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

OFFICE OF
INSPECTOR GENERAL

February 24, 2014

Chair and Commissioners
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Thomas R. Carper, Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Thomas A. Coburn
Committee on Homeland Security and Governmental Affairs
United States Senate
340 Dirksen Senate Office Building
Washington, DC 20510

Sylvia Mathews Burwell, Director
Office of Management and Budget
1650 Pennsylvania Avenue
Room 252
Washington, DC 20503

Darrell E. Issa, Chairman
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Elijah E. Cummings
Committee on Oversight and Government Reform
United States House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Inspector General's Report of the U.S. Securities and Exchange Commission's Fiscal Year 2013 Compliance with the Improper Payments Information Act

The U.S. Securities and Exchange Commission (SEC) Office of Inspector General (OIG) has concluded its review of the SEC's compliance with the Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300) for fiscal year (FY) 2013. Our review was conducted in accordance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204)[1] and the Office of Management and Budget (OMB) Memorandum M-11-16.[2]

We reviewed the SEC's Improper Payments Elimination and Recovery Improvement Act of 2012 Risk Assessment Summary Report, dated June 16, 2013, and supporting documentation, as well as relevant disclosures in the SEC's FY 2013 Agency Financial Report (AFR), dated December 12, 2013. The risk assessment was performed by a contractor

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[1] On July 22, 2010, the President signed into law IPERA, which amended IPIA.

[2] OMB Memorandum M-11-16, "Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123," April 14, 2011.

in coordination with the SEC's Office of Financial Management. The programs included in the assessment were vendor payments (including credit card payments), disgorgements and penalty distributions, and returned deposits of registration filing fees. Travel payments were removed from the SEC's FY 2013 improper payments testing because of a decrease in their susceptibility to significant improper payments.

For FY 2013, IPIA defines "significant improper payments" as gross annual improper payments in the program(s) under review exceeding (1) both 1.5 percent of program outlays and $10 million of all program payments made during the fiscal year, or (2) $100 million. The SEC's FY 2013 risk assessment included consideration of certain risk factors that are likely to contribute to a susceptibility to significant improper payments. The assessment also involved transaction testing on a sample basis of payments made during the first 6 months of FY 2013. The assessment determined that none of the SEC's programs and activities are susceptible to significant improper payments. In addition, the SEC's FY 2013 AFR states the agency determined that implementing a payment recapture audit program is not cost effective; nonetheless, the agency strives to recover overpayments identified through other sources. On the basis of our review of this information, we have determined that the SEC is in compliance with IPIA for FY 2013.

If you have questions or require additional information, please contact Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects at sharekr@sec.gov or (202) 551-6083.

Sincerely,

Carl W. Hoecker
Inspector General
Office of Inspector General
U.S. Securities and Exchange Commission

cc: Jeffery Heslop, Chief Operating Officer, Office of the Chief of Operations
Kenneth A. Johnson, Chief Financial Officer, Office of Financial Management