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Office of Inspector General
Office of Audits

The Office of International Affairs Internal Operations and Travel Oversight



September 30, 2012
Report No. 508



OFFICE OF
INSPECTOR GENERAL

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

MEMORANDUM

September 30, 2012

To: Ethiopis Tafara, Director, Office of International Affairs (OIA)
Jeff Heslop, Chief Operating Officer, Office of the Chief
Operating Officer (OCCO)

From:  Jon T. Rymer, Interim Inspector General, Office of Inspector
General (OIG)

Subject: *The Office of International Affairs Internal Operations and Travel
Oversight, Report No. 508*

This memorandum transmits OIG's final report detailing the results of our audit on OIA's internal operations and travel oversight of official SEC international travel. This audit was conducted as part of our continuous effort to assess the management of the Commission's programs and operations and as a part of our annual audit plan.

The final report contains 10 recommendations which if fully implemented will strengthen OIA's controls over its internal operations and OIA and the OCCO's oversight of official SEC international travel.

OIA and OCCO concurred with all the recommendations that were addressed to their respective offices. Your responses to the draft report are included in Appendix V.

Within the next 45 days each office is required to provide OIG with a written corrective action plan (CAP) that addresses each agreed upon recommendation. The CAP should include information such as the name of the designated official or point of contact for the recommendations, estimated timeframes for completing required actions, and milestones identifying how each recommendation will be addressed.

Should you have any questions regarding this report please do not hesitate to contact me. We appreciate the courtesy and cooperation that you and your staff extended to our audit staff.

Attachment

cc: Erica Williams, Deputy Chief of Staff, Office of the Chairman
Luis A. Aguilar, Commissioner
Troy A. Paredes, Commissioner
Elisse B. Walter, Commissioner
Daniel Gallagher, Commissioner
Elizabeth Jacobs, Deputy Director, Office of International Affairs
Robert Fisher, Deputy Director, Office of International Affairs
Jayne Seidman, Chief of Staff, Office of the Chief Operating Officer

The Office of International Affairs Internal Operations and Travel Oversight

Executive Summary

Background. The Office of International Affairs (OIA) “promotes investor protection and cross-border securities transactions by advancing international regulatory and enforcement cooperation, promoting the adoption of high regulatory standards worldwide, and formulating technical assistance programs to strengthen the regulatory infrastructure in global securities markets.”¹

OIA is headed by a Director and two Deputy Directors. Its activities are carried out by four operating units: Technical Assistance, International Enforcement, International Regulatory Policy, and Comparative Law and Regulation. Each operating unit is headed by an Assistant Director and is managed by a Branch Chief.

OIA also serves as the focal point for the U.S. Securities and Exchange Commission (SEC or Commission) staff’s official international travel. OIA reviews SEC staff’s proposed foreign travel that is presented in the Foreign Travel Memorandum (FTM) and the supporting documents that international travelers provide to OIA. Subsequently, OIA submits these documents to the Office of the Chief Operating Officer (OCOO) for final review and approval. Further, OIA coordinates SEC staff’s needed country clearances with the U.S. Department of State and foreign governments and determines whether there are any visa requirements. In addition, OIA provides input to the “International Travel” section that is located on the “SEC Insider,” the Commission’s internal website. This site provides foreign travel guidance to Commission staff.

Objectives. The overall objective of OIG’s audit was to assess the effectiveness and efficiency of OIA’s internal operations and identify areas for improvement to reduce or eliminate fraud, waste, and abuse. Our specific audit objectives were to assess whether OIA:

- Has viable policies, procedures, and controls for its program activities;
- Effectively tracks and processes requests for technical assistance and enforcement assistance in a timely manner;
- Has developed a program that ensures SEC employees’ international travel is appropriately processed through OIA;
- Adequately communicates SEC’s international travel process and related procedures to employees; and

¹ See www.sec.gov.

- Appropriately conducts and reports its staff's international travel in accordance with applicable Federal regulations and internal policies and procedures.

Results. OIA's operating units have policies, procedures, and controls, and the office effectively tracks and processes technical and enforcement assistance requests. However, OIA has not documented its international travel coordination and review procedures. In addition, our testing of FTMs, the primary review and approval document for international travel, found that: FTMs were not always submitted to OIA two weeks prior to the start of travel, as is required by SEC policy; some FTMs did not have one or more required supporting documents; some FTMs were approved by the former Executive Director on or after the traveler's departure date; and the former Executive Director did not approve a few FTMs.

While OIA obtains country clearances for SEC international travelers, it maintains the documents in its file and does not provide them to the traveler.

Further, our review of supporting documentation for two one-day international trips and a multi-stop, two-day international trip that were taken in 2009 and 2010 by OIA staff found the trips were not sufficiently documented to justify the benefits derived. The OIA Director and Deputy Director for Policy provided OIG with additional documentation to justify these trips.

Our review of a sample number of international expense reports found that 61 percent were not submitted by travelers within five working days after the trips' completion, in accordance with Federal travel regulations and SEC travel policies. We also found compliance with Federal travel regulations and SEC travel policies related to business class travel, taxis and airport parking, hotel per diem, meals and incidental expenses, and the recording of compensatory time for travel needs improvement. Finally, the "International Travel" section on the SEC Insider, which international travelers use to identify travel requirements, contains outdated information that should be updated.

Summary of Recommendations. This report contains 10 recommendations that were developed to strengthen OIA's internal operations and to assist OIA and the OCOO in effectively executing their international travel-related responsibilities.

Specifically, OIG recommended that OIA develop and implement written procedures for its travel coordination and review activities. In addition, we recommended OIA strengthen its travel administrative activities. In this regard, OIA and OCOO should periodically inform Commission staff regarding the requirement to prepare FTMs at least two weeks before the travel date and to provide supporting documents with the FTM to OIA. Further, we recommended

the FTM is revised to include a justification for approved travel and copies of approved country clearances are provided to international travelers.

Additionally, we recommended OIA establish procedures to ensure its staff follows Federal travel regulations and SEC travel policies when: planning international trips, preparing expense report, and computing and recording compensatory time for travel. We also recommended OIA ensure its timekeeper records compensatory time for travel in the pay period the hours are earned.

Finally, OIA and OCOO should review guidance on the SEC Insider related to international travel processes and procedures and regularly update this information.

Management's Response to the Report's Recommendations. OIG provided OIA and OCOO with the formal draft report on September 19, 2012. OIA and OCOO concurred with the recommendations that were addressed to their respective offices. OIG considers the report's recommendations resolved. However, each recommendation will remain open until documentation is provided to us that supports the recommendation has been fully implemented.

OIA and OCOO responses to each recommendation and OIG's analysis of the responses are presented after each recommendation in the body of this report.

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Background and Objectives

Background

The mission of the Office of International Affairs (OIA) is to:

Promote investor protection and cross-border securities transactions by advancing international regulatory and enforcement cooperation, promoting the adoption of high regulatory standards worldwide, and formulating technical assistance programs to strengthen the regulatory infrastructure in global securities markets.²

OIA carries out its mission by:

- Advising on and assisting with cross-border securities investigations and prosecutions, and negotiating information-sharing arrangements with foreign securities regulators and law enforcement agencies.
- Conducting training and technical assistance programs in the United States and internationally for foreign regulators, particularly from emerging securities markets.
- Providing analysis and advice to the U.S. Securities and Exchange Commission (SEC or Commission) regarding rules, actions, and initiatives that have multinational implications, and promoting the adoption of meaningful and effective securities regulations and accounting, auditing, and enforcement standards worldwide.

Organizational Structure

Integral to OIA's operations and its role in coordinating international issues are the internal procedures and tracking mechanisms the office and its four operating units use. The operating units: Technical Assistance (TA), International Enforcement (IE), International Regulatory Policy (RP), and Comparative Law and Regulation (CL), carry out the office's mission and activities as described below. Each unit is headed by an Assistant Director and is managed by a Branch Chief.

OIA's Director, senior staff, and counsel meet bi-weekly with supervisors from each unit to discuss priority items, planning, and administrative matters. In addition, each week OIA staff works with Commission staff agency-wide to

² See www.sec.gov.

develop its “at a glance” international calendar. The calendar contains brief descriptions of significant engagements between Commissioners, SEC staff and key outside officials and representatives, as well as important foreign and domestic conferences. Unit projects are recorded and tracked in the International POD (I-POD) system, which is an in-house system OIA uses to maintain and monitor the status of work that is performed. The I-POD system also accumulates data for inclusion in OIA reports. Each week OIA attorneys complete an assignment survey that senior management uses to control and assign work.

OIA’s units have distinct functions and written policies and procedures that have been developed to conduct and control their operations.

Technical Assistance. TA plans, develops, and conducts training programs overseas. OIA conducted 19 overseas programs in 2010 and 11 in 2011. The programs typically lasted 3 to 5 days in duration. Programs are normally funded by outside organizations such as hosting foreign government agencies or securities authority, World Bank, International Monetary Fund, or Asia-Pacific Economic Cooperation. Some programs are also funded by the U.S. Agency for International Development (USAID) under an inter-agency agreement it has with the SEC.³

TA also develops, organizes, and conducts the nine-day “International Institute for Securities Market Development” that is held annually in the spring, and the five-day “International Institute for Securities Enforcement and Market Oversight” that is held annually each fall. These seminars are complex events requiring detailed advance planning and coordination. The fall 2011 seminar included 176 representatives from 56 countries, and the spring 2012 seminar included 161 representatives from 69 countries, as well as 6 Chairmen from the SEC’s foreign counterparts. To maximize the breadth of participation, individuals can only attend these seminars once every five years.

International Enforcement. IE facilitates cross-border enforcement cooperation. The unit coordinates assistance requests with foreign law enforcement and regulatory agencies on behalf of the Division of Enforcement (Enforcement). Such assistance may require obtaining documents, information, and testimony; freezing assets abroad; or conducting joint or parallel investigations with the foreign counterparts. In so doing, IE relies on mechanisms such as mutual legal assistance treaties, memoranda of understanding, letters rogatory (formal requests from a court in one country to the judicial authority in another), and ad hoc arrangements to obtain brokerage, bank, and corporate records; foreign audit workpapers; and testimony. In addition, IE assists foreign securities regulators with investigations when it is necessary to obtain information and documents in the United States (U.S.). IE

³ Interagency Agreement Between the United States Agency for International Development and the United States Securities and Exchange Commission.

strives to develop effective working relationships with foreign law enforcement and regulatory partners.

International Regulatory Policy. RP coordinates international policy efforts intended to promote high-quality securities regulation, and it keeps the Commission informed of current and potential initiatives that may affect financial markets. OIA seeks to advance SEC's policy interests at regulatory and standards-setting organization meetings where current and future global financial and other initiatives are discussed and promulgated. SEC, with OIA's involvement, maintains a leadership presence at the International Organization of Securities Commissions (IOSCO). Consequently, RP is an active member of IOSCO's technical committees, whose overall objective is to review major securities regulatory issues. RP also participates in securities-related task forces.

Further, OIA facilitates the SEC's participation on the Financial Stability Board. The Board was established in 2009 with the goal of strengthening financial systems and international financial products. OIA maintains a similar role in other international organizations such as the Council of Securities Regulators of the Americas, the Financial Action Task Force, and the Organization for Economic Cooperation and Development. In addition, OIA collaborates on diverse projects seeking enhanced transparency and disclosure, such as striving towards high-quality global accounting standards.

Comparative Law and Regulation. CL provides analysis and advice on international legal and regulatory issues including best practices abroad and initiatives taken in foreign countries that may impact the SEC or U.S. markets. CL advises the Commission on the multinational aspects of decisions and rulemakings and on issues related to cross-border supervisory cooperation and regulatory coordination. Additionally, CL analyzes the impact that SEC rules and actions might have on foreign market participants in U.S. markets, and advises the Commission on the potential impact of proposed rules and policy initiatives by foreign regulators. CL also monitors other countries' legislative and regulatory reforms and keeps the Commission informed of potential conflicts and opportunities for cross-border coordination. For example, CL analyzed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and SEC regulations issued thereunder, to determine the impact on foreign laws and foreign market participants in the U.S. Finally, CL coordinates closely with RP regarding the activities and initiatives of committees and task forces that involve RP.

Performance and Accountability Report

The SEC's 2011 Performance and Accountability Report (PAR)⁴ describes two key areas (Goal 1 and 2) of OIA's involvement in achieving the SEC's goals.

Goal 1 - "Foster and Enforce Compliance with the Federal Securities Laws"

Indicator 10 of the PAR deals with SEC's requesting foreign regulators for enforcement assistance and responding to similar requests from foreign authorities. The PAR indicates the number of requests to foreign authorities for assistance, facilitated by IE, increased by 28 percent from 2010 to 2011, due to Enforcement's "burgeoning need to obtain overseas documents and testimony for investigations and litigated matters."

Goal 2 - "Establish an Effective Regulatory Environment"

Measure 3 focuses on the number of non-U.S. regulators trained. This effort is coordinated by TA. The PAR indicates foreign regulators' trainings "assist countries in developing and maintaining robust projections for investors and promote cross-border enforcement and supervisory assistance." The number of foreign regulators trained decreased from 1,997 in fiscal year (FY) 2010 to 1,765 in FY 2011, as the result of a "realignment of priorities due to resource limitations" and limitations on the part of foreign counterparts to host or attend training sessions. Training targets for 2012 and 2013 indicates a slight growth from the 2011 level.

Agency-Wide Contact for Official SEC International Travel

OIA serves as the agency-wide point-of-contact for official SEC international travel and it coordinates certain aspects of travel on behalf of the Commission. Among other things, when SEC staff engages in international travel to attend a conference or speaking engagement on behalf of the Commission, they must confer with OIA prior to accepting the invitation to avoid duplication in topics and locations other staff may have previously covered. For all official international travel, staff or their respective office or division is required to submit a Foreign Travel Memorandum (FTM) and supporting documents to OIA. OIA reviews the information for completeness, coordinates the country clearance process with the U.S. Department of State (State Department) and foreign governments, and assesses whether there are visa requirements. OIA then submits the FTM and documents to the Office of the Chief Operating Officer (OCOO)⁵ for final review

⁴ U.S. Securities and Exchange Commission, FY2011 Performance and Accountability Report, pages 66 and 69.

⁵ The former Executive Director performed the final review and approval until spring 2011. In May 2011, his responsibilities and assigned staff were transferred to the Chief Operating Officer, who heads the OCOO.

and approval, and to ensure travel is limited, reasonable, and consistent with SEC's objectives.

SEC staff conducting official foreign travel can obtain guidance for international travel on the SEC Insider, the SEC's internal website, by clicking onto the "International Travel" section. The "International Travel" site consists of the following hyperlinks:

- "International Travel Overview" - Provides guidance to travelers.
- "International Travel Guide" (Travel Guide) - Consists of a summary of the international travel process for SEC staff. The Travel Guide "is intended to serve as a general overview of the international travel process and to help staff determine the necessary steps required for international travel."
- "Forms" - Consists of various international travel forms such as the FTM.
- "Useful Links" - Includes hyperlinks to the State Department's Travel Section, U.S. government international per diem rates, SEC Office of Financial Management (OFM) travel information, the Federal Travel Regulation (FTR), country visa requirements, etc.

Senior staff in each SEC division or office provides the initial approval for official international travel they deem justified. In reviewing FTMs prior to submission to OIA, they are required to assess the factors identified in the Foreign Travel Guidelines.⁶ Each office and division is required to coordinate with staff in the OCOO and OFM to ensure their staff follows governing travel guidelines and protocols such as making travel arrangements, filing and processing expense reports, and obtaining approvals that are needed from other pertinent offices.

Objectives

The overall objective of our audit was to assess the operating effectiveness of OIA's functions and to identify areas for improvement to reduce or eliminate waste, fraud, and abuse. OIG's other audit objectives were to assess whether OIA:

- Has viable policies, procedures, and controls for its program activities;
- Effectively tracks and processes requests for technical assistance and enforcement assistance in a timely manner;
- Has developed a program that ensures SEC employees' international travel is appropriately processed through OIA;

⁶ The "Foreign Travel Guidelines" is comprised of the procedures that SEC staff conducting official international travel are required to follow.

- Adequately communicates SEC's international travel process and related procedures to employees; and
- Appropriately conducts and reports its staff's international travel in accordance with applicable Federal regulations and internal policies and procedures.

OIG revised the audit's initial objectives to include OIA international travel. Where appropriate, OIG also identified best practices.

Findings and Recommendations

Finding 1: OIA's Travel Coordination and Review Processes Lacked Written Procedures

Though OIA's operating units' policies, procedures, and controls were adequate, and the office effectively tracked and processed technical and enforcement assistance requests, it has not documented its international travel coordination and review procedures.

While OIA has written Commission-wide guidance on the processes, requirements, and considerations for official foreign travel, it does not have documented procedures for its travel coordination and review responsibilities. As a result, when a long-time OIA employee who performed this function left the office in December 2011, the staff who temporarily assumed the duties did not have written guidance to assist in performing travel-related duties.

OIA's International Travel Responsibilities and Procedures

OIA serves as the agency-wide coordinator for official international travel and its processes, and provides pre-trip assistance to SEC staff. SEC staff or their offices and divisions submit a FTM with supporting documentation to OIA for international trips. OIA conducts a review to determine if the FTM and required documents such as flight itinerary, daily itinerary, event's program agenda, etc., are complete. They then assess whether it is a duplicate visit, and if there are existing political, safety, or other issues that could affect travel to the country. Once its review is done, OIA forwards the FTM and documentation to OCOO for final review and approval. The approved and signed FTM is returned to OIA for filing.

An important OIA travel-related activity is facilitating visas for SEC staff. The "Travel Policy for SEC Employees" (SEC Travel Policy), issued January 6, 2010, provides detailed travel guidance in a Questions and Answers format. For example, SEC Travel Policy, Question 51 describes OIA's visa responsibilities and states,

When the OIA receives your Foreign Travel Memorandum, the travel coordinator will review your application and advise you if a visa is required for the countries listed for your trip. Every embassy has different processing times. If a visa is required for your trip, the OIA coordinator will provide you with the necessary application. It is your responsibility to

return the completed visa application at least two weeks prior to departure.

OIA forwards staff's visa application, passport, and photos by courier to the respective Embassy or Consulate. Once the visa is obtained, OIA verifies it has been recorded in the passport and then returns the passport to the traveler.

OIA also requests country clearances from the State Department for staff's international travel. SEC Travel Policy, Question 59 states,

SEC requires *all* employees to have a country clearance prior to departure. OIA will assist you with your country clearance. You should contact OIA at least two weeks prior to the start of your trip.

OIA's Internal Policies and Procedures – Best Practice

Although OIA lacks written travel coordination and review procedures, the office has established written policies and procedures and controls for its program activities. For example, IE uses an internal manual, a handbook, and forms to conduct its operations, provide guidance to staff, and control quality. The manual consists of policies and procedures for the unit's activities. A handbook of mutual legal assistance treaties provides guidance by country of the bilateral agreements that are in effect. TA's program manual provides detailed guidance regarding the planning and execution of its programs. The manual contains listings of key people, form letters, and a variety of control documents. TA also maintains an extensive listing of potential program presenters by subject area. It utilizes a control checklist for each program that enumerates tasks to be performed, deadlines, and responsible persons.

Furthermore, RP uses an updated internal calendar to track upcoming meetings, events, and initiatives. The SEC maintains a leadership presence on committees of key regulatory and standards-setting bodies. OIA's Director, Associate Director, and Deputy Directors discuss upcoming meetings and determine which are most important for the SEC to participate in and who should attend them. A register of potential meetings is maintained and is updated as final determinations are made. CL uses a variety of procedural guidance and "models" of previous work to control its activities and product. The unit prepares briefing memos, develops detailed analyses of U.S. and foreign laws and potential conflicts, and creates legal briefing books, which serve as informational resources for attorneys undertaking similar projects. The Branch Chief conducts quality control reviews for completed products. The Branch Chief, Assistant Director, Associate Director, and Director also perform ongoing monitoring and conduct reviews of draft and final products.

Further, OIA effectively processes and tracks requests for technical and enforcement assistance. For example, projects are recorded and monitored in its I-POD system. IE maintains a control list of foreign regulators contacted, including the names of the individuals and the dates and nature of the interaction. The IE Assistant Director is involved in all aspects of the unit's activities from the receipt of requests for assistance to the assignment of work through its execution. TA projects come from a variety of sources: the SEC's public website, foreign securities regulating organizations, attendees at the Institute seminars, and Commissioner requests. TA maintains a detailed activities calendar, which is discussed by TA management with the Director at bi-weekly meetings.

Conclusion. Documented policies and procedures have enabled OIA's operating units to efficiently and effectively carry out the office's mission. Written procedures are needed for OIA's international travel-related duties to ensure the responsibility of overseeing SEC's agency-wide international travel continues to be performed timely and appropriately. Having these procedures might well have served to reduce or eliminate the travel coordination deficiencies that are described in detail in Finding 2 of this report.

Recommendation 1:

The Office of International Affairs (OIA) should develop and implement written procedures for its travel coordination and review responsibilities. The procedures should cover OIA's internal duties and responsibilities and coordination with the Office of the Chief Operating Officer, the U.S. Department of State, and Commission international travelers.

Management Comments. OIA concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA concurred with this recommendation.

Finding 2: OIA's Travel Administrative Activities Need Strengthening

Travelers submitted their FTMs late and FTMs did not always have required supporting documentation. Further, although OIA maintains a log of granted country clearances for international trips, the office does not provide them to the traveler.

Employees traveling internationally are required to submit an FTM to OIA at least two weeks prior to going on a proposed trip. Our sample review of 47 FTMs

found deficiencies in the timeliness of submission, approvals, and completeness of required supporting documentation.

FTM is the primary document that must be prepared for international travel. The FTM provides trip-related details and is reviewed by OIA before it is submitted to OCOO for final review and approval. Specifically, the FTM requires a description of the trip, purpose, travel dates, destination, personal leave days taken during the travel period, and an indication whether the host organization paid any costs. It is important the FTMs have sufficient detail, the required accompanying documents, and are timely submitted to OIA (i.e., at least two weeks prior to the trip's departure date). The Travel Guide, located on the SEC Insider, states,

SEC employees traveling on international assignments are required to complete and submit a Foreign Travel Memorandum to the OIA at least two weeks prior to the proposed trip. OIA requires two weeks notification prior to any official foreign travel in order to comply with State Department country clearance regulations and to obtain approval from the Executive Director's Office.⁷

As described in the Travel Guide, SEC international travelers are required to include a flight itinerary, daily itinerary, and program agenda (normally provided by the event organizer) with the FTM. For enforcement-related matters, a judicial assistance form is also required when staff travels to take testimony, interviews witnesses, or gathers evidence. These documents are needed to support the FTM. The flight itinerary corroborates the travel beginning and ending dates, the detailed program helps substantiate the purpose of the trip, and the day-to-day itinerary details the official daily activities and identifies personal leave days the traveler is approved to take. The documents should agree with information in the FTM, as well as personal leave requests that are approved in Quicktime, the SEC's employee time and attendance system.

As shown in Table 1 below, OIG judgmentally selected a sample of 47 FTMs to review and verify completeness, timeliness, and approval. Our sample was comprised of a cross-section of FTMs from both OIA and agency-wide staff who conducted official international travel during FYs 2008 to 2011.

⁷ See SEC Insider. Effective May 2011, approvals are obtained from the OCOO.

Table 1: FTMs Reviewed For FYs 2008 to 2011

Year	Sample Pool	Number in Sample
2008 – 2011	SEC Agency-wide Staff	20
2010 - 2011	OIA Staff	20
2010 – 2011	OIA Director and Support Personnel	7
Total FTMs Reviewed		47

Source: OIG generated.

Our review of FTMs and supporting documentation found:

- Twenty-four of 47 (51 percent) FTMs were dated less than two weeks prior to the start date of travel, contrary to SEC Travel Policy.
- Nine of 47 (19 percent) FTMs did not have one or more of the required supporting documents.
- The former Executive Director approved 9 of 47 (19 percent) FTMs on or after the traveler’s departure date.
- Two of 47 (4 percent) FTMs did not have the former Executive Director’s approval.
- One FTM did not have OIA’s signature documenting its review; however, it was approved by OCOO.

The above deficiencies occurred due to non-compliance with SEC FTM submission requirements, the lack of communication among parties, and travelers not following up on missing items submitted to the OIA travel coordinator. Written procedures for OIA’s travel-related responsibilities, as discussed in Finding 1, do not exist and could have aided in reducing or eliminating the discrepancies OIG found.

In discussing the timeliness of FTMs being prepared with OIA’s Director and Deputy Director for Policy, OIG was informed that for OIA staff’s international travel, the trip details are normally discussed well in advance of the trip and OIA’s travel coordinator is notified of upcoming travel before the FTM is prepared. For agency-wide staff, OIG was told that OIA often discusses the travel with management in the traveler’s office or division. We were also told that last-minute travel is unavoidable and results in FTMs being submitted late. However, OIA agreed they recognize the importance of timely approving FTMs and indicated that in the future OIA will monitor the process more closely.

While we found delays in the former Executive Director’s approval of FTMs, these delays occurred prior to the transfer of international travel responsibilities to the OCOO in May 2011. FTMs in our sample requiring OCOO’s approval were timely approved when received.

Country Clearances. Prior to staff's departing on international travel, OIA requests country clearance from the State Department, and provides them with the trip's details. The request informs the State Department and Embassy officials about the travelers travel duration, purpose, country location, and lodging location. This information is important for informational and security purposes. OIA maintains a log of clearances that have been granted, but does not forward them to the traveler. We believe country clearances are an important document travelers should retain when they are out of the country because it documents their official and approved status to be in the foreign country. OIG determined that OIA should supply the country clearances to travelers.

Disapproved International Travel. We found there were no disapproved international travel requests in our sample review of FTMs for FYs 2008 to 2011. We were told that questions and concerns identified during OCOO's review are followed up and resolved with the traveling office or division, prior to the FTM being approved.

Conclusion. OIG determined that FTMs were submitted late due to last-minute travel occurring and because SEC employees may not be familiar with FTM's requirements and their responsibility to coordinate international travel with OIA. We further determined that some FTMs did not include the required documents due to the lack of oversight by the OIA travel coordinator or traveler's not being aware of the Travel Guide's requirement to include a flight itinerary, daily itinerary, program agenda, etc., when the FTM is submitted to OIA. We further determined that the country clearance is an important document that international travelers should be required to retain as part of their official documents for security purposes because it shows they are approved to be in the particular country.

Recommendation 2:

The Office of International Affairs and the Office of the Chief Operating Officer should periodically issue an SEC Administrative Notice or SEC Today reminder to Commission staff informing them of their requirement to prepare the Foreign Travel Memorandum (FTM) at least two weeks before the travel date and to provide the required supporting documents (e.g., flight itinerary, daily itinerary, and program agenda) with the FTM.

Management Comments. OIA and OCOO concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA and OCOO concurred with this recommendation.

Recommendation 3:

The Office of International Affairs (OIA) and the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum (FTM) to include a statement on the FTM indicating when it must be submitted to OIA and a reason or justification for late submissions.

Management Comments. OIA and OCOO concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA and OCOO concurred with this recommendation.

Recommendation 4:

The Office of International Affairs and the Office of the Chief Operating Officer should establish controls to ensure that the Foreign Travel Memorandum contains all supporting documents prior to submitting it to the Office of the Chief Operating Officer for approval.

Management Comments. OIA and OCOO concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA and OCOO concurred with this recommendation.

Recommendation 5:

The Office of International Affairs should forward granted country clearances to Commission staff prior to their departure on official international travel and request staff maintain the document while on travel status.

Management Comments. OIA concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA concurred with this recommendation.

Finding 3: The Justification for Taking International Trips Was Not Always Properly Documented

The justifications for three international trips OIA staff took did not include sufficient support in the FTM regarding the benefits derived to the SEC from taking the trips in relationship to cost. This information is important when validating whether SEC travel is reasonable and consistent with its objectives.

We identified three trips where the justification for taking the trips should have been better documented. These trips consisted of a:

- November 2009 trip to Rome for a person in OIA to attend a one-day IOSCO meeting;
- December 2009 trip to Dubai for a person in OIA to attend a one-day IOSCO meeting; and
- March 2010 multi-stop trip for a person in OIA to attend a two-day IOSCO meeting in Sydney and a one-day European Capital Markets Institute conference in Brussels.

OIG determined the FTMs and supporting documents for these trips did not provide sufficient information to validate whether the travel was reasonable and consistent with SEC's objectives. Therefore, OIG examined whether the benefits of SEC staff attending these meetings were effective in relation to the cost of the trips. Our sample universe did not have any instances of such travel occurring in 2011.

OIA's Deputy Director for Policy drafted and provided OIG a memorandum dated February 23, 2012 that justified the importance of having its staff attend the IOSCO meetings that were held in Rome and Dubai. Similarly, the Director provided OIG with a memorandum on February 22, 2012 that explained international standards were being developed at these meetings and it was important the SEC be physically present.

With regards to the Sydney and Brussels meetings, OIA's Director informed us that "attending meetings of IOSCO are really not optional.... We attend these meetings because the U.S. wants and needs to be present in the development of these standards." He also stated that critical negotiations were conducted face-to-face among participants, and the SEC's physical presence at these meetings was important. The FTM was prepared six days before the person departed for the trip, which violates the requirement that FTMs be submitted to OIA at least two weeks prior to the proposed trip departure date. The timely preparation

of FTMs would have provided OCOO with sufficient time to follow up and resolve questions it may have had regarding the justification for sending staff on the trips.

Currently, FTM's instructions require a brief summary describing the nature of staff's international travel, but they do not clearly require a justification regarding the benefits that are derived to the SEC. Having a justification on the FTM for international travel cost would provide transparency and an explanation as to why and how the trip benefits the SEC. We believe this will further aid OCOO in determining whether the trip should be approved.

Conclusion. Based on our review of FTMs, supporting documents and interviews, we determined to validate whether travel is reasonable and consistent with SEC's objectives, FTMs should include a justification for all international travel requests.

It is incumbent upon agency personnel to make the best use of SEC's resources. This requires the SEC maintain a record of the benefits related to proposed activities and costs. Not giving due consideration to the benefits of a particular trip in relation to its costs can result in an ineffective use of agency resources. Given the scrutiny of stakeholders regarding the SEC's budget, all international trips and the related benefits must be reviewed and approved based on substantiated support and the needs of the SEC.

The Deputy Director for Policy agreed FTM documentation could have better reflected the justification for the trips. OIA acknowledged the FTM should be revised to include language to make the benefits of international trips clearer.

Recommendation 6:

The Office of International Affairs in coordination with the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum to include a justification section. The justification should provide a clear explanation as to why and how the trip benefits the Commission and should indicate that the trip is warranted.

Management Comments. OIA and OCOO concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA and OCOO concurred with this recommendation.

Finding 4: OIA’s Staff’s Compliance with Federal Travel Regulations and SEC Travel Policies Needs Improvement Regarding International Travel

Our review of expense reports found they were not timely submitted to OFM. Further, we found compliance related to business class travel, taxis and airport parking, per diem for hotels, meals and incidental expenses, and compensatory time for travel needs to be improved.

Our expense report review revealed that 61 percent (25 of 41) of the reports in our sample were not submitted to OFM within five working days after the travelers trip was completed, as required by FTR Section 301-52.7 and SEC Travel Policy, Question 92. When conducting official international travel, SEC staff is required to submit an expense report to OFM within 5 working days after the trip ends. OFM’s Systems and Travel Branch reviews the expense reports to ensure compliance with FTR, 41 Code of Federal Regulations, Chapters 300-304 and for appropriateness.

OIA conducts certain overseas technical assistance and training under an inter-agency agreement the SEC has with USAID. The agreement stipulates that:

“Except as USAID may otherwise agree in writing, all travel financed under this Agreement shall be subject to the Federal Travel Regulations.”

To review OIA’s international travel we selected a sample of 41 expense reports.⁸ OIG randomly selected 21 expense reports covering FYs 2008 to 2011. To ensure the sample included a variety of SEC staff and countries, we then selected 20 additional expense reports that covered FYs 2010 and 2011, for a total of 41 expense reports.

FTR and SEC Policy Covering Expense Reports. FTR and SEC Travel Policy require that expense reports are submitted to OFM within five working days of a trip’s completion. Specifically, FTR section 301-52.7 states,

Unless your agency administratively requires you to submit your travel claim within a shorter timeframe, you must submit your travel claim as follows: (a) Within 5 working days after you complete your trip or period of travel....

⁸ In addition to OIA staff’s expense reports, our sample included two expense reports from other SEC staff who participated on a technical assistance visit with OIA.

FTR policy is reinforced by the February 28, 2011 memorandum that was issued by the Chief Financial Officer, "Required Expense Report Filing within 5 Days for All SEC Employees." Most expense reports we reviewed were submitted later than five working days after the traveler had completed their trips. Of the 41 expense reports in our sample, 25 (61 percent) were submitted late to OFM. Further, 9 of the 25 were submitted 1 to 2 months after the trips' completion, and 7 were submitted 2 or more months after the trips were completed. Table 2 illustrates the sample selection of 25 late expense reports we reviewed by FY.

Table 2: Late Expense Reports Reviewed by Fiscal Year

Fiscal Year	Late Expense Reports
2008	2
2009	5
2010	10
2011	8
Total	25

Source: OIG Generated.

OIA's Deputy Director for Policy explained that upon returning from overseas trips OIA staff should have prioritized getting their expense reports completed. The late submission may have occurred due to work demands such as handling office issues or having to follow up on trip-related items. Other reasons given for the lateness were that OIA staff may be confused as to what they are required to submit and when it should be submitted. An OIA staff told OIG that he thought the submission process was achieved when he provided OIA's support person with receipts and supporting documents to prepare his expense report.

FTR and SEC Travel Policy Covering Business Class. FTR Sections 301-10.123 and 301-10.125, and SEC Travel Policy, Questions 21 and 23, are consistent as to when a traveler can fly business class. The technical requirements include origin and/or destinations outside the continental U.S. and scheduled flight time that is in excess of 14 hours duration, unless the traveler has a medical exception. Outbound and return flights are separately considered in making this determination. Business class is not authorized if the traveler is not required to report for duty the day after arriving at the destination.

Additionally, travelers are expected to select the least expensive class of service that meets their needs and use business class only if it is necessary in achieving the agency's mission.

Based on our sample universe, OIG reviewed an air ticket issued for a series of flights that required stopovers en route to two different meetings, as discussed in Finding 3. The flights were:

- (1) Washington D.C. to Sydney Australia,
- (2) Sydney Australia to Brussels Belgium, and
- (3) Brussels to Washington D.C.

Business class tickets were issued for all legs of these trips. Our review found that the nonstop flight from Brussels to Washington D.C. was less than 14 hours. The expense report did not indicate an exception for booking the flight in business class. The traveler spent one day in Brussels to attend a meeting, then took a leave day before he flew back to Washington D.C. The traveler informed OIG he realized upon checking-in at the Brussels airport that he was booked in business class and attempted to change the ticket to coach. However, the airline representative informed him that it would cost an additional amount to change the ticket at that point, so he did not change it.

In another instance, OIG reviewed the expense reports for an OIA employee and a non-OIA employee, who went on a Technical Assistance trip that was funded by USAID. The employees flew separately in business class from Washington, D.C. to Nairobi, Kenya, and immediately upon their arrival at the destination; both took leave before the Technical Assistance program started. Because they were not required to report for duty the day after arriving in Nairobi, Kenya, and each person took personal leave prior to the start of official business, they were not authorized to travel using business class in accordance with SEC Travel Policy, Question 23. Also, according to FTR Section 301-10.123, travelers “should consider the least expensive class of travel that meets their needs.” Our expense report review further found that the OIA employee erroneously charged \$188.18 for hotel cost on his expense report for the first night he arrived in Nairobi. This situation is akin to a rest period that can be taken when coach travel is used. Because this employee took leave, he was not entitled to be reimbursed for hotel expenses for his first night stay in Nairobi.

FTR and SEC Travel Policy Covering Taxis and Airport Parking. OIG’s review of fees associated with taxis and airport parking found that travelers occasionally drove their vehicles to the airport and parked there for the duration of their trips. They then included airport parking fees on their expense reports. In three cases, we found that the round-trip cost of taking a taxi between either the traveler’s home or office and the airport was less than the cost of parking at the airport. FTR Section 301-10.308 states: “Your agency may reimburse your parking fee as an allowable transportation expense not to exceed the cost of taxi fare to/from the terminal.”

Information Submitted With the Expense Reports. Upon returning from travel, OIA travelers informed OIG they give their receipts to an OIA support staff person who then prepares their expense report. To identify expenses that do not require a receipt, OIA travelers normally attach a description of the nature and amounts of charges they are seeking to be reimbursed. We found that the presentation and level of detail of this information varied from person-to-person.

For example, the information provided by one traveler was in a detailed narrative; another person used an abbreviated handwritten itemization of charges. Similarly, for many trips, particularly the technical assistance trips, meals were provided on-site by the host organization, and staff itemized the items to reduce their total per diem amounts.

One report we reviewed included two non-receipted items for taxi and medical insurance that amounted to \$113.30. These charges mistakenly were not included on the expense report, so they were not reimbursed. The traveler did not notice the error when he submitted this expense report for processing.

In another expense report we reviewed, the traveler's list of meals that were provided by the host (i.e., breakfast, lunch, dinner) varied in amount each day. However, the daily amounts on the expense report generally did not change. The total per diem on the expense report agreed with the traveler's list. The traveler did not know why the daily per diem on the expense report differed from the list she prepared. The person who prepared the expense report no longer works in OIA. We determined this discrepancy may have occurred due to confusion by the person who prepared the expense report.

Best Practice. When we brought the above matter to the Deputy Director for Policy and TA's Branch Chief attention, the Branch Chief immediately developed a standardized form to capture per diem and other expenses in a single location. The form will be used by travelers to accumulate their expenses, including daily per diem amounts. Having a comprehensive standardized form should make it easier for OIA travelers to properly capture all charges on the expense report. Also, the standardized form will make it easier for support staff who may prepare the expense reports to identify all applicable charges.

Per Diem, Meals, and Incidental Expenses Associated With USAID-Funded Technical Assistance Program. OIG reviewed the expense reports for the two employees that went on the OIA technical assistance trip to Nairobi, Kenya. Our review found that one of the travelers charged zero per diem for the two flight days to Nairobi. He then took two personal days off and charged 75 percent of the overall per diem (\$88.50) for the day before the program commenced. "Meals and Incidental Expenses (M&IE) Breakdown" issued by the U.S. General Services Administration and linked to FTR Section 301-11.318, states: "The first and last calendar day of travel is calculated at 75 percent." Further, SEC Travel Policy, Question 74 mirrors the FTR and states: if traveling more than 24 hours, "on the day you depart, you will receive 75 percent of your M&IE allowance (regardless of the time you left) for your TDY location...." Accordingly, the traveler was entitled to 75 percent per diem, or \$88.50, for the day of departure, plus regular per diem of \$188 for the day before the program. Further, the justification for early departure on the expense report was incorrect. It states,

“Leave exception. Traveler left 3 days early in order to prepare for the meeting in Kenya.” However, the employee took leave before official business started.

Lunch was provided by the host during the five-day program. However, the two travelers did not exclude \$30 in per diem for lunch that was provided on their respective expense reports. FTR section 301-11.18 states: “...your M&IE allowance must be adjusted for meals furnished to you by the Government...by deducting the appropriate amount shown in the chart...in Appendix B of this chapter for meal deductions for OCONUS and foreign travel.”

Calculating Compensatory Time For Travel

Section 203 of the Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004) authorized compensatory time off for government employees who travel from their official duty station outside of normal working hours. As a result, the SEC issued “Human Capital Directive and Procedure” policy on July 13, 2005 and revised it on May 9, 2006 (Compensatory Time for Travel policy). The Compensatory Time for Travel policy provides procedural guidance to SEC employees. When compensatory time for travel is earned it must be used within 26 pay periods subsequent to the work period giving rise to it, or it is forfeited. Compensatory time for travel is forfeited when an employee leaves the SEC, which includes being transferred to another Federal agency. Compensatory time for travel is never paid.

To record compensatory time for travel, the Commission developed and issued the form, “Worksheet for Determining Amount of Compensatory Time for Travel” (SEC Worksheet), which employees requesting compensatory time for travel are required to complete. While the SEC Worksheet requests total compensatory time for travel hours by day, it does not require a daily breakout of the components of these hours, such as airport waiting time, flying time, time from the foreign airport to the hotel, meal periods, and travel spent during regular working hours. To provide greater detail, OIA developed an additional form, “Compensatory Time for Travel Worksheet,” (OIA Worksheet) to complement the SEC Worksheet. OIA travelers fill out both forms and submit them to the OIA reviewer, who currently is the Deputy Director for Operations, and then to the timekeeper to record into Quicktime.

Currently, a flight itinerary is not required to accompany the compensatory time for travel worksheets. However, it is needed to verify the calculation’s correctness. Our review of OIA’s compensatory time travel files for 2010 and 2011 found that flight itineraries were not always attached to the compensatory time for travel worksheets.

Also, OIG found inconsistencies in how OIA travelers addressed time zone changes on the OIA Worksheet. Some travelers used the actual departure and arrival times and footnoted the number of time zones traveled. Others noted

the number of hours traveled. While either method is acceptable, using the origin and destination's actual flight times best reflects the times on the flight itinerary and thus makes the compensatory time for travel calculation easier to review.

We randomly selected six compensatory time for travel submissions from our original sample of expense reports to test the calculations. For each submission we obtained the:

- (1) SEC and OIA Worksheets,
- (2) flight itinerary,
- (3) FTM, and
- (4) time sheets for the travel periods.

Our review found that two of the six calculations had discrepancies in the amounts as follows:

- For two of the six trips the travelers included as compensatory time for travel their commute from home to the airport at the beginning of the trip and from the airport to home at the end of the trip. According to Compensatory Time for Travel policy "the travel time outside regular working hours to or from the terminal is considered to be equivalent to commuting time and is not creditable as time in a travel status."
- For one of the six trips travel spanned two pay periods, but the compensatory time for travel hours were all recorded in the first pay period in Quicktime. Because compensatory time for travel expires 26 pay periods after the period of the related travel, it is important that the time is recorded in the proper pay period. Also, OIA's timekeeper informed OIG that she "smoothes" compensatory time for travel hours among the employee's days of travel giving rise to compensatory time for travel when she records them. For example, if 40 hours of compensatory time for travel is earned and there are four days of compensatory time for travel-related travel, she enters 10 hours for each day into Quicktime. This methodology can lead to incorrect timing if the employee's travel spans more than one pay period.
- For a multi-flight trip in December 2009 that spanned approximately 22 hours in each direction, only one-half hour in total was deducted on the SEC Worksheet for meals. Compensatory Time for Travel policy states: "Meal periods during actual travel time or waiting time are not creditable as time in a travel status." Further, the flight occurred over two workdays. However, the traveler did not deduct the normal 8 working hours on the second day of the flight, which spanned about 11 hours, in arriving at the compensatory time for travel for that day.

We also found that a traveler was approved to take leave the Friday after completing an official meeting that was held on Thursday. This information was correctly noted in the FTM and per diem and lodging was not charged to the expense report. However, the time was recorded in Quicktime as an official work day under the work code "010." FTM guidance states "Traveler should arrive the day before and leave the day after the event. Any days before and/or after the event that are not travel days will be counted as personal days." Further, "Any days that traveler is not conducting official duties or that are not travel days, are considered personal days." The traveler told us that he recalled having difficulty entering the time in Quicktime and requested assistance from an OIA support staff person. This item was not corrected in Quicktime.

Because approved compensatory time for travel results in employees earning leave, it is important that documents supporting requests for compensatory time for travel be properly prepared and questions that may be followed up immediately. Also, OIA's timekeeper must ensure that when compensatory time for travel is approved for employees, the hours are properly recorded into Quicktime.

Conclusion. Expense reports should be submitted to OFM within five working days after the trip is completed, in accordance with the FTR and SEC policy covering travel. Based on our review of expense reports OIG determined this did not occur due to employees' work demands when they returned from travel and employees being unclear about when and what they are required to submit to OFM. Further, our review of business class travel, taxis and airport parking, per diem for hotels, M&IE, and compensatory time for travel found that OIA staff's understanding of travel and Compensatory Time for Travel policies needs to be strengthened.

Recommendation 7:

The Office of International Affairs should establish procedures and periodically provide training to its staff on the proper application of Federal travel regulations and Commission travel policies in: trip planning, preparing expense reports, and in determining and recording compensatory time for travel.

Management Comments. OIA concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA concurred with this recommendation.

Recommendation 8:

Office of International Affairs should periodically remind staff about the requirement to submit expense reports within five working days after completion of travel to the Office of Financial Management.

Management Comments. OIA concurred with this recommendation. See Appendix V for management’s full comments.

OIG Analysis. We are pleased that OIA concurred with this recommendation.

Recommendation 9:

The Office of International Affairs should ensure its timekeeper records compensatory time for travel in the pay period that the hours are earned.

Management Comments. OIA concurred with this recommendation. See Appendix V for management’s full comments.

OIG Analysis. We are pleased that OIA concurred with this recommendation.

Finding 5: Some International Travel Information on SEC’s Internal Website Is Outdated

The “International Travel” section on the SEC Insider contains information that is outdated and incorrect.

As previously mentioned, staff conducting official SEC foreign travel can obtain assistance in preparing for their trips by reviewing the requirements that are discussed in the “International Travel” site located on the SEC Insider. The site provides guidance to employees on the SEC’s international travel process, which is coordinated by OIA and travel-related procedures. The site further contains the International Travel Overview and Travel Guide links, as well as links to required forms and other useful information.

The International Travel Overview provides a summary of OIA’s responsibilities regarding foreign travel. The Travel Guide is designed “to help SEC staff determine the necessary steps required for international travel,” and it contains information on how to obtain a passport and visa and preparing the FTM and supporting documents.

The SEC Insider is the primary source used to communicate the SEC's international travel processes and procedures. Accordingly, it is important this information is current and the site is periodically reviewed and updated as needed. Having outdated or inaccurate travel information on the SEC Insider results in travelers' being misinformed and could lead to them not taking needed action, or obtaining and providing needed documents to OIA in a timely manner.

OIG found that some international travel information is outdated. For example, the International Travel Overview states that "The Office of International Affairs (OIA) coordinates and approves all international staff travel for the SEC." OCOO actually approves SEC staff's international travel. OIA receives the FTM and supporting documents and reviews them for completeness, duplication of trips by other SEC staff, and for security and related issues, then forwards the documents to OCOO for final review and approval.

Further, both the Travel Guide and the International Travel Overview refer to the former Office of the Executive Director who left the SEC in May 2011. As previously noted, the former Executive Director's travel approval responsibilities were transferred to OCOO in May 2011. In addition, the Travel Guide indicates the Request for Participation in an Outside Meeting form "must be faxed to OIA along with your Foreign Travel Memorandum...." However, according to an SEC Administrative Regulation, the traveler should actually forward this form to OFM.

OIA's Director and the Deputy Director for Policy told us they are aware that discrepancies exist and will have the information reviewed and updated as needed.

Conclusion. The International Travel site on the SEC Insider is the primary source used to communicate the SEC's international processes and procedures to employees. Accordingly, it is important the site is current. OIG found some information was outdated or inaccurate because OIA and OCOO had not reviewed the site to ensure the information was accurate. Such periodic reviews are essential to ensure that SEC staff reviews current, up-to-date information when planning their official international travel. OIA and OCOO informed OIG the site has now been reviewed and updated.

Recommendation 10:

The Office of International Affairs and the Office of the Chief Operating Officer should coordinate with appropriate Securities and Exchange (SEC) offices and review the guidance located on the SEC Insider related to the SEC's international travel processes and procedures, and regularly updates this information as needed.

Management Comments. OIA and OCOO concurred with this recommendation. See Appendix V for management's full comments.

OIG Analysis. We are pleased that OIA and OCOO concurred with this recommendation.

Acronyms and Abbreviations

A-123	Office of Management and Budget Circular A-123 "Management's Responsibility for Internal Control"
CL	Comparative Law and Regulation
COSO	Committee of Sponsoring Organizations of the Treadway Commission
Compensatory Time for Travel Policy	SEC Human Capital Directive and Procedure
Enforcement	Division of Enforcement
FTM	Foreign Travel Memorandum
FTR	Federal Travel Regulation
FY	Fiscal Year
IE	International Enforcement
IOSCO	International Organization of Securities Organizations
I-POD	International Pod
OCOO	Office of the Chief Operating Officer
OFM	Office of Financial Management
OIA	Office of International Affairs
OIA Worksheet	OIA's Compensatory Time for Travel Worksheet
OIG	Office of Inspector General
PAR	Performance and Accountability Report
Quicktime	SEC's Time and Attendance System
RP	International Regulatory Policy
SEC or Commission	U.S. Securities and Exchange Commission
SEC Insider	SEC's Internal Website
SEC Travel Policy	Travel Policy for SEC Employees
SEC Worksheet	Worksheet for Determining Amount of Compensatory Time for Travel
State Department	U.S. Department of State
TA	Technical Assistance
Travel Guide	International Travel Guide
U.S.	United States
USAID	U.S. Agency for International Development

Scope and Methodology

As part of our annual audit plan the OIG conducted an audit of OIA's internal operations and oversight for SEC employees conducting official international travel.

We conducted this performance audit 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 determined that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Scope. The scope of our audit covered FYs 2008 to 2011. Our fieldwork was conducted from November 2011 to July 2012. The audit focused on assessing the internal operations of OIA functions, policies, procedures and official international travel by SEC staff. The scope further included identifying areas for improvement to reduce or eliminate fraud, waste, and abuse.

Methodology. We reviewed OIA's policies, procedures, and controls over its program activities and its tracking and processing of requests for technical and enforcement assistance. Further, we conducted interviews with OIA's Director, Deputy Directors, Assistant Directors, Branch Chiefs, other OIA staff, OCOO staff, as well as agency staff.

To determine if OIA's controls over were operating effectively, we conducted walkthroughs of the procedures, processes, and controls with respect to tracking and processing requests for technical assistance and enforcement assistance. We then tested the documentation for international trips, consisting of the FTM and supporting documents, maintained in OIA's travel files. Also, we reviewed the FTM and supporting documents for completeness and ascertained if it was: appropriately reviewed and approved and submitted timely to OIA and the OCOO.

In addition, we tested a sample number of the expense reports for international travel that was taken by OIA's staff for compliance with Federal travel regulations and SEC travel policy. To do our testing we developed a statistical sample of OIA's staff's international travel that occurred during the scope of our audit. To ensure the later years were adequately covered in our sample and to ensure the testing sample included a mix of countries and SEC staff, our sample universe consisted of a statistical sample and a judgmental sample of expense reports for FYs 2010 and 2011 in our sample universe.

Finally, we reviewed OIA's planning process for the Securities Enforcement and Securities Market Development Institutes that were held at SEC's headquarters' location in November 2011 and April 2012. OIG attended several sessions. We also reviewed a sample number of written comments attendees provided to OIA regarding the sessions.

Internal Controls. We based our assessment of OIA's internal controls that were significant to our audit objectives on the Committee of Sponsoring Organizations of the Treadway Commission framework, which includes control environment, control activities, information and communication, and monitoring. Among the internal controls that we assessed were OIA's controls over its program activities and its processing and tracking of requests for technical assistance and enforcement assistance, and its controls over the coordination and processing of FTMs.

Judgmental and Statistical Sampling. OFM's Systems and Travel Branch provided us with a list of OIA international travel expense reports that covered FYs 2008 to 2011. The audit universe of expense reports OIG obtained consisted of 404. We used the EZ Quant Statistical Analysis Audit tool to generate 21 expense reports for our sample testing pool. This sample was designed to project rates of occurrence with 90 percent confidence that the point estimate is within +/- 20 percent of the audit universe.

Additionally, to complement the statistical sample, we judgmentally selected 20 expense reports that covered FYs 2010 and 2011, for a total of 41 expense reports. This was done to give added coverage to later years and to ensure a mix of countries and travelers were included in our sample.

To review OIA's travel files for international trips SEC staff took, we selected a judgmental sample of 40 FTMs for OIA and non-OIA staff. We further judgmentally selected 7 foreign travel memoranda from the Director's office files to include in our sample.

Prior Audit Coverage. In 1998 OIG conducted an audit of OIA's functions and issued the report "International Technical Assistance," Audit No. 284, on October 27, 1998, related to the audit. Overall the report found that OIA's process for providing technical assistance to foreign securities regulators was operating efficiently and effectively. The report contained 13 recommendations that have since been appropriately closed.

Criteria

OMB Circular A-123 (Revised), Management's Responsibility for Internal Control, December 21, 2004. Establishes that management has a fundamental responsibility to develop and maintain effective internal control.

U.S. Securities and Exchange Commission FY 2011 Performance and Accountability Report, Pages 66 and 69. Describes areas of involvement by OIA in achieving the SEC's performance goals for FY 2011.

FTR, 41 CFR, Chapters 300-304. Prescribes travel policies and procedures to be followed by federal government employees. Specific FTR policies that pertain to this audit are as follows:

FTR Section 301-10.123: "Government travelers are required to exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business when making official travel arrangements, and therefore, should consider the least expensive class of travel that meets their needs."

FTR Section 301-10.123 (b): "Your agency may authorize/approve business-class accommodations if any of the following apply...(6) Where the origin and/or destination are OCONUS [outside the continental United States], and the scheduled flight time, including stopovers and change of planes, is in excess of 14 hours...."

FTR Section 301-10.125 (a): "You may use the 14-hour rule to travel via other than coach-class when...(3) You are required to report to duty the following day or sooner."

FTR Section 301-10.308: "Your agency may reimburse your parking fee as an allowable transportation expense not to exceed the cost of taxi fare to/from the terminal."

FTR Section 301-11.318: "...your M&IE allowance must be adjusted for meals furnished to you by the Government...by deducting the appropriate amount shown in the chart...in Appendix B of this chapter for meal deductions for OCONUS and foreign travel."

Meals and Incidental Expenses (M&IE) Breakdown issued by the U.S. General Services Administration and linked to *FTR Section*

301-11.318: “The first and last calendar day of travel is calculated at 75 percent.”

Travel Policy for SEC Employees, issued by the SEC Office of Financial Management, January 6, 2010. Provides detailed travel policy and procedural guidance in the form of a numbered series of 111 Questions and Answers.

Specific travel policies that pertain to this audit are as follows:

SEC Travel Policy, Question 20: “Approving Officials must ensure that premium travel and/or actual subsistence is only utilized if necessary to meet the SEC mission and cannot be reasonably avoided. The intended use of premium travel and/or actual subsistence must not be misunderstood or misconstrued as a matter of convenience.”

SEC Travel Policy, Question 21: “OFM Authorization Officials must ensure all requests for premium travel or lodging...(a) Comply with FTR Section 301-10.123 for premium travel...(b) Meet criteria for approval of premium travel that will be consistently applied to all SEC staff and management.” ... (f) Are validated to ensure premium travel and upgraded lodging is only approved when necessary and in direct support of the SEC mission and not based on SEC staff personal preferences or convenience.”

SEC Travel Policy, Question 23:

- “You are not authorized premium class accommodations when you are not required to report for duty the following day, whether at the PDS [permanent duty station] or a TDY [temporary duty] location, unless there are medical needs that have been certified by a competent medical authority.”
- “Also, if you are approved to take annual leave at the TDY or relocation point prior to the start of official business, or are approved to take annual leave upon reporting to a PDS location, neither a rest stop nor premium class [flight] accommodations are authorized, unless there are medical needs that have been certified by a competent medical authority.”
- “Just because your approving official authorized premium class [flight] accommodations for the outbound part of your TDY does not automatically justify the use of the premium accommodations for the return trip. The same tests

regarding critical nature, authorizing rest stops, and/or the availability of rest periods should all be considered by authorizing officials.”

- “Please note that the length of the flight alone (14 or more hours) does not justify authorizing premium class. When considering premium class accommodations for trips over 14 hours, approving officials should consider: (a) The constructive cost...(b) The purpose and urgency of the trip....”

SEC Travel Policy, Question 51: “When the OIA receives your Foreign Travel Memorandum, the travel coordinator will review your application and advise you if a visa is required for the countries listed on your trip. Every embassy has different processing times. If a visa is required for your trip, the OIA coordinator will provide you with the necessary application. It is your responsibility to return the completed visa application at least two weeks prior to departure.”

SEC Travel Policy, Question 59: “SEC requires *all* employees to have a country clearance prior to departure. OIA will assist you with your country clearance. You should contact OIA at least two weeks prior to the start of your trip.”

SEC Travel Policy, Question 74: “...on the day you depart, you will receive 75 percent of your M&IE allowance (regardless of the time you left) for your TDY [temporary duty] location.”

SEC Travel Policy, Question 92: “You need to file your travel claim within five days of completing your travel....”

Memoranda From the SEC’s Chief Financial Officer to SEC Employees

- *Required Expense Report Filing Within 5 days for All SEC Employees, February 28, 2011.* Reminds SEC staff that the FTR and SEC Travel Policy requires that travel expense reports are required to be submitted within five working days after trip completion.
- *Redefining the Local Travel Area Policy for All SEC Employees, February 16, 2011.* Defines the SEC local travel area.

Interagency Agreement Between the United States Agency for International Development and the United States Securities and Exchange Commission. Provides for certain overseas technical assistance and training that is conducted by OIA and is funded by USAID.

Federal Workforce Flexibility Act of 2004, Public Law 108-411 (October 30, 2004). Authorizes compensatory time off for time in travel status away from the employee's official duty station outside of normal working hours.

Securities and Exchange Commission Human Capital Directives and Procedures, July 13, 2005 and Revised May 9, 2006 (Issued by SEC's Office of Human Resources). Provides policy and procedural guidance to SEC employees on earning and using compensatory time for travel.

International Travel site on the SEC Insider internal website. Provides guidance to SEC employees on international travel in various sections: International Travel Overview, International Travel Guide, International Travel Guidelines, Forms, and Useful Links.

List of Recommendations

Recommendation 1:

The Office of International Affairs (OIA) should develop and implement written procedures for travel coordination and review responsibilities. The procedures should cover OIA's internal duties and responsibilities and coordination with the Office of the Chief Operating Officer, the U.S. Department of State, and Commission international travelers.

Recommendation 2:

The Office of International Affairs and the Office of the Chief Operating Officer should periodically issue an SEC Administrative Notice or SEC Today reminder to Commission staff informing them of their requirement to prepare the Foreign Travel Memorandum (FTM) at least two weeks before the travel date and to provide the required supporting documents (e.g., flight itinerary, daily itinerary, and program agenda) with the FTM.

Recommendation 3:

The Office of International Affairs (OIA) and the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum (FTM) to include a statement on the FTM indicating when it must be submitted to OIA and a reason or justification for late submissions.

Recommendation 4:

The Office of International Affairs and the Office of the Chief Operating Officer should establish controls to ensure that the Foreign Travel Memorandum contains all supporting documents prior to submitting it to the Office of the Chief Operating Officer for approval.

Recommendation 5:

The Office of International Affairs should forward granted country clearances to Commission staff prior to their departure on official international travel and request staff maintain the document while on travel status.

Recommendation 6:

The Office of International Affairs in coordination with the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum to include a justification section. The justification should provide a clear explanation as to why and how the trip benefits the Commission and should indicate that the trip is warranted.

Recommendation 7:

The Office of International Affairs should establish procedures and periodically provide training to its staff on the proper application of Federal travel regulations and Commission travel policies in: trip planning, preparing expense reports, and in determining and recording compensatory time for travel.

Recommendation 8:

Office of International Affairs should periodically remind staff about the requirement to submit expense reports within five working days after completion of travel to the Office of Financial Management.

Recommendation 9:

The Office of International Affairs should ensure its timekeeper records compensatory time for travel in the pay period that the hours are earned.

Recommendation 10:

The Office of International Affairs and the Office of the Chief Operating Officer should coordinate with appropriate Securities and Exchange (SEC) offices and review the guidance located on the SEC Insider related to the SEC's international travel processes and procedures, and regularly updates this information as needed.

Management Comments

MEMORANDUM

TO: Jacqueline Wilson, Assistant Inspector General for Audits, Office of Inspector General (OIG)

FROM: *For Robert Fisher*
Ethiopsis Tafara, Director, Office of International Affairs

RE: Office of International Affairs Internal Operations and Travel Oversight, Report No. 508

DATE: September 25, 2012

Recommendation 1:

The Office of International Affairs (OIA) should develop and implement written procedures for its travel coordination and review responsibilities. The procedures should cover OIA's internal duties and responsibilities as well as its coordination with the Office of the Chief Operating Officer, the U.S. Department of State, and Commission international travelers.

Management Comments: *OIA concurs with this recommendation. A newly appointed Foreign Travel Specialist has drafted written procedures that set forth the specific steps to be performed for OIA's travel coordination and review responsibilities.*

Recommendation 2:

The Office of International Affairs and the Office of the Chief Operating Officer should periodically issue an SEC Administrative Notice or SEC Today reminder to Commission staff informing them of their requirement to prepare the Foreign Travel Memorandum (FTM) at least two weeks before the travel date and to provide the required supporting documents (e.g., flight itinerary, daily itinerary, and program agenda) with the FTM.

Management Comments: *OIA concurs with this recommendation. Notice was provided to SEC staff on 28 August 2012 and it is displayed on the updated model FTM issued 28 August 2012.*

Recommendation 3:

The Office of International Affairs (OIA) and the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum (FTM) to include a statement on the FTM indicating when it must be submitted to OIA and a reason or justification for late submissions.

Management Comments: OIA concurs with this recommendation. The updated FTM Guidelines of 28 August 2012 reflect this point. OIA management will work with the SEC Insider to make this recommended change to the FTM.

Recommendation 4:

The Office of International Affairs and the Office of the Chief Operating Officer should establish controls to ensure that the Foreign Travel Memorandum contains all supporting documents prior to submitting it to the Office of the Chief Operating Officer for approval.

Management Comments: OIA concurs with this recommendation. The new model FTM contains an enhanced checklist for this purpose. A new Foreign Travel Specialist in OIA will review the checklist and materials for completeness prior to submission to the OCOO.

Recommendation 5:

The Office of International Affairs should forward granted country clearances to Commission staff prior to their departure on official international travel and request staff maintain the document while on travel status.

Management Comments: OIA concurs with this recommendation. The new Foreign Travel Specialist is currently implementing the recommendation.

Recommendation 6:

The Office of International Affairs in coordination with the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum to include a justification section. The justification should provide a clear explanation as to why and how the trip benefits the Commission and should indicate that the trip is warranted.

Management Comments: OIA concurs with this recommendation.

Recommendation 7:

The Office of International Affairs should establish procedures and periodically provide training to its staff on the proper application of Federal travel regulations and Commission travel policies in: trip planning, preparing expense reports, and in determining and recording compensatory time for travel.

Management Comments: OIA concurs with this recommendation. Among other things, the newly appointed Foreign Travel Specialist will coordinate the recommended training and will assist management in developing the recommended procedures.

Recommendation 8:

Office of International Affairs should periodically remind staff about the requirement to submit expense reports within five working days after completion of travel to the Office of Financial Management.

Management Comments: OIA concurs with this recommendation.

Recommendation 9:

The Office of International Affairs should ensure its timekeeper records compensatory time for travel in the pay period that the hours are earned.

Management Comments: OIA concurs with this recommendation.

Recommendation 10:

The Office of International Affairs and the Office of the Chief Operating Officer should coordinate with appropriate Securities and Exchange (SEC) offices and review the guidance located on the SEC Insider that is related to the SEC's international travel processes and procedures, and regularly update this information as needed.

Management Comments: OIA concurs with this recommendation. A review of the guidance was conducted by OIA, OCOO (and OFM), and the Ethics Office, and updated on the SEC Insider internal website on 28 August 2012.

September 25, 2012

MEMORANDUM FOR JON RYMER, INTERIM INSPECTOR GENERAL

FROM: Jeff Heslop, Chief Operating Officer 

SUBJECT: Response to OIG Draft Report on Office of International Affairs Internal Operations and Travel Oversight, Report 508

Thank you for the opportunity to respond to the draft report entitled "Office of International Affairs Travel and Internal Operations" (Audit #508). The draft report contains the following recommendations directed jointly to the Office of International Affairs and Office of the Chief Operating Officer.

Recommendation 2: The Office of International Affairs and the Office of the Chief Operating Officer should periodically issue an SEC administrative notice or SEC Today reminder to Commission staff informing them of their requirement to prepare the Foreign Travel Memorandum (FTM) at least two weeks before the travel date and to provide the required supporting documents (e.g., flight itinerary, daily itinerary, and program agenda) with the FTM.

Recommendation 3: The Office of International Affairs (OIA) and the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum (FTM) to include a statement on the FTM indicating when it must be submitted to OIA and a reason or justification for late submissions.

Recommendation 4: The Office of International Affairs and the Office of the Chief Operating Officer should establish controls to ensure that the Foreign Travel Memorandum contains all supporting documents prior to submitting it to the Office of the Chief Operating Officer for approval.

Recommendation 6: The Office of International Affairs in coordination with the Office of the Chief Operating Officer should revise the Foreign Travel Memorandum to include a justification section. The justification should provide a clear explanation as to why and how the trip benefits the Commission and should indicate that the trip is warranted.

Recommendation 10: The Office of International Affairs and the Office of the Chief Operating Officer should coordinate with appropriate Securities and Exchange (SEC) offices and review the guidance located on the SEC Insider that is related to the SEC's international travel processes and procedures, and regularly update this information as needed.

We concur; recommendations 2, 4, 6, and 10 have already been addressed. Specifically, the August 27, 2012 issue of *SEC Today* notifies agency staff of the requirements pertaining to foreign travel and contains a link to guidance available on the *Insider* (http://intranet.sec.gov/whats_happening/at_the_sec/september_2012/foreign_travel-update08272012.html). We plan to periodically send out a reminder about this requirement. With respect to recommendation 3, we concur and are in the process of revising the foreign travel memorandum as appropriate.

If you have any questions, please let me know. Thank you.

Audit Requests and Ideas

The Office of Inspector General welcomes your input. If you would like to request an audit in the future or have an audit idea, please contact us at:

U.S. Securities and Exchange Commission
Office of Inspector General
Attn: Assistant Inspector General for Audits (Audit Request/Idea)
100 F Street, N.E.
Washington D.C. 20549-2736

Tel. #: 202-551-6061
Fax #: 202-772-9265
Email: oig@sec.gov

Hotline

To report fraud, waste, abuse, or mismanagement at the SEC,
contact the Office of Inspector General at:

Phone: 877.442.0854

Web-based Hotline Complaint Form:
www.reportlineweb.com/sec_oig