

**ANNUAL REPORT ON THE
WHISTLEBLOWER PROGRAM AND
CUSTOMER EDUCATION INITIATIVES**



**This is a Report of the Staff of the
U.S. Commodity Futures Trading Commission**

to the

**Senate Committee on Agriculture, Nutrition and Forestry
House of Representatives Committee on Agriculture**

October 30, 2015

I. INTRODUCTION

Section 748 of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ amended the Commodity Exchange Act (“CEA”) by adding Section 23, entitled “Commodity Whistleblower Incentives and Protection.”² CEA Section 23 established a whistleblower program under which the Commodity Futures Trading Commission (“Commission”) will pay awards, based on collected monetary sanctions and under regulations prescribed by the Commission, to eligible whistleblowers who voluntarily provide the Commission with original information about violations of the CEA that lead either to a “covered judicial or administrative action” or a “related action.”³ CEA Section 23 also established the Commodity Futures Trading Commission Customer Protection Fund (“Fund”), which is used to pay whistleblower awards and to fund “customer education initiatives designed to help customers protect themselves against fraud or other violations of [the CEA], or the rules and regulations thereunder.”⁴

CEA Section 23(g)(5) requires the Commission to transmit an annual report to the Committee on Agriculture, Nutrition and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives, on the following:

- the Commission’s whistleblower program, including a description of the number of awards granted and the types of cases in which awards were granted during the preceding fiscal year;
- customer education initiatives that were funded by the Fund during the preceding fiscal year;

¹ Pub. L. No. 111-203, § 748, 124 Stat. 1841 (2010).

² 7 U.S.C. § 26.

³ A “covered judicial or administrative action” is “any judicial or administrative action brought by the Commission under [the CEA] that results in monetary sanctions exceeding \$1,000,000.” 7 U.S.C. § 26(a)(1). The term “related action,” when used with respect to any judicial or administrative action brought by the Commission under the CEA, means “any judicial or administrative action brought by an entity described in [CEA § 23(h)(2)(C)(i)(I)-(VI)] that is based upon the original information provided by a whistleblower pursuant to [CEA § 23(a)] that led to the successful enforcement of the Commission action.” 7 U.S.C. § 26(a)(5).

⁴ 7 U.S.C. § 26(g)(2).

- the balance of the Fund at the beginning of the preceding fiscal year;
- the amounts deposited into or credited to the Fund during the preceding fiscal year;
- the amount of earnings on investments of amounts in the Fund during the preceding fiscal year;
- the amount paid from the Fund during the preceding fiscal year to whistleblowers;
- the amount paid from the Fund during the preceding fiscal year for customer education initiatives;
- the balance of the Fund at the end of the preceding fiscal year; and
- a complete set of audited financial statements, including a balance sheet, income statement,⁵ and cash flow analysis.

This report covers the period from October 1, 2014 through September 30, 2015 (“Period”).

II. WHISTLEBLOWER PROGRAM AND WHISTLEBLOWER AWARDS

The Commission did not pay any whistleblower awards during the Period.⁶ During the Period, the Commission issued 4 Final Orders addressing 25 whistleblower award applications submitted on Forms WB-APP. These 4 Final Orders consisted of 1 Final Order granting a whistleblower award related to one whistleblower award application and denying an award related to another whistleblower award application, and 3 Final Orders that denied awards related to 23 whistleblower award applications because the applicants did not meet the requirements of 7 U.S.C. § 26 and 17 C.F.R. § 165.

⁵ Federal Accounting Standards do not identify an “income statement” as a financial statement applicable to the Federal Government. Instead, the Statement of Federal Financial Accounting Concepts 2 identifies the “statement of net cost” as the equivalent financial statement. See Financial Accounting Standards Advisory Board, FASAB Handbook of Federal Accounting Standards and Other Pronouncements, as Amended, June 30, 2011. A “statement of net cost” is included in the attached audited financial statements.

⁶ While the Commission issued an order granting a whistleblower award on September 29, 2015, payment of the whistleblower award cannot be made until the completion of the appeals process for an order on an award. The payment of the award associated with the order issued September 29, 2015 could not be completed during the Period. See 17 C.F.R. § 165.14.

During the Period, the Commission’s Whistleblower Office (“WBO”) received 232 whistleblower tips and complaints on Form TCR,⁷ either by mail or facsimile, or through the Commission’s web portal.⁸ The WBO also received an additional 75 separate non-whistleblower tips and complaints, most often by email to whistleblower@cftc.gov. When appropriate, the WBO communicates with non-whistleblower correspondents and invites them to become whistleblowers by submitting a Form TCR. The WBO forwards all tips and complaints to the Commission’s Division of Enforcement for evaluation and disposition.

The WBO posts Notices of Covered Actions (“NCAs”) for all judgments and orders entered after July 21, 2010 which impose more than \$1 million in monetary sanctions.⁹ The WBO posted 42 NCAs during the Period, and received 47 whistleblower award claims on Form WB-APP.

The WBO has been working to educate interested stakeholders about the whistleblower program – including whistleblowers and their attorneys, industry and professional groups, other government agencies, self-regulatory organizations and academia – through panel and seminar appearances, webinars, speeches, articles, web postings and by answering questions posed directly to the WBO about the program.

III. CUSTOMER EDUCATION INITIATIVES

The Office of Consumer Outreach (“OCO”) administers the CFTC’s customer and public education initiatives. Among its duties, the OCO supports the Commission by creating and

⁷ Under Rules 165.2(p) and 165.3 of the Commission’s Whistleblower Rules [17 C.F.R. §§ 165.2(p) and 165.3], a “whistleblower” is an individual who submits original information to the Commission on a Form TCR either by mail or facsimile, or through the Commission’s website.

⁸ File a Tip or Complaint: <http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>

⁹ 17 C.F.R. § 165.7(a).

distributing financial education messages to consumers to help them make informed investment decisions and avoid fraud.

The Commission currently conducts anti-fraud outreach efforts for consumers and intermediaries through a comprehensive social marketing campaign called “CFTC SmartCheckSM.” The campaign connects customers and the public to tools that check the registration, license, and disciplinary history of certain financial professionals. This campaign utilizes numerous outreach channels to convey messages that encourage customers to engage in behaviors to help lower the likelihood they will become fraud victims and mitigate the impact for those who do. The majority of the outreach efforts drive customers and the public to SmartCheck.gov, where anti-fraud information and research tools are available. Customers seeking in-depth information about trading in commodities markets at a retail level can continue to find it at www.cftc.gov/consumerprotection.

The outreach efforts include targeted online, television, and print advertising, social media, media outreach, in-person presentations and events, and collaborative programming. The collaborative programs include efforts with entities such as state banking, insurance, securities and consumer protection regulators, federal financial regulators, financial markets SROs, nonprofit consumer groups, public libraries, local government, financial professional organizations, and academia. The Commission is also actively involved with ongoing federal financial literacy efforts, including participating on the Financial Literacy and Education Commission.

In FY 2015, the OCO launched the SmartCheck campaign resulting in the development of three highly interactive videos, a 30-second anti-fraud video, four informational brochures, three data-driven infographics, fraud prevention print and online advertisements, and an

engaging advertorial, among many other outreach tools. These tools all directed customers and the public to SmartCheck.gov, which had 277,694 sessions through September 30, 2015. In addition, the number of referrals to databases to conduct backgrounds checks is estimated to be nearly 50,000 during that time.

FY2015 also saw the launch of SmartCheck Week, a week dedicated to encouraging customers and the public to check the credentials and backgrounds of financial professionals and firms they already or are considering using. To seed SmartCheck Week with the media, the CFTC issued a press release, pitched it to reporters, and used social media to amplify the SmartCheck Week push. Online advertising supported the campaign just prior to, during, and after the week. Information was also distributed via email to over 10,000 subscribers who signed up to receive consumer protection information at CFTC.gov.

During the Period, OCO obligated approximately \$4,910,000 on customer education initiatives.

IV. CUSTOMER PROTECTION FUND

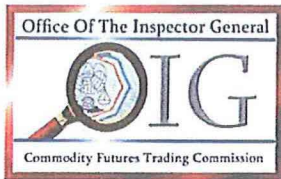
As of September 30, 2015, the Fund had an ending balance of \$267,612,410:

Balance of the Fund at the beginning of the Period:	\$274,315,312
Amounts deposited into, or credited to, the Fund during the Period:	\$0
Amount of earnings on investments of amounts in the Fund during the Period:	\$58,152
Amount paid from the Fund to whistleblowers during the Period:	(\$0) ¹⁰
Amount paid from the Fund for customer education initiatives during the Period:	(\$3,665,344)
Amount of unpaid customer education initiatives expenses incurred during the Period:	(\$764,858)
Amount paid from the Fund for administrative expenses during the Period:	(\$1,877,664) ¹¹
Amount of unpaid administrative expenses incurred during the Period:	(\$453,187) ¹¹
Balance of the Fund as of September 30, 2015:	\$267,612,410

Attached as an Appendix to this report are the audited financial statements for the Fund, including a balance sheet, a statement of net cost, a statement of changes in net position, a statement of budgetary resources, and a supplementary cash flow analysis schedule.

¹⁰ The whistleblower award authorized by the Commission during Fiscal Year 2015 will be paid after September 30, 2015. As such, any payments made after the close of the fiscal year are not reflected in the above chart.

¹¹ The administrative expenses of the WBO and OCO are charged to the Fund pursuant to GAO Decision B-321788, 2011 WL 3510145 (Comp. Gen. Aug. 8, 2011).



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

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

DATE: October 30, 2015

SUBJECT: Audit of the CFTC Customer Protection Fund Financial Statements for Fiscal Year 2015

Annually the Office of the Inspector General (OIG) conducts an audit of the CFTC Customer Protection Fund (Fund) financial statements. The Fund's balance as of September 30, 2015 was \$268,809,520. We contracted with the independent certified public accounting firm of Williams Adley & Company-DC, LLP (Williams Adley) to audit the financial statements of the Fund as of September 30, 2015, and for the year then ended, to provide negative assurance on internal control and compliance with laws and regulations for financial reporting. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards.

In its audit of the Fund, Williams Adley found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.
- There were no material weaknesses in internal control identified for the Fund. Williams Adley did provide a comment in the form of a management letter for improving the preparation of the financial statements.
- No instances in which the financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996.

In connection with the contract, we reviewed Williams Adley's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on financial statements or internal control or on whether the Fund complied with laws and regulations. Williams Adley is responsible for the attached auditor's report dated October 30, 2015 and the conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply, in all material respects, with U.S. generally accepted government auditing standards.

Attached is a copy of Williams Adley's unmodified (clean) opinion letter and their management letter. Please call me if any questions at 202 418-5084.

CC: Clark Ogilvie, Chief of Staff



Independent Auditor's Report

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Commodity Futures Trading Commission Customer Protection Fund (CPF) which comprise the Balance Sheets as of September 30, 2015 and 2014, and the related Statements of Net Cost, Changes in Net Position and Budgetary Resources for the years then ended, and the related notes to the financial statements (hereinafter referred to as the financial statements).

Management's Responsibility for the Financial Statements

CPF management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the CPF's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriated in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CPF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Customer Protection Fund as of September 30, 2015 and 2014, and its net cost, changes in net position and budgetary resources for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note L to the financial statements, the 2015 financial statements have been restated to correct a misstatement in the 2014 Statement of Budgetary Resources. Our opinion is not modified with respect to this matter.

Other Information

The information in CPF's Annual Report to Congress and the Cash Flow Analysis are not a required part of the financial statements, but are supplementary information required by the Dodd-Frank Wall Street Reform and Consumer Protection Act. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of CPF as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 30, 2015, on our consideration of the CPF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting nor on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

Williams, Adley & Company-DC, LLP

Washington, D.C.

October 30, 2015



**FINANCIAL STATEMENTS FOR THE
CUSTOMER PROTECTION FUND
REPORT TO CONGRESS**

As of September 30, 2015

**U.S. Commodity Futures Trading Commission
Customer Protection Fund Report to Congress: Financial Statements**

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Commodity Futures Trading Commission
Customer Protection Fund
Balance Sheets
As of September 30, 2015 and 2014

	2015	2014
Assets		
Intragovernmental:		
Fund Balance With Treasury (Note 2)	\$ 5,593,661	\$ 4,448,248
Investments (Note 3)	263,000,000	270,000,000
Total Intragovernmental	268,593,661	274,448,248
General Property, Plant and Equipment, Net	215,859	-
Total Assets	\$ 268,809,520	\$ 274,448,248
 Liabilities		
Accounts Payable	835,464	109,470
Accrued Payroll	55,478	23,466
Other	6,168	-
Contingent Liabilities (Note 4)	300,000	-
Total Liabilities	1,197,110	132,936
 Net Position		
Cumulative Results of Operations - Funds from Dedicated Collections	267,612,410	274,315,312
Total Net Position	267,612,410	274,315,312
Total Liabilities and Net Position	\$ 268,809,520	\$ 274,448,248

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
Customer Protection Fund
Statements of Net Cost
For the Years Ended September 30, 2015 and 2014

	2015	2014
Net Costs by Goal (Note 5)		
Gross Costs	\$ 6,761,054	\$ 1,735,213
Total Net Cost of Operations	\$ 6,761,054	\$ 1,735,213

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
Customer Protection Fund
Statements of Changes in Net Position
For the Years Ended September 30, 2015 and 2014

	2015	2014
Cumulative Results of Operations		
Beginning Balances, October 1	\$ 274,315,312	\$ 99,904,291
Budgetary Financing Sources:		
Nonexchange Interest Revenue	58,152	35,630
Transfers-In/Out Without Reimbursement (+/-)	-	176,110,604
Total Financing Sources	58,152	176,146,234
Net Cost of Operations	(6,761,054)	(1,735,213)
Net Change	(6,702,902)	174,411,021
Total Cumulative Results of Operations, September 30	\$ 267,612,410	\$ 274,315,312

The accompanying notes are an integral part of these financial statements.

Commodity Futures Trading Commission
Customer Protection Fund
Statements of Budgetary Resources
For the Years Ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u> <i>Restated (Note 1L)</i>
BUDGETARY RESOURCES		
Unobligated Balance Brought Forward, October 1	\$ 269,901,355	\$ 98,986,699
Adjustment to Unobligated Balance Brought Forward, October 1	829,170	-
Unobligated Balance Brought Forward, October 1, as Adjusted	<u>270,730,525</u>	<u>98,986,699</u>
Recoveries of Prior Year Unpaid Obligations	89,205	24,004
Unobligated Balance from Prior Year Budget Authority, Net	<u>270,819,730</u>	<u>99,010,703</u>
Spending Authority from Offsetting Collections	53,908	175,933,234
Total Budgetary Resources	<u>\$ 270,873,638</u>	<u>\$ 274,943,937</u>
STATUS OF BUDGETARY RESOURCES		
Obligations Incurred	\$ 6,622,259	\$ 5,042,582
Unobligated Balance, End of Year		
Apportioned	264,251,379	11,000,257
Unapportioned	-	258,901,098
Total Unobligated Balance, End of Year	<u>264,251,379</u>	<u>269,901,355</u>
Total Budgetary Resources	<u>\$ 270,873,638</u>	<u>\$ 274,943,937</u>
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid Obligations, Brought Forward, October 1	\$ 3,670,892	\$ 333,533
Obligations Incurred	6,622,259	5,042,582
Outlays (Gross)	(5,912,739)	(1,681,219)
Recoveries of Prior-Year Unpaid Obligations	(89,205)	(24,004)
Unpaid Obligations, End of Year	<u>4,291,207</u>	<u>3,670,892</u>
Memorandum Entries:		
Obligated Balance, Start of Year	\$ 3,670,892	\$ 333,533
Obligated Balance, End of Year	<u>\$ 4,291,207</u>	<u>\$ 3,670,892</u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	\$ 53,908	\$ 175,933,234
Actual Offsetting Collections	(58,152)	(176,146,234)
Budget Authority, Net	<u>\$ (4,244)</u>	<u>\$ (213,000)</u>
Outlays, Gross	\$ 5,912,739	\$ 1,681,219
Actual Offsetting Collections	(58,152)	(176,146,234)
NET OUTLAYS	<u>\$ 5,854,587</u>	<u>\$ (174,465,015)</u>

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements
For the Years Ended September 30, 2015 and 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Fund

The Commodity Futures Trading Commission (CFTC or the Commission) is an independent agency of the executive branch of the Federal Government. Its mission is to “protect market users and the public from fraud, manipulation, and abusive practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and options markets.”

On July 21, 2010, the “Dodd-Frank Wall Street Reform and Consumer Protection Act” (the Dodd-Frank Act, or the Act) was signed into law, significantly expanding the powers and responsibilities of the CFTC. According to Section 748 of the Act, there is established in the Treasury of the United States a revolving fund known as the “Commodity Futures Trading Commission Customer Protection Fund” (the Fund). The Fund shall be available to the Commission, without further appropriation or fiscal year limitation, for a) the payment of awards to whistleblowers; and b) the funding of customer education initiatives designed to help customers protect themselves against fraud or other violations of this Act or the rules and regulations thereunder.

The Act requires CFTC to transmit to the Committee on Agriculture, Nutrition and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives a report which includes a complete set of audited financial statements and supplementary information, including balance sheet, income statement, and cash flow analysis, no later than October 30, of each year.

B. Basis of Presentation

The financial statements have been prepared to report the financial position and results of operations for the Fund, as required by the Dodd-Frank Act. These statements have been prepared from the Fund’s books and records, which are a component of the Commission’s books and records, in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed for the Federal government by the Federal Accounting Standards Advisory Board (FASAB) and in accordance with the form and content requirements contained in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, as amended.

The Fund was established in July 2010 and funded by transfers from CFTC’s Civil Monetary Penalties, Fines and Administrative Fees receipt account. These transfers do not meet the criteria of reportable revenue as defined by the Statement of Federal Financial Accounting Standards (SFFAS) 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*.

The financial statements report on the Fund’s financial position, changes in net position, net cost and budgetary resources. The books and records of the Fund served as the source of information for preparing the financial statements in the prescribed formats. All Fund financial statements and reports used to monitor and control financial resources are prepared from the same books and records. The statements should be read with the understanding that they relate to a fund controlled by CFTC, a component of the U.S. Government, a sovereign entity.

The Balance Sheet presents the financial position of the Fund. The Statement of Net Cost presents the Fund’s operating results. The Statement of Changes in Net Position displays the changes in the Fund’s net position, and the Statement of Budgetary Resources shows the spending authority of the Fund derived from the deposits eligible from civil monetary collections.

C. Fund Balance with Treasury

Fund Balance with Treasury is the aggregate amount of the Fund's balance with the U.S. Treasury. The balance in the Fund is available to pay current liabilities and finance authorized operations.

The Fund does not maintain bank accounts of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury makes disbursements for the Fund.

D. Investments in U.S. Government Securities

The CFTC has authority to invest amounts in the Customer Protection Fund in market-based U.S. Treasury securities. The interest earned on the investments is a component of the Fund and is available to be used for expenses of the Fund. Additional details regarding Customer Protection Fund investments are provided in Note 3. Investments.

Market-based Treasury securities are debt securities that the U.S. Treasury issues to Federal entities without statutorily determined interest rates. Although the securities are not marketable, the terms (prices and interest rates) mirror the terms of marketable Treasury securities.

E. General Property, Plant and Equipment, Net

The Commission capitalizes assets annually if they have useful lives of at least two years and an individual value of \$25,000 or more. Bulk or aggregate purchases are capitalized when the individual useful lives are at least two years and the purchase is a value of \$25,000 or more. Property, plant and equipment that do not meet the capitalization criteria are expensed when acquired. Depreciation for equipment and amortization for software is computed on a straight-line basis using a 5-year life. The Commission's assets are valued net of accumulated depreciation or amortization.

As of September 30, 2015, the Commission has capitalized \$215,859 for the development and enhancement of CFTC Whistleblower and Office of Consumer Outreach websites as software in development.

F. Liabilities

The Fund's liabilities consist of actual and estimated amounts that are likely to be paid as a result of transactions covered by the Whistleblower Incentives and Protection regulation, and will be paid from available balances remaining in the Fund. In addition, the salaries and operating expenses of the Whistleblower's Office and Consumer Outreach Office were funded through the Fund. Liabilities totaled \$1,197,110 and \$132,936 as of September 30, 2015 and 2014 respectively. The Fund's liabilities are considered current liabilities.

G. Funds from Dedicated Collections

The Fund contains dedicated collections that can only be used to operate a whistleblower program and support customer education initiatives. See Note 1.A. for a description of the purpose of the Fund and its authority to use the revenues and other financing sources. Deposits into the Fund are credited from monetary sanctions collected by the Commission in covered judicial or administrative actions not otherwise distributed to victims of a violation of the Dodd-Frank Act or the rules and regulations underlying such action, unless the balance of the Fund at the time the monetary judgment is collected exceeded \$100 million. No new legislation was enacted as of September 30, 2015 that significantly changed the purpose of the dedicated collections or redirected a material portion of the accumulated balance.

H. Revenues and Other Financing Sources

The CFTC Customer Protection Fund is funded through monetary sanctions resulting from judicial or administrative action brought by the Commission under the Commodity Exchange Act. All collections are deposited into a receipt account. Eligible collections are transferred into the Fund from the CFTC's Civil Monetary Penalties, Fines and Administrative Fees receipt account.

Congress enacted the Dodd-Frank Act that provides the CFTC with the authority to establish the Fund. The Fund is available to the Commission, without further appropriation or fiscal year limitation. These funds are considered financing sources under U.S. Treasury Department guidelines. Per the Act, no sanction collected by the Commission can be deposited into the Fund if the Fund's balance exceeds \$100 million. The CFTC may request the Secretary of the Treasury to invest Fund amounts in Treasury obligations. Eligible collections of \$176.1 million were transferred into the Fund as of September 30, 2014. No eligible collections were transferred during FY 2015 because the Fund reached its legislative maximum during FY 2014.

I. Intra- and Inter-Agency Relationships

The CFTC is an independent Federal agency. The Commodity Futures Trading Commission Customer Protection Fund is a fund within the CFTC, and these financial statements present a segment of the CFTC financial activity. The financial events of the Fund are consolidated into the CFTC annual financial statements.

J. Use of Management Estimates

In addition to accruals for goods and services, management estimates were used to calculate overhead expenses in the amount of \$386,704 that were allocated to the Fund for FY 2015. This amount was derived by multiplying management's estimated overhead cost per full-time equivalent (FTE) of \$48,338 times eight FTE in the Fund.

K. Limitations of the Financial Statements

The principal financial statements included in this report have been prepared to report the financial position and results of operations of the Fund, pursuant to the requirements of Section 748 of the Dodd-Frank Consumer Protection Act. While the statements have been prepared from the books and records of the CFTC in accordance with GAAP for Federal entities, these statements are in addition to the reports used to monitor and control the financial activity of the CFTC, which are prepared from the same books and records. The statements should be read with the understanding that they are for the Customer Protection Fund, a single fund within the CFTC.

L. Restatement

In the original presentation of its FY 2014 financial statements, the Commission misclassified \$16.2 million of unobligated balances as apportioned. SFFAS 21, *Reporting Correction of Errors and Changes in Accounting Principles*, requires restatement for the correction of a material error. This amount has been reclassified (restated) in the FY 2014 Statement of Budgetary Resources from the "Apportioned" to the "Unapportioned" components of the "Unobligated Balance, End of Year." This change does not affect any other line items, the FY 2015 Statement of Budgetary Resources, or the Commission's net position.

Note 2. Fund Balance with Treasury

The Fund Balance with Treasury by type of fund and Status of Fund Balance with Treasury as of September 30, 2015 and 2014 consists of the following:

	2015	2014
Revolving Funds	\$ 5,593,661	\$ 4,448,248
TOTAL FUND BALANCE WITH TREASURY	\$ 5,593,661	\$ 4,448,248
Revolving Funds		
Unobligated Fund Balance		
Available	\$ 1,302,454	\$ 777,356
Obligated Balance Not Yet Disbursed	4,291,207	3,670,892
Total Revolving Funds	5,593,661	4,448,248
TOTAL FUND BALANCE WITH TREASURY	\$ 5,593,661	\$ 4,448,248

A. Reconciliation to Treasury

There are no differences between the fund balance reflected in the Fund's Balance Sheet and the balance in the Treasury account.

B. Fund Balance with Treasury

Fund Balance with Treasury consists of collections of fines and penalties not owed to harmed investors. Obligation of these funds is controlled by apportionments made by OMB. Until such funds are apportioned by OMB, they are unavailable to be obligated.

Note 3. Investments

In fiscal year 2012, the CFTC began investing funds in overnight short-term Treasury securities. Treasury overnight certificates of indebtedness are issued with a stated rate of interest to be applied to their par amount, mature on the business day immediately following their issue date, are redeemed at their par amount at maturity, and have interest payable at maturity.

The Commission may invest in other short-term or long-term Treasury securities at management's discretion.

The overnight certificates are Treasury securities whose interest rates or prices are determined based on the interest rates or prices of Treasury-related financial instruments issued or trading in the market, rather than on the interest rates or prices of outstanding marketable Treasury securities.

The Commission's investments as of September 30, 2015 and 2014 were \$263 million and \$270 million, respectively. Interest earned as of September 30, 2015 and 2014 was \$58,152 and \$35,630, respectively.

Intragovernmental Investments in Treasury Securities

The Federal Government does not set aside assets to pay future claims or other expenditures associated with funds from dedicated collections deposited into the Customer Protection Fund. The dedicated cash receipts collected by the Commission as a result of monetary sanctions are deposited in the U.S. Treasury, which uses the cash for general Government purposes. As discussed above and in Note 1.D., the Commission invests the majority of these funds in Treasury securities. These Treasury securities are an

asset of the Commission and a liability of the U.S. Treasury. Because the Commission and the U.S. Treasury are both components of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, the investments presented by the Commission do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Commission with authority to draw upon the U.S. Treasury to pay future claims or other expenditures. When the Commission requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same manner in which the Government finances all expenditures.

Note 4. Contingencies

Unasserted claims are actions or potential actions the Commission is aware of in which future events may result in claims against the Fund.

As mentioned in Note 1.A. Reporting Fund, the Commodity Futures Trading Commission Customer Protection Fund will be used to pay awards to whistleblowers if they voluntarily provide original information to the CFTC that leads to the successful enforcement by the CFTC of a covered judicial or administrative action in which monetary sanctions exceeding \$1 million are imposed. Whistleblowers are entitled to appeal any decisions by the Commission in regards to claims made against the Fund.

In accordance with Federal accounting standards, CFTC records contingent liabilities for any unasserted claim in which payment has been deemed probable and for which the amount of potential liability can be estimated. The Commission also discloses all claims for which payment is reasonably possible.

On September 29, 2015, the Commission announced that it expects to make an award of approximately \$300,000 to a whistleblower for providing valuable information about violations of the Commodity Exchange Act (CEA). While the order granting the award can be appealed until October 29, 2015, the Commission has recorded a liability because it has been deemed probable that the award will be paid. There were no unasserted claims deemed reasonably probable and measurable, or reasonably possible, as of September 30, 2014.

Note 5. Intragovernmental Costs

The Statement of Net Cost presents the Customer Protection Fund's results of operations for the activities to run the Whistleblower's Office and Consumer Outreach Office.

Intragovernmental costs arise from the purchases of goods and services from other components of the Federal Government (including other CFTC funds). In contrast, public costs are those which arise from the purchase of goods and services from non-Federal entities. The Whistleblower's Office and Consumer Outreach Office incurred approximately \$340 thousand and \$217 thousand in net intragovernmental costs and \$6.421 million and \$1.518 million in net costs with the public for the years ended September 30, 2015 and 2014, respectively.

Supplementary Schedule

Commodity Futures Trading Commission
Customer Protection Fund
Cash Flow Analysis
For the Period from October 1, 2014 to September 30, 2015

Cash as of October 1, 2014		\$ 4,448,248
Cash flows from operating activities		
Paid Expenses for WhistleBlower and Consumer Outreach Offices	\$ (5,912,739)	
Interest earned from investing in US Treasury Securities	58,152	
Net cash flows from operating activities	<u> </u>	\$ (5,854,587)
Cash flows from investing activities		
Redemptions of US Treasury Securities	\$ 7,000,000	
Net cash flows from investing activities	<u> </u>	\$ 7,000,000
Net increase/(decrease) in cash and cash equivalents		<u> </u> \$ 1,145,413
Cash as of September 30, 2015		<u> </u> \$ 5,593,661



MANAGEMENT LETTER

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

We have audited the balance sheets as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended, hereinafter referred to as "financial statements", of the Commodities Futures Trading Commission (CFTC), Customer Protection Fund (CPF) and have issued an unmodified opinion thereon dated October 30, 2015.

In planning and performing our audit of the financial statements of the CPF, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered the internal control since the date of our report.

In our fiscal year 2015 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We noted a control deficiency in financial reporting as discussed in Appendix I.

We appreciate the cooperation and courtesies extended to us during the conduct of the audit. We would be pleased to meet with you or your staff, at your convenience, to discuss issues in this letter or furnish any additional information you may require.

Williams, Adley & Company - DC, LLP
Washington, D.C.
October 30, 2015

05-01 - Financial Reporting Controls Need Improvement

We noted that CFTC's financial reporting process should be enhanced to ensure proper classification of items on the Statement of Budgetary Resources. CFTC's financial reporting process for CPF does not include a reconciliation of the Statement of Budgetary Resources to the SF-133, *Report on Budget Execution and Budgetary Resources* to ensure the integrity of the numbers presented.

Although CFTC's financial reporting process is mostly done through its core accounting system, certain "on top" adjusting journal entries are made manually for financial statement purposes using excel spreadsheets. The use of spreadsheets increases the risk of manual errors in the financial reporting process.

As a result the Apportioned amount reported on the FY14 Statement of Budgetary Resource required reclassification.

Recommendation:

We recommend that CFTC enhance their financial reporting process to include a reconciliation between the financial statements and the SF-133 to ensure the consistency and accuracy of external financial reporting.

Management Response:

Management concurs with this finding.



Independent Auditor's Report on Compliance and Other Matters

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

We have audited the Principal Statements (hereinafter referred to as the "financial statements") of the Commodity Futures Trading Commission Customer Protection Fund (CPF) as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated October 30, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) audit guidance.

The management of the CPF is responsible for complying with laws and regulations that are applicable to the CPF. As part of obtaining reasonable assurance about whether the CPF's financial statements are free of material misstatement, we performed tests of the CPF's compliance with certain provisions of laws and regulations including but not limited to the Dodd-Frank Wall Street Reform and Consumer Protection Act, Accountability for Tax Dollars Act, Federal Managers' Financial Integrity Act, and the Anti-Deficiency Act noncompliance with which could have a direct and material effect on the determination of the financial statements amounts, and certain provisions of other laws and regulations specified in the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, as amended. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the CPF. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests of compliance described in the preceding paragraph of this report disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02.

The report is intended solely for the information and use of the management of the CPF, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP
Washington, D.C.
October 30, 2015



Independent Auditor's Report on Internal Control over Financial Reporting

Chairman
U.S. Commodity Futures Trading Commission

Inspector General
U.S. Commodity Futures Trading Commission

We have audited the Principal Financial Statements (hereinafter referred to as the "financial statements") of the Commodity Futures Trading Commission Customer Protection Fund (CPF) as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated October 30, 2015.

CPF management is responsible for establishing and maintaining effective internal control. In planning and performing our audits, we considered the CPF's internal control over financial reporting by obtaining an understanding of the CPF's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements but not to express an opinion on the effectiveness of the CPF's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the CPF's internal control over financial reporting. We limited our internal control testing to those controls necessary to achieve the objectives described in the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, as amended. We did not test all internal controls relevant to operating objectives broadly defined by the *Federal Managers' Financial Integrity Act of 1982* such as those controls relevant to ensuring efficient operations.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the CPF's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the CPF's principal financial statements that is more than inconsequential will not be prevented or detected by the CPF's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

In our fiscal year 2015 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. Although not considered to be a material weakness or significant deficiency, we noted another matter that was communicated to management in a separate letter.

This report is intended solely for the information and use of management of the Customer Protection Fund, OMB, U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company-DC, LLP
Washington, D.C.
October 30, 2015