



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

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TO: Timothy G. Massad, Chairman
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FROM: A. Roy Lavik, Inspector General *ARL*

DATE: September 20, 2016

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

Summary

The Reports Consolidation Act of 2000 (RCA)¹ authorizes the CFTC to provide financial and performance 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 to 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 Annual Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. Since Congress left the determination of what constitutes a most serious challenge to the discretion of the Inspector General, we applied the following definition in preparing this statement:

Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact Agency operations or strategic goals.

¹ Public Law 106-531, sec 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).

² Id.

CFTC's Progress on Last Year's Challenges

For FY2016 the OIG identified three management challenges, they were:

1. *Stimulate registrants towards enhancing their cyber security controls over vital client information so as to reduce the impact of any future information technology breach.*

Management's public comments³ indicate awareness of the disruptive impact of cyber security breaches of registrant networks. CFTC is uniquely positioned to share cyber risk intelligence and mitigation best practices among its registrants. The OIG's recently issued audit of CFTC's approach to reducing cybersecurity risks at registrants identified several testing and intelligence sharing opportunities to enhance the current approach to this threat. We look forward to evaluating additional management actions to reduce cyber security risk among registrants.

2. *Minimize information security vulnerabilities in its network with particular attention to the exfiltration of sensitive data.*

Results of OIG information systems reviews revealed that management is addressing information security vulnerabilities. This increase in competency is demonstrated by the Office of Data and Technology's (ODT) approach of reallocating staff, increasing the frequency of network scans, and patching vulnerabilities accordingly. During the coming year, we will scan sensitive databases to identify vulnerabilities for data loss.

3. *Effectively Triage Oversight Tasks In Order To Execute Its Strategic Plan with Limited Budgetary Resources.*

For the second year (FY2015 and FY2016) in a row CFTC budget's was flat at \$250 million while certain operational costs increased. Therefore, the agency must effectively triage its budgetary resources to meet its oversight responsibilities stated in its Strategic Plan.

³ Statement of Chairman Timothy Massad on the System Safeguards Testing Final Rules September 8, 2016 available at <http://www.cftc.gov/PressRoom/SpeechesTestimony/massadstatemento90816b>

Fiscal Year 2017 Management Challenges

Due to the complexity, persistence, and ongoing nature of the management challenges identified in FY 2016, we restate their importance for FY2017. Enterprise wide IT security, cybersecurity at registrants, and budget constraints remain significant for FY2017. To the aforementioned group we identify another major management challenge for FY2017 as:

4. Management's Effort to Address Findings From its FY2015 Financial Statement Audit Report

As background, the OIG contracts an independent public accounting (IPA) firm to audit CFTC's financial statements. For FY2015, the IPA issued a qualified opinion on CFTC's financial statements and alerted users that previously issued audit opinions were unreliable. The IPA identified a material weakness in internal controls over financial reporting related to the recording of lease obligations that materially affected the Statement of Budgetary Resources. Currently, the Government Accountability Office (GAO) and the CFTC are developing a suitable framework for disclosing future lease financial commitments.

My office will continue to undertake audits, reviews, and investigations that illuminate aspects of these challenges.

Cc: Anthony Thompson, Executive Director
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