



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
Facsimile: (202) 418-5521
www.cftc.gov

October 25, 2011

**Office of the
Inspector General**

The Honorable Gary Gensler
Chairman
Commodity Futures Trading Commission
Washington, D.C. 20581

Dear Chairman Gensler:

Attached is a copy of the Commodity Futures Trading Commission Customer Protection Fund audit report issued, by KPMG, LLP, an independent public accounting firm. KPMG's opinion is that the financial statements present fairly, in all material respects, the Commodity Futures Trading Commission Customer Protection Fund's balance sheet as of September 30, 2011, and its changes in net position, and budgetary resources for the period from July 21, 2010 to September 30, 2011, in conformity with U.S. generally accepted accounting principles.

The Office of the Inspector General provided a draft copy of this audit report to the Office of Financial Management and they had no comments on the report. Should you have any question on this report, please contact me to discuss this report.

It is my understanding that this audit report and the accompanying notes will be included in the Commission's report to the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives.

Sincerely,

A. Roy Lavik
Inspector General

Attachment
Cc: Mark Carney



KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

Chairman and Inspector General of the
U.S. Commodity Futures Trading Commission:

We have audited the accompanying balance sheet of the Commodity Futures Trading Commission (CFTC) Customer Protection Fund (Fund) as of September 30, 2011, and the related statement of changes in net position, and statement of budgetary resources (hereinafter referred to as "financial statements") for the period from July 21, 2010 (inception) to September 30, 2011. The objective of our audit was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2011 audit, we also considered the Fund's internal control over financial reporting and tested the Fund's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that the Fund's financial statements as of September 30, 2011 and for the period from July 21, 2010 to September 30, 2011, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) was signed into law on July 21, 2010 and established the Commodity Futures Trading Commission Customer Protection Fund. The Act added Section 23, entitled "Commodity Whistleblower Incentives and Protection" to the Commodity Exchange Act. Section 23 requires the CFTC to establish a whistleblower award program pursuant to which eligible persons may receive award payments, under the regulations prescribed by the CFTC and subject to certain limitations, if they voluntarily provide original information to the CFTC that leads to successful enforcement by the CFTC, of a covered judicial or administrative action or a related action.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on the Fund's financial statements; our consideration of the Fund's internal control over financial reporting; our tests of the Fund's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.



Opinion on the Financial Statements

We have audited the accompanying balance sheet of the Commodity Futures Trading Commission Customer Protection Fund as of September 30, 2011, and the related statement of changes in net position, and the statement of budgetary resources for the period from July 21, 2010 to September 30, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commodity Futures Trading Commission Customer Protection Fund as of September 30, 2011, and its changes in net position, and budgetary resources for the period from July 21, 2010 to September 30, 2011, in conformity with U.S. generally accepted accounting principles.

The information in the Fund's Annual Report to Congress, and the supplementary schedule of Cash Flow Analysis is not a required part of the financial statements, but is supplementary information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

The Act was signed into law on July 21, 2010 and established the Commodity Futures Trading Commission Customer Protection Fund. The Act added Section 23, entitled "Commodity Whistleblower Incentives and Protection" to the Commodity Exchange Act. Section 23 requires the CFTC to establish a whistleblower award program pursuant to which eligible persons may receive award payments, under the regulations prescribed by the CFTC and subject to certain limitations, if they voluntarily provide original information to the CFTC that leads to successful enforcement by the CFTC, of a covered judicial or administrative action or a related action.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2011 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

The results of certain of our tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.



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The results of our other tests of compliance as described in the Responsibilities section of this report, exclusive of those referred to in FFMIA, disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

The results of our tests of FFMIA disclosed no instances in which the Fund's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

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Responsibilities

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to the Fund.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2011 financial statements of the Fund based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit as of September 30, 2011 and for the period from July 21, 2010 to September 30, 2011, we considered the Fund's internal control over financial reporting by obtaining an understanding of the Fund's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.



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As part of obtaining reasonable assurance about whether the Fund's 2011 financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to the Fund. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the Fund's management, the Fund's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 24, 2011