



OFFICE OF
INSPECTOR GENERAL

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

March 11, 2013

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

Committee on Homeland Security and
Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510
Thomas R. Carper, Chairman
Tom Coburn, Ranking Member

Jeffrey Zients, Acting Director
Office of Management and Budget
1650 Pennsylvania Avenue
Room 216
Washington, DC 20503

Committee on Oversight and Government
Reform

United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Darrell E. Issa, Chairman
Elijah Cummings, Ranking Member

Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

**Inspector General's Report of the U.S. Securities and Exchange Commission's Fiscal
Year 2012 Compliance with the Improper Payments Elimination and Recovery Act**

The U.S. Securities and Exchange Commission (SEC) Office of Inspector General (OIG) has completed its review of the SEC's compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) for fiscal year 2012 (FY), in accordance with IPERA and the Office of Management and Budget (OMB) Memorandum M-11-16.

We conducted interviews with officials in the Office of Financial Management regarding the SEC's risk assessment under IPERA, and we reviewed the relevant disclosure in the FY 2012 Agency Financial Report (AFR). SEC's risk assessment determined that none of its programs and activities are susceptible to significant improper payments at or above the threshold levels that have been set by OMB. Significant erroneous payments are defined as annual erroneous payments in program exceeding both \$10 million and 2.5 percent or \$100 million of total annual program payments. Further, the SEC determined that implementing a payment recapture program which does not administer grant, benefit or loan programs, is not cost-effective. In addition, the AFR states that although the SEC determined that implementing a payment recapture program is not cost-effective, it nonetheless strives to recover overpayments that are identified through other sources. We also reviewed the SEC's

IPERA Risk Assessment Summary Report dated September 11, 2012 and its supporting documentation to substantiate the agency's compliance with IPERA and the accuracy of improper payment amounts that were reported in the AFR.

Based on our review of information we determined that the SEC is in compliance with IPERA for FY 2012.

If I can provide you with any further information, please do not hesitate to contact me at (202) 551-6061 or via email at hoeckerc@sec.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "C. W. Hoecker", with a long horizontal flourish extending to the right.

**Carl W. Hoecker
Inspector General
Office of Inspector General
U.S. Securities and Exchange Commission**

**cc: Jeffrey Heslop, Chief Operating Officer, Office of the Chief of Operations
Kenneth A. Johnson, Chief Financial Officer, Office of Financial Management**