agostino at (202) 512-8678 or [dagostinod@gao.gov](mailto:dagostinod@gao.gov).