



U.S. Securities and Exchange Commission  
Office of Inspector General  
Office of Audits

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## Improvements Needed in Oversight of SEC-Sponsored Conferences



February 11, 2016  
Report No. 532



OFFICE OF  
INSPECTOR GENERAL

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

**M E M O R A N D U M**

February 11, 2016

**TO:** Jeffery Heslop, Chief Operating Officer

**FROM:** Carl W. Hoecker, Inspector General

**SUBJECT:** *Improvements Needed in Oversight of SEC-Sponsored Conferences,*  
Report No. 532

Attached is the Office of Inspector General (OIG) final report detailing the results of our audit of the U.S. Securities and Exchange Commission's (SEC or agency) oversight of SEC-sponsored conferences. The report contains six recommendations that should help the SEC improve oversight of SEC-sponsored conferences, comply with applicable laws and agency policy and requirements, and ensure that goals and objectives are met.

On January 26, 2016, we provided management with a draft of our report for review and comment. In its February 2, 2016, response, management concurred with our recommendations. We have included the response as Appendix III in the final report.

We are pleased that SEC management concurred with and took immediate action to address all six recommendations for corrective action. Management's completed actions are responsive to the recommendations; therefore, the recommendations are resolved and closed for reporting purposes based on our verification of management's completed corrective actions.

We appreciate the courtesies and cooperation extended to us during the audit. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

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Mr. Heslop  
February 11, 2016  
Page 2

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# Executive Summary

## Improvements Needed in Oversight of SEC-Sponsored Conferences Report No. 532 February 11, 2016

### Why We Did This Audit

Executive Order 13589, *Promoting Efficient Spending*, (November 2011) directs Federal agencies to cut waste in Federal Government spending and identify opportunities to promote efficient and effective spending, including spending on conferences. Office of Management and Budget Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, (May 2012) describes policies and practices to achieve these efficiencies and requires Federal agencies to exercise discretion and judgment in ensuring conference expenses are appropriate, necessary, and managed in a manner that minimizes expense to taxpayers. The U.S. Securities and Exchange Commission's (SEC or agency) Office of Financial Management (OFM) is responsible for overseeing SEC conferences. Between October 1, 2013, and May 31, 2015 (the period reviewed), the SEC sponsored 145 conferences costing more than \$2.22 million. Internal controls over SEC-sponsored conferences, including the review and approval of conference spending, must be sufficiently designed and implemented to ensure the SEC's conference spending is reasonable and necessary and complies with applicable Federal and agency requirements.

### What We Recommended

To improve OFM's oversight of SEC-sponsored conferences, we made six recommendations for corrective action. The recommendations address improvements in reviewing and reporting conference expenses, amending the SEC's definition of "conference," and strengthening OFM's review of conference request packages. Management concurred with the recommendations, which are resolved and closed for reporting purposes based upon our verification of management's completed corrective actions.

### What We Found

To determine whether the SEC complied with Federal and agency requirements for planning, requesting, approving, and reporting agency-sponsored conferences, we reviewed information including but not limited to: (1) SEC conference reporting and spending data for the period reviewed, (2) OFM's role and responsibilities for overseeing SEC-sponsored conferences, and (3) SEC divisions' and offices' roles and responsibilities related to agency conferences. We found that OFM established policies and procedures for planning, requesting, and approving SEC-sponsored conferences. OFM also properly reported to the Office of Inspector General all conferences held between October 1, 2013, and May 31, 2015, costing more than \$20,000, in accordance with the Consolidated Appropriations Act, 2014 (Pub. L. 113-76) and the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. 113-235). In addition, in October 2014, OFM improved the SEC's conference request process by implementing the Automated Conference Request System. The system facilitates the electronic submission of conference requests, documents conference review and approval processes, and provides online conference request tracking.

However, we determined that OFM can further improve its oversight of agency-sponsored conferences. Specifically, in fiscal year 2014, OFM did not obtain from divisions and offices actual expenses for SEC conferences costing more than \$100,000 and instead relied on estimates. As a result, the SEC reported to the Office of Inspector General and the public inaccurate fiscal year 2014 conference spending information (overstated by \$19,103), and did not fully comply with the Consolidated Appropriations Act of 2014 and Office of Management and Budget Memorandum M-12-12.

Furthermore, although not required to do so, OFM did not review actual expenses for conferences costing equal to or less than \$100,000. Expenses for these conferences composed 83 percent of the SEC's total conference-related expenses during the period reviewed. Because OFM does not review actual expenses for these conferences, the SEC lacks sufficient controls to ensure the majority of funds spent on conferences are used appropriately and in accordance with Federal and agency requirements.

In addition, OFM did not fully define and communicate to divisions and offices those events that meet the definition of "conference." As a result, divisions and offices may not accurately and timely report conferences as required.

Finally, as a result of not having a documented, standardized process for reviewing conference request packages, OFM approved SEC-sponsored conferences without obtaining all required information.

For additional information, contact the Office of Inspector General at (202) 551-6061 or [www.sec.gov/about/offices/inspector\\_general.shtml](http://www.sec.gov/about/offices/inspector_general.shtml).

# TABLE OF CONTENTS

**Executive Summary** ..... i

**Background and Objectives** ..... 1

    Background ..... 1

    Objectives ..... 3

**Results** ..... 4

    Finding 1: OFM Did Not Obtain or Review Actual Conference Expenses ..... 4

    Recommendations, Management’s Response, and Evaluation of Management’s Response ..... 6

    Finding 2: OFM Should Clarify SEC-Sponsored Conference Reporting Requirements ..... 8

    Recommendations, Management’s Response, and Evaluation of Management’s Response ..... 9

    Finding 3: OFM Should Establish a Standardized Process for Reviewing Conference Requests ..... 11

    Recommendations, Management’s Response, and Evaluation of Management’s Response ..... 11

**Figures and Tables**

    Figure 1. Actual Conference Expenses Between October 1, 2013, and May 31, 2015 – Reviewed Versus Not Reviewed ..... 6

    Table 1. Differences in Events Reported to OIG and OFM ..... 9

**Appendices**

    Appendix I. Scope and Methodology ..... 13

    Appendix II. Sampled Conferences ..... 16

    Appendix III. Management Comments ..... 18

## ABBREVIATIONS

ACRS	Automated Conference Request System
FY	fiscal year
GAO	U.S. Government Accountability Office
OCIE	Office of Compliance Inspections and Examinations
OFM	Office of Financial Management
OIG	Office of Inspector General
OMB	Office of Management and Budget
SEC or agency	U.S. Securities and Exchange Commission
SECR	SEC Administrative Regulation
Appropriations Acts of 2014 and 2015 or the Acts	Consolidated Appropriations Act, 2014 (Pub. L. 113-76), and Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. 113-235)

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## Background and Objectives

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### Background

Like other Federal agencies, the U.S. Securities and Exchange Commission (SEC or agency) sponsors conferences and approves SEC employees' attendance at conferences. According to the Federal Travel Regulation, Office of Management and Budget (OMB) guidance, and SEC policy, "conference" is defined as "[a] meeting, retreat, seminar, symposium or event that involves attendee travel. The term 'conference' also applies to training activities that are considered to be conferences under 5 CFR 410.404."<sup>1</sup> Between October 1, 2013, and May 31, 2015, the SEC sponsored 145 conferences costing more than \$2.22 million. These conferences included but were not limited to new examiner training for the SEC's Office of Compliance Inspections and Examinations (OCIE), national trial lawyers training held by the agency's Division of Enforcement, annual regional securities conferences, and various leadership conferences.

Executive Order 13589, *Promoting Efficient Spending*, (dated November 9, 2011) directs Federal agencies to cut waste in Federal Government spending and identify opportunities to promote efficient and effective spending, including spending on conferences. On May 11, 2012, OMB issued Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, (OMB M-12-12) to implement the Executive Order. OMB M-12-12 describes policies and practices to achieve efficiencies and, among other things, requires Federal agencies to exercise discretion and judgment in ensuring conference expenses are appropriate, necessary, and managed in a manner that minimizes expense to taxpayers.<sup>2</sup> For example, OMB M-12-12 directs agencies to require the approval of senior officials for conferences with expenses more than \$100,000, prohibits conferences with expenses of more than \$500,000 (unless the agency's head provides a waiver), and increases transparency by requiring the reporting of these costs publicly.

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<sup>1</sup> 41 CFR 300-3.1; OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, May 11, 2012; and SEC Administrative Regulation 5-4, *Conference Authorization*, November 18, 2013.

<sup>2</sup> According to OMB M-12-12, "conference expenses" are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference, but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the Federal Travel Regulation. See 41 CFR 301-74.2. Moreover, conference expenses should be net of any fees or revenue received by the agency through the conference and should not include costs to ensure the safety of attending governmental officials.

In addition, the Appropriations Acts of 2014<sup>3</sup> and 2015<sup>4</sup> (the Acts) required Federal agencies to report to their Inspector General:

1. conferences costing more than \$20,000 within 15 days of each conference; and
2. expenditures for conferences costing more than \$100,000 in an annual report.

Moreover, the Acts directed agencies to comply with OMB M-12-12 when using funds received for travel or conference activities.

The SEC's Office of Financial Management (OFM) is responsible for overseeing the agency's conference activities. Specifically, as detailed in SEC Administrative Regulation (SECR) 5-4, *Conference Authorizations*,<sup>5</sup> OFM provides technical expertise on all matters pertaining to conference planning requirements, issues guidance, and authorizes SEC-sponsored conferences that involve the expenditure of funds. OFM also compiles the costs of SEC conferences costing more than \$100,000 and submits agency conference reports to the Office of Inspector General (OIG) and the public.

In July 2013, as part of its conference oversight role, OFM issued Chapter 06.08 of the OFM Reference Guide.<sup>6</sup> Chapter 06.08 outlines the SEC's requirements for conference and expenditure approval. Any SEC-sponsored conference, training conference, international meeting, awards ceremony, or cultural awareness program event requires OFM approval. Furthermore, Chapter 06.08 provides instructions regarding meals and refreshments, hotel rooms, and the use of facilities. The Chapter mandates that the SEC's divisions and offices make every possible effort to use SEC space to minimize costs. If SEC space is not used, divisions and offices must submit an explanation to OFM. Divisions and offices must also submit three quotes for rental costs projected to exceed \$1,000, and complete and submit to the Office of Acquisitions a procurement package for facility rentals projected to exceed \$3,000. Hotel rooms and conference-provided meal expenses require special research and approval, and OFM is responsible for approving these expenditures. Also, divisions and offices must conduct market research for estimated meal and refreshment costs in excess of \$1,000 and provide at least three potential sources. Additionally, lodging and conference-provided meals should not exceed the Federal Travel Regulation rates.

SECR 5-4 further outlines the policies, requirements, and responsibilities for planning and approving SEC-sponsored conferences. Specifically, the regulation states that SEC-sponsored conferences must be planned in a manner that ensures proposed

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<sup>3</sup> Section 742 of the Consolidated Appropriations Act, 2014, Pub. L. 113-76, Division E, Title VII, § 742, 128 Stat. 5, 242-43 (2014).

<sup>4</sup> Section 739 of the Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. 113-235, Division E, Title VII, § 739, 128 Stat. 2130, 2389-90 (2014).

<sup>5</sup> SECR 5-4, *Conference Authorization*, November 18, 2013.

<sup>6</sup> SEC OFM Reference Guide, Chapter 06.08, *Budget Execution: SEC Conference Planning and Approval*, Effective October 2014. In April 2015, OFM amended paragraphs 3.1.2, 4.1.1, and 4.2.5.



expenditures are reasonable and necessary and that benefits derived by the agency exceed the costs incurred.

In October 2014, OFM replaced the manual process divisions and offices used to request conferences by implementing the Automated Conference Request System (ACRS). ACRS is a SharePoint application that acts as a document repository to facilitate the electronic submission of conference requests. ACRS also documents the review and approval processes, provides on-line request tracking, and guides division and office requestors through the steps to request a conference.

## Objectives

Our objectives were to determine whether the SEC:

- complied with applicable requirements of the Appropriations Acts of 2014 and 2015; and
- adhered to internal guidance on minimizing conference costs during the period of October 2013 through May 2015 to ensure all expenses were reasonable and necessary.

We determined that OFM properly notified the OIG of conferences costing more than \$20,000. However, as this report describes, improvements are needed in the oversight of SEC-sponsored conferences.

Appendix I includes additional information on our scope and methodology; applicable Federal laws and regulations, and SEC regulations, policies, and procedures; our review of internal controls; and prior audit coverage. Appendix II includes the conferences we reviewed.

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## Results

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### Finding 1: OFM Did Not Obtain or Review Actual Conference Expenses

SEC divisions and offices are responsible for preparing conference request packages and submitting them to OFM for approval. Furthermore, divisions and offices are responsible for collecting and submitting documentation of conference expenses. However, OFM is responsible for ensuring that the SEC's conference spending is reasonable and necessary and complies with applicable Federal and agency guidance. Although OFM established agency policies, requirements, and responsibilities for planning, requesting, and approving SEC-sponsored conferences, OFM did not obtain or review actual conference expenses. Specifically:

- (1) OFM did not obtain actual expenses for conferences costing more than \$100,000 in fiscal year (FY) 2014, as required by the Appropriations Act of 2014 and OMB M-12-12. Instead, even though OFM requested actual expenses from divisions and offices, OFM received and improperly relied on estimates of conference expenses to generate the SEC's FY 2014 report for conferences exceeding \$100,000. As a result, in FY 2014, the SEC reported inaccurate conference spending information to the OIG and the public and did not fully comply with the Appropriations Act of 2014 and OMB M-12-12.
- (2) OFM did not review actual expenses for conferences costing equal to or less than \$100,000 as part of its oversight role. We recognize that there was no requirement to do so and that OFM's review of such expenses would be time-intensive. However, 83 percent (or \$1.85 million of \$2.22 million) of the SEC's conference expenses between October 1, 2013, and May 31, 2015, were for conferences costing equal to or less than \$100,000. Because OFM did not review any of these actual expenses, the SEC lacks sufficient controls to ensure the majority of funds spent on agency-sponsored conferences are reasonable, necessary, and in accordance with agency guidance.

***OFM Did Not Obtain Actual Expenses for Conferences Costing More Than \$100,000.*** The Appropriations Act of 2014 required the SEC to report to the OIG the detailed expenses for conferences costing more than \$100,000. Furthermore, OMB M-12-12 requires the SEC to report publicly all previous fiscal year agency-sponsored conferences with a net expense of more than \$100,000 by January 31 each year. OFM is responsible for obtaining and compiling the actual expenses from the divisions and offices for these reports.

In FY 2014, the SEC sponsored only two conferences with expenses greater than \$100,000: (1) the Division of Enforcement 2014 Chief Enforcement Conference, and (2) the 2014 OCIE National Exam Program Leadership Conference. For both conferences, OFM requested actual expenses from the division and the office that held the conferences, but OFM received only estimates. OFM relied on these estimates to report conference expenses to the OIG and the public. Additionally, the Division of Enforcement and OCIE did not ensure that all attendee travel was included when calculating travel expenses associated with the conferences.<sup>7</sup>

As a result, the SEC's FY 2014 conference reports to the OIG and the public were inaccurate. Specifically, the SEC reported to the OIG and the public that expenses associated with the Division of Enforcement 2014 Chief Enforcement Conference were \$195,116 when actual expenses were \$171,914 (a \$23,202 overstatement).<sup>8</sup> The SEC reported to the OIG and the public that expenses associated with the 2014 OCIE National Exam Program Leadership Conference were \$176,219 when actual expenses were \$180,318 (a \$4,099 understatement). In total, these errors resulted in a \$19,103 overstatement of SEC conference expenses in FY 2014. Because the SEC's reports were inaccurate, the reports did not fully comply with the requirements of the Appropriations Act of 2014 and OMB M-12-12. OFM officials told us they will ensure that actual expenses are reported in future annual reports.

***OFM Did Not Obtain or Review Actual Expenses for Conferences Costing Equal to or Less Than \$100,000.*** We determined that OFM did not obtain or review actual expenses for conferences costing equal to or less than \$100,000 as part of its oversight role. According to an OFM official, reviewing such expenses is time-intensive. Additionally, there is no Federal law, regulation, or agency policy that requires review of actual expenses for conferences costing equal to or less than \$100,000. However, SECR 5-4 outlines policies, requirements, and procedures for planning and approving conferences and gives OFM responsibility for providing technical expertise, issuing guidance, and authorizing conference expenses. The regulation further states that SEC-sponsored conferences must be planned in a manner that ensures expenditures are reasonable and necessary and benefits derived by the agency exceed the costs incurred. In addition, Chapter 06.08 of the OFM Reference Guide establishes detailed procedures to ensure conference spending is reviewed and controlled.

The majority of the SEC's conference expenses are for conferences costing less than \$100,000. For example, between October 1, 2013, and May 31, 2015, the SEC

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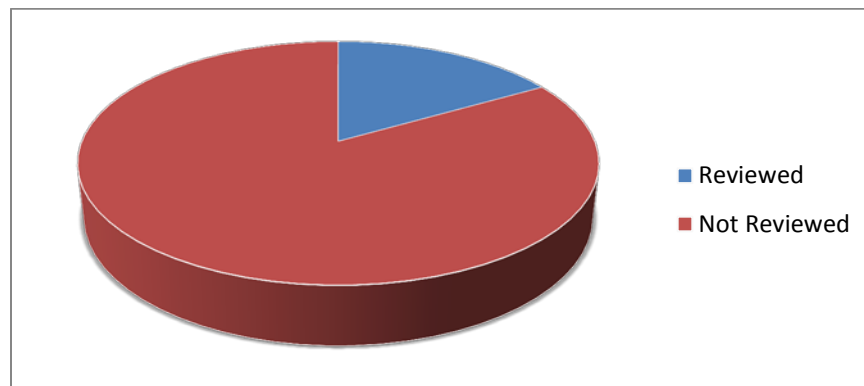
<sup>7</sup> OFM officials told us that this occurred under the manual conference reporting process and the SEC's implementation of ACRS should ensure that this does not occur in the future.

<sup>8</sup> We calculated actual expenses by summing attendees' total travel voucher amounts and the costs of meals and refreshments for the conference. However, some travel attendees had multiple travel purposes combined into one travel voucher. OFM did not deem it cost effective to calculate the actual costs associated with each conference by breaking apart each travel voucher to identify the actual travel costs associated with each conference. Therefore, the amount of reported costs would be reduced if travel costs associated with other purposes were separated from conference travel costs.

sponsored 145 conferences totaling \$2.22 million. Only two of these conferences exceeded \$100,000. Therefore, as shown in Figure 1, 83 percent (or \$1.85 million of \$2.22 million) of the SEC's conference-related expenses during the period reviewed were for conferences costing equal to or less than \$100,000. Because OFM does not review actual expenses for most SEC-sponsored conferences, the SEC lacks sufficient controls to ensure the majority of funds spent on conferences are used appropriately and in accordance with agency guidance (that is, expenses are reasonable and necessary, and benefits derived exceed the costs incurred).

We obtained and reviewed actual expenses for a sample of 15 conferences held during the period reviewed, and determined that 3 (or 20 percent) exceeded their approved budget. One conference exceeded its approved budget by \$7,956 (\$67,889 [actual expense] – \$59,933 [estimated expense] = \$7,956). However, OFM was unaware of these differences because it did not have internal controls to review actual expenses for conferences costing equal to or less than \$100,000.

**Figure 1. Actual Conference Expenses Between October 1, 2013, and May 31, 2015 – Reviewed Versus Not Reviewed**



Source: OIG-generated from conference spending data provided by OFM.

## Recommendations, Management's Response, and Evaluation of Management's Response

To improve the SEC's internal controls over conference spending and ensure compliance with applicable laws and agency policies and procedures, we recommend:

**Recommendation 1:** The Office of Financial Management should correct the U.S. Securities and Exchange Commission's fiscal year 2014 reports for conferences costing more than \$100,000 by properly reflecting actual conference costs rather than estimates, and reissue the reports to the Office of Inspector General and the public.

**Management's Response.** The Office of Financial Management concurred with the recommendation. The Office of Financial Management revised the agency's fiscal year 2014 reports, provided a revised report to the Office of Inspector General, and posted a revised report to the agency's website on February 1, 2016.

**OIG's Evaluation of Management's Response.** Management's completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management's completed corrective action.

**Recommendation 2:** The Office of Financial Management should update agency policy to require divisions and offices to (a) upload in the Automated Conference Request System documentation of all nontravel expenses and a list of conference attendees for all approved conferences, and (b) provide a justification when total conference costs increase by an amount determined by management.

**Management's Response.** The Office of Financial Management concurred with the recommendation. On January 29, 2016, the Chief Financial Officer sent an e-mail informing all divisions and offices of the requirement to provide in the Automated Conference Request System (1) actual costs for all conferences, and (2) a justification for costs that exceed the approved estimate by 5 percent or more.

**OIG's Evaluation of Management's Response.** We noted that the Chief Financial Officer's e-mail included a memorandum to managing executives, business managers, and administrative contacts directing them to provide actual costs incurred for conferences completed since October 2015 and for all future conferences. The memorandum also stated that, effective immediately, all divisions and offices must provide a justification for actual costs that are 5 percent or more above approved estimates. Management's completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management's completed corrective action.

**Recommendation 3:** The Office of Financial Management should establish a process for periodically reconciling estimated expenses to actual expenses for a percentage (to be determined by management) of agency-sponsored conferences costing equal to or less than \$100,000.

**Management's Response.** The Office of Financial Management concurred with the recommendation. On January 29, 2016, the Chief Financial Officer sent an e-mail informing all divisions and offices of the requirement to provide in the Automated Conference Request System documentation of actual costs for all conferences. The Office of Financial Management also instructed staff in its Budget Execution Branch to reconcile this documentation to the actual costs reported by divisions and offices.

**OIG's Evaluation of Management's Response.** We noted that the Chief Financial Officer's e-mail included a memorandum to managing executives, business managers, and administrative contacts directing them to provide actual costs incurred for conferences completed since October 2015 and for all future conferences. On January 27, 2016, the Assistant Director, Planning and Budget Office, Office of Financial Management instructed Budget Execution Branch staff to reconcile this documentation to reported costs. Management's completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management's completed corrective action.

## Finding 2: OFM Should Clarify SEC-Sponsored Conference Reporting Requirements

We randomly selected 5 of the SEC's 39 divisions and offices (including regional offices) and asked their management to provide a list of events held between October 1, 2013, and May 31, 2015, that met the SEC's definition of an agency-sponsored conference. Two of the five selected organizations provided lists of events that did not match the SEC-sponsored conferences that the organizations reported to OFM during the same period. This occurred because OFM did not fully define and communicate to SEC divisions and offices what constitutes an SEC-sponsored conference. As a result, OFM lacks sufficient controls to ensure that divisions and offices are accurately and timely reporting all SEC-sponsored conferences as required.

***Conference Information Reported to the OIG Did Not Match Information Reported to OFM.*** SECR 5-4 outlines policies, requirements, and procedures for planning and approving SEC-sponsored conferences. Section 5 of the document defines "conference" in the same manner as OMB M-12-12. Specifically, SECR 5-4 states:

For purposes of this policy, conference means a meeting, retreat, seminar, symposium or event that involves attendee travel. This term also includes training activities that are considered to be conferences under 5 CFR 410.404.

Additionally, Section 6c of SECR 5-4 gives OFM responsibility for providing technical expertise, issuing guidance, and authorizing expenses related to SEC-sponsored conferences. OFM Reference Guide, Chapter 06.08 establishes detailed procedures to implement SECR 5-4 and to ensure that the SEC reviews and controls its conference spending. Paragraph 3.1 of Chapter 06.08 outlines specific events that require approval.

We randomly selected 5 of the SEC's 39 divisions and offices and, using the SEC's definition of an SEC-sponsored conference, asked the selected organizations to provide a list of events held between October 1, 2013, and May 31, 2015, that qualified as SEC-sponsored conferences. As Table 1 shows, two of the five organizations provided lists of events that did not match the SEC-sponsored conferences that the organizations reported to OFM during the same period. For example, the Division of Investment Management reported to the OIG that it held 280 events that matched the SEC's definition of an agency-sponsored conference. However, the Division reported only two of these events to OFM.

This occurred because OFM did not fully define or communicate to divisions and offices what constitutes an SEC-sponsored conference within its guidance and training materials. Specifically, OFM did not communicate that operational meetings and classroom training are not considered agency-sponsored conferences. Finally, OFM training materials did not sufficiently describe which events do and do not need to be reported in ACRS as SEC-sponsored conferences.

**Table 1. Differences in Events Reported to OIG and OFM**

<b>Selected SEC Organizations</b>	<b>Events Reported to OIG</b>	<b>Events Reported to OFM</b>	<b>Difference</b>
Division of Investment Management	280	2	278
Office of the Ethics Counsel	0	0	0
Office of Human Resources	293	3	290
Office of Public Affairs	0	0	0
Los Angeles Regional Office	1	1	0

Source: OIG-generated based on information from selected divisions and offices.

## **Recommendations, Management’s Response, and Evaluation of Management’s Response**

To ensure SEC divisions and offices understand what constitutes an SEC-sponsored conference and accurately and timely report conferences to OFM as required, we recommend:

**Recommendation 4:** The Office of Financial Management should update its guidance and training materials to amend the definition of “conference” by clarifying that operational meetings and classroom training are not considered SEC-sponsored conferences and do not need to be reported in the Automated Conference Request System.

**Management’s Response.** The Office of Financial Management concurred with the recommendation. On January 29, 2016, the Chief Financial Officer sent an e-mail informing all divisions and offices of the revised definition of “conference.”

**OIG’s Evaluation of Management’s Response.** We noted that the Chief Financial Officer’s e-mail contained a memorandum that amended the applicable agency administrative regulation (SECR 5-4, *Conference Authorizations*). The memorandum indicated that the Office of Financial Management will incorporate the revisions in a forthcoming update to the administrative regulation. Management’s completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management’s completed corrective action.

**Recommendation 5:** The Office of Financial Management should communicate to all divisions and offices the amended definition of “conference” so that all divisions and offices are aware of and understand the updated definition and what events do and do not need to be reported to the Office of Financial Management for approval within the Automated Conference Request System.

**Management’s Response.** The Office of Financial Management concurred with the recommendation. On January 29, 2016, the Chief Financial Officer sent an e-mail informing all divisions and offices of the revised definition of “conference.”

**OIG's Evaluation of Management's Response.** We noted that the Chief Financial Officer's e-mail included a memorandum that provided an expanded definition of "conference," including events not considered conferences. Management's completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management's completed corrective action.



### **Finding 3: OFM Should Establish a Standardized Process for Reviewing Conference Requests**

Based on our review of a sample of SEC-sponsored conferences held during the period reviewed, we determined that OFM approved conferences without obtaining all required information. This occurred because OFM did not have a documented, standardized process for reviewing conference request packages. As a result, the SEC lacks sufficient controls to ensure it is minimizing conference costs, and that conference-related expenses are reasonable and necessary, as required by agency guidance.

OFM Reference Guide, Chapter 06.08 outlines requirements for requesting conference approval. These requirements include obtaining division head, office head, or regional director approval; obtaining three quotes for hotel expenses costing more than \$3,000; obtaining three quotes for facility, meal, and refreshment expenses costing more than \$1,000; maintaining hotel and meal and refreshment costs below per diem rates; and obtaining SEC University approval of outside speakers.

We randomly sampled 42 of the SEC's 145 sponsored conferences held between October 1, 2013, and May 31, 2015, and found that OFM approved 27 (or 64 percent) of the sampled conferences without obtaining all required information. For example, OFM approved 19 conferences without obtaining the required division head, office head, or regional director approval. OFM also approved 14 conferences based on incorrect per diem amounts or missing documentation such as missing quotes for lodging, meals, or refreshments.

This occurred because OFM did not have a documented, standardized process for reviewing conference request packages. The budget analysts who reviewed conference request packages before submitting the packages to the OFM Assistant Director – Planning and Budget, Chief Financial Officer, and/or Chief Operating Officer for approval<sup>9</sup> did not identify the missing or inaccurate information. Without obtaining all required information before approving SEC-sponsored conferences, the SEC lacks sufficient controls to ensure it is minimizing conference costs and ensuring that conference-related expenses are reasonable and necessary, and that benefits derived by the agency exceed the costs incurred.

### **Recommendations, Management's Response, and Evaluation of Management's Response**

To improve OFM's processes and procedures for approving SEC-sponsored conferences and ensuring approval is based on all required information, we recommend:

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<sup>9</sup> The total estimated cost of the conference dictates who the approving official will be.

**Recommendation 6:** The Office of Financial Management should establish a documented, standardized process for reviewing conference request packages, and ensure divisions and offices include in request packages all required documentation, including quotes for lodging, facilities, meals, and refreshments.

**Management's Response.** The Office of Financial Management concurred with the recommendation. On January 25, 2016, the Assistant Director, Planning and Budget Office, Office of Financial Management sent an e-mail to staff in the Office of Financial Management's Budget Execution Branch establishing a process for reviewing conference request packages.

**OIG's Evaluation of Management's Response.** We noted that the Assistant Director's e-mail included a checklist entitled *SEC Conference Request Check Off Sheet*. Staff in the Budget Execution Branch will use the checklist to verify that conference request packages are complete. Effective January 25, 2016, the Assistant Director required that all requests in the Automated Conference Request System include the checklist. The Assistant Director described the checklist as an interim step until the Office of Financial Management can work with the Office of Information Technology to modify the Automated Conference Request System and capture verifications internally. Management's completed action is responsive; therefore, the recommendation is resolved and closed for reporting purposes based on our verification of management's completed corrective action.

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## Appendix I. Scope and Methodology

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We conducted this performance audit from June 2015 through February 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Scope and Methodology.** To address our audit objectives, we obtained and reviewed the following information for the period reviewed (the period between October 1, 2013, and May 31, 2015): (1) request packages for a sample of SEC-sponsored conferences, (2) conference cost data, (3) SEC memorandums to the OIG for conferences costing more than \$20,000, and (4) SEC reports to the OIG and the public for conferences costing more than \$100,000. We also:

- reviewed applicable Federal laws and regulations, and the SEC's policies and procedures for reviewing and approving conference requests and costs;
- interviewed OFM personnel to understand OFM's role in overseeing SEC-sponsored conferences;
- reviewed lists of events meeting the SEC's definition of a conference from a sample of divisions and offices to determine whether divisions and offices are accurately and completely reporting conferences to OFM; and
- reviewed supporting documentation for a sample of SEC-sponsored conferences to determine whether the SEC's oversight of such events complied with applicable Federal laws, regulations, and policies, and procedures.

The Federal laws, regulations, policies, and procedures we reviewed included:

### Federal Laws and Regulations:

- Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. 113-6, Division G, § 3003, 127 Stat. 198, 435-36 (2013).
- Consolidated Appropriations Act, 2014, Pub. L. 113-76, Division E, Title VII, § 742, 128 Stat. 5, 242-43 (2014).
- Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. 113-235, Division E, Title VII, § 739, 128 Stat. 2130, 2389-90 (2014).
- Executive Order 13589, *Promoting Efficient Spending*, November 9, 2011.
- OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*, May 11, 2012.

**SEC Administrative Regulations, Policies, and Procedures:**

- SECR 5-4, *Conference Authorization*, November 18, 2013.
- SECR 5-12, *Process for Obtaining Approval for Outside Speakers, Trainers, or Presenters*, October 17, 2012.
- OFM Reference Guide, Chapter 06.08, *SEC Conference Planning and Approval*, October 2014.
- OFM Reference Guide, Chapter 06.08.R01, *Amendment to SEC Conference Planning and Approval*, April 2015.

**Internal Controls.** During our audit, we reviewed the SEC's internal controls related to SEC-sponsored conferences. Specifically, we considered the control environment, risk assessment, and control activities for reviewing and approving agency-sponsored conferences. As noted in this report, we identified internal control weaknesses related to the review and approval of SEC-sponsored conferences that impact the SEC's ability to (1) effectively review conference request packages, (2) reasonably assure all conferences are reported for review and approval, and (3) ensure conference spending is reasonable and necessary and complies with applicable Federal and agency guidance. Our recommendations, if implemented, should correct the weaknesses identified.

**Computer-Processed Data.** The U.S. Government Accountability Office's (GAO) *Assessing the Reliability of Computer-Processed Data* (GAO-09-680G, July 2009) states that "data reliability refers to the accuracy and completeness of computer-processed data, given the uses they are intended for. Computer-processed data may be data (1) entered into a computer system or (2) resulting from computer processing." Furthermore, GAO-09-680G defines "reliability," "completeness," and "accuracy" as follows:

- "Reliability" means that data are reasonably complete and accurate, meet your intended purposes, and are not subject to inappropriate alteration.
- "Completeness" refers to the extent that relevant records are present and the fields in each record are appropriately populated.
- "Accuracy" refers to the extent that recorded data reflect the actual underlying information.

We relied on computer-processed data from the SEC's ACRS, FedTraveler Travel System, and E2 Solutions Travel System to analyze conference request packages and actual costs between October 1, 2013, and May 31, 2015. We performed data reliability, completeness, and accuracy testing, in part, by comparing estimated conference costs to (1) quotes from vendors, (2) the per diem rates for travel, (3) our own manual calculations, and (4) actual expense data. Furthermore, we compared

system data to travel voucher supporting documentation and our own manual calculations to assess travel voucher accuracy. As a result of these tests, we determined the computer-processed data we reviewed during our audit was sufficiently reliable to support the audit conclusions.

**Sampling.** The SEC sponsored 145 conferences between October 1, 2013, and May 31, 2015.<sup>10</sup> To address our audit objectives, we judgmentally selected and reviewed information for a sample of conferences, as further described below. Our sampling methodology was nonstatistical; therefore, we did not project our results and conclusions to the total population of SEC-sponsored conferences held during the period reviewed.

To review the SEC's conference approval processes, we selected a stratified sample of 42 of the 145 SEC-sponsored conferences held during the period reviewed. Specifically, we reviewed approval documentation for all 32 conferences costing more than \$20,000. We also randomly selected and reviewed approval documentation for 10 conferences costing equal to or less than \$20,000 and more than \$250.<sup>11</sup>

To review actual conference costs and determine whether conference spending was reasonable, necessary, and in accordance with Federal and agency guidance, we selected a stratified sample of 15 conferences from the 42 conferences selected for review. Specifically, we reviewed actual costs for the two SEC-sponsored conferences costing more than \$100,000. We also randomly selected and reviewed actual costs for seven SEC-sponsored conferences costing equal to or less than \$100,000 and equal to or more than \$20,000. Finally, we randomly selected and reviewed actual costs for six SEC-sponsored conferences costing under \$20,000 and more than \$250. Appendix II includes the conferences we reviewed.

Finally, to determine whether divisions and offices accurately and completely reported conferences to OFM, we randomly selected 5 of the SEC's 39 divisions and offices (including regional offices) and requested those organizations provide listings of events held during the period reviewed that met the SECR 5-4 definition of a conference.

**Prior Coverage.** During the last 5 years, the SEC OIG issued one memorandum of particular relevance to this audit. Unrestricted reports can be accessed over the Internet at [http://www.sec.gov/about/offices/oig/inspector\\_general\\_audits\\_reports.shtml](http://www.sec.gov/about/offices/oig/inspector_general_audits_reports.shtml).

- *Analysis of the SEC's Compliance with Conference Approval and Reporting Requirements for Fiscal Year 2014* (September 30, 2014).

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<sup>10</sup> We did not review conferences held by the SEC OIG and, therefore, excluded these conferences from the total number of SEC-sponsored conferences held during the period reviewed.

<sup>11</sup> We deemed conferences costing \$250 or less immaterial for the purposes of this audit.

## Appendix II. Sampled Conferences

We reviewed conference request packages, including travel estimates and quotes for hotels, facilities, meals, and refreshment for the 42 SEC conferences shown below. We reviewed actual expenses for 15 of these conferences, as indicated.

No.	Conference Name	Conference Dates	Estimated Conference Cost	OIG Reviewed Actual Expenses
1	2014 Chief Enforcement Conference	Sept. 17-19, 2014	\$195,116	Yes
2	OCIE National Exam Program Leadership Conference	July 30 – Aug. 2, 2014	176,219	Yes
3	Enforcement National Trial Lawyer Conference	Sept. 11-12, 2014	98,835	Yes
4	2014 OCIE National Exam Program Training Conference	Feb. 10-14, 2014	89,220	
5	Asset Management Unit Training Conference	Apr. 28-29, 2015	80,554	
6	2015 New Examiner Course II	Mar. 9-13, 2015	80,408	
7	Enforcement Essentials New Employee Conference	May 12-14, 2015	79,178	
8	OCIE New Examiner Training Conference - AMENDED	Nov. 3-7, 2014	78,725	Yes
9	Strategic Management of Regulatory and Enforcement Agencies	Dec. 9-10, 2014	69,390	
10	Enforcement Chief Accountant National Training Conference	Sept. 11-12, 2014	62,095	
11	Market Abuse Unit Strategic Planning and Training Meeting	Mar. 26-28, 2014	61,470	
12	Enforcement Essentials for New Employees	May 12-14, 2014	59,933	Yes
13	OCIE New Examiner Training Conference	June 9-13, 2014	54,332	
14	Enforcement 2014 Asset Management Unit Onsite	May 1-2, 2014	54,007	
15	Southeastern Securities Conference	June 26-27, 2014	39,905	
16	MicroCap Task Force National Training Conference	Sept. 9-10, 2014	39,903	Yes
17	2014 OCIE Trading Risk Identification Group Conference	July 10-11, 2014	39,544	
18	2014 Enforcement Center for Risk and Quantitative Analysis Training Conference	Oct. 1-2, 2014	39,002	
19	Market Abuse Unit Insider Training	Apr. 13-15, 2015	38,850	
20	Trade Risk Identification Group Conference	May 28-29, 2015	38,465	
21	2015 Municipal Advisor Examiner Training	Jan. 8-9, 2015	36,840	

<b>No.</b>	<b>Conference Name</b>	<b>Conference Dates</b>	<b>Estimated Conference Cost</b>	<b>OIG Reviewed Actual Expenses</b>
22	Administrative Officer's Conference	May 12-14, 2015	36,690	
23	Municipal Securities and Pension Plan Training Conference	May 5-6, 2015	35,780	
24	Office of Technical Support Litigation Support Training Conference	Sept. 23-25, 2014	29,029	
25	38th Annual Southwest Securities Conference	Aug. 19, 2014	27,605	
26	Enforcement Foreign Corrupt Practices Act National Training	Sept. 8-10, 2014	26,605	Yes
27	Municipal Securities and Public Pensions National Training	Sept. 15-16, 2014	31,632	Yes
28	Enforcement Complex Financial Instruments Training Conference	June 26-27, 2014	24,536	
29	2015 Northwest Regulators Conference	Apr. 14-15, 2015	21,539	Yes
30	SEC Advisory Committee on Small and Emerging Companies	Mar. 4, 2015	20,977	
31	2014 Northwest Regulators Conference San Francisco Regional Office	Apr. 30 – May 1, 2014	20,696	
32	OCIE 2014 Compliance Outreach National Seminar Conference	Jan. 30, 2014	20,035	
33	2014 OCIE Office of Clearance and Settlement Training Conference	Feb. 25-27, 2014	19,485	Yes
34	Division of Economic and Risk Analysis Joint Conference with University of Maryland on Regulation of Financial Markets	May 16, 2014	17,880	Yes
35	Enforcement Fraud Training Conference	Feb. 26-27, 2014	14,036	Yes
36	2014 Thomas A. Biolsi International Institute for Capital Market Compliance and Examination	June 23-27, 2014	13,714	Yes
37	Chair's Town hall and Award Ceremony for 2014 Combined Federal Campaign Contributions	Apr. 28, 2015	6,897	
38	Investor Advisory Committee Meeting	Apr. 10, 2014	6,388	
39	2014 OCIE Compliance Outreach Program-New York	June 30, 2014	3,980	Yes
40	2015 OCIE Sponsored Director Awards New York Regional Office	Apr. 29-30, 2015	3,674	
41	Philadelphia Regional Office African American Heritage Program Event	Feb. 26, 2015	356	
42	European Securities and Market Authority Conference	Jan. 8, 2015	258	Yes


Source: OIG-generated based on information from OFM.

## Appendix III. Management Comments

### MEMORANDUM

February 2, 2016

To: Rebecca Sharek, Deputy Inspector General for Audits, Evaluations and Special Projects  
Office of Inspector General

From: Jeffery Heslop   
Chief Operating Officer

Subject: Draft Report No. 532, "Improvements Needed in Oversight of SEC-Sponsored Conferences"

This memorandum is in response to the Office of Inspector General's (OIG) draft report, "Improvements Needed in Oversight of SEC-Sponsored Conferences." Thank you for the opportunity to review and respond to the recommendations in the report.

We are pleased that the OIG found that the SEC's conference approval process complied with the requirements to report to the OIG all conferences that meet the defined thresholds found in recent appropriations acts.

We welcome your recommendations on improvements to our conference approval process. The Office of Financial Management (OFM) is committed to ensuring that the SEC's conference approval process provides appropriate controls over conference costs, and that we comply with applicable Federal and agency guidance.

**Recommendation 1:** The Office of Financial Management should correct the U.S. Securities and Exchange Commission's fiscal year 2014 reports for conferences costing more than \$100,000 by properly reflecting actual conference costs rather than estimates, and reissue the reports to the Office of Inspector General and the public.

**Management Response:** OFM concurs. The revised memos were provided to the OIG staff under separate cover and posted to SEC.gov on February 1, 2016. We believe this recommendation can be closed.

**Recommendation 2:** The Office of Financial Management should update agency policy to require divisions and offices to (a) upload in the Automated Conference Request System documentation of all nontravel expenses and a list of conference attendees for all approved conferences, and (b) provide a justification when total conference costs increase by an amount determined by management.

**Management Response:** OFM concurs. The CFO informed all divisions and offices of the requirement to provide actual costs for all ACRS conferences and to provide a



justification for costs that exceed 5 percent above the approved estimate, in an email on January 29, 2016. A copy was also provided to the OIG staff under separate cover. We believe this recommendation can be closed.

**Recommendation 3:** The Office of Financial Management should establish a process for periodically reconciling estimated expenses to actual expenses for a percentage (to be determined by management) of agency-sponsored conferences costing equal to or less than \$100,000.

**Management Response:** OFM concurs. The CFO informed all divisions and offices of the requirement to provide documentation of actual costs for all ACRS conferences in an email on January 29, 2016. OFM also instructed staff in its Budget Execution branch to reconcile this documentation to the actual costs reported by the divisions and offices, in an email dated January 27, 2016. Copies of these two documents were provided to the OIG staff under separate cover. We believe this recommendation can be closed.

**Recommendation 4:** The Office of Financial Management should update its guidance and training materials to amend the definition of “conference” by clarifying that operational meetings and classroom training are not considered SEC-sponsored conferences and do not need to be reported in the Automated Conference Request System.

**Management Response:** OFM concurs. The CFO informed all divisions and offices of the revised definition of conferences in an email on January 29, 2016. A copy was also provided to the OIG staff under separate cover. We believe this recommendation can be closed.

**Recommendation 5:** The Office of Financial Management should communicate to all divisions and offices the amended definition of “conference” so that all divisions and offices are aware of and understand the updated definition and what events do and do not need to be reported to the Office of Financial Management for approval within the Automated Conference Request System.

**Management Response:** OFM concurs. Please see the response to Recommendation 4. We believe this recommendation can be closed.

**Recommendation 6:** The Office of Financial Management should establish a documented, standardized process for reviewing conference request packages, and ensure divisions and offices include in request packages all required documentation, including quotes for lodging, facilities, meals, and refreshments.

**Management Response:** OFM concurs. The Assistant Director, Planning and Budget Office, Office of Financial Management issued an email on January 25, 2016 that established a review in accordance with the recommendation. A copy was provided to the OIG staff under separate cover. We believe this recommendation can be closed.

Please contact me at 202-551-2105 or Kenneth Johnson, CFO, at 202-551-4306 if you have any questions.

## Major Contributors to the Report

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## Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, please contact Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects at [sharekr@sec.gov](mailto:sharekr@sec.gov) or call (202) 551-6061. Comments, suggestions, and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed above.