

U.S. SECURITIES AND
EXCHANGE COMMISSION

REPORT NO. 578

MAY 5, 2023

OFFICE OF
**INSPECTOR
GENERAL**

OFFICE OF AUDITS

Evaluation of the SEC's FY 2022
Compliance With the Payment Integrity
Information Act of 2019



OFFICE OF
INSPECTOR GENERAL

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

M E M O R A N D U M

May 5, 2023

TO: Kenneth Johnson, Chief Operating Officer

FROM: Katherine H. Reilly, Acting Inspector General *Katherine H. Reilly*

SUBJECT: *Evaluation of the SEC's FY 2022 Compliance With the Payment Integrity Information Act of 2019, Report No. 578*

Attached is the Office of Inspector General final report detailing the results of our evaluation of the U.S. Securities and Exchange Commission's (SEC) fiscal year 2022 compliance with the Payment Integrity Information Act of 2019. We determined that, in fiscal year 2022, the SEC complied with the Act; therefore, our report contains no recommendations.

On April 27, 2023, we provided management with a draft of our report for review and comment. We were notified on May 4, 2023, that management would not be providing a response.

We appreciate the courtesies and cooperation extended to us during the evaluation. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

cc: Gary Gensler, Chair
Amanda Fischer, Chief of Staff, Office of Chair Gensler
Heather Slavkin Corzo, Policy Director, Office of Chair Gensler
Kevin Burris, Counselor to the Chair and Director of Legislative and Intergovernmental Affairs
Scott Schneider, Counselor to the Chair and Director of Public Affairs
Philipp Havenstein, Operations Counsel, Office of Chair Gensler
Ajay Sutaria, Legal Counsel, Office of Chair Gensler
Hester M. Peirce, Commissioner
Benjamin Vetter, Counsel, Office of Commissioner Peirce
Caroline A. Crenshaw, Commissioner
Malgorzata Spangenberg, Counsel, Office of Commissioner Crenshaw
Mark T. Uyeda, Commissioner
Holly Hunter-Ceci, Counsel, Office of Commissioner Uyeda
Jaime Lizárraga, Commissioner
Laura D'Allaird, Counsel, Office of Commissioner Lizárraga
Parisa Haghshenas, Counsel, Office of Commissioner Lizárraga
Megan Barbero, General Counsel
Elizabeth McFadden, Deputy General Counsel General Litigation/Managing

Executive, Office of the General Counsel
Lisa Helvin, Principal Deputy General Counsel for Adjudication and Oversight, Office of the General Counsel
David Leviss, Associate General Counsel for Oversight and Investigations, Office of the General Counsel
Stephen Jung, Assistant General Counsel for Intragovernmental and Congressional Affairs, Office of the General Counsel
Caryn Kauffman, Chief Financial Officer, Office of Financial Management
Shelly Luisi, Chief Risk Officer
Jim Lloyd, Assistant Chief Risk Officer/Audit Coordinator, Office of the Chief Risk Officer



EXECUTIVE SUMMARY

Evaluation of the SEC's FY 2022 Compliance With the Payment Integrity Information Act of 2019

REPORT NO. 578 | MAY 5, 2023

WHY WE DID THIS EVALUATION

Improper payments—payments that should not have been made or that were made in incorrect amounts—are an area of fiscal concern in the federal government. The Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) aims to improve efforts to identify and reduce government-wide improper payments. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance from the Office of Management and Budget (OMB). Agencies must also publish certain required information in materials that accompany annual financial statements. Agency inspectors general are to review payment integrity reporting for compliance and issue an annual report.

We conducted this evaluation to determine whether the U.S. Securities and Exchange Commission (SEC or Agency) complied with the PIIA in fiscal year (FY) 2022.

WHAT WE RECOMMENDED

Because the SEC complied with the PIIA in FY 2022, this report contains no recommendations.

WHAT WE FOUND

We evaluated the SEC's compliance with the PIIA in FY 2022 in accordance with guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency and found that the SEC complied with all applicable PIIA requirements. Responsible personnel told us that they performed a risk assessment of all eight of SEC payment programs in FY 2022, considering specific risk factors. The Agency's payment programs are as follows:

- Vendor payments
- Disbursement and penalty distributions
- Filing fee refunds
- Payroll and benefit payments
- Supplemental retirement payments
- Purchase card payments
- Travel payments
- Whistleblower payments

Responsible personnel concluded that all eight programs were at low risk of improper payments and were not susceptible to significant improper payments at or above the threshold levels set by OMB. Personnel also noted that the SEC published payment integrity information in its FY 2022 Annual Financial Report and posted the Annual Financial Report and accompanying materials on its website and *paymentaccuracy.gov*. As the SEC does not have any programs susceptible to significant improper payments, the Agency was not required to formulate improper payment rate estimations, develop corrective action plans or reduction targets, or demonstrate improvements to reaching reduction targets.

To help determine whether the SEC complied with the PIIA, we evaluated the accuracy and completeness of the Agency's required reporting. That is, we confirmed that the SEC published a financial report in FY 2022, posted that report and any accompanying materials required by OMB on the agency's website and *paymentaccuracy.gov*, and completed a program-specific risk assessment. We also verified that the information in those documents was generally accurate and complete by, among other things, performing limited tests of payment transactions.

Specifically, we tested for accuracy and completeness a judgmental, random sample of FY 2022 payment transactions from five of the SEC's eight payment programs. To perform these tests, we obtained payment transaction data, approvals, source documents, contracts, and other supporting documentation. We found no variances, and all payments reviewed were deemed proper.

Finally, we considered relevant prior work completed by our office and the U.S. Government Accountability Office. Overall, we concluded that the SEC's efforts to prevent and reduce improper payments and unknown payments for all eight of its payment programs were effective in FY 2022.

Contents

Executive Summary i

Background and Objective..... 1

 Background 1

 Objective 4

Results 5

 Finding. The SEC Complied with the PIIA in FY 2022..... 5

Appendices 7

 Appendix I. Scope and Methodology 7

 Appendix II. Key Controls and Agency Tests of SEC Payment Programs 10

 Appendix III. Methodology and Results from OIG Tests of SEC Payment Programs 12

Figure and Tables

Figure. SEC Programs and Risk Factors 3

Table 1. PIIA Compliance Reporting Table, FY 2022 5

Table 2. Number of Payment Transactions Tested by the OIG 6

Abbreviations

AFR	Agency Financial Report
ESC	Enterprise Services Center
ETOB	Enforcement Treasury Operations Branch
FY	fiscal year
GAO	U.S. Government Accountability Office
OFM	Office of Financial Management
OHR	Office of Human Resources
OIG	Office of Inspector General
OMB	Office of Management and Budget
PIIA	Payment Integrity Information Act of 2019
SEC, Agency, or Commission	U.S. Securities and Exchange Commission

Background and Objective

BACKGROUND

The Payment Integrity Information Act of 2019 (PIIA), enacted in March 2020, defines “improper payment” as any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement.¹ Among other things, improper payments include duplicate payments and any payment to an ineligible recipient or for an ineligible good or service. If an agency cannot discern whether a payment is proper or improper, the agency should consider the payment an “unknown” payment.

To improve efforts to identify and reduce government-wide improper payments, the PIIA requires federal agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments² based on Office of Management and Budget (OMB) guidance. In addition, the PIIA requires inspectors general to review their agency’s improper payment reporting and issue an annual report regarding agency compliance with PIIA requirements.

To help federal agencies and inspectors general implement the PIIA and to ensure agencies focus on identifying, assessing, prioritizing, and responding to payment integrity risks to prevent improper payments, OMB updated Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement* (M-21-19) in March 2021.³ OMB also updated Circular A-136, *Financial Reporting Requirements*, in June 2022; publishes annual data call instructions; and maintains a payment integrity question and answer platform.

As described in OMB guidance, the PIIA requires agencies to complete each of the following steps to be considered compliant:

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

¹ The PIIA, Pub. L. No. 116-117, repealed the Improper Payments Information Act of 2002, Pub. L. No. 107-300; Improper Payments Elimination and Recovery Act of 2010, Pub. L. No. 111-204; and the Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248.

² “Significant” is defined as exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the percentage of program outlays).

³ OMB Memorandum M-21-19, *Transmittal of Appendix C to OMB Appendix A-123, Requirements for Payment Integrity Improvement* (March 5, 2021).

- **Requirement 3:** Publish improper payment and unknown payment estimates for programs susceptible to significant improper payments and unknown payments in the accompanying materials to the annual financial statement.
- **Requirement 4:** Publish corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- **Requirement 5a:** Publish an improper payment and unknown payment reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- **Requirement 5b:** Demonstrate improvements to payment integrity or reach a tolerable improper payment and unknown payment rate.
- **Requirement 5c:** Develop a plan to meet the improper payment and unknown payment reduction target.
- **Requirement 6:** Report an improper payment and unknown payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

Agencies found to be noncompliant with the PIIA and OMB guidance are required to perform additional reporting to OMB, Congress, and the Comptroller General depending on the number of years their inspector general found them noncompliant. Fiscal year (FY) 2021 was the first year for any program considered noncompliant to apply these additional reporting requirements.

Implementation of the PIIA at the SEC. The U.S. Securities and Exchange Commission (SEC, Agency, or Commission) last conducted improper payment risk assessments of its programs in FY 2019. Because the SEC's risk assessments have consistently indicated that none of its programs are susceptible to significant improper payments and there have been no significant changes in legislation or funding, the SEC was not required to (and therefore did not) perform its next risk assessment until 3 years later in FY 2022.⁴ The SEC's FY 2022 risk assessment—performed by personnel from the Agency's Office of Financial Management (OFM) Internal Controls Branch—covered the 8 payment programs and 12 risk factors shown in the following figure.

⁴ As outlined in OMB Circular A-123, Appendix C (M-21-19).

FIGURE. SEC Programs and Risk Factors



Source: OIG-generated based on information received from OFM.

To complete their review and determine each program's risk of improper payments as high, medium, or low, OFM Internal Controls Branch personnel assessed information from Agency program administrators and work completed by the OIG and the GAO. In addition, other OFM branches and SEC divisions and offices established controls and testing to ensure the accuracy and completeness of payments made on behalf of the SEC.

OBJECTIVE

Our objective was to determine whether the SEC complied with the PIIA in FY 2022. Our evaluation included payment integrity information in the SEC's annual financial statement and materials that accompanied the financial statement for FY 2022.⁵ We also (1) met with staff from the SEC's OFM, Office of Human Resources (OHR), and Division of Enforcement; (2) reviewed applicable federal laws, OMB guidance, and OFM policies and procedures; (3) assessed OFM's FY 2022 improper payment risk assessment and the SEC's FY 2022 PIIA Risk Assessment Summary Report; and (4) tested a sample of payment transactions from five of the eight programs included in the SEC's FY 2022 risk assessment. Our evaluation was conducted in accordance with guidance from OMB and the Council of the Inspectors General on Integrity and Efficiency.⁶

Appendix I of this report includes additional information about our scope and methodology, including our review of relevant internal controls and prior coverage. Appendix II describes key controls and Agency tests of SEC payment programs. Appendix III describes our testing of SEC payment programs.

⁵ The SEC's FY 2022 Agency Financial Report contains audited financial statements and accompanying notes for the SEC and the SEC's Investor Protection Fund, required supplementary information, independent auditor's report on these statements, and management's response to that report.

⁶ OMB Circular A-123, Appendix C (M-21-19); OMB Circular A-136; OMB "Annual Data Call Instructions;" OMB "Payment Integrity Question and Answer Platform;" and Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (November 8, 2022).

Results

FINDING. THE SEC COMPLIED WITH THE PIIA IN FY 2022

Overall, we found that the SEC complied with the PIIA in FY 2022. Following guidance established by the Council of the Inspectors General on Integrity and Efficiency, we evaluated the SEC’s compliance with PIIA requirements and noted no issues or concerns. OFM personnel told us that they performed a risk assessment of all eight SEC payment programs in FY 2022, considering specific risk factors, and concluded that all programs were at low risk of improper payments and were not susceptible to significant improper payments at or above the threshold levels set by OMB. Personnel also noted that the SEC published payment integrity information in its FY 2022 Annual Financial Report and posted the Annual Financial Report and accompanying materials on its website and *paymentaccuracy.gov*. As the SEC does not have any programs susceptible to significant improper payments, the Agency was not required to formulate improper payment rate estimations, develop corrective action plans or reduction targets, or demonstrate improvements to reaching reduction targets. The following table shows the Agency’s compliance with the PIIA requirements that were applicable, and the PIIA requirements that were not applicable, for all eight SEC payment programs in FY 2022.

TABLE 1. PIIA Compliance Reporting Table, FY 2022

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

Source: OIG-generated based on work performed and PIIA requirements, as described on pages 1 and 2 of this report.

To help determine whether the SEC complied with the PIIA, we evaluated the accuracy and completeness of the Agency's required reporting. That is, we confirmed that the SEC published a financial report in FY 2022, posted that report and any accompanying materials required by OMB on the Agency's website and *paymentaccuracy.gov*, and completed a program-specific risk assessment. We also verified that the information in those documents was generally accurate and complete by, among other things, performing limited tests of payment transactions, as Table 2 shows and Appendix III further describes.

TABLE 2. Number of Payment Transactions Tested by the OIG

Program Name	No. of Payment Transactions Tested
Vendor payments	10
Disgorgement and penalty distributions	10
Filing fee refunds	5
Payroll and benefit payments	5
Supplemental retirement payments	5
Purchase card payments	0*
Travel payments	0*
Whistleblower payments	0*

Source: OIG-generated based on sampling methodology.

**Excluded from testing, as discussed in Appendix III.*

Our testing of sampled payment transactions found no variances, and all payments reviewed were deemed proper. In addition, we concluded that the SEC's efforts to prevent and reduce improper payments and unknown payments for all eight of its payment programs were effective in FY 2022. As a result, and because the SEC complied with the PIIA in FY 2022, this report contains no recommendations for corrective action.

Appendix I. Scope and Methodology

We conducted this evaluation from January to May 2023 in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings, conclusions, and recommendations based on our evaluation objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objective.

Objective and Scope

Our objective was to determine whether the SEC complied with the PIIA in FY 2022. Our evaluation included payment integrity information in the SEC's annual financial statement and materials that accompanied the financial statement for FY 2022, as well as OFM's FY 2022 improper payment risk assessment and the SEC's FY 2022 PIIA Risk Assessment Summary Report.

Methodology

To accomplish our objective, among other work performed, we:

- Followed *Guidance for Payment Integrity Information Act Compliance Reviews* (November 8, 2022), developed by the Council of the Inspectors General on Integrity and Efficiency, and applicable OMB guidance including OMB Circular A-123, Appendix C (M-21-19).
- Met with staff from (a) OFM's Internal Controls, Enforcement Treasury Operations, Financial Reporting, Account Analysis, and Filing Fees branches; (b) the Division of Enforcement's Bankruptcy, Collections, and Distribution group and Office of the Whistleblower; and (c) OHR's Total Rewards and Business Management groups.
- Reviewed applicable federal laws and guidance and relevant program policies and procedures.
- Reviewed SEC improper payment data published at *paymentaccuracy.gov*, and the results of internal control testing.

We also tested a sample of payment transactions from programs included in OFM's FY 2022 improper payment risk assessment (see Appendix III).

Internal Controls

To develop an understanding of the relevant control environment, risk assessment, internal controls, communication, and monitoring, we obtained and reviewed OFM's FY 2022 risk and control matrix and related management assurance statement. We also reviewed the results of the SEC's FY 2022 financial statement audit and met with the GAO team responsible for that audit⁷ to discuss control testing. GAO

⁷ U.S. Government Accountability Office, *Financial Audit: Securities and Exchange Commission's FY 2022 and FY 2021 Financial Statements* (GAO-23-105791; November 15, 2022).

concluded that the SEC maintained effective internal control over financial reporting and did not identify any variances in its payments testing.

In addition, because the U.S. Department of Transportation's Enterprise Services Center (ESC) is the SEC's financial shared service provider and hosts the system that serves as SEC's financial accounting system, we obtained and reviewed the independent service auditor's report on ESC for FY 2022. The report did not identify any internal control concerns.

Based on our review, we determined that additional tests of specific internal controls, internal control components, and/or underlying principles was not significant to our evaluation objective. As noted in the Results section of this report, our review focused on assessing the SEC's compliance with PIIA requirements and testing a sample of payment transactions to determine their accuracy. We found no variances in our testing.

Data Reliability

GAO's *Assessing Data Reliability* (GAO-20-283G, December 2019) states reliability of data means that data are applicable for audit purpose and are sufficiently complete and accurate. Data primarily pertains to information that is entered, processed, or maintained in a data system and is generally organized in, or derived from, structured computer files. Furthermore, GAO-20-283G defines "applicability for audit purpose," "completeness," and "accuracy" as follows:

- "Applicability for audit purpose" refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit's research objectives.
- "Completeness" refers to the extent to which relevant data records and fields are present and sufficiently populated.
- "Accuracy" refers to the extent that recorded data reflect the actual underlying information.

To address our objective, we relied on computer-processed data from the system that serves as the SEC's financial accounting system. To assess the reliability of data we:

- interviewed knowledgeable personnel, including OFM and OHR staff and management;
- reviewed the independent service auditor's FY 2022 report on the U.S. Department of Transportation's ESC; and
- tested a sample of payment transactions to determine the accuracy and completeness of the payments, verifying that payment amounts and other attributes matched source documentation.

Based on the work we performed, we found the data sufficiently reliable for the purpose of this evaluation.

Prior Coverage

Between 2020 and 2022, the SEC OIG and GAO issued the following reports of particular relevance to this evaluation:

SEC OIG:

- *Final Management Letter: Evaluation of SEC's FY 2020 Compliance With the Payment Integrity Information Act of 2019* (March 19, 2021).
- *Final Management Letter: Evaluation of the SEC's FY 2021 Compliance With the Payment Integrity Information Act of 2019* (June 22, 2022).
- *Results of the Inspector General's Fiscal Year 2021 Purchase and Travel Card Program Risk Assessment* (July 13, 2022)
- *SEC's Whistleblower Program: Additional Actions Are Needed To Better Prepare for Future Program Growth, Increase Efficiencies, and Enhance Program Management* (OIG Report No. 575, December 19, 2022).

GAO:

- *PAYMENT INTEGRITY: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments* (GAO-20-336; April 2020).
- *Financial Audit: Securities and Exchange Commission's FY 2022 and FY 2021 Financial Statements* (GAO-23-105791; November 15, 2022).

These reports can be accessed at <https://www.sec.gov/oig> (SEC OIG) and <https://www.gao.gov> (GAO).

Appendix II. Key Controls and Agency Tests of SEC Payment Programs

As previously stated, in FY 2022, OFM Internal Controls Branch personnel reviewed various information to assess the SEC's payment programs. In addition, other OFM branches and SEC divisions and offices established controls and testing to ensure the accuracy and completeness of payments made on behalf of the Agency. A description of key controls and Agency tests of each SEC payment program follows.

Vendor Payments. Invoice approvers receive a system-generated email notifying them that an invoice is ready for review. They then review and approve vendor invoices/billing statements within the accounting system within 30 days and in accordance with the Prompt Payment Act.

Disbursement and Penalty Distributions. OFM's Enforcement Treasury Operations Branch (ETOB) personnel review distribution payment files and instructions to ensure completeness and accuracy. ETOB management then reviews and approves payment records containing distribution payment files before routing payment records for processing, and Division of Enforcement management validates that payments are approved. The ETOB Distribution Team then compares the distribution payment files sent for processing with accounting system reports to ensure that distributions were executed in the correct amount and for the correct payee.

Filing Fee Refunds. OFM's Filing Fees Branch has a three-part reconciliation process to ensure the accuracy of its transactions. The Branch's processes reconcile the following filing fee items: cash, revenue, filing fees, accounts receivable, refunds, unearned fees, unclaimed fees, and accrued interest. Filing Fees Branch staff review the reconciliation reports and identify any discrepancies in the balances between each system, and perform a bi-annual audit of a sample of filing-fee verifications.

Payroll and Benefit Payments. To test the accuracy of SEC employee salaries and biweekly payroll information, OFM Financial Reporting Branch personnel annually review a random sample of 45 payroll records. For each record reviewed, OFM Financial Reporting Branch personnel test 29 attributes by comparing them to source data.

Supplemental Retirement Payments. Each biweekly pay period, OHR's Supplemental Retirement Program personnel select a random sample of employees and perform tests to verify the accuracy of the Agency's supplemental retirement contribution. Results of this testing are reviewed by OHR management. Additionally, not less than quarterly, OFM Financial Reporting Branch personnel review the SEC's supplemental retirement contribution for each employee.

Purchase Card Payments. The SEC's Office of Acquisition's Oversight Team annually reviews all Agency purchase cardholder accounts to ensure cardholders comply with regulations and procedures. In addition, the OIG annually assesses any potential increases in programmatic risk, which may warrant an evaluation or audit of the SEC's purchase card program.

Travel Payments. The SEC requires that the U.S. Department of Transportation's ESC audit SEC travel vouchers based on certain criteria before payment. Each audited voucher undergoes scrutiny relating to

every aspect, including the authorization, duration and dates of travel, as well as all expenses submitted for reimbursement. This control helps detect and correct noncompliance with the Federal Travel Regulations and SEC travel policy. In addition, certain travel-related amounts posted in the SEC's financial accounting system are validated with a monthly reconciliation that OFM's Accounts Analysis Branch sends to ESC. Once payment is made, OFM's Accounts Analysis Branch verifies that the invoice amount entered into the SEC's financial accounting system equals the amount authorized for payment.

Whistleblower Payments. The Division of Enforcement's Office of the Whistleblower administers the SEC's whistleblower program, establishes policies, communicates with program stakeholders, reviews whistleblower information, and determines award percentages. The Office also evaluates all whistleblower claims and makes recommendations to the SEC's Claims Review Staff on whistleblower award eligibility. The Claims Review Staff issues Preliminary Determinations and Proposed Final Determinations, subject to the Commission's review, and the Commission is provided an opportunity to review the Claims Review Staff's Preliminary Determinations and makes Final Determinations for all whistleblower awards and Final Orders. ETOB management or designees approve whistleblower disbursements before ESC executes such disbursements. Specifically, members of the ETOB Distribution Team review payment data included in Office of the Whistleblower requests that are sent to ESC, and compare that data to detailed payment reports to ensure that payments are executed in the correct amount and for the correct payee.

Appendix III. Methodology and Results from OIG Tests of SEC Payment Programs

We tested for accuracy and completeness a judgmental, random sample of FY 2022 payment transactions from five of the SEC's eight payment programs. We excluded purchase card, travel, and whistleblower payments because we recently reviewed those programs and identified no material concerns.⁸ Samples we reviewed were nonstatistical and not representative of each payment program's population, and our results cannot be projected. We based our sample design, sample selection, and testing on interviews with knowledgeable staff, our understanding of program policies and procedures, and the results of OFM's FY 2022 improper payment risk assessment, as well as our knowledge of prior risk assessments. We also reviewed and considered GAO's tests of the SEC's payment programs, accomplished as part of the SEC's annual financial statement audit. Although we modified our testing methodology based on each program's processes, risk factors, and other information, for payment transactions we tested, we generally (1) reviewed each payment's supporting documentation, (2) tested the payment amount, and (3) validated the information. A description of our testing methodology and results by program follows.

Vendor Payments. We randomly selected 10 transactions from a listing of 12,749 FY 2022 vendor payment transactions. We compared information such as vendor name, contract number, invoice number, and amount paid as recorded in the SEC's financial accounting system to information from each invoice's contract. Where applicable, we also reviewed each contract to verify that detailed information existed to support each invoice, validated invoice rates to those in the contracts, determined whether the payments were made for eligible goods and services, and confirmed that documentation existed to ensure improper payments did not occur. Finally, we verified that the expended amount did not exceed the amount allocated for the contract.

Results: All transactions tested were complete and accurate. We did not identify any improper payments.

Disgorgement and Penalty Distributions. We randomly selected 10 disgorgement transactions of 690 processed in FY 2022. For each transaction tested, we (1) validated the total amount paid and the number of harmed investors/funds paid; (2) confirmed that supporting documentation existed, such as a Commission or court order, and that information in the SEC's financial accounting system matched the documentation; (3) verified funding levels provided by the Division of Enforcement and, if applicable, a disbursement plan; and (4) verified that the SEC checked the national Do Not Pay database before processing a payment.

⁸ In FY 2022, we reviewed the SEC's purchase card and travel card program. See SEC OIG, *Results of the Inspector General's Fiscal Year 2021 Purchase and Travel Card Program Risk Assessment* (July 13, 2022). In FY 2023, we audited the SEC's whistleblower program. See SEC OIG, *SEC's Whistleblower Program: Additional Actions Are Needed To Better Prepare for Future Program Growth, Increase Efficiencies, and Enhance Program Management* (Report No. 575, December 19, 2022).

Results: All transactions tested were complete and accurate. We did not identify any improper payments.

Filing Fee Refunds. We randomly selected 5 of 273 filing fee refund transactions processed in FY 2022. For each transaction tested, we (1) validated the date the payment was issued and the amount refunded; (2) verified that support existed for a request made by the registrant, that the filing fees analyst verified that the refund amount was available, and that a second line supervisor reviewed and approved the payment; and (3) confirmed that the U.S. Department of the Treasury made a payment on behalf of the SEC and that the amount paid matched the amount approved by OFM's Filing Fees Branch.

Results: All transactions tested were complete and accurate. We did not identify any improper payments.

Payroll and Benefit Payments. We randomly selected 5 of 4,569 payroll disbursements from pay period 25 of calendar year 2021 (which occurred in FY 2022). Our validation included confirming correct employee pay (biweekly and annual), total gross pay, total government-paid benefits, and total net pay, by reviewing salary records and payroll statements. As necessary, we confirmed the accuracy of any calculations performed.

Results: All transactions tested were complete and accurate. We did not identify any improper payments.

Supplemental Retirement Payments. We randomly selected 5 of 3,941 supplemental retirement payments from pay period 25 of calendar year 2021 (which occurred in FY 2022). For each transaction tested, we (1) verified the pay period, retirement plan, biweekly amount paid, biweekly Thrift Savings Plan contribution, and amount listed for supplemental payment in the SEC's payroll system; (2) verified OHR's calculated supplemental amount (as part of biweekly testing) and OHR's findings for the payment; (3) calculated the percent of Thrift Savings Plan contributions to biweekly salary, determined the available percentage to match based on the Thrift Savings Plan contribution percentage, and calculated the amount of supplemental retirement benefits the employee should have received; and (4) compared our calculated amount to the amount listed as paid to the supplemental retirement account and the amount calculated by the OHR specialist. If the amounts matched, we considered the payment accurate and complete.

Results: All transactions tested were complete and accurate. We did not identify any improper payments.

Major Contributors to the Report

Colin Heffernan, Audit Manager

John Gauthier, Lead Auditor

Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, evaluations, or reviews, please send an e-mail to OIG Audit Planning at AUDplanning@sec.gov.

Comments and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed below.

TO REPORT

fraud, waste, and abuse

Involving SEC programs, operations, employees,
or contractors

FILE A COMPLAINT ONLINE AT

www.sec.gov/oig



CALL THE 24/7 TOLL-FREE OIG HOTLINE

833-SEC-OIG1

CONTACT US BY MAIL AT

U.S. Securities and Exchange Commission

Office of Inspector General

100 F Street, N.E.

Washington, DC 20549

