

Office of the Inspector General Commodity Futures Trading Commission

FY 2015 Compliance with the Improper Payments
Elimination and Recovery Improvement Act



EXECUTIVE SUMMARY

For the fiscal year ended September 30, 2015, the Office of the Inspector General (OIG) audited the Commodity Futures Trading Commission's (CFTC) compliance with:

- Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* as they relate to the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and
- OMB Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*.

Management is responsible for the agency's compliance with these requirements. OIG's responsibility is to express an opinion on the agency's compliance with these requirements.

In our opinion, the CFTC complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2015 and its improper payment assertion for reporting made in their respective agency financial report is fairly stated. Our audit was conducted in accordance with the standards contained in Government Accountability Office's Government Auditing Standards. We believe that our audit provides a reasonable basis for our opinion.

A handwritten signature in black ink, appearing to read "A. Roy Lavik". The signature is written in a cursive, flowing style.

A. Roy Lavik
Inspector General



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

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TO: Timothy G. Massad, Chairman
Sharon Y. Bowen, Commissioner
J. Christopher Giancarlo, Commissioner

FROM: Miguel A. Castillo, CPA, CRMA
Assistant Inspector General for Auditing

DATE: May 16, 2016

SUBJECT: Audit of Commodity Futures Trading Commission Compliance with the
Improper Payments Elimination and Recovery Improvement Act of 2012

Introduction

The Office of Management and Budget guidance provided in Circular A-136, *Financial Reporting Requirements*, and Appendix C of Circular A-123, *Management's Responsibility for Internal Control*, require agencies to report detailed information on their efforts to eliminate improper payments. The Improper Payments Elimination & Recovery Improvement Act (IPERIA) of 2012¹ requires agencies to include all identified improper payments in the reported estimate, regardless of whether the improper payment has been or is being recovered (among other requirements). An improper payment is any payment that should not have been made or that was made in an incorrect amount or with insufficient documentation, such as:

- Incorrect amounts paid to eligible recipients,
- Payments made to ineligible recipients,
- Payments for goods or services not received,
- Duplicate payments, and
- Payments with insufficient or no supporting documentation.²

CFTC Improper Payments Assertions

In its [FY 2015 Agency Financial Report](#)³ (AFR), the CFTC asserted that it does not administer grant, benefit or loan programs. CFTC's most significant expenses are payroll and benefits for its employees, which are administered by the U.S. Department of Agriculture's National Finance Center and the Office of Personnel Management.

¹ Improper Payments Elimination and Recovery Improvement Act of 2012, Pub. L. No. 112-248, 126 Stat. 2390 (2013).

² <https://paymentaccuracy.gov/about-improper-payments>.

³ See page 108.

CFTC's most significant non-payroll expenses are its payments to vendors for goods and services used during the course of normal operations. Based on the results of transaction testing applied to a sample of FY 2015 vendor payments, consideration of risk factors, and reliance on the internal controls in place over the payment and disbursement processes, the CFTC has determined that none of its programs and activities are susceptible to significant improper payments at or above the threshold levels set by OMB.

The CFTC also asserted that implementing a payment recapture audit program for contract payments is not cost effective and notified OMB of this determination in September 2015. In making this determination, the CFTC considered its low improper payment rate based on testing conducted over the past three years and determined that benefits or recaptured amounts associated with implementing and overseeing the program would not exceed the costs.

OIG Opinion

OMB Guidance A-123, Appendix C, established an agency's improper payment reporting threshold as annual erroneous payments exceeding both 2.5 percent of program payments and \$10 million. CFTC's assertion that none of its programs [payroll and vendor payments] are susceptible to significant improper payments at or above the threshold levels set by OMB is in our opinion fairly stated. Based on independent tests conducted by the agency's public accountants, Treasury's Do Not Pay (DNP) Business Center,⁴ and OIG auditors, the CFTC complied, in all material respects, with the aforementioned improper payment reporting requirements for the fiscal year ended September 30, 2015.

Objective, Scope, Methodology

The OIG conducted an audit to determine CFTC's compliance with improper payment requirements, as set forth in OMB Circular A-123, Appendix C; and OMB Circular A-136 for the fiscal year ended September 30, 2015.

To meet our objective, we gained an understanding of component-level controls through inquiry procedures and reviewed documentation supporting the information published in CFTC's FY 2015 Agency Financial Report. In addition, we reviewed work papers of the agency's public accountants and the improper payment report of Treasury's Do Not Pay (DNP) Business Center. The independent auditors' work papers did not identify instances of improper payments. The Do Not Pay (DNP) Business Center identified high-risk vendor records which the CFTC deactivated thereby decreasing the likelihood of improper payments to deceased individuals. The DNP business center also did not identify instances of improper payments.

⁴ https://www.fiscal.treasury.gov/fsprograms/fs_donotpaybc.htm.

Further, we independently conducted anomaly testing of FY 2015 payroll and vendor payments. Specifically, we analyzed payroll transactions by object class and made inquiries of potential anomalies. In addition, we compared payroll records to building scans to verify the existence of employees in the Washington, DC office. For vendor payments, we searched for anomalies by vendor. For this test, an anomaly was defined as an extreme value outside of a normal distribution. The sum of all potential anomalies did not meet the OMB reporting threshold.

Our audit was conducted in accordance with the standards contained in Government Accountability Office's Government Auditing Standards. We relied on payroll data extracted from the National Financial Center and vendor payment data recorded in the agency's general ledger. The agency's independent accountant report and work papers did not express deficiencies associated with payroll and vendor payments and as such we believe the data used to support our conclusion is reliable.

We provided a draft copy of the report to management for comments. Management concurred with the report. (See Appendix A)

We appreciate the courtesies provided by CFTC staff. If you any questions, please contact me at (202) 418-5084 or Timothy Peoples, lead auditor, at (202) 418-5439.

cc:

The Honorable Ron Johnson, Chairman,
Senate Committee on Homeland
Security and Governmental Affairs;

The Honorable Thomas R. Carper, Ranking Member
Senate Committee on Homeland Security
and Governmental Affairs;

The Honorable Jason Chaffetz, Chairman
House Committee on Oversight and
Government Reform;

The Honorable Elijah Cummings, Ranking Member
House Committee on Oversight and
Government Reform;

Mr. Gene L. Dodaro
Comptroller General of the United States,
United States Government Accountability Office

Mr. David Mader
Controller of the Office of Federal Financial Management,
Office of Management and Budget.

Anthony Thompson, Executive Director,
Commodity Futures Trading Commission

Mary Jean Buhler
Chief Financial Officer
Commodity Futures Trading Commission

Judith Ringle, Deputy Inspector General and Chief Counsel,
Commodity Futures Trading Commission


Appendix A

U.S. COMMODITY FUTURES TRADING COMMISSION

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TO: Miguel A. Castillo
Assistant Inspector General for Audits

FROM: Mary Jean Buhler
Chief Financial Officer 

DATE: May 13, 2016

SUBJECT: Management's Response to OIG Improper Payments Elimination and Recovery Act (IPERA) compliance

Thank you for the opportunity to comment on the Office of the Inspector General's (OIG) report, *FY2015 Compliance with the Improper Payments Elimination and Recovery Improvement Act (IPERA)*. We appreciate the positive communications we have had with the OIG during this compliance audit.

CFTC Management has reviewed the report and concurs with the findings as stated.

Thank you