



OFFICE OF  
INSPECTOR GENERAL

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

March 19, 2024

**TO:** Caryn Kauffman, Chief Financial Officer, Office of Financial Management

**FROM:** Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, Office of Inspector General 

**SUBJECT:** *Final Management Letter: Evaluation of the U.S. Securities and Exchange Commission's Fiscal Year 2023 Compliance with the Payment Integrity Information Act of 2019*

The Payment Integrity Information Act of 2019 (PIIA) defines an "improper payment" as "any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement."<sup>1</sup> Among other things, improper payments include duplicate payments and any payment to an ineligible recipient or for an ineligible good or service.<sup>2</sup>

To improve efforts to identify and reduce government-wide improper payments, PIIA requires federal agencies to identify and review all programs and activities that may be susceptible to significant improper payments based on Office of Management and Budget (OMB) guidance.<sup>3</sup> PIIA also requires inspectors general to review their agency's improper payment reporting and issue an annual report regarding agency compliance with PIIA requirements.<sup>4</sup>

In January 2024, the U.S. Securities and Exchange Commission's (SEC) Office of Inspector General (OIG) announced an evaluation of the SEC's fiscal year (FY) 2023 compliance with PIIA. We sought to determine whether the SEC met all applicable requirements of PIIA, and to evaluate the SEC's efforts to prevent and reduce improper payments. Overall, we concluded that the SEC complied with PIIA in FY 2023 and reported efforts to prevent and reduce improper payments. This management letter summarizes the results of our evaluation.

### ***Objective, Scope, and Methodology***

Our objective was to determine whether, in FY 2023, the SEC complied with PIIA and evaluate, if applicable, the SEC's (a) risk assessment methodology, (b) improper payment rate estimates, (c) sampling and estimation plan(s), (d) corrective action plan(s), and (e) efforts to prevent and reduce improper payments. We conducted our review based on requirements from OMB Circular No. A-123, Appendix C, *Requirements for Payment Integrity Improvement* (March 2021); OMB Circular No. A-136, *Financial Reporting Requirements* (May 2023); OMB

---

<sup>1</sup> Payment Integrity Information Act of 2019 (PIIA), P.L. 116-117, 31 U.S.C. § 3351 (4) (A), et seq. (2019). PIIA repealed the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), and the Fraud Reduction and Data Analytics Act of 2015.

<sup>2</sup> 31 U.S.C. § 3351 (4) (B).

<sup>3</sup> 31 U.S.C. § 3352 (a) (1) (B).

<sup>4</sup> 31 U.S.C. § 3353 (a) (1).

Annual Data Call Instructions; and the Council of the Inspectors General on Integrity and Efficiency's guidance required under PIIA.<sup>5</sup> To address our objective, we:

- met with officials from the SEC's Office of Financial Management Internal Controls Branch;
- reviewed internal controls and prior work performed regarding improper payments and payment integrity reporting; and
- reviewed the SEC's FY 2023 Agency Financial Report (AFR) and accompanying materials.

We conducted this evaluation from January to March 2024 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our evaluation objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objective.

## **Results**

Based on our review of relevant information, we determined that the SEC complied with PIIA in FY 2023. As described in OMB guidance, agencies must complete the following steps, as applicable, to be considered compliant:

- **Requirement 1a:** Publish payment integrity information with the annual financial statement.
- **Requirement 1b:** Post the annual financial statement and accompanying materials on the agency website.
- **Requirement 2a:** Conduct improper payment risk assessments for each program with annual outlays greater than \$10 million at least once in the last three years.
- **Requirement 2b:** Adequately conclude whether the program is likely to make improper payments and unknown payments above or below the statutory threshold.
- **Requirement 3:** Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.
- **Requirement 4:** Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.

---

<sup>5</sup> Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (October 19, 2023).

- **Requirement 5a:** Publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- **Requirement 5b:** Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate.
- **Requirement 5c:** Develop a plan to meet the improper payment and unknown payment reduction target.
- **Requirement 6:** Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

The following table shows the SEC’s compliance with PIIA requirements that were applicable, and PIIA requirements that were not applicable, for the eight SEC payment programs subject to PIIA in FY 2023.

**TABLE. PIIA Compliance Reporting, FY 2023**

Program Name	Requirement 1a	Requirement 1b	Requirement 2a	Requirement 2b	Requirement 3	Requirement 4	Requirement 5a	Requirement 5b	Requirement 5c	Requirement 6
Vendor payments	✓	✓	N/A							
Disgorgement and penalty distributions	✓	✓	N/A							
Registration filing fee refunds	✓	✓	N/A							
Payroll and benefit payments	✓	✓	N/A							
Supplemental retirement payments	✓	✓	N/A							
Purchase card payments	✓	✓	N/A							
Travel payments	✓	✓	N/A							
Whistleblower payments	✓	✓	N/A							

Source: OIG-generated. “✓” indicates compliance; “N/A” indicates requirements that were not applicable.

The SEC was not required to, and thus did not perform risk assessments for its eight payment programs in FY 2023.<sup>6</sup> This determination was based on the SEC having:

<sup>6</sup> Under OMB Memorandum M-21-19, Section II.A.2, agencies must perform risk assessments at least once every three years for programs with annual outlays greater than \$10 million and that are deemed to be not susceptible to significant improper payments. However, if a program that is on a three-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 three years from the last risk assessment.

- performed a program-specific risk assessment in FY 2022, which did not identify any programs or activities susceptible to significant improper payments at or above the reporting threshold;<sup>7</sup>
- determined that there was low risk of improper payments given the controls and processes in place;<sup>8</sup> and
- no changes to its oversight or reporting on improper payments, funding, or legislation that would impact its payment integrity reporting or oversight of internal controls over reporting.<sup>9</sup>

The SEC determined that implementing a payment recapture audit program was not cost-effective and notified OMB of this decision in September 2015. This determination was still effective in FY 2023. The SEC has advised that it will continue to monitor for improper payments across all of its programs and activities and will assess whether implementing payment recapture audits for each program is cost-effective in the future. Additionally, in compliance with Section II.4.5 of OMB Circular A-136, *Financial Reporting Requirements*, the SEC's FY 2023 AFR included a link to [paymentaccuracy.gov](https://paymentaccuracy.gov) to further explain improper payments and the information reported in previous AFRs not included in the FY 2023 AFR.

On March 7, 2024, we provided SEC management with a draft of our management letter for review and comment. On March 12, 2024, the SEC stated it did not have any comments and would not be submitting a formal written response.

We appreciate the courtesies and cooperation extended to us during this evaluation. If you have questions, please contact me or Colin Heffernan, Audit Manager.

cc: Gary Gensler, Chair  
Amanda Fischer, Chief of Staff, Office of Chair Gensler  
Heather Slavkin Corzo, Policy Director, Office of Chair Gensler  
Kevin Burris, Counselor to the Chair and Director of Legislative and Intergovernmental Affairs  
Scott Schneider, Counselor to the Chair and Director of Public Affairs  
Philipp Havenstein, Operations Counsel, Office of Chair Gensler  
Ajay Sutaria, Legal Counsel, Office of Chair Gensler  
Hester M. Peirce, Commissioner

---

<sup>7</sup> Section 3352 (a)(3)(A) of PIIA defines "significant" to mean that, in a preceding fiscal year, the sum of a program or activity's improper payments and payments whose propriety cannot be determined by an executive agency due to lacking sufficient documentation may have exceeded: (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported; or (2) \$100 million (regardless of the improper payment percentage of total program outlays). On May 5, 2023, we issued a report titled, *Evaluation of the SEC's FY 2022 Compliance With the Payment Integrity Information Act of 2019* (Report No. 578). We determined that the SEC complied with PIIA reporting requirements in FY 2022.

<sup>8</sup> The SEC did not identify any programs or activities susceptible to significant improper payments during its FY 2022 risk assessment. Therefore, the agency was not required to publish improper payment estimates, publish corrective action plans, publish and meet reduction targets, or report an improper payment rate of less than 10 percent.

<sup>9</sup> In FY 2023, the SEC conducted an internal risk assessment for the agency's student loan repayment program because agency officials expect future program payments to increase. The SEC determined that the risk of significant improper payments stemming from the student loan repayment program was low, and we assessed the determination of low risk as reasonable. We verified that disbursements for the student loan repayment program were less than \$4 million in FY 2023. Because disbursements were less than \$10 million, the SEC was not required to report and did not report this information in its FY 2023 annual financial statement.

Benjamin Vetter, Counsel, Office of Commissioner Peirce  
Caroline A. Crenshaw, Commissioner  
Malgorzata Spangenberg, Counsel, Office of Commissioner Crenshaw  
Mark T. Uyeda, Commissioner  
Holly Hunter-Ceci, Counsel, Office of Commissioner Uyeda  
Jaime Lizárraga, Commissioner  
Laura D'Allaird, Counsel, Office of Commissioner Lizárraga  
Parisa Haghshenas, Counsel, Office of Commissioner Lizárraga  
Megan Barbero, General Counsel  
Elizabeth McFadden, Deputy General Counsel General Litigation, Office of the  
General Counsel  
Lisa Helvin, Principal Deputy General Counsel for Adjudication and Oversight, Office  
of the General Counsel  
David Leviss, Associate General Counsel for Oversight and Investigations, Office  
of the General Counsel  
Stephen Jung, Assistant General Counsel for Intragovernmental and  
Congressional Affairs, Office of the General Counsel  
Kenneth Johnson, Chief Operating Officer, Office of Financial Management  
Shelly Luisi, Chief Risk Officer, Office of the Chief Risk Officer  
Jim Lloyd, Assistant Chief Risk Officer/Audit Coordinator, Office of the Chief Risk  
Officer  
Deborah J. Jeffrey, Inspector General