

Title: wow, scum of the earth

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of the callers to file the tips on their own and didn't fill out the forms internally as required, the IG's report found.

"(We were unable to reconcile the large disparity between the number of matters received and reported by the Ombudsman in FY 2020 as potential securities law violations/fraud, and the number of TCRs the Ombudsman filed," Hoecker wrote in his 2021 letter to Gensler.

Confronted by investigators, the ombudsman created a spreadsheet containing 14 cases that were said to follow agency rules. In reality, the IG said, the document was false and included 10 tips that had nothing to do with the office, according to the investigative summary.

The Tips, Complaints and Referrals program is the heart of the SEC's enforcement efforts, and encompasses both reports to the agency's whistleblower office and to others in the enforcement office. The SEC fields tens of thousands of tips annually, virtually all of which must be put into the system, the IG's office wrote in 2021.

The goal is to make sure that tips on large frauds don't slip through the cracks, as happened with consumer complaints about Bernie Madoff, R. Allen Stanford and others.

A Bloomberg review of the ombudsman's contributions to annual and quarterly reports found that the official's own written vignettes show those guidelines weren't followed. For example, the 2020 "Report on Activities" of the office says a "retail investor in Europe" gave information about an "advance fee fraud."

But the ombudsman never filed a TCR, according to that report.

"The Ombudsman provided the investor with links to guidance on advance fee fraud available on SEC.gov, and recommended that he both contact OIEA for additional resources and assistance and submit a TCR to Enforcement," the report states.

The official "also suggested that the investor refrain from sending any funds and that he consider consulting private counsel for further advice."


(Updated the second paragraph to clarify the number of investors the ombudsman told to file fraud claims on their own.)

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- Official also created false and composite scenarios in annual reports to Congress

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"We found that the former Ombudsman misrepresented facts in a written response to an OIG draft management letter related to TCR practices," the report found. "The former Ombudsman's written response to the OIG letter was in direct contravention to what the former Ombudsman conveyed to the OIG," during its review of the TCR program.

The Inspector General's Office, the SEC and the Office of the Ombudsman didn't return messages seeking comment.

The office "presented vignettes in the Ombudsman's Annual Reports to the Congress that were potentially misleading," according to the summary. It added that the 2021 annual report has been amended to reflect that the incidents cited were composites and may not have actually happened.

The report doesn't name the former ombudsman but it points directly to portions of annual reports between 2017 and 2021 that were prepared by Tracey L. McNeil, the agency's first ombudsman. McNeil was appointed in 2014 and left the SEC in April.

McNeil couldn't be reached for comment.

The allegations stem from inspector general audits of the TCR program and of the Office of Investor Education and Advocacy, according to a May 24, 2021 letter from former Inspector General Carl Hoecker to SEC Chairman Gary Gensler obtained by Bloomberg Law.

Those audits included interviews with the ombudsman and a review of contributions over years of OIEA reports. The ombudsman's office serves as a point of contact for hundreds of investors each year who want to report fraud or need help understanding which section of the SEC could provide assistance.

In 2020, the ombudsman received more than 300 direct reports of possible fraud or securities violations, which under agency rules had to be reported to the TCR program. Instead, the ombudsman told nearly all of the callers to file the tips on their own and didn't fill out the forms internally as required, the IG's report found.

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the large disparity between the number of matters received and reported to the SEC, and the number of potential securities law violations/fraud, and the number of TCR

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