



OFFICE OF  
INSPECTOR GENERAL

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

March 22, 2017

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**Inspector General's Report on the U.S. Securities and Exchange Commission's Fiscal  
Year 2016 Compliance with the Improper Payments Information Act**

The U.S. Securities and Exchange Commission's (SEC) Office of Inspector General has concluded its fiscal year (FY) 2016 review of the SEC's compliance with the Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended and expanded by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. 112-248). Our review was conducted in accordance with implementing guidance set forth in the Office of Management and Budget's (OMB) Memorandum M-15-02.

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 2016, the SEC met each of the requirements that were applicable to the agency. Therefore, we determined that the SEC is in compliance with IPIA for FY 2016.

We reviewed the SEC's Improper Payments Elimination and Recovery Improvement Act of 2012 Risk Assessment Summary Report, dated August 19, 2016, and supporting documentation, as well as relevant disclosures in the SEC's FY 2016 AFR, dated November 14, 2016. The risk assessment was performed by the SEC's Office of Financial Management. The programs included in the risk assessment were 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).<sup>1</sup>

For FY 2016, "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. The SEC's FY 2016 risk assessment included consideration of certain risk factors likely to contribute to a susceptibility to significant improper payments. The risk assessment determined that none of the SEC's programs and activities are susceptible to significant improper payments. In addition, the SEC's FY 2016 AFR states 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 for improper payments across all programs and activities the SEC administers, and assess whether implementing payment recapture audits are cost-effective in the future. Based on our review of this information, we have determined that the SEC is in compliance with IPIA for FY 2016.

We appreciate the courtesies and cooperation extended to us by the Office of Financial Management. If you have questions or require additional information, please contact Colin Heffernan, Audit Manager, at [heffernanc@sec.gov](mailto:heffernanc@sec.gov) or Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, at [sharekr@sec.gov](mailto:sharekr@sec.gov). You can obtain additional information about the SEC Office of Inspector General at [http://www.sec.gov/about/offices/inspector\\_general.shtml](http://www.sec.gov/about/offices/inspector_general.shtml).

Sincerely,



Carl W. Hoecker  
Inspector General

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<sup>1</sup> FY 2016 is the first year the SEC included the supplemental retirement program in its improper payments risk assessment.

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