



OFFICE OF
INSPECTOR GENERAL

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

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

Ron Johnson, Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Claire C. McCaskill, Ranking Member
Committee on Homeland Security and
Governmental Affairs
United States Senate
442 Hart Senate Office Building
Washington, DC 20510

Mick Mulvaney, Director
Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Trey Gowdy, Chairman
Committee on Oversight and Government
Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Elijah E. Cummings, Ranking Member
Committee on Oversight and Government
Reform
United States House of Representatives
2471 Rayburn House Office Building
Washington, DC 20515

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 on the U.S. Securities and Exchange Commission's Fiscal
Year 2017 Compliance with the Improper Payments Information Act**

The U.S. Securities and Exchange Commission's (SEC or agency) Office of Inspector General has concluded its fiscal year (FY) 2017 review of the SEC's compliance with the Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended and expanded by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. 112-248), and the Federal Improper Payments Coordination Act of 2015 (P.L. 114-109). Our review was conducted in accordance with implementing guidance set forth in the Office of Management and Budget's (OMB) Memorandum M-15-02.

OMB Memorandum M-15-02 lists six requirements an agency must meet to comply with IPIA. The requirements include but are not limited to the agency publishing an Agency Financial Report (AFR) for the most recent fiscal year and conducting a program specific risk

assessment if required. For FY 2017, the SEC met each of the requirements that were applicable to the agency. The SEC was not required to, and thus did not, perform a risk assessment for FY 2017.¹ The SEC made this determination based on the following:

1. The FYs 2015 and 2016 risk assessments did not identify any programs or activities² susceptible to significant improper payments at or above the threshold levels set by OMB;³
2. The agency's historically low volume of improper payments; and
3. The low risk of improper payments given the controls and processes in place.

The SEC reported that in FY 2018 it will conduct a follow-on review of the agency's programs and activities to determine whether the programs have experienced any significant changes in legislation or funding levels. If needed, the SEC will re-assess risk susceptibility and make a statistically valid estimate of improper payments for any programs determined to be susceptible to significant improper payments.

The SEC's FY 2017 AFR states that the agency determined that implementing a payment recapture audit program is not cost-effective, and the agency notified OMB of this decision in September 2015. Nonetheless, the SEC will continue to monitor its improper payments across all programs and activities the SEC administers, and will assess whether implementing payment recapture audits for each program is cost-effective in the future. Additionally, in compliance with OMB Circular A-136, *Financial Reporting Requirements*, the SEC 2017 AFR includes a link to Paymentaccuracy.gov to explain improper payments and the information reported in previous AFRs that was not included in the FY 2017 AFR.

Based on our review of all relevant information, we have determined that the SEC is in compliance with IPIA for FY 2017.

We appreciate the courtesies and cooperation extended to us by the SEC's Office of Financial Management. If you have questions or require additional information, please contact Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at sharekr@sec.gov, or Colin Heffernan, Audit Manager, at heffernanc@sec.gov. You can obtain additional information about the SEC Office of Inspector General at <http://www.sec.gov/oig>.

¹ According to OMB Memorandum M-15-02, agencies must perform a risk assessment at least once every 3 years for programs that are deemed to be low risk of significant improper payments. However, if a low risk program experiences a significant change in legislation and /or a significant increase in its funding level, agencies are required to re-assess the program's risk susceptibility during the next annual cycle, even if it is less than 3 years from the last risk assessment.

² Programs and activities assessed included vendor payments (including travel and credit card payments), disgorgement and penalty distributions, returned deposits of registration filing fees, whistleblower payments, and payroll and benefit payments (including base pay, overtime pay, and agency contributions to retirement plans, health plans, thrift savings plans, and supplemental retirement).

³ "Significant improper payments" are defined as gross annual improper payments in the program(s) under review exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year, or (2) \$100 million.

Sincerely,



Carl W. Hoecker
Inspector General

cc: Lucas Moskowitz, Chief of Staff, Office of Chairman Clayton
Sean Memon, Deputy Chief of Staff, Office of Chairman Clayton
Peter Uhlmann, Managing Executive, Office of Chairman Clayton
Robert Peak, Advisor to the Commissioner, Office of Commissioner Stein
Richard Grant, Counsel, Office of Commissioner Piwowar
Caroline Crenshaw, Counsel, Office of Commissioner Jackson
Prashant Yerramalli, Counsel, Office of Commissioner Jackson
Jonathan Carr, Counsel, Office of Commissioner Peirce
Robert B. Stebbins, General Counsel
Bryan Wood, Director, Office of Legislative and Intergovernmental Affairs
John J. Nester, Director, Office of Public Affairs
Rick A. Fleming, Investor Advocate
Kenneth Johnson, Chief Operating Officer
Caryn Kauffman, Acting Chief Financial Officer, Office of Financial Management
Darlene L. Pryor, Management and Program Analyst, Office of the Chief Operating Officer
Mary Ellen Mitchell, Senior Policy Analyst, Office of Management and Budget
Heather Pajak, Senior Policy Analyst, Office of Management and Budget
Beryl Davis, Director, Financial Management and Assurance, U.S. Government Accountability Office