



WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 July 26, 2010

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SEC Oversight Hearing Outlines Goals for the Commission

Securities and Exchange Commission Chairman Mary Shapiro made a visit to the House Financial Services Capital Markets Subcommittee last Tuesday to give an overview of the actions and initiatives the SEC is taking to better protect investors, improve markets, and facilitate capital formation. In addition, she detailed new changes in personnel, processes and technology, gave an update on regulatory activities over the past year, and identified the coming challenges. In response to her comments about future challenges and the muni market, subcommittee member Brad Sherman of California led off his remarks by asking that the SEC stay focused on the credit rating agency provisions that were recently put into law in the Financial Regulatory Reform bill that President Obama signed last Wednesday.

Chairman Shapiro also outlined the reorganization of the Enforcement Division, which created five new specialized units, including one group entitled Municipal Securities and Public Pensions. Highlighting the new enforcement activities, she noted the recent pay-to-play settlement in Alabama:

“In the municipal securities arena, we filed settled fraud charges against J.P. Morgan Securities for its alleged role in an unlawful pay-to-play scheme in Jefferson County, Alabama. J.P. Morgan paid \$50 million directly to Jefferson County, forfeited more than \$647 million in claimed termination fees, and paid a penalty of \$25 million. At the same time, the SEC also charged two of J.P. Morgan’s former managing

directors with fraud arising out of this scheme and previously charged others, including the former Birmingham mayor – who in March was sentenced to 15 years in prison and fined \$360,000 – a J.P. Morgan banker, and the local operative who served as go-between.”

The video archive of the hearing and Chairman Shapiro’s testimony can be found at

<http://financialservices.house.gov/Hearings/hearingDetails.aspx?NewsID=1326>.

Unemployment Extension Passes

President Obama signed extended unemployment benefits into law on Thursday, retroactively allowing millions of out-of-work Americans to collect unemployment checks that were cut off on June 2 when the initial benefits expired. The bill also extends the requirement that federal payments to states cover 100 percent of the Emergency Unemployment Compensation.

The new benefits law will continue payments through November 30, 2010.

Improper Payments Bill Signed Into Law

After signing the unemployment section into law, President Obama turned his attention to government spending reform, signing S.1508, the Improper Payments Elimination and Recovery Act, into law. The bill amends the Improper Payments Information Act of 2002 to expand requirements for identifying programs and activities susceptible to improper payments by requiring

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the head of each federal agency, during the year after the enactment of this act and at least once every three fiscal years thereafter, to review and identify agency programs and activities that may be susceptible to significant improper payments. Significant is defined by the legislation as improper payments in the preceding fiscal year that may have exceeded \$100 million or \$10 million of all program and activity payments and 2.5 percent of program outlays; and for fiscal years prior to FY 2013, improper payments that may have exceeded \$100 million or \$10 million of all program and activity payments and 1.5 percent of program outlays. The bill also requires extra reporting statements of whether the agency has sufficient resources with respect to internal controls, human capital, and information systems and other infrastructure to prevent improper payments, and will require reports on actions to recover these improper payments.

The bill, sponsored by Sen. **Tom Carper** (D-Del.) and Rep. **Patrick Murphy** (D-Pa.), moved swiftly through Congress and passed unanimously in both chambers. The signing of the bill coincides with President Obama's recent executive order that established a "do not pay" list for fraudulent contractors.

Using Social Networking As a Government Operation Gets Hearing on Hill

The House Oversight and Government Reform Subcommittee on Information Policy, Census and National Archives

held a hearing last Thursday to look at Web 2.0 technologies that promote transparency, collaboration and participation, and examine the records management implication of those technologies. David McClure, associate administrator for citizen services and innovative technologies at the General Services Administration gave a fascinating report on how federal agencies are rapidly adopting the newest technologies to provide information to the public. He highlighted these latest functions, including the use of Flickr by the Library of Congress as well as NASA's use of Twitter as a communication platform and public engagement in conversations around a selected topic.

The video archive and Dr. McClure's full report can be found at http://oversight.house.gov/index.php?option=com_content&view=article&id=5040:qgovernment-20-part-i-federal-agency-use-of-web-20-technologies&catid=48:hearings&Itemid=29.