



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

**Office of the
Inspector General**

MEMORANDUM

TO: Timothy G. Massad, Chairman

FROM: A. Roy Lavik, Inspector General *ARL*

DATE: October 01, 2014

SUBJECT: CFTC-OIG Performance Audit—*Management's Use of Information Technology Resources in Support of its Strategic Plan and Regulatory Responsibilities*

Attached is the Commodity Futures Trading Commission's Office of the Inspector General's (OIG) audit report on

Management's Use of IT Resources in Support of its Strategic Plan and Regulatory Responsibilities.

My office contracted with an Independent Public Accounting (IPA) firm to conduct this performance audit. We monitored the IPA's work and concur with the results of this audit.

Should you have any questions regarding this report, please do not hesitate to contact me. I appreciate the courtesy and cooperation that the staff in the Office of Data and Technology extended to my staff and contractors during this audit.



CliftonLarsonAllen

U.S. COMMODITY FUTURES TRADING COMMISSION

**Report on
Management's Use of Information Technology Resources in Support
of its Strategic Plan and Regulatory Responsibilities**

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ABBREVIATIONS

CFTC	U.S. Commodity Futures Trading Commission
CLA	CliftonLarsonAllen LLP
CEA	Commodity Exchange Act
DFA	Dodd-Frank Wall Street Reform and Consumer Protection Act
FY	Fiscal Year
OIG	Office of the Inspector General
ODT	Office of Data and Technology
IT	Information Technology

INTRODUCTION

The U.S. Commodity Futures Trading Commission (CFTC) was created by the Congress in 1974 as an independent agency with a mandate to regulate commodity futures and option markets in the United States. Its mission is to protect market participants and the public from fraud, manipulation, abusive practices, and systemic risk related to derivatives—both futures and swaps—and to foster transparent, open, competitive, and financially sound markets. In carrying out its mission and to promote market integrity, CFTC polices the derivatives markets for various abuses and works to ensure the protection of customer funds. The agency also seeks to lower the risk of the futures and swaps markets to the economy and the public. CFTC's fiscal years (FYs) 2011, 2012, and 2013 total budgetary resources from its audited financial statements approximated \$230 million, \$325 million, and \$308 million, respectively.

CliftonLarsonAllen LLP (CLA) was engaged by CFTC's Office of the Inspector General (OIG) to conduct an audit of CFTC management's use of information technology (IT) resources in support of its strategic plan and regulatory responsibilities under the Commodity Exchange Act (CEA) and Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). The objective of this audit was to determine the highest IT priorities documented in CFTC's draft IT acquisition plan and spend plans for FYs 2011 through 2013. In addition, we reviewed the various categories the agency targeted for spending (i.e. IT advisory and assistance services, including new software development for market surveillance, IT supplies and materials, IT equipment operations and maintenance, etc.); evaluated the consistency of the prioritized IT activities with CFTC's strategic plan; and determined whether the deliverables associated with these IT projects were on schedule to meet contract objectives for FY 2011 through 2013. Our audit is limited to the spending prioritization specified in CFTC's draft acquisition plan on IT for the FYs 2011 through 2013.

BACKGROUND

CFTC's Office of Data and Technology (ODT) has primary responsibility for establishing and executing technology and data management support for CFTC's market and financial oversight, surveillance, enforcement, legal, and public transparency activities. ODT also provides general network, communication, storage, computing, and information technology management infrastructure and services.

SUMMARY OF RESULTS

Our audit found that CFTC management's use of funds targeted for the highest priority was generally consistent with its draft IT strategic plan and spend plans as updated for FY 2011 through 2013. Our analysis of a representative sample of contracts showed that CFTC management monitored the performance of their contractors in accordance with those contracts' milestone deliverables in support of its CFTC strategic goals. In addition, we observed that the ODT spent over 63% of its IT budget on IT advisory and assistance services each year from FY 2011 through 2013. On a sample basis, we reviewed the largest contracts covering approximately 57%, 60% and 49% of the total IT spending for FY 2011, FY 2012, and FY 2013, respectively, and their related task orders included in the aforementioned category. We found the following:

FY 11

Staff augmentation and hardware enhancements as well as software licenses represented approximately 27% of the contracts reviewed. The remaining 73% represented software modernization and surveillance enhancements.

FY 12

Staff augmentation and hardware enhancements as well as software licenses represented approximately 42% of the contracts reviewed. The remaining 58% represented software modernization and surveillance enhancements.

FY 13

Staff augmentation and hardware enhancements as well as software licenses represented approximately 50% of the contracts reviewed. The remaining 50% represented software modernization and surveillance enhancements.

The dollar and percentage breakout of CFTC's IT spending between the two largest IT categories: staff augmentation, hardware enhancements and software licenses, and software modernization and surveillance enhancements are shown in Table 1.

Table 1: CFTC IT Spending, Fiscal Years (FYs) 2011, 2012 and 2013 (unaudited)

	FY 2011 Amount	Percentage of Total Spending	FY 2012 Amount	Percentage of Total Spending	FY 2013 Amount	Percentage of Total Spending
Staff augmentation, hardware enhancements, and software licenses	5,891,775	27%	11,447,971	42%	10,408,392	50%
Software modernization and surveillance enhancements	15,848,809	73%	15,748,465	58%	10,368,493	50%
Total Spending Analyzed	21,740,584	100%	27,196,436	100%	20,776,885	100%
Total Obligations for ODT	37,853,408		45,404,675		42,010,035	
% evaluated	57%		60%		49%	

Source: CFTC Office of Data & Technology Actual Obligations – FY 2011, 2012 and FY 2013 Information Technology Budget, unaudited data.

Other Observation (unaudited)

Table 2: CFTC information technology resources appropriated and obligated by fiscal year (unaudited)

	FY 11	FY12	FY 13
Appropriations*	202,675,000	205,294,000	205,294,000
Appropriation for IT investments	37,200,000***	55,000,000	55,000,000
Obligated:			
Operations	37,853,408	45,404,675	42,010,035
Other **	253,016	322,784	100,504
Total Obligations	38,106,424	45,727,459	42,110,539

* Amounts are specific to the original public law and do not include rescissions, adjustments, etc.

** This category includes staff training, incentive awards travel, etc.

*** Public law states "that not less than \$37.2 million shall be for the highest priority information technologies of the Commission." The aforementioned amount represents the lowest amount available to obligate. However, CFTC had the authority to obligate additional funding for IT efforts.

Source: CFTC ODT Actual Obligations and Expenditures detail by fiscal year, unaudited data. Also, the amounts reported as appropriated are pursuant to CFTC's appropriations for each fiscal year.

The total full time equivalents and the related salaries and expenses to carry out the ODT IT strategy and objectives by fiscal year are shown in Table 3.

Table 3: CFTC Full-Time Equivalents (FTEs)

	FY 2011	FY 2012	FY 2013
ODT personnel	80*	83*	83*
Salaries and Expenses	12,259,889	14,602,091	15,017,021

Source: *Fiscal Year's 2013, 2014 and 2015 President's Budget, unaudited data

SCOPE AND METHODOLOGY

Our audit was limited to evaluating CFTC management's use of its IT resources in relation to its draft IT acquisition plan and spend plans for FYs 2011 through 2013. We reviewed CEA and DFA provisions, as well as CFTC's draft IT acquisition plan, IT spend plans, and IT policies and procedures, including the Project Management Life Cycle and related narratives and flowcharts. In addition, we selected a sample of contracts from FYs 2011 through 2013 to evaluate evidence of CFTC management's monitoring of the agency's performance during the target period in support of specific IT objectives. We interviewed key officials within ODT about

planning and executing the IT investment strategy in relation to legislation such as CEA, DFA, and CFTC's strategic plan and other CFTC guidance.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusion.

This report is intended solely for the information and use of CFTC's management and OIG, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Calverton, Maryland
September 8, 2014

MANAGEMENT'S RESPONSE



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Office of Data & Technology

MEMORANDUM

ELECTRONIC MAIL

TO: A. Roy Lavik, Inspector General

FROM: John L. Rogers, Chief Information Officer

DATE: September 30, 2014

SUBJECT: CFTC OIG Report on Management's Use of Information Technology Resources in Support of its Strategic Plan and Regulatory Responsibilities

The Office of Data and Technology concurs with the results of the report and will continue to prioritize the use of information technology (IT) resources in accordance with CFTC strategic and CFTC IT strategic plans.