

Office of the Inspector General Commodity Futures Trading Commission

Semiannual Report to Congress
April 1, 2015 – September 30, 2015



--PAGE INTENTIONALLY LEFT BLANK--

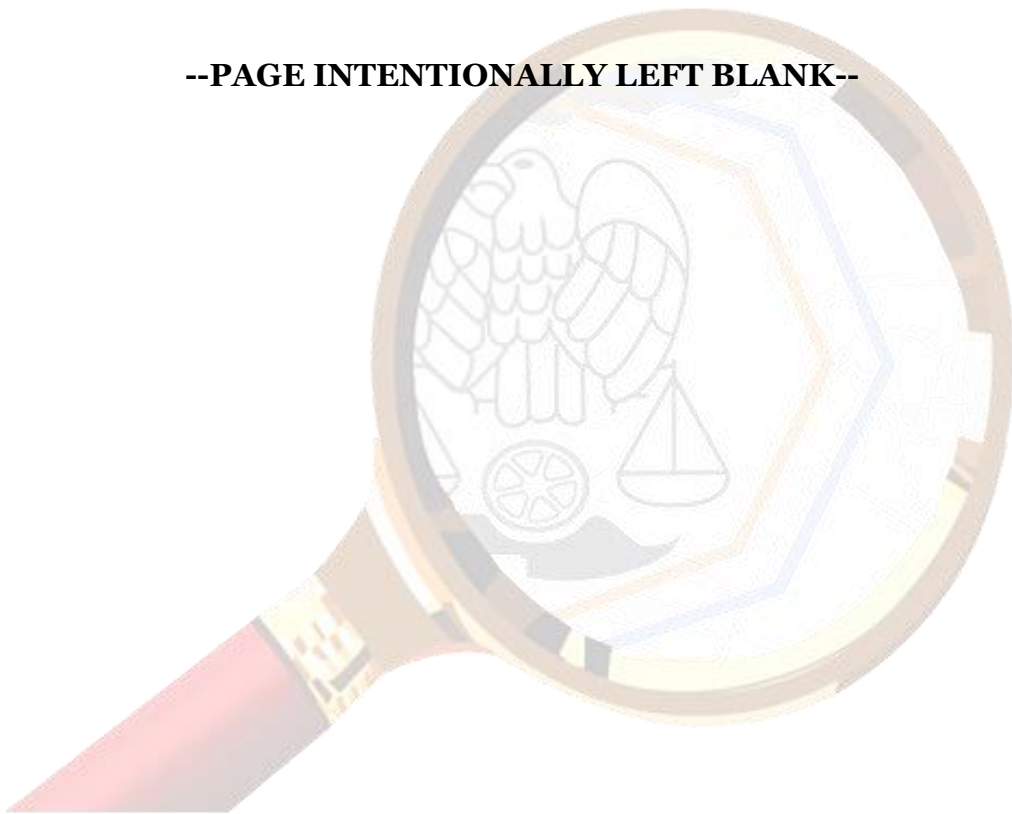


TABLE OF CONTENTS

TABLE OF CONTENTS	i
INDEX OF IG ACT REPORTING REQUIREMENTS	iii
EXECUTIVE SUMMARY	1
MANAGEMENT AND ADMINISTRATION	3
1. CFTC Programs and Operations	3
2. OIG Responsibilities	3
3. OIG Resources	5
COMPLETED AUDITS, INSPECTIONS, EVALUATIONS, REVIEWS and OTHER PROJECTS	5
1. Performance Audit: Pension Prizers	5
2. Performance Audit of the Division of Market Oversight’s Rule Enforcement Reviews (RER)	5
3. FY 2014 FISMA Follow-up Management Review	6
4. Review of Space Utilization of the New York Regional Office of the Commodity Futures Trading Commission	6
5. Two Management Letters	6
CURRENT AUDITS, INSPECTIONS, EVALUATIONS, REVIEWS, and OTHER PROJECTS	7
1. Financial Statement Audit: Agency Operations FY 2015	7
2. Financial Statement Audit: Customer Protection Fund FY 2015	7
3. Financial Related Audit: Custodial Receivables	7
4. Federal Information Security Management Act Audit	7
5. Review: CFTC’s Washington D.C. Building Lease	7
6. Whistleblower Office Review	7
7. Office of the Chief Economist Follow-up Review	7
AUDIT REPORTS and REVIEWS OVER SIX MONTHS OLD	8
1. Corrective Action not Completed	8
2. Corrective Action Completed	8
3. Management Decision not Made	8
INVESTIGATIONS	8
SUMMARY OF MATTERS REFERRED TO PROSECUTORIAL AUTHORITIES	9
CONGRESSIONAL INQUIRIES	9
LEGISLATIVE, REGULATORY, AND RULE REVIEWS	9
PEER REVIEWS	10
SUMMARY OF EACH REPORT MADE TO THE AGENCY HEAD	11
REVISED MANAGEMENT DECISIONS	11
INSPECTOR GENERAL DISAGREEMENT	11

GAO LIASON 11

STRATEGIC PLAN FOR THE OFFICE OF THE INSPECTOR GENERAL 12

 1. Investigative Agenda 12

 2. Legislative and Regulatory Review Agenda 12

 3. Audit, Inspection, Evaluation and Review Agenda..... 13

CONTACTING THE OFFICE OF THE INSPECTOR GENERAL..... 15

TABLE 1 – REPORTS ISSUED WITH QUESTIONED COSTS 16

TABLE 2 – REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE..... 17



INDEX OF IG ACT REPORTING REQUIREMENTS

Section 4(a)(2) Review of legislation and regulations.....9

Section 5(a)(1) Significant problems, abuses and deficiencies.....1

Section 5(a)(2) Recommendations with respect to significant problems.....1

Section 5(a)(3) Significant recommendations that have not been completed.....8

Section 5(a)(4) Matters referred to prosecutorial authorities.....9

Section 5(a)(5) Summary of instances where information was refused.....11

Section 5(a)(6) Completed audit reports.....5

Section 5(a)(7) Significant audit reports.....1

Section 5(a)(8) Statistical Table—Questioned Costs.....16

Section 5(a)(9) Statistical Table—Funds Recommended for Better Use.....17

Section 5(a)(10) Audit reports lacking management decision.....8

Section 5(a)(11) Significant revised management decisions.....11

Section 5(a)(12) Significant management decisions where the IG disagrees.....11

Section 6(b)(2) Summary of reports to Chairman where assistance was refused.....11

EXECUTIVE SUMMARY

This semiannual report is issued by the Commodity Futures Trading Commission's (CFTC's) Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended.¹ It summarizes OIG's activities and accomplishments for the period April 1, 2015, through September 30, 2015. During this period, OIG completed 2 audits, one management review (audit), one review (non-audit), and 2 management letters (non-audit). OIG also began or continued work on 4 audits, 3 reviews (non-audit), and two investigations.

OIG participated in training, visited CFTC field offices, and participated in Government-wide OIG professional and cooperative meetings and activities. The OIG hired an Audit Management Analyst, one part-time Attorney, and one full-time Law Clerk during the reporting period.

Highlights of completed evaluations, investigations, and other projects include the following:

- Performance audit to determine the extent to which CFTC employed individuals who may take advantage of the CFTC pay-scale to enhance their "high three" for retirement; i.e. "pension prizers" (September 24, 2015). We found that, while a relatively small number of employees have worked at CFTC for fewer than three and a half years prior to retirement, this practice is not systemic, and we made no recommendations.
- Performance audit of the Division of Market Oversight's rule enforcement reviews (August 5, 2015). Recommendations were made to ensure reviews include all CFTC core principles, selection procedures are enhanced, concerns, and review cycle times are reduced.
- Management follow-up of the Federal Information Security Management Act FY 2014 audit (July 14, 2015). In light of the extent of information security vulnerabilities, we made additional recommendations to provide the Chief Information Security Officer the authority and resources to drive actions that mitigate medium, high, and critical vulnerabilities; and to ensure the appropriate leadership structure is in place for effective vulnerability management. The extent of information security vulnerabilities is considered a significant management challenge. This report is not public.
- Review of space utilization of the New York Regional Office of the Commodity Futures Trading Commission (June 18, 2015). We recommended that the CFTC consolidate staff on two full floors and negotiate a return of the half floor to the landlord.

¹ P.L. 95-452, 92 Stat. 1101 (1987).

We also issued two management letters. The first addressed the CFTC's workplace violence policy and allegations of a lack of responsiveness by management to a perceived employee safety issue. This matter was resolved through proactive effort by senior management taken during our field work. The second addressed allegations of unprofessional conduct by a manager, and our office plans to follow up during the next reporting period. The management letters are non-public.

Highlights of evaluations, investigations, and other projects started or continued this period include:

- Financial statement audit of Agency Operations and another of the Customer Protection Fund. The objectives are to assess whether respective financial statements are presented fairly.
- Financial related audit of Custodial Receivables. The objective is to assess and address financial statement reporting challenges. We plan to report on collection performance including asset discovery effectiveness in a subsequent report.
- Federal Information Security Management Act audit for FY 2015. This compliance audit measures the agency's security practices to federal standards.
- Review of CFTC's Washington D.C. building lease. The objectives are to evaluate the cost effectiveness of CFTC's decision to expand its lease and to assess whether the CFTC is overpaying for the space it occupies.
- Whistleblower Office Review. This review was initially begun in September 2014, halted in November 2014 due to competing priorities, and reopened during the present reporting period. Our goal is to determine the reason, if any, for the limited number of CFTC whistleblower awards compared to the SEC, and to recommend best practices in this area.
- Office of the Chief Economist Follow-up Review. In February of 2014, we released a review of the CFTC's decision to shut-down long-term research, bar publication of completed research, and eliminate 2/3rds of the economists affiliated with the Office of the Chief Economist shortly after receipt of an unsubstantiated allegation that trade data was being improperly accessed and/or published. We are following up to determine whether recommendations made in February 2014 were implemented.

At the request of CFTC's management, the OIG initiated an investigation that was ongoing at the end of the reporting period. In addition, we initiated an investigation after receiving an anonymous allegation that was also ongoing at the end of the reporting period. There was no peer review activity during the reporting period.

MANAGEMENT AND ADMINISTRATION

1. CFTC Programs and Operations

Congress created the Commodity Futures Trading Commission in 1974 as an independent agency with the mandate to regulate commodity futures and options markets in the United States. The Commission's mandate was renewed and/or expanded in 1978, 1982, 1986, 1992 and 1995. In December 2000, the Commission was reauthorized by Congress and the President through Fiscal Year 2005 with the passage of the Commodity Futures Modernization Act of 2000 (CFMA). In May of 2008, Congress reauthorized the CFTC through Fiscal Year 2013. On July 21, 2010, the President signed into law the Dodd-Frank Act,² which expanded CFTC's jurisdiction and authorities.

The CFTC is responsible for fostering the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity and protecting market participants against manipulation, abusive trade practices and fraud. Through effective oversight regulation, the CFTC enables the commodity futures markets to better serve their vital function in the nation's economy—providing a mechanism for price discovery and a means of offsetting price risks. The Dodd-Frank Act authorized the CFTC to regulate swap dealers and increase transparency in the derivatives marketplace.

The CFTC operating divisions are: Office of the Chairman, Division of Clearing and Risk, Division of Swap Dealer and Intermediary Oversight, Division of Enforcement, Division of Market Oversight, Office of the Chief Economist, Office of the Executive Director, Office of General Counsel, Office of International Affairs, and Office of Data and Technology. Within the Office of the Chairman there are Offices of Women and Minority Inclusion, Legislative Affairs, and Public Affairs. In addition to its headquarters office in Washington, D.C., the CFTC maintains offices in Chicago, Illinois; Kansas City, Missouri; and New York, New York.

2. OIG Responsibilities

The CFTC OIG was created in 1989 in accordance with the 1988 amendments to the Inspector General Act of 1978.³ OIG was established as an independent unit to:

- Promote economy, efficiency and effectiveness in the administration of CFTC programs and operations and detect and prevent fraud, waste and abuse in such programs and operations;

² Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), Pub. L. 111-203, 124 Stat. 1376 (2010).

³ Inspector General Act Amendments of 1988, P.L. 100-504, 102 Stat. 2515 (1988).

- Conduct and supervise audits and investigations relating to the administration of CFTC programs and operations;
- Review existing and proposed legislation, regulations and exchange rules, and make recommendations concerning their impact on the economy and efficiency of CFTC programs and operations or the prevention and detection of fraud and abuse;
- Recommend policies for, and conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations; and
- Keep the Commission and Congress fully informed about any problems or deficiencies in the administration of CFTC programs and operations and provide recommendations for correction of these problems or deficiencies.

OIG is required to conduct, supervise and coordinate audits of CFTC programs and operations in accordance with *Generally Accepted Government Auditing Standards*.⁴ OIG is also required to recommend changes to existing and proposed CFTC programs and operations to promote economy, efficiency and effectiveness and to prevent and detect fraud and abuse.

The OIG also conducts inspections, evaluations, and reviews in accordance with the *Quality Standards for Inspection and Evaluation*⁵ issued by the Council of Inspectors General for Integrity and Efficiency (CIGIE).

OIG investigations are performed in accordance with the *Quality Standards for Investigations*⁶ issued by the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency and are performed in response to allegations and/or evidence indicating possible violations of law, regulations, or applicable standards, as well as other improper conduct in connection with the programs and operations of the Agency.

OIG is a member of the Councils of Inspectors General on Financial Oversight (CIGFO), created under the Dodd-Frank Act to examine the work of the Financial Stability Oversight Council (FSOC).

OIG operates independently of the Agency and has not experienced any interference from the CFTC Chairman or Commissioners in connection with the conduct of any investigation, inspection, evaluation, review, or audit. Our investigations have

⁴ The US Government Accountability Office issues the *Government Auditing Standards* (December 2011). The standards are available at: <http://gao.gov/assets/590/587281.pdf>.

⁵ Available at: <https://www.ignet.gov/sites/default/files/files/committees/inspect-eval/iestds12r.pdf>.

⁶ Available at <http://www.ignet.gov/pande/standards/invstds.pdf>.

been pursued regardless of the rank or party affiliation of the target. OIG also has conducted audits, inspections, evaluations, and reviews without interference where it has perceived the opportunity to recommend improvement to futures regulation efforts, again without regard to the party affiliation of any Chairman or Commissioner.⁷

3. OIG Resources

At the end of the reporting period, the CFTC OIG consisted of 9.5 full-time equivalents: the Inspector General, Deputy Inspector General/Chief Counsel, Assistant Inspector General for Auditing, two Attorney-Advisors, one Law Clerk, two Auditors, one Senior Program Analyst, and an Audit Management Analyst. The Audit Management Analyst, part-time Attorney and Law Clerk joined our staff during the reporting period.

COMPLETED AUDITS, INSPECTIONS, EVALUATIONS, REVIEWS and OTHER PROJECTS

During this period, OIG completed 2 audits, one management review (audit), one review (non-audit), and 2 management letters (non-audit).

1. [Performance Audit: Pension Prizers](#)

Our objective was to determine the extent to which CFTC employed individuals who may take advantage of the CFTC pay-scale to enhance their “high three” for retirement; i.e. “pension prizers.” We examined available personnel information for over 800 CFTC employees hired since 2004. We concluded that there was no indication that individuals serving the CFTC for fewer than three and a half years to enhance their retirement is a systemic practice.

2. [Performance Audit of the Division of Market Oversight’s Rule Enforcement Reviews \(RER\)](#)

This audit noted the Division of Market Oversight (DMO) is not conducting rule enforcement reviews of all core principles. When 16 of 23 core principles are not reviewed, it may hamper DMO’s ability to meet CFTC’s strategic goal of promoting market integrity and transparency. In addition, procedures for selecting designated contract markets (DCM) for a RER needs to be improved. When 9 of 20 DCMs are not reviewed, there is a risk of noncompliance with the Commodity Exchange Act. Further, follow-up procedures on concerns and recommendations made in prior RER reports need to be enhanced. Without robust follow-up, there is the risk that DCMs will not

⁷ The Inspector General Act of 1978, as amended, states: “Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation....” 5 U.S.C. App. 3 sec. 3(a).

address reported concerns and recommendations timely. Lastly, inadequate staffing leads to lengthy RER completion time. When completion time averages 591 days, DMO risks that it will not effectively fulfill its business objective of market oversight.

Recommendations were made to the DMO Market Compliance Branch to (1) implement operating procedures that ensure DCMs comply with all Core Principles; (2) enhance documentation of its procedures for selecting DCMs to be reviewed; (3) strengthen procedures for following up promptly on all concerns and recommendations issued to a DCM; and (4) take steps to reduce average time between rule enforcement reviews. Management generally concurred with the findings and recommendations and noted budget constraints for staffing limitations.

3. FY 2014 FISMA Follow-up Management Review

On February 2, 2015, the Office of Inspector General (OIG) reported the results of the Fiscal Year (FY) 2014 U.S. Commodity Futures Trading Commission (CFTC) compliance with Federal Information Security Management Act of 2002 (FISMA). In that report we recommended, among other recommendations, that the CFTC timely mitigate vulnerabilities discovered during penetration testing. This management follow-up highlighted the extent of vulnerabilities associated with the vast majority of servers and network users, including the Chairman and Commissioners, and that the leadership structure for the Chief Information Security Officer (CISO) could better align to meet FISMA requirements. We recommended the Chief Information Officer provide the CISO the authority and resources to drive actions that mitigate medium, high and critical, vulnerabilities identified and ensure the appropriate leadership structure is in place for effective vulnerability management. CFTC management concurred with both recommendations. Due to the sensitivity of the detailed vulnerabilities, the report is not posted on our website.

4. [Review of Space Utilization of the New York Regional Office of the Commodity Futures Trading Commission](#)

The CFTC Eastern Regional Office (ERO) in New York City had a current occupancy rate of approximately 62% (as of April 2015) on two and a half floors. Based on current staffing levels, and the fact that the CFTC did not plan to appreciably increase staff in the ERO through the end of FY 2015, we recommended that the CFTC seek to reduce lease expenditures by subleasing or negotiating a return of space to the landlord. We identified only a few areas where limited remodeling or construction might increase office efficiency, including two rooms on the 18th floor that had apparently been abandoned or forgotten by Agency management in New York. We also recommended that the CFTC be mindful of its existing space, and if it determines to maintain leased space on the 18th floor, to convert that area into something useable.

5. Two Management Letters

We issued two Management Letters. The first addressed the CFTC's workplace violence policy and allegations of a lack of responsiveness by management to a perceived

employee safety issue. This matter was resolved through proactive effort by senior management taken during our field work. The second addressed allegations of unprofessional conduct by a manager, and our office plans to follow up during the next reporting period. The management letters are non-public.

CURRENT AUDITS, INSPECTIONS, EVALUATIONS, REVIEWS, and OTHER PROJECTS

At the end of this reporting period, OIG began or continued work on 4 audits, 3 reviews (non-audit), and two investigations.

- 1. Financial Statement Audit: Agency Operations FY 2015**
The audit objective is to render an opinion of the Agency financial statement presentation. KPMG LLC was contracted to render the opinion.
- 2. Financial Statement Audit: Customer Protection Fund FY 2015**
The audit objective is to render an opinion of the Customer Protection Fund financial statement presentation. Williams Adley, LLC, was contracted to render the opinion.
- 3. Financial Related Audit: Custodial Receivables**
The objective is to assess asset discovery effectiveness of the Custodial Receivables. We will address financial statement reporting challenges separately from collection performance, including asset discovery effectiveness.
- 4. Federal Information Security Management Act Audit**
This compliance audit measures the agency's security practices to federal standards.
- 5. Review: CFTC's Washington D.C. Building Lease**
The objectives are to evaluate the cost effectiveness of CFTC's decision to expand its lease and to assess whether the CFTC is overpaying for the space it occupies.
- 6. Whistleblower Office Review**
This review was started in September 2014, halted due to competing priorities, and reopened during the present reporting period. Our goal is to determine the reason, if any, for the limited number of CFTC whistleblower awards compared to the SEC, and to recommend best practices in this area.
- 7. Office of the Chief Economist Follow-up Review**
In February of 2014, we released a review of the CFTC's decision to shut down long-term research, bar publication of completed research, and eliminate 2/3 of the economists affiliated with the Office of the Chief Economist after receipt of an unsubstantiated allegation that trade data was being improperly accessed and/or published. We recommended that the Agency take immediate action to reinvigorate the Office of the Chief Economist, bring back outside academics, and to support long-term economic research. We also stated that we would follow-up

in approximately one year. Work on this follow-up review was ongoing at the close of the reporting period.

There was no peer review activity during the reporting period.

AUDIT REPORTS and REVIEWS OVER SIX MONTHS OLD

1. Corrective Action not Completed

There are no audit reports over six months old where corrective action had not been completed.

2. Corrective Action Completed

There were no instances of reports issued before the commencement of the reporting period for which corrective action had not been completed by the end of the reporting period.

3. Management Decision not Made

There are no instances of a report issued before the commencement of the reporting period for which a management decision had not been made by the end of the reporting period.

INVESTIGATIONS

The Inspector General Act of 1978, as amended, provides that the Inspector General may receive and investigate complaints or information from the Commission's employees and other sources concerning the possible existence of an activity constituting a violation of law, rules or regulations, or mismanagement, abuse of authority, or gross waste of funds, or a substantial and specific danger to the public health and safety.

Two investigations were begun during this reporting period and were pending at the end of this reporting period. We initiated the first at the request of CFTC's management. We initiated the second after receiving an anonymous allegation.

SUMMARY OF MATTERS REFERRED TO PROSECUTORIAL AUTHORITIES

No matters were referred to prosecutorial authorities during the reporting period.

CONGRESSIONAL INQUIRIES

OIG fielded multiple requests for assistance from members of Congress and staff during the reporting period. Issues addressed included recent OIG activities, recent Agency activities, and proposed and pending legislation affecting the OIG and the Agency.

LEGISLATIVE, REGULATORY, AND RULE REVIEWS

1. Introduction and Summary

As specified in Section 4(a)(2) of the Inspector General Act of 1978, OIG reviews the impact of existing and proposed legislation and regulations on CFTC programs and operations and makes recommendations regarding more effective or efficient alternatives or protections against fraud and abuse. OIG also reviews exchange rule proposals circulated to senior staff at CFTC.

OIG notified the responsible Divisions as to any concerns with draft and final documents relating to legislation, rules or investigations. Formal comments were not filed with the Commission during this reporting period.

2. Rule Reviews Initiated in Previous Reporting Periods

There were no rule reviews initiated in previous reporting periods which were continued into this reporting period.

3. Rule Reviews Initiated this Reporting Period

No rule reviews were initiated during this reporting period.

4. Legislative Activities

OIG tracked legislation impacting programs and operations of the CFTC, and made contact with Congressional staff concerning various Agency and IG issues as

appropriate. The IG serves on the legislation committee for the Council of Inspectors General on Integrity and Efficiency, which comments on proposed amendments to the IG Act and other legislation affecting the IG community.

PEER REVIEWS

An important function in each Agency OIG is the peer review process. The Council of Inspectors General on Integrity and Efficiency describes the processes for audits and investigative peer reviews on its [website](#) as follows:

- *Government Auditing Standards* require that audit organizations conducting audits of Federal agencies undergo peer reviews every 3 years. The IG community has implemented a process to meet this requirement. The purpose of the peer review is to determine whether the reviewed audit organization's internal quality control systems are adequate and provide reasonable assurance that applicable auditing standards, policies and procedures are met.
- Similarly, investigative peer reviews are conducted to ensure compliance with the requirements of the *Quality Standards for Investigations* and determine whether adequate internal safeguards and management procedures exist to ensure that law enforcement powers are properly exercised.

Section 989C of the Dodd-Frank Act implemented a requirement to include in each OIG semiannual report an appendix containing:

- the results of any peer review conducted by another Office of Inspector General during the reporting period; or if no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General;
- a list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete; and
- a list of any peer reviews conducted by the Inspector General of another Office of the Inspector General during the reporting period, including a list of any outstanding recommendations made from any previous peer review (including any peer review conducted before the reporting period) that remain outstanding or have not been fully implemented.

The most recent peer review of CFTC OIG's audit operations was completed on April 22, 2014. CFTC OIG received a rating of *pass with deficiencies*. The most recent peer review of the CFTC OIG's investigative function was completed on March 27, 2013. CFTC OIG received a rating of *pass*.

No peer review activities took place during the reporting period and there are no outstanding recommendations from prior peer reviews that have not been implemented. During this reporting period, OIG continued to monitor the government-wide OIG peer review schedules as communicated by the Council of the Inspectors General on Integrity and Efficiency.

SUMMARY OF EACH REPORT MADE TO THE AGENCY HEAD

No reports were made to the Agency head under section 6(b)(2) of the IG Act concerning information or assistance unreasonably refused or not provided (mandated under section 5(a)(5) of the IG Act Act).

REVISED MANAGEMENT DECISIONS

No management decisions were revised during the reporting period.

INSPECTOR GENERAL DISAGREEMENT

The Inspector General did not disagree with any management decisions on OIG recommendations during the reporting period.

GAO LIASON

OIG is charged with providing policy direction for, and conducting, supervising, and coordinating audits and investigations relating to CFTC programs and operations. In addition, OIG is required to recommend policies for, and conduct, supervise, and coordinate with other Federal agencies, state and local governmental agencies, and nongovernmental entities, audits, investigations, and evaluations regarding the economy, efficiency, and effectiveness of CFTC programs and operations.

GAO also conducts audits of CFTC activities, and OIG insures effective coordination and cooperation. OIG plans its audits, inspections, evaluations, reviews, and investigations so as not to duplicate GAO's efforts. Moreover, OIG in its audit activities identifies the goals of each audit and the methods of reaching the goals so as to minimize the requirements placed on CFTC resources.

STRATEGIC PLAN FOR THE OFFICE OF THE INSPECTOR GENERAL

1. Investigative Agenda

The Inspector General Act of 1978, as amended, provides that the Inspector General may receive and investigate complaints or information from the Commission's employees concerning the possible existence of an activity constituting a violation of law, rules or regulations, or mismanagement, gross waste of funds, abuse of authority or a substantial and specific danger to the public health and safety.

OIG has to date conducted only a reactive investigative program chiefly relying on unsolicited employee complaints as the source of investigative leads. However, allegations and complaints are also received from the general public and Congress. This reactive program has resulted in only a handful of investigations per year. This strategy has been followed because OIG believed that an independent regulatory Agency such as the CFTC, without grant money or substantial contracts to award, was not likely to generate a substantial investigative workload.

To insure that employee complaints can easily reach OIG, our office has a 24-hour hotline to receive complaints. The hotline phone number is (800)913-7404.

Because of the reactive nature of OIG's investigative program, no investigative agenda has been established.

2. Legislative and Regulatory Review Agenda

Because of the importance of legislative and regulatory review in a financial and economic regulatory Agency, OIG reviews proposed and final CFTC regulations, legislation and selected exchange rules using six basic criteria, including whether the Agency has: (1) identified specifically the problem(s) to be addressed by the proposal; (2) defined through case study or data analysis a clear link between the proposed solution and the identified problem(s); (3) specified clearly the means to effectively and efficiently enforce the proposal; (4) assessed the likely efficiency and effectiveness of alternative solutions; (5) has reasonably documented that the proposal will yield positive net benefits over the long term; and (6) met the requirements of the Regulatory Flexibility Act and the Paperwork Reduction Act.

The Regulatory Flexibility Act requires the Agency to evaluate the impact of its regulations on small entities. The Paperwork Reduction Act requires the Agency to manage effectively and efficiently its information collections so that they are the least burdensome necessary to achieve the stipulated objectives.

Because OIG does not initiate legislation or, generally, regulations, OIG legislative and regulatory review program is reactive to the legislative and regulatory

proposals developed by others. Accordingly, no independent legislative and regulatory review agenda has been established.

3. Audit, Inspection, Evaluation and Review Agenda

a. Introduction

The primary objectives of the OIG audit, inspection, evaluation and review agenda is to promote long-term efficiency and effectiveness in the administration and operation of the Commission and to protect against fraud and abuse. The audit, review, evaluation, and inspection agenda and priorities for OIG are determined based on the following factors:

- Adequacy of internal control systems as indicated by vulnerability assessments and internal control reviews in recommended by OMB Circular A-123;
- Changes in the program conditions or particular vulnerability of the organization, program, activity, or function to problems or deficiencies;
- Current and potential dollar magnitude and likely benefits of a review on the efficiency or effectiveness of CFTC programs and operations;
- Management priorities and improvements that may be possible;
- Results of audits of CFTC programs and operations by other Federal agencies; and
- Availability of audit resources and the potential opportunity costs to the agency.

b. Annual Audits

The following required audits are performed on an annual basis.

Audit of CFTC Financial Statements

In FY 2002, Congress passed the Accountability of Tax Dollars Act. The Act requires the CFTC, along with numerous other Federal entities, to have its financial statements audited annually. To this end, OIG has engaged a contractor to provide the audit effort required to enable the contractor to render an opinion on the Agency's financial statements for each fiscal year in accordance with generally accepted auditing standards, Government Auditing Standards and OMB Bulletin 07-04.

Audit of CFTC Customer Protection Fund

Section 745(g)(5)(I) of the Dodd-Frank Act requires the Agency to submit to Congress a yearly report on the Commission's whistleblower award program that includes a complete set of audited financial statements, including a balance sheet, income statement, and cash flow analysis. To this end, OIG has engaged a contractor to perform the audit.

c. Annual Reviews and Evaluations

We will perform the following reviews and evaluations on an annual basis:

Inspector General's Assessment of CFTC's Management Challenges

The Reports Consolidation Act of 2000 requires the Inspector General to summarize the most serious management and performance challenges facing the CFTC and to assess the Agency's progress in addressing those challenges.

Review of Compliance with the Federal Managers' Financial Integrity Act, FMFIA

In support of OMB Circular A-123 (Revised), the Inspector General will evaluate, provide technical assistance and advise the Agency head as to whether the Agency's review and evaluation process was conducted in accordance with the circular's requirements.

Evaluation of the CFTC Information Security Management Act, FISMA

The Federal Information Security Management Act requires the Inspector General or his designee to perform annual independent evaluations of the information security program and practices of the Agency. This compliance may also be performed through an audit.

d. Other Audits, Inspections, Evaluations, Reviews and Projects

Looking to the long term, the OIG intends to focus the balance of its resources on the review of the management and operation of the Agency and compliance with Congressional mandates. OIG plans to concentrate its efforts in reviewing activities relating to the most serious management challenges facing the CFTC. OIG is aware of the immense regulatory undertaking required under the Dodd-Frank Act, and will seek to identify issues and to conduct inspections, reviews, investigations and other activities relating to these management and regulatory challenges.

To facilitate our direction and identify emerging issues, in FY2016 OIG will engage in cloud-based data mining of public information. Public comments and press releases posted on the CFTC Website are data-rich, and we will use text mining on the

CFTC website to determine emerging issues with potential to enable OIG to identify fraud, waste, abuse, as well as other inefficiencies. The CFTC Analytic Request Project will help organize and analyze valuable data and help identify potential gaps between law, regulations and the mission of CFTC OIG. For instance, data mining will facilitate an understanding of gaps between comments posted on the CFTC website by the public in response to proposed rulemakings, and the work completed by CFTC.

Finally, OIG will stand ready to respond to issues and requests as they are received from Congress, the Agency and members of the public or any other source.

e. Resources Required

Because OIG resources can be diverted at any time to an investigation, audit, inspection, evaluation, review, or other project that responds to current concerns or allegations, and must be completed in a timely fashion in order to be of assistance to the Agency or Congress, it is not possible to forecast with complete accuracy how resources will be utilized from year to year. OIG estimates that approximately five staff years of effort will be devoted over each of the next five years to the annual audit, the annual review, and the annual evaluation described above. However, OIG continuously updates its audit universe in view of CFTC's increased responsibilities under the Dodd-Frank Act and will reevaluate its staffing needs once each update is complete. We estimate four staff years of effort will be devoted over each of the next five years to the investigative, legislative and regulatory review functions. We estimate one staff year for management, administrative, and outreach efforts.

During FY 2015 we hired one part-time attorney and one full-time law clerk bringing our existing legal/investigative staff from two (including the Deputy IG/Chief Counsel) to 3.5. We also hired one additional full time Audit Management Analyst, bringing our audit staff to 5 (including the AIGA). Due to staff size, we will continue to utilize outside independent auditors to perform OIG audits and other services as necessary.

CONTACTING THE OFFICE OF THE INSPECTOR GENERAL

OIG is located at 1155 21st Street, N.W., Washington, D.C. 20581. Regular business hours are between 8:30 AM and 5:00 PM, Monday through Friday, except Federal holidays. The telephone number is (202)418-5110. The facsimile number is (202)418-5522. The hotline number is 1(800)913-7404. The OIG web page is located at <http://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.

TABLE 1 – REPORTS ISSUED WITH QUESTIONED COSTS

April 1, 2015 – September 30, 2015

	<u>Number</u>	<u>Dollar Value Thousands Questioned</u>	<u>Unsupported</u>
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
<u>Subtotals (A + B)</u>	<u>0</u>	<u>0</u>	<u>0</u>
C. For which a management decision was made during the reporting period	0	0	0
(I) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0

<p>TABLE 2 – REPORTS ISSUED WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE</p>

April 1, 2015 – September 30, 2015

	<u>Number</u>	<u>Dollar Value Thousands</u>
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0