



Office of Inspector General
499 South Capitol Street, SW, Suite 518
Washington, DC 20515
202.593.1948
www.aoc.gov

August 16, 2016

A. Roy Lavik
Inspector General
U.S. Commodity Futures Trading Commission
Office of Inspector General
1155 21st Street, N.W.
Washington, DC 20581

Subject: External Peer Review Report on the U.S. Commodity Futures Trading Commission
Office of Inspector General Audit Organization OIG Report A-2016-05

Dear Mr. Lavik:

Attached is the External Peer Review Report of the U.S. Commodity Futures Trading Commission Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. Your response to the draft report is included as Enclosure 3 with excerpts and our position incorporated into the relevant sections of the report.

We appreciate the cooperation and courtesies extended to our staff during the review. If you have any questions, please contact me at 202.593.0260 or kmulshin@aoc.gov.

Sincerely,

Kevin Mulshine
Inspector General

Enclosures

System Review Report
A-2016-05

August 15, 2016

To: Mr. A. Roy Lavik, Inspector General
U.S. Commodity Futures Trading Commission

We have reviewed the system of quality control for the audit organization of the U.S. Commodity Futures Trading Commission (CFTC) Office of the Inspector General (OIG) in effect for the year ending March 31, 2016. A system of quality control encompasses CFTC's OIG organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. CFTC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide CFTC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and CFTC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed CFTC OIG personnel and obtained an understanding of the nature of the CFTC OIG audit organization, and the design of CFTC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as "audits", and administrative files to test for conformity with professional standards and compliance with CFTC OIG's system of quality control. The audits selected represented a reasonable cross-section of CFTC OIG's audit organization, with emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with CFTC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the CFTC OIG audit organization. In addition, we tested compliance with CFTC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of CFTC OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and, therefore, noncompliance with the system of quality control may occur and not be detected.

Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate. Enclosure 1 to this report identifies CFTC OIG offices that we visited and the audits that we reviewed.

In our opinion, the system of quality control for the audit organization of CFTC OIG in effect for the year ending March 31, 2016, has been suitably designed and complied with to provide CFTC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. CFTC OIG has received an External Peer Review rating of *pass*.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to CFTC OIG's monitoring of audits performed by Independent Public Accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether CFTC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on CFTC OIG's monitoring of work performed by IPAs.

Sincerely,



Kevin Mulshine
Inspector General

Enclosures

Scope and Methodology

We tested compliance with the CFTC OIG audit organization’s system of quality control to the extent we considered appropriate. These tests included a review of three of seven audit reports issued during the period April 1, 2015, through March 31, 2016. We also reviewed the internal quality control reviews performed by CFTC OIG.

In addition, we reviewed CFTC OIG’s monitoring of audits performed by IPAs where the IPA served as the auditor during the period April 1, 2015, through March 31, 2016. During the period, CFTC OIG contracted for the audit of its agency’s fiscal year 2015 financial statements. CFTC OIG also contracted for certain other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the CFTC OIG office located in Washington, DC.

Reviewed Audits Performed by CFTC OIG

<u>Report Date</u>	<u>Report Title</u>
9/24/2015	Audit of CFTC “Pension Prizers”

Reviewed Monitoring Files of CFTC OIG for Contracted Audits

<u>Report Date</u>	<u>Report Title</u>
7/14/2015	FY 2014 FISMA Follow-up Management Review (Modernization Act) – Classified
8/5/2015	Performance Audit of the Division of Market Oversight’s Rule Enforcement Reviews (RER)



U.S. COMMODITY FUTURES TRADING COMMISSION

Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5110

TO: Ashton Coleman, Jr., Assistant Inspector General for Audit,
Office of the Inspector General, Architect of the Capitol

FROM: Miguel A. Castillo, Assistant Inspector General for Auditing,
Office of the Inspector General, U.S. CFTC

DATE: August 12, 2016

SUBJECT: Management Response to External Peer Review Report on U.S. CFTC OIG
Audit Organization

The U.S. CFTC Office of the Inspector General appreciates the independent peer review conducted your office. A rating of “*pass*” confirms that our audit redesign undertaken in November 2014 is improving the quality of audits conducted by our office. We will post your report in its entirety on our website and present a synopsis in our September 2016 *Semiannual Report to Congress*. Please call me with any questions at 202 418-5084.

cc: A. Roy Lavik, Inspector General
Judith A. Ringle, Deputy Inspector General