January 24, 2022

Gary Gensler
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Gensler:

I write today to urge you to immediately remove Carl Hoecker from his position of Inspector General of the Securities and Exchange Commission (SEC). Inspector General Hoecker has “abused his authority” and “engaged in conduct that undermines the independence and integrity” of the inspector general system, as detailed by an independent investigation by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).¹ According to a CIGIE Integrity Committee 2020 annual report, an unnamed official who our investigation identified as Inspector General Hoecker should face “appropriate disciplinary action for this serious misconduct, including removal.”² In fact, any disciplinary action short of removal would be insufficient. The severity of his misconduct, his strenuous efforts to deny any wrongdoing, even in retrospect, and his present indebtedness to the commissioners of the very agency he is supposed to oversee leave no reason for the American people to believe that Inspector General Hoecker can be trusted to conduct fair and objective oversight of the SEC. Moreover, there has been so far no public explanation from the SEC as to how it handled Inspector General Hoecker’s case or why, in light of CIGIE’s official findings of grave misconduct, the agency apparently believes he remains fit to continue serving.

The Project On Government Oversight (POGO) is a nonpartisan independent watchdog that investigates and exposes waste, corruption, abuse of power, and when the government fails to serve the public or silences those who report wrongdoing. POGO has recently published

² Letter from Acting Executive Chairperson of the Council of Inspectors General on Integrity and Efficiency Michael E. Horowitz to President Donald Trump, the Chairwoman and Ranking Member of the U.S. House Committee on Oversight and Government Reform, and the Chairman and Ranking Member of the U.S. Senate Committee on Homeland Security and Governmental Affairs, including the 2020 annual report on CIGIE’s activities and accomplishments, December 8, 2020, 12, https://ignet.gov/sites/default/files/files/FY20ICAAnnualReport.pdf.
an investigation into Inspector General Hoecker’s gross mishandling of an internal probe conducted under his direct supervision.³

The circumstances of Inspector General Hoecker’s documented wrongdoing center on his investigation into numerous complaints that his office received in May 2016. These complaints included allegations of sexual harassment, as well as allegations that two senior SEC special agents, one of whom reported directly to the other, engaged in a sexual relationship and potentially also committed time and attendance fraud. In 2017, Inspector General Hoecker’s office issued its final report of investigation into these allegations, which recommended only minimal disciplinary action.⁴ Soon after the SEC inspector general’s staff found out about the inconclusive findings, staff within the SEC inspector general’s office (SEC IG) raised concerns that the investigation had been incompetent and deficient and that it involved numerous improprieties by Inspector General Hoecker himself.⁵

In response to these concerns, CIGIE opened its own investigation into the inspector general’s handling of this internal probe, and issued its own, non-public report into the matter on April 5, 2019.⁶ CIGIE’s findings unambiguously conclude that Inspector General Hoecker failed to observe even the most basic investigative principles and standards for an inspector general.

Specifically, CIGIE found that Inspector General Hoecker compromised the independence of the internal investigation. Despite evidence that he had a longstanding professional relationship with individuals involved in the investigations team as well as the subjects of the investigation, he declined to recuse himself.⁷ Instead, Inspector General Hoecker created the appearance that he systematically acted to protect the two SEC IG employees under investigation in an attempt to conceal their potential wrongdoing.

Additionally, Inspector General Hoecker compromised the quality of the internal investigation. CIGIE found that he undertook efforts to decline — or direct others to decline — the pursuit of credible leads, which resulted in a failure to follow up on additional allegations of sexual harassment levied against one of the individuals already under investigation.⁸ The lead investigator also failed to advise the SEC employees of their 5th Amendment right to not incriminate themselves prior to interviewing them, jeopardizing the ability of the U.S. Attorney’s office to use their statements were the case accepted for prosecution.⁹ Such an oversight error has not occurred in any of the prior 59 SEC IG investigations into SEC officials.¹⁰

Moreover, Inspector General Hoecker’s wrongdoing extended to his decision to inappropriately confront and question a witness. After viewing a draft copy of CIGIE’s report, Inspector General

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⁴ Letter from Chairman Scott Dahl to Jay Clayton, 3 [see note 1].
⁵ Letter from Chairman Scott Dahl to Jay Clayton, 5 [see note 1].
⁶ Zagorin, “Sex, Lies, and Impunity” [see note 3].
⁷ Zagorin, “Sex, Lies, and Impunity” [see note 3].
⁸ Zagorin, “Sex, Lies, and Impunity” [see note 3].
⁹ Letter from Chairman Scott Dahl to Jay Clayton, 5-6 [see note 1].
¹⁰ Letter from Chairman Scott Dahl to Jay Clayton, 6 [see note 1].
Hoecker was able to ascertain the identity of a subordinate witness who provided testimony to CIGIE investigators. He subsequently contacted the witness over the phone and questioned them about the answers they provided.\(^{11}\) This behavior is highly irregular, could easily be considered coercive or retaliatory in nature, and may even constitute obstruction. Though Inspector General Hoecker claims that he did not violate any rules or regulations, a memo about the call composed by the witness and submitted to CIGIE indicates otherwise.\(^{12}\) Such behavior is widely understood throughout the inspector general community to be unacceptable, and it serves as further grounds for Inspector General Hoecker’s removal.

Shockingly, Inspector General Hoecker maintains that he did not engage in misconduct, despite evidence suggesting that he was aware the internal probe would not withstand wider scrutiny. Inspector General Hoecker demonstrated a reluctance to open the internal investigation to peer reviewers. He provided multiple rationales for withholding it, which CIGIE considers to be probative of knowledge that he mishandled the investigation. Furthermore, he repeatedly changed his characterization of the investigation depending on his audience and at one point mischaracterized it as a “management inquiry,” which would not be subject to CIGIE’s quality standards for investigations.\(^{13}\) Inspector General Hoecker’s staunch position that he did nothing wrong, coupled with his efforts to conceal the investigation from a broader audience, are further grounds for his removal.

Failure to remove Inspector General Hoecker undermines the integrity of the office of the SEC IG, and therefore undermines the SEC’s commitment to accountability. This is especially concerning because of the major role that the SEC plays in monitoring and protecting the health of our nation’s financial markets and stabilizing global economies. Unlike other inspectors general, who are subject to the Senate confirmation process and who may be removed by the president, the SEC inspector general may only be removed by a majority vote of the SEC’s five commissioners.\(^{14}\) As a result, it is critical that the relationship between the SEC commissioners and the SEC IG remain free from quid pro quo conflicts of interest that likely impair oversight efforts. It is therefore deeply troubling that Inspector General Hoecker has not been meaningfully held accountable for his actions. Though Inspector General Hoecker faced some measure of professional repercussions, any disciplinary action short of removal from office is insufficient to address the severity of his misconduct and fails to ensure the impartiality of the SEC IG moving forward.

POGO strongly believes that inspectors general are key to uncovering waste, fraud, and abuse and delivering the most effective and ethical federal government. We have a long history of championing inspectors general reform in Congress and have worked extensively to ensure that inspectors general have the tools and independence to faithfully execute the responsibilities of their office. To that end, it is also necessary for inspectors general to be held to the highest ethical standard. Anything short of that jeopardizes the effectiveness of all inspectors general as well as their affiliated federal agencies or designated federal entities.

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\(^{11}\) Zagorin, “Sex, Lies, and Impunity” [see note 3].

\(^{12}\) Letter from Chairman Scott Dahl to Jay Clayton, 7 [see note 1].

\(^{13}\) Letter from Chairman Scott Dahl to Jay Clayton, 8 [see note 1].

Inspector General Hoecker effectively undermined the credibility of his office, imperiled the integrity of the SEC, and demonstrated a systematic failure to ensure the critical duties of his position met the standard that the American people deserve. Moreover, his lack of candor throughout CIGIE’s investigation, his unwillingness to acknowledge his own wrongdoing, and his indebtedness to the commissioners of the very agency he is supposed to oversee are disqualifying for such a position. He is unable to perform the core functions of an inspector general. Therefore, I urge you to immediately remove him as the inspector general of the SEC.

Sincerely,

Danielle Brian
Executive Director

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15 Zagorin, “Sex, Lies, and Impunity” [see note 3].