



**U.S. COMMODITY FUTURES TRADING COMMISSION
OFFICE OF INSPECTOR GENERAL**

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TO: J. Christopher Giancarlo, Chairman
Brian D. Quintenz, Commissioner
Rostin Behnam, Commissioner

FROM: A. Roy Lavik, Inspector General

DATE: August 27, 2018

SUBJECT: Inspector General's Assessment of the Most Serious
Management and Performance Challenges Facing the
Commodity Futures Trading Commission

The Reports Consolidation Act of 2000 (RCA)¹ authorizes the CFTC to consolidate financial and performance management reports and to provide information in a meaningful and useful format for Congress, the President, and the public. The RCA requires the Inspector General to summarize the “most serious management and performance challenges facing the agency” and briefly assess the Agency’s progress in addressing those challenges.² This memorandum fulfills our duties under the RCA.

To complete our assessment we relied on data contained in the CFTC financial statement audit and Agency Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. The Government Performance and Results Modernization Act of 2010 defines major management challenges as “programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse, and mismanagement (such as issues identified by the Government Accountability Office as high risk or issues identified by an Inspector General) where failure to perform well could seriously affect the ability of an agency to achieve its mission or goals.”³

¹ [P.L. 106-531](#), § 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).

² Id.

³ [P.L. 111-352](#), § 3, 124 STAT. 3870 (Jan. 4, 2011), codified at 31 U.S.C. § 1115(h)(5).

CFTC's Progress on Last Year's Management and Performance Challenges

For [FY2017](#) the OIG identified management and performance challenges in the areas of cost-benefit analyses,⁴ cybersecurity,⁵ budget limitations, and management's ability to enhance its business operations to lower cost⁶. Given budget constraints for the fourth consecutive year, we acknowledge CFTC's efforts to operate within its appropriation and actively protect its network. We also recognize the Commission's leadership changes to improve industry oversight and operations.

Fiscal Year 2018 Management and Performance Challenges

We reiterate our FY 2017 challenges for FY2018 and add information technology (IT) modernization and stress-testing as emerging challenges for FY 2018. On IT, President Trump calls⁷ for agencies, including CFTC, to modernize legacy technology infrastructures to reduce costs, mitigate cybersecurity risks, and deliver improved services to the American people. While CFTC's Chief Information Officer already has visibility into and control over the agency's IT resources,⁸ CFTC's management has not formalized capital planning policies and procedures that integrate vision setting and investment decision making to mission operations⁹. In addition, management has not established accountabilities to eliminate manual-intensive legacy systems, reduce high-cost IT functions, and adopt a modern IT infrastructure. During a period of fiscal austerity, we believe cost savings and technological efficiencies may well be accomplished through innovative leadership and the use of shared IT solutions; either provided by other federal entities or from cloud service providers already vetted by the federal government.

As it relates to stress-testing,¹⁰ management can better develop its capabilities to improve the usability of swaps data. With new leadership, CFTC plans to provide more technical expertise to optimize stress testing efforts, better integrate in-house activities, and provide more quantitative analytical support.

⁴ Performance Indicator 1.3.b - Publish economic research reports to inform the public about market structure of the derivatives markets.

⁵ Performance Objective 2.3: Strong governance and oversight by financial registrants.

⁶ Performance Objective 5.2: Effective stewardship of resources.

⁷ [Executive Order Enhancing the Effectiveness of Agency Chief Information Officers](#), (May 15, 2018).

⁸ Performance Objective 5.2: Effective stewardship of resources.

⁹ [Audit of CFTC's Enterprise Architecture Program](#), (December 18, 2017).

¹⁰ Performance Indicator 2.4.b - Monitor high-risk registrants focusing on Futures Commission Merchants for signs of financial stress.

My office will continue to undertake work that addresses these challenges.

Cc: Anthony Thompson, Executive Director
Michael Gill, Chief of Staff
Kevin Webb, Chief of Staff
John Dunfee, Special Counsel