



U.S. Securities and Exchange Commission

Management Report to Accompany the Office of Inspector General Semiannual Report to Congress

for the period October 1, 2016 through March 31, 2017

May 2017

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Section 5(b) of the Inspector General Act of 1978, as amended, requires the Commission to transmit to the appropriate committees or subcommittees of the U.S. Congress a Management Report, containing certain statistical tables and any comments deemed appropriate, to accompany the Office of Inspector General’s (OIG’s) Semiannual Report. This Management Report presents the required information for the reporting period of October 1, 2016 through March 31, 2017.

I. Overview of SEC Audit Follow-up Activities

The SEC is committed to timely completion of corrective actions on audit recommendations. At the commencement of this semiannual reporting period, there were 33 open recommendations. During the period, management successfully closed 21 recommendations and four reports with OIG’s concurrence. Corrective actions were completed on 95 percent of the recommendations in less than one year. At period-end, final action was pending on six reports, of which five were less than a year old.

II. Reports with Monetary Savings

Sections 5(b)(2) and (3) of the Inspector General Act require the SEC Management Report to include statistical tables summarizing the progress that the agency has made in responding to audit, inspection, and evaluation reports containing “disallowed costs” and “recommendations that funds be put to better use.”

Disallowed Costs. Whenever OIG questions whether costs incurred by the agency are necessary, supported by adequate documentation, or in accordance with law, regulation, or contracts governing the use of funds, SEC management will review the facts and determine whether such costs should be officially disallowed. If the SEC agrees that such costs should not be charged to the government, the agency will then take appropriate action, such as commencing collection efforts to recover the disallowed costs.

Table 1. Status of Final Action on Audit, Inspection and Evaluation Reports
with Disallowed Costs

Audit, Inspection and Evaluation Reports	Number	Dollar Value of Disallowed Costs
A. For which final action had not been taken by the beginning of the reporting period	1	\$177,000
B. On which management decisions were made during the reporting period	0	\$0
C. For which final action was taken during the reporting period	0	\$0
(i) Dollar value of disallowed costs that were recovered through collection, offsets, property in lieu of cash, or otherwise	0	\$0
(ii) Dollar value of disallowed costs that were written off by management	0	\$0
D. For which no final action has been taken by the end of the period	1	\$177,000

On June 22, 2016, the OIG issued a report entitled “Management of the SEC’s Protective Security Force Contract Needs Improvement” (Report No. 536). The OIG did not identify any concerns with

the performance of the SEC’s protective security force. However, OIG found the difference in contractually required versus actual training hours resulted in questioned costs of about \$177,000. The SEC issued a contract modification effective August 31, 2016, which revised the statement of work to clarify and strengthen the requirements for training, among other things. As of March 31, 2017, the contractor had met 95 percent of the training requirements and was on track to complete the remaining training in April.

Funds Put to Better Use. Whenever OIG recommends specific dollar amounts that it believes can be saved by improving the efficiency of agency operations, SEC management will review the facts and determine whether to implement such recommendations. “Funds put to better use” refers to the specific dollar value of cost savings that the SEC has agreed can and should be implemented through appropriate corrective action.

Table 2. Status of Final Action on Audit, Inspection and Evaluation Reports with Funds Put to Better Use

Audit, Inspection and Evaluation Reports	Number	Dollar Value of Funds Put to Better Use
A. For which final action had not been taken by the beginning of the reporting period	1	\$216,000
B. On which management decisions were made during the reporting period	0	\$0
C. For which final action was taken during the reporting period	0	\$0
(i) Dollar value of recommendations that were actually completed		\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed		\$0
D. For which no final action has been taken by the end of the reporting period	1	\$216,000

On March 31, 2016, the OIG issued a report on the SEC’s Student Loan Repayment Program (Report No. 534). The audit identified about \$216,000 in student loan benefits owed to the SEC by 17 former employees. While final action remains underway, as of March 31, 2017, the SEC had recovered \$88,707 and waived \$18,208 due to financial hardship. Payment plan balances totaled \$23,599 and the balance of claims referred to Treasury for collection totaled \$85,492.

Status of Other OIG Report Containing Questioned Costs. On September 30, 2016, the OIG issued a report on the SEC’s information technology requirements-gathering process (“Audit of SEC’s Information Technology Requirements-Gathering Process,” Report No. 538). OIG found that for a 9-month period, the SEC paid a contractor hired to perform requirements-gathering activity for a specific project \$24,230 even though monthly status reports indicated that no such activity occurred during that period. The SEC’s Senior Procurement Official and the Contracting Officer reviewed the matter and determined that costs were supported for the 9-month period because the contractor engaged in project management activities that were within the scope of the agreement.

III. Reports More than One Year Old with Pending Corrective Action

Section 5(b)(4) of the Inspector General Act, as amended, requires the SEC Management Report to include a statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year. Table 3 on the following page presents the required information.

Table 3. Audits and Other Reports More than One Year Old
 (Reporting Period October 1, 2016 through March 31, 2017)

Report No./Title	Report Date	Funds Put to Better Use	Disallowed Costs	Status of Final Action
534, Audit of SEC's Student Loan Repayment Program	3/31/2016	\$0	\$216,000	Five of nine recommendations have been closed with OIG's concurrence. After consulting with the OIG, the Office of Human Resources is preparing additional documentation to support closure of the remaining four recommendations.