March 23, 2018

Inspector General’s Report on the U.S. Securities and Exchange Commission’s Fiscal Year 2017 Compliance with the Improper Payments Information Act


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. The SEC made this determination based on the following:

1. The FYs 2015 and 2016 risk assessments did not identify any programs or activities susceptible to significant improper payments at or above the threshold levels set by OMB;
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](http://www.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](http://www.sec.gov/oig).

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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