



OFFICE OF
INSPECTOR GENERAL

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

M E M O R A N D U M

March 28, 2018

TO: Jay Clayton, Chairman

FROM: Carl W. Hoecker, Inspector General 

SUBJECT: *Results of the Inspector General's Fiscal Year 2017 Purchase Card Program Risk Assessment*

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), P.L. 112-194, requires the Office of Inspector General to conduct periodic assessments of agency purchase card and/or convenience check programs to identify and analyze the risks of illegal, improper, or erroneous purchases and payments. The risk assessments are used to determine the scope, frequency, and number of audits of purchase card or convenience check transactions. Pursuant to Office of Management and Budget guidance (M-13-21), risk assessments of agency purchase cards (including convenience checks) should be completed on at least an annual basis. As a result, we conducted a risk assessment of the U.S. Securities and Exchange Commission's (SEC or agency) Government Purchase Card (GPC) program for fiscal year 2017. This memorandum fulfills the Charge Card Act requirement to report to the agency head the results of the risk assessment.

To conduct the risk assessment of the SEC's GPC program, we assessed agency compliance with requirements of the Charge Card Act and evaluated the SEC's GPC program against an established enterprise risk management framework. We interviewed staff from the Office of Acquisitions and reviewed applicable documents. Additionally, we considered the results of our periodic review of purchase card transactions.

The SEC has established GPC program objectives, identified program risks, and established controls and monitoring to address those risks. We agree with the SEC's assessment of how its controls and monitoring affect the likelihood the risks could occur and the impact those risks would have on the GPC program. Given the objectives and size of the GPC program and its materiality to the SEC, the agency's risk response appears reasonable and sufficient.

However, during our review of the SEC's fiscal year 2017 GPC transactions, cardholders were unable to provide documentation to verify that employees attended GPC-paid external training events, as required by an SEC administrative regulation.¹ According to SEC GPC personnel, employees could not verify attendance at external training events because the agency's LEAP

¹ SEC Administrative Regulation (SECR) 6-28, *Training and Development Program* (dated June 8, 2016, and Rev. 1, dated May 1, 2017), states that, to confirm that services paid for were delivered, employees will verify attendance at external training events. The regulation indicates that SEC University will provide employees with an electronic means to verify attendance.

training system was not properly configured. We brought this issue to management's attention and management is contemplating action. In our fiscal year 2018 risk assessment, we will reevaluate this issue.

As a result of our assessment, we determined that the overall risk of illegal, improper, or erroneous purchases and payments in the SEC's GPC program is low. Additionally, because we completed an audit of the SEC's controls over its GPC program in 2014 (*Controls over the SEC's Government Purchase Card Program*, Report No. 517; March 28, 2014), we do not plan to conduct an audit of the program in fiscal year 2018. However, we are conducting limited GPC testing as part of an ongoing audit of the SEC's management and purchase of electronic information sources, data sources, and print materials. We will issue a report on the audit's results when complete.

The Charge Card Act also requires periodic audits or reviews of travel card programs for agencies with more than \$10 million in travel card spending, but does not require travel card program risk assessments. We determined that, in fiscal year 2017, the SEC did not meet the \$10 million threshold. Furthermore, we did not perform a travel card program risk assessment.

We appreciate the courtesies and cooperation extended to us during this assessment. If you have questions, please contact Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at sharekr@sec.gov, or Carrie Fleming, Audit Manager, at flemingca@sec.gov. You can obtain additional information about the SEC Office of Inspector General at <http://www.sec.gov/oig>.

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