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INSPECTOR GENERAL

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

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**The U.S. Securities and Exchange Commission's Compliance with Improper Payments  
Requirements for Fiscal Year 2018**

The U.S. Securities and Exchange Commission's (SEC or agency) Office of Inspector General has concluded its fiscal year (FY) 2018 review of the SEC's compliance with the Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended 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 (Pub. L. 114-109). Our review was conducted in accordance with implementing guidance set forth in Office of Management and Budget (OMB) Memorandum M-18-20, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, June 26, 2018 (OMB Memorandum M-18-20).

OMB Memorandum M-18-20 describes what each agency Inspector General should review to determine agency compliance with improper payments requirements. The requirements include, but are not limited to, the agency publishing an Agency Financial Report (AFR) or

Performance and Accountability Report (PAR) for the most recent fiscal year and conducting a program specific risk assessment, if required. As shown in the table below, for FY 2018, the SEC assessed its programs and activities<sup>1</sup> and met each of the requirements that were applicable to the agency.

**Table: SEC FY 2018 IPERA Compliance**

Program Name	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 Percent
Vendor payments	✓	N/A	N/A	N/A	N/A	N/A
Disgorgement and penalty distributions	✓	N/A	N/A	N/A	N/A	N/A
Returned deposits of registration filing fees	✓	N/A	N/A	N/A	N/A	N/A
Payroll and benefit payments	✓	N/A	N/A	N/A	N/A	N/A
Whistleblower payments	✓	N/A	N/A	N/A	N/A	N/A

Source: OIG-created based on OMB Memorandum M-18-20 guidance.

The SEC was not required to, and thus did not, perform a risk assessment for FY 2018.<sup>2</sup> The SEC made this determination based on the following:

1. The agency’s FY 2015 and FY 2016 risk assessments did not identify any programs or activities susceptible to significant improper payments at or above the threshold levels set by OMB;<sup>3</sup>

<sup>1</sup> Programs and activities assessed included vendor payments (including travel and credit card payments); disgorgement and penalty distributions (made by the SEC to fund and tax administrators and directly to harmed investors); returned deposits of registration filing fees under Section 6b of the Securities Act of 1933 and Sections 13 and 14 of the Securities Exchange Act of 1934; payroll and benefit payments (including base pay, overtime pay, and agency contributions to retirement plans, health plans, thrift savings plans, and supplemental retirement); and whistleblower payments.

<sup>2</sup> According to OMB Memorandum M-18-20, agencies must perform risk assessments at least once every 3 years for programs that are deemed to be not susceptible to significant improper payments. However, if a program that is on a 3 year risk assessment cycle experiences a significant change in legislation and/or a significant increase in its funding level, agencies may need to reassess the program’s risk susceptibility during the next annual cycle, even if it is less than 3 years from the last risk assessment.

<sup>3</sup> “Significant improper payments” are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and

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 determined that implementing a payment recapture audit program was not cost-effective and 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 FY 2018 AFR included a link to [paymentaccuracy.gov](http://paymentaccuracy.gov) to further explain improper payments and information reported in previous AFRs that was not included in the FY 2018 AFR.

Based on our review of all relevant information, we have determined that the SEC is in compliance with IPERA for FY 2018.

We conducted this evaluation in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation* (2012). Those standards require that we plan and perform the evaluation to obtain evidence sufficient to provide a reasonable basis for our findings and recommendations. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives.

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](mailto:sharekr@sec.gov), or Colin Heffernan, Audit Manager, at [heffernanc@sec.gov](mailto:heffernanc@sec.gov). You can obtain additional information about the SEC Office of Inspector General at <http://www.sec.gov/oig>.

Sincerely,



Carl W. Hoecker  
Inspector General

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