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August 4, 2016

Miguel Castillo
Assistant Inspector General for Auditing
U.S. Commodity Futures Trading Commission
Office of Inspector General
1155 21st Street, N.W.
Washington, DC 20581

Subject: External Peer Review Discussion Draft Report on the U.S. Commodity Futures Trading Commission Office of Inspector General Audit Organization

Dear Miguel Castillo:

Attached is the discussion draft of the External Peer Review Report of the U.S Commodity Futures Trading Commission Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. Please review the report and prepare unofficial comments for discussion at the exit conference. We will contact you soon to arrange for an exit conference.

If you have any questions, please contact Ashton Coleman at 202.593.0261 or ashton.coleman@aoc.gov.

Sincerely,

Ashton Coleman, Jr.
Assistant Inspector General for Audit

Enclosure

System Review Report

August 4, 2016

To: Mr. A. Roy Lavik, Inspector General
U.S. Commodity Futures Trading Commission

We have reviewed the system of quality control for the audit organization of the U.S. Commodity Futures Trading Commission (CFTC) Office of the Inspector General in effect for the year ending March 31, 2016. A system of quality control encompasses CFTC's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. CFTC is responsible for establishing and maintaining a system of quality control that is designed to provide CFTC with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and CFTC's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed CFTC personnel and obtained an understanding of the nature of the CFTC audit organization, and the design of CFTC's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits", and administrative files to test for conformity with professional standards and compliance with CFTC's system of quality control. The audits selected represented a reasonable cross-section of CFTC audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with CFTC management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the CFTC audit organization. In addition, we tested compliance with CFTC's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of CFTC's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate. Enclosure 1 to this report identifies CFTC offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of CFTC in effect for the year ending March 31, 2016, has been suitably designed and complied with to provide CFTC with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. CFTC has received an External Peer Review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to CFTC's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether CFTC had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on CFTC's monitoring of work performed by IPAs.

Kevin Mulshine, Inspector General

Enclosure

Scope and Methodology

We tested compliance with CFTC audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of three of seven audit reports issued during the period April 1, 2015, through March 31, 2016. We also reviewed the internal quality control reviews performed by CFTC.

In addition, we reviewed CFTC’s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2015, through March 31, 2016. During the period, CFTC contracted for the audit of its agency’s fiscal year 2015 financial statements. CFTC also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited CFTC office located in Washington, DC.

Reviewed Audits Performed by CFTC

<u>Report Date</u>	<u>Report Title</u>
9/24/2015	Audit of CFTC “Pension Prizers”

Reviewed Monitoring Files of CFTC for Contracted Audits

<u>Report Date</u>	<u>Report Title</u>
7/14/2015	FY 2014 FISMA Follow-up Management Review (Modernization Act) – Classified
8/5/2015	Performance Audit of the Division of Market Oversight’s Rule Enforcement Reviews (RER)



U.S. COMMODITY FUTURES TRADING COMMISSION

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TO: Ashton Coleman, Jr., Assistant Inspector General for Audit,
Office of the Inspector General, Architect of the Capitol

FROM: Miguel A. Castillo, Assistant Inspector General for Auditing,
Office of the Inspector General, U.S. CFTC

DATE: August 12, 2016

SUBJECT: Management Response to External Peer Review Report on U.S. CFTC OIG
Audit Organization

The U.S. CFTC Office of the Inspector General appreciates the independent peer review conducted your office. A rating of “*pass*” confirms that our audit redesign undertaken in November 2014 is improving the quality of audits conducted by our office. We will post your report in its entirety on our website and present a synopsis in our September 2016 *Semiannual Report to Congress*. Please call me with any questions at 202 418-5084.

cc: A. Roy Lavik, Inspector General
Judith A. Ringle, Deputy Inspector General