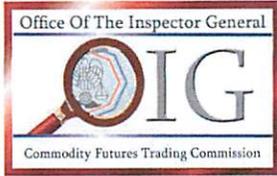




# Office of the Inspector General Commodity Futures Trading Commission

*Semiannual Report to Congress*  
April 1, 2019 – September 30, 2019



**U.S. COMMODITY FUTURES TRADING COMMISSION**

**Office of Inspector General**

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October 31, 2019

**TO:** Heath P. Tarbert, Chairman  
Brian Quintenz, Commissioner  
Rostin Behnam, Commissioner  
Dawn Stump, Commissioner  
Dan Berkovitz, Commissioner

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

**SUBJECT:** Semiannual Report of the Office of the Inspector General

Attached is the Office of the Inspector General's Semiannual Report for the period from April 1, 2019, through September 30, 2019. This report is submitted to you in accordance with the requirements of Section 5 of the Inspector General Act of 1978, as amended, and summarizes issued reports and ongoing projects during the reporting period.

I appreciate your continuing support of this office.

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## EXECUTIVE SUMMARY

This semiannual report (SAR) is issued by the Commodity Futures Trading Commission (CFTC) Office of the Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended.<sup>1</sup> It summarizes OIG's activities and accomplishments for the period April 1, 2019, through September 31, 2019. During this period, the OIG Office of Audits completed one audit, one inspection and evaluation (I&E), one briefing report, one external peer review, and two other products. All are posted to our [webpage](#) (some with redaction). In addition, we began or continued work on five audits, one inter-agency audit, and passed an external peer review of our audit function. On the investigations side, we began the reporting period with eight investigations and nine preliminary investigations pending. During the reporting period the OIG Office of Investigations closed five investigations and six preliminary investigations, and opened five new preliminary investigations. We finished the reporting period with three investigations and eight preliminary investigations pending. Finally, we began a contracted study of policies and procedures for calculating overhead expenses at the CFTC.

Highlights of all completed and ongoing audits, investigations, Office of Legal and Economic Review projects, and other projects follow below:

### AUDIT OPERATIONS

#### Completed

##### *Information Technology Management and Security*

- [Review of CFTC's Data Governance Program](#) – As an extension of our information technology audit efforts, the OIG completed an audit of CFTC's data governance practices. Our audit assessed practices for determining business value and creation, protecting stored data, and maximizing reliability of data for business use, focusing on the Integrated Surveillance System. We found CFTC's program exhibited a low maturity level, displaying numerous weaknesses, opportunities, and threats; and that CFTC is currently working towards an improved Data Governance framework with benchmark attributes. We issued five recommendations.

##### *Financial*

- [Evaluation of Management of Select Services Contracts Used by the Office of Data and Technology \(ODT\)](#) – In FY 2017 ODT initiated over \$54.6 million in contracts for Information Technology (IT) services. Failure to effectively manage these contracts could lead to increased costs, as well as delays in delivering core mission services to CFTC. We evaluated the management of contracts nearing expiration, as well as compliance with tasks enumerated in contracts. We found there may be CFTC-wide risk due to expirations. Accordingly, we recommended that CFTC evaluate the extent and impact of certain CFTC-wide contract actions that have expiration issues, and that CFTC

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<sup>1</sup> P.L. 95-452, 92 Stat. 1101 (1978).

explore the procurement life-cycle benefits offered by its current automated procurement system to automate workflow communications such as contract expiration notifications.

- [Briefing Report: Unaccounted Laptops](#) – We evaluated controls in place for IT equipment accountability (safeguarding assets). Our scope was limited to a CFTC September 2015 purchase of 425 Dell 7450 laptops and reported losses from that purchase. We concluded that CFTC internal controls in place in 2015 would not permit us to determine whether laptops were stolen or not, and that a full inventory must be performed to determine whether September 2015 laptops identified as unaccounted are in use or storage but not properly documented, or lost or stolen. CFTC has begun a full inventory.

#### *Other*

- [Council of Inspectors General on Financial Oversight \(CIGFO\) Audit of Financial Stability Oversight Council’s Monitoring of International Financial Regulatory Proposals and Developments](#) – The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC),<sup>2</sup> as well as the Council of Inspectors General on Financial Oversight (CIGFO).<sup>3</sup> One of the duties established for the FSOC is to monitor domestic and international financial regulatory proposals and developments. CIGFO is charged with evaluating the effectiveness and internal operations of FSOC. For FY 2018 CIGFO assessed FSOC’s monitoring of international financial regulatory proposals and developments. In addition, we contributed to the CIGFO publications [2019 CIGFO Annual Report](#) and [Top Management and Performance Challenges Facing Financial-Sector Regulatory Proposals and Developments](#).
- [Inspector General’s Assessment of the Most Serious Management Challenges Facing the CFTC \(2019\)](#) – We identified cybersecurity, information technology modernization, stress-testing, management’s ability to enhance its business operations to lower costs, and data governance as challenges for FY 2019. We acknowledged CFTC’s efforts during FY 2019 to operate and enhance business practices within its appropriation, and acknowledge the Commission’s leadership changes to improve industry oversight.

#### **Ongoing**

##### *Financial*

- [Audit of the CFTC’s FY 2019 Annual Financial Report \(AFR\)](#) – The objective of this Congressionally mandated audit<sup>4</sup> is to render an opinion on the agency financial report (financial statements) in accordance with *Generally Accepted Government Auditing Standards* ([GAGAS](#)).

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<sup>2</sup> P.L. 111-203, § 111, 124 Stat. 1392 (2010).

<sup>3</sup> P.L. 111-203, § 989E, 124 Stat. 1946 (2010).

<sup>4</sup> The Accountability of Tax Dollars Act, P.L. 107-289, 116 Stat. 2049 (2002).

- Audit of the CFTC’s FY 2019 Customer Protection Fund (CPF) – The objective of this Congressionally mandated audit<sup>5</sup> is to render an opinion on customer protection fund financial statements in accordance with [GAGAS](#).
- Performance Audit: CFTC’s Compliance with the Digital Accountability and Transparency Act (DATA Act) of 2014 (FY 2019 Quarter 1) – The Digital Accountability and Transparency Act 2014 (DATA Act)<sup>6</sup> requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. Agency Inspectors General are required to assess the completeness, timeliness, quality, and accuracy of data reported and the agency’s compliance with Government-wide financial data standards.

#### *Information Technology Management and Security*

- Federal Information Security Management Act<sup>7</sup> Review: FY 2019 – The objective of this review is to evaluate CFTC’s information security program and practices as required by FISMA. This report is not made public. As part of this audit we are performing:
  - Cyber Testing: Market Data Transmission – We contracted independent information security professionals to evaluate CFTC practices for transmitting sensitive market data. The scope of testing will be limited to FTP servers, email servers, mobile devices, and CFTC portal.
  - Registrant Cyber Security: Testing and Information Sharing - We contracted an independent public account (IPA) to conduct a performance audit of CFTC’s policies and procedures regarding oversight of cyber testing and information sharing undertaken by CFTC registrants.

#### *Other*

- Council of Inspectors General on Financial Oversight (CIGFO) – The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC),<sup>8</sup> as well as the Council of Inspectors General on Financial Oversight (CIGFO).<sup>9</sup> CIGFO is charged with evaluating the effectiveness and internal operations of FSOC. For FY 2019 CIGFO is assessing FSOC’s compliance with the *Cybersecurity Information Sharing Act of 2015*. This work was ongoing at the close of the reporting period.

<sup>5</sup> P.L. 111-203, § 748 124 Stat. 739 (2010)(codified at 7 U.S.C. § 26(g)(5)).

<sup>6</sup> P.L. 113-101, 128 Stat. 1146 (2014).

<sup>7</sup> P.L. 107-347, 116 Stat. 2946 (2002).

<sup>8</sup> See [fn. 2](#).

<sup>9</sup> See [fn. 3](#).

## INVESTIGATIVE OPERATIONS

We began the reporting period with eight investigations and nine preliminary investigations that were open and pending. During the reporting period we opened five preliminary investigations, and closed five investigations and six preliminary investigations. We therefore finished the reporting period with three investigations and eight preliminary investigations. In addition, 33 allegation files were opened during the reporting period, 30 were dispensed with through referral or other action; three remained open pending further consideration at the close of the reporting period. Details begin on [page 18](#).

## INDEPENDENT STUDY

- [Review of Policies and Procedures for Calculating Overhead](#) – We engaged an independent organization to conduct a study of CFTC’s overhead calculation policies, procedures, and practices, and to identify best practices and opportunities for maximizing mission resources. The study will be conducted in accord with I&E [standards](#).

## LEGAL AND ECONOMIC REVIEW

Due to a staff detail and turnover, there were no completed projects and no new projects begun by the OIG Office of Legal and Economic Review. We recently began a recruitment process.

## PEER REVIEW

- [Peer Review Report of CFTC OIG Audit Function](#) - The Federal Maritime Commission, Office of the Inspector General, reviewed the system of quality control for the CFTC OIG audit organization in effect for the year ending March 31, 2016. In their opinion, the system of quality control for the audit organization of CFTC in effect for the year ending March 31, 2019, has been suitably designed and complied with to provide CFTC with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. CFTC OIG received the highest external peer review rating of “pass.”
- [Peer Review Report of National Endowment for the Arts \(NEA\) OIG Audit Function](#) - We reviewed the system of quality control for the NEA OIG audit organization in effect for the year ending March 31, 2019. In our opinion, the system of quality control for the audit organization of NEA in effect for the year ending March 31, 2019, has been suitably designed and complied with to provide NEA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. NEA OIG received the highest external peer review rating of “pass.”

## CFTC PROGRAMS and OPERATIONS

Congress created the CFTC in 1974 as an independent agency with the mandate to regulate commodity futures and options markets in the United States. Congress reauthorized and/or expanded the CFTC's mandate in 1978, 1982, 1986, 1992, and 1995. In December 2000, Congress and the President reauthorized the CFTC with its passage of the Commodity Futures Modernization Act of 2000 (CFMA). In May of 2008, Congress reauthorized the CFTC through FY 2013. On July 21, 2010, the President signed into law the Dodd-Frank Act, which authorized the CFTC to regulate swap dealers and increase transparency in the derivatives marketplace.

The CFTC is responsible for fostering the economic utility of the markets under its jurisdiction by encouraging their competitiveness and efficiency, ensuring their integrity, and protecting market participants against manipulation, abusive trade practices, and fraud. Through oversight regulation, the CFTC seeks to empower the markets under its jurisdiction 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 Commission consists of five Commissioners appointed by the President, with the advice and consent of the Senate, to serve staggered five-year terms. The President designates one of the Commissioners to serve as Chairman. No more than three Commissioners at any one time may be from the same political party. The CFTC organization consists of the Commissioners, the offices of the Chairman, and the agency's operating units (divisions and offices). The offices of the Chairman include the Offices of Minority and Women Inclusion, Legislative and Intergovernmental Affairs, and Public Affairs. The CFTC operates four divisions: Division of Clearing and Risk, Division of Swap Dealer and Intermediary Oversight, Division of Enforcement (which includes the CFTC Whistleblower Office), and Division of Market Oversight. There are five CFTC offices (not including OIG): Office of the Chief Economist, Office of the Executive Director, Office of General Counsel, Office of International Affairs, and Office of Data and Technology.

## CFTC OIG RESPONSIBILITIES, RESOURCES, ORGANIZATION, and INDEPENDENCE

### CFTC OIG RESPONSIBILITIES

The CFTC OIG was created in 1989 in accordance with the 1988 amendments to the Inspector General Act of 1978.<sup>10</sup> 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;

<sup>10</sup> Inspector General Act Amendments of 1988, P.L. 100-504, 102 Stat. 2515 (1988).

- Conduct and supervise audits and, where necessary, 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.

The IG is appointed by the full Commission in accordance with the applicable laws and regulations governing appointments within the CFTC, and may be removed upon the written concurrence of a 2/3 majority of the full Commission.<sup>11</sup>

The IG is a member of the Counsels of Inspectors General on Financial Oversight ([CIGFO](#)), created under the Dodd-Frank Act to examine the work of the Financial Stability Oversight Council ([FSOC](#)).

The IG is also member of the Counsel of the Inspectors General on Integrity and Efficiency ([CIGIE](#)), an independent entity established within the executive branch to address integrity, economy and effectiveness issues that transcend individual Government agencies, and to aid in the establishment of a professional, well-trained and highly skilled workforce in the Offices of Inspectors General.

OIG conducts audits and attestation engagements in accordance with the *Generally Accepted Government Auditing Standards* ([GAGAS](#)) issued by the Government Accountability Office (GAO). OIG conducts inspections, evaluations, and other covered products in accordance with the *Quality Standards for Inspection and Evaluation* issued by the CIGIE. OIG investigations are performed in accordance with the *Quality Standards for Investigations* issued by the CIGIE.

## CFTC OIG RESOURCES

CFTC OIG maintains an Office of Audits, Office of Investigations, and Office of Legal and Economic Review (OLER). At the end of the reporting period, the CFTC OIG consisted of 8.5 full time equivalents—the Inspector General, Deputy Inspector General/Chief Counsel,

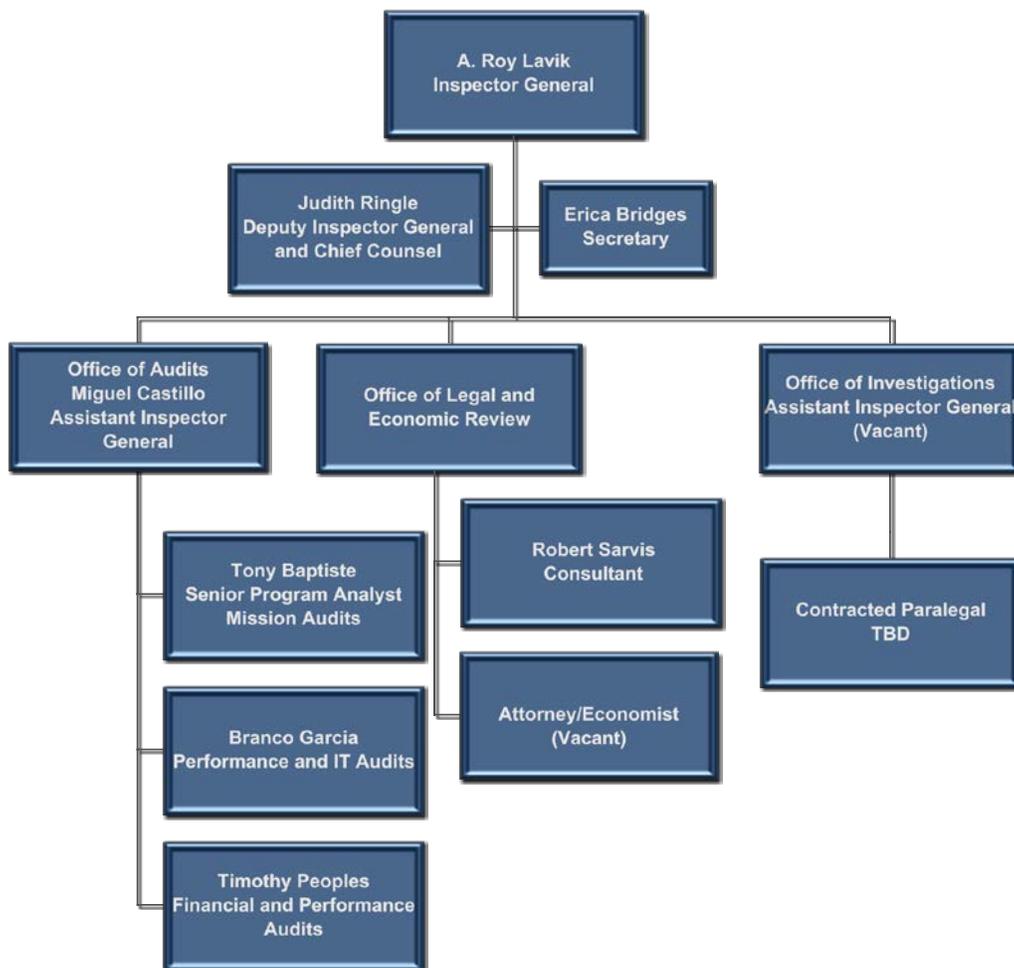
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<sup>11</sup> 5 U.S.C. App. §§ 8G(c), 8G(e)(1).

Assistant Inspector General for Investigations (AIGI) (vacant), Assistant Inspector General for Auditing, two Auditors, one Senior Program Analyst, one full-time Attorney/Economist (vacant), and one part-time Attorney/Economist serving as a consultant. During this reporting period, our AIGI departed on June 8, 2019, to become the first AIGI at [AbilityOne OIG](#). In addition, our former full-time Attorney/Economist departed on August 31, 2019, for a position with the [Consumer Finance Protection Bureau](#) (CFPB; we reported his earlier detail to CFPB in our previous [SAR](#)). The attorney from the Department of Homeland Security OIG detailed to OIG through the CIGIE Fellowship Program departed at the close of the detail. Finally, our contracted paralegal departed on July 11 this year (replacement is underway).

Following the departure of the AIGI, the DIG/Counsel began performing this function, and at the close of the reporting period we were in the process of establishing an interagency agreement with another OIG Office of Investigations to perform two investigations.

Our organizational chart follows with OIG staff as of September 30, 2019 (vacant positions are noted):



We plan to backfill the recently departed OLER Attorney/Economist, and to add an additional Attorney/Economist, which will restore OLER to 2017 staffing levels. In addition, we hope to hire or procure the services of a data science specialist, dependent on funding. A data science specialist will serve all OIG mission functions for technical, analytical, and data intelligence. Data Analytics within the Office of Inspector General supports data services and analyses, and provides the competency to deliver short-turnaround projects that produce quick, valuable successes.

Our webpage is located at <https://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.

## OIG INDEPENDENCE

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 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.<sup>12</sup>

### REQUIRED STATEMENT REGARDING INFORMATION ACCESS AND ASSISTANCE

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

During the semimanual reporting period, there were no direct or intentional attempts by CFTC to interfere with Inspector General independence through:

Type	Number	Explanation
Budget constraints	0	N/A
Resistance to oversight	0	N/A
Delayed information access	0	N/A
Other	0	N/A

Two situations arose that have the potential to impact OIG independence in the future:

### Inspector General Pay

During this reporting period, staff in the CFTC Office of Human Resources (OHR) verbally notified us that, beginning in 2016, the IG's pay was not calculated in accord with an IG

<sup>12</sup> The Inspector General Act of 1978, as amended, states: “[T]he head of the designated Federal entity shall not prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation....” 5 U.S.C. App. 3 sec. 8G(d)(1).

pay policy established following passage of the IG Reform Act of 2008.<sup>13</sup> OHR staff stated that the correct pay would be calculated, and stated we would be informed of future developments. This issue remained pending at the close of the reporting period.

### **Delayed Information Access**

In our previous semi-annual reports, we noted that CFTC had been slow to produce documents to the Office of Investigations in response to written requests. We did not view this as an attempt to interfere with OIG operations, but rather as a consequence of CFTC prioritizing other matters in a time of resource constraint. During this reporting period, information access for investigations was satisfactory; however, management provided supporting data beyond agreed upon timeframes in connection with the yearly Congressionally mandated CFTC financial statement audit. We have no indication that CFTC's delay was done with any intent to impede OIG operations.

## **AUDIT OPERATIONS**

### **COMPLETED AUDITS, INSPECTIONS, EVALUATIONS, AUDIT REVIEWS, AND OTHER AUDIT PROJECTS**

#### *Information Technology Management and Security*

#### **Review of CFTC's Data Governance Program**

As an extension of information technology audit efforts, the OIG audited CFTC's data governance practices. Data governance is an accountability framework to encourage desirable behavior in the valuation, creation, storage, use, archiving and deletion of data. It includes the processes, roles, standards and metrics that ensure the effective and efficient use of data for CFTC to complete its oversight responsibilities. The scope of our audit was limited to data stored

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<sup>13</sup> Section 4 of the IG Reform Act of 2008, PL 110-409 (Oct. 14, 2008), sets pay for IGs at the "designated federal entities," including the Commodity Futures Trading Commission, as follows:

Notwithstanding any other provision of law, the Inspector General of each designated Federal entity (as those terms are defined under section 8G of the Inspector General Act of 1978 (5 U.S.C. App.)) shall, for pay and all other purposes, be classified at a grade, level, or rank designation, as the case may be, at or above those of a majority of the senior level executives of that designated Federal entity (such as a General Counsel, Chief Information Officer, Chief Financial Officer, Chief Human Capital Officer, or Chief Acquisition Officer). The pay of an Inspector General of a designated Federal entity (as those terms are defined under section 8G of the Inspector General Act of 1978 (5 U.S.C. App.)) shall be not less than the average total compensation (including bonuses) of the senior level executives of that designated Federal entity calculated on an annual basis.

Section 5 of the IG Reform Act removes all authority to award additional compensation to the Inspectors General for performance awards and bonuses.

in the Integrated Surveillance System<sup>14</sup> (ISS) to evaluate practices for determining business value and creation, protecting stored data, and maximizing reliability for business use.

We found CFTC's program exhibited a low maturity level, displaying numerous weaknesses, opportunities, and threats. We found that ISS is less useful today than it was twenty years ago. Given that ISS was developed in the late 1990s, and that CFTC's markets have grown exponentially since that time, some degree of obsolescence may be expected. However, we believe adherence to an effective Data Governance program throughout its lifespan would have guarded against ISS obsolescence impacting CFTC operations, as well as the security concerns we noted.

We made five recommendations to enhance data governance and security concerns noted. Management agreed to the five recommendations and planned to:

- Formulate a data governance framework;
- Address stakeholder business requirements for ISS;
- Upgrade data transmission standards and enhance ETL (extracting, transferring, and loading data) practices; and
- Ensure security compliance for ISS and other legacy systems (responsive to two separate recommendations).

## *Financial*

### **Evaluation of Office of Data and Technology (ODT) Contracts**

In FY 2017 ODT initiated over \$54.6 million in contracts for Information Technology (IT) services. We evaluated management of contracts nearing expiration, as well as compliance with tasks enumerated in contracts. Given the temporary loss of contractors supporting IT security operations due to corporate acquisition issues and contract expiration issues, we initially focused on related service contracts with Phase One Consulting Group, Inc. (Phase One), to determine if the events resulted from a systemic contracting weakness or simply an anomalous event.

Given the weakness identified in procurement communications and the number of contract actions we identified with expiration issues (52), we concluded that a systemic issue existed. During fieldwork, OGC staff opined that certain task order options may be exercised after a Federal Supply Schedule (FSS) contract expiration. Given the possibility of differing opinions regarding the permissibility of tasked orders tied to expired contracts, we recommended that CFTC's procurement official in collaboration with the General Counsel evaluate the extent and impact of CFTC-wide FSS contract actions that have expiration issues in terms of both contract and operational risk. Additionally, we recommended the agency explore the procurement life-cycle benefits offered by its procurement system to automate workflow communications such as contract expiration notifications.

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<sup>14</sup> This system, developed in the late 1990s, hosts confidential and sensitive market data collected pursuant to CFTC regulations; it supports CFTC market surveillance, market research, public reports (including the CFTC Commitment of Traders (COT) Reports), and other CFTC mission critical activities.

Management did not concur with the first recommendation because, after addressing the issue at higher levels, including the General Counsel, they concluded that the referenced contract actions were proper. Nevertheless, management will assess contracts to ensure there are no expiration issues. Management agreed with the second recommendation to explore system communication capabilities and also saw value in enhancing instructions to Contract Officer Representatives.

### **Briefing Report: Unaccounted Laptops**

Our objective was to evaluate controls in place for IT equipment accountability (safeguarding assets). Our scope was limited to a CFTC September 2015 purchase of 425 Dell 7450 laptops and reported losses from that purchase. We concluded that current CFTC internal controls do not permit us to determine whether laptops were stolen or not, and that a full inventory must be performed to determine whether September 2015 laptops identified as unaccounted are in use or storage but not properly documented, or lost or stolen. In fact, during our fieldwork potential irregularities regarding laptop inventory tracking and documentation (from other shipments) came to light. Given the present posture, we recommended that CFTC prioritize completion of a full inventory, and refer any indications of theft or fraud to OIG. In addition, internal controls should be enhanced in design and effectiveness to assure the reliability of IT inventory processes in the future. Given CFTC's reliance on contractors for IT asset management support, appropriate contract modifications in concert with policy updates may be necessary and were encouraged. Management agreed with the suggestions made.

*Other*

### **Council of Inspectors General on Financial Oversight (CIGFO) Evaluation FY 2018**

The Dodd-Frank Act created the Financial Stability Oversight Council (FSOC),<sup>15</sup> as well as the Council of Inspectors General on Financial Oversight (CIGFO).<sup>16</sup> One of the duties established for the Financial Stability Oversight Council (FSOC) is to monitor domestic and international financial regulatory proposals and developments, including insurance and accounting issues, and to advise Congress and make recommendations.

During the reporting period, CFTC OIG assisted the CIGFO audit of FSOC's monitoring of FY 2018 international financial regulatory proposals and developments. The [audit](#) identified no significant concerns with FSOC's monitoring of international activities and made no recommendations. The report did include several suggestions for process enhancement offered by FSOC members. FSOC acknowledged the findings and conclusions in the report, and stated it will consider the suggestions.

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<sup>15</sup> See [fn. 2](#).

<sup>16</sup> See [fn. 3](#).

## [Inspector General's Assessment of the Most Serious Management Challenges Facing the CFTC \(2019\)](#)

We identified as challenges for FY 2019: cybersecurity, information technology modernization, data governance, stress-testing, and management's ability to enhance its business operations to lower costs. We acknowledged CFTC's efforts during FY 2019 to operate and enhance business practices within its appropriation, and acknowledged the Commission's leadership changes to improve industry oversight.

### ONGOING AUDITS, INSPECTIONS, EVALUATIONS, AUDIT REVIEWS, AND OTHER AUDIT PROJECTS

#### *Financial*

##### **Audit of the CFTC's FY 2019 Annual Financial Report**

The objective of this Congressionally mandated audit<sup>17</sup> is to render an opinion on the agency financial report (financial statements) in accordance with [Generally Accepted Government Auditing Standards](#) (GAGAS).

##### **Audit of the CFTC's FY 2019 Customer Protection Fund**

The objective of this Congressionally mandated audit<sup>18</sup> is to render an opinion on customer protection fund financial statements in accordance with [GAGAS](#).

##### **Performance Audit: CFTC's Compliance with the Digital Accountability and Transparency Act (DATA Act) of 2014 (FY 2019 Quarter 1)**

The Digital Accountability and Transparency Act 2014 (DATA Act)<sup>19</sup> requires Federal agencies to report financial and award data in accordance with the established Government-wide financial data standards. Agency Inspectors General are to assess the completeness, timeliness, quality, and accuracy of data reported and use of the Government-wide financial data standards.

#### *Information Technology Management and Security*

##### **Federal Information Security Management Act<sup>20</sup> Review: FY 2019**

The objective of the review is to evaluate CFTC's information security program and practices as required by FISMA. This report is not made public. As part of this audit we are performing:

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<sup>17</sup> See [fn. 4](#).

<sup>18</sup> See [fn. 5](#).

<sup>19</sup> See [fn. 6](#).

<sup>20</sup> See [fn. 7](#).

### **Cyber Testing: Market Data Transmission**

We contracted independent information security professionals to evaluate CFTC practices for transmitting sensitive market data. The scope of testing will be limited to FTP servers, email servers, mobile devices, and CFTC portal.

### **Registrant Cyber Security: Testing and Information Sharing**

The CFTC Office of Inspector General (OIG) evaluated the Commission's policies and procedures for reviewing registrants' cybersecurity policies in 2016. At that time, the CFTC Rules on System Safeguards Testing Requirements were not final. While the rule became effective on September 19, 2016, the compliance dates were section specific with the last compliance date being September 19, 2017. We contracted an independent public accountant (IPA) to conduct a performance audit of CFTC's policies and procedures regarding oversight of cyber testing and information sharing undertaken by CFTC registrants. This audit will be conducted in accordance with Government Auditing Standards (2018 revision), also known as the "Yellow Book." The scope of this audit will cover the registrants' practices since the issuance of CFTC Rule 39.18.

*Other*

### **Council of Inspectors General on Financial Oversight (CIGFO) Evaluation FY 2019**

CIGFO is charged with evaluating the effectiveness and internal operations of FSOC. For FY 2019, CIGFO is assessing FSOC's compliance with the *Cybersecurity Information Sharing Act of 2015*. Our work on this project was ongoing at the end of the reporting period.

## **AUDIT REPORTS AND REVIEWS OVER SIX MONTHS OLD; REQUIRED STATEMENTS**

### **Required Statements Regarding Commission Response Exceeding 60 Days, and Regarding Management Decisions Not Made**

There were no audit reports issued during the reporting period lacking Commission response within 60 days, and no instances of an audit 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.

### **Required Statements Regarding Revised Management Decisions, and Regarding Inspector General Disagreement**

No management decisions were revised during the reporting period, and the Inspector General did not disagree with any management decisions on OIG audit recommendations during the reporting period.

**Required Statements Regarding Significant Recommendations that have not been Completed; and Audit Reports for which there are any Outstanding Unimplemented Recommendations, Including Aggregate Potential Cost Savings**

There were no audit reports over six months old where recommendations for corrective action had not been completed by the planned action date; however, there were unimplemented recommendations that are not tardy at this point, discussed below. Finally, we note a new recommendation stemming from a recent GAO report.

*Table 1: Unimplemented Recommendations*

Fiscal Year	Number of Reports with Unimplemented Recommendations	Number of Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings	No Comment Returned w/in 60 days
2019	1	1	0	0
2018	1	1	0	0
Totals	2	2	0	0

*Table 2: Detail of Unimplemented Recommendations*

Fiscal Year	Audit Report	Unimplemented Recommendations
2019	<a href="#">CFTC Financial Statements Audit: Fiscal Year (FY) 2018</a>	<ul style="list-style-type: none"> <li>Complete an investigation into a potential Antideficiency Act (ADA) violation noted and make any required reports.* Target date is January 31, 2020.</li> </ul>
2018	<a href="#">CFTC Financial Statements Audit: Fiscal Year (FY) 2017</a>	<ul style="list-style-type: none"> <li>Update CFTC physical inventory records at the completion of the annual physical inventory. Target date is January 31, 2020.</li> </ul>

\* Specifically, the FY2018 CFTC financial statement audit identified a pending CFTC management review that might disclose an ADA violation. In FY2014, CFTC did not freeze the pay of certain senior officials pursuant to an FY 2014 government wide appropriation provision that has remained in each subsequent appropriation including the FY 2018 appropriation. Management concurred with the recommendation, and has set a target date of January 31, 2020, to address the issue. If an ADA violation is found, CFTC must report it to the President and to Congress, while transmitting a copy of the report to the Comptroller General. 31 U.S.C. § 1351.

We would also note that, on September 23, 2019, GAO notified the President of the Senate and the Speaker of the House of Representatives that CFTC had not reported a previously reported ADA violation.<sup>21</sup> GAO previously reported that CFTC office space lease provisions could require the agency to pay for uncontrolled liabilities that were not fixed or ascertainable at the time of the agreement; such terms are prohibited under the ADA and therefore must be reported. CFTC intends to comply.

GAO and OIG previously reported related ADA issues stemming from CFTC’s reporting of its lease obligations.<sup>22</sup> Both noted that, when CFTC entered into multiple-year leases, it failed to record an obligation equal to the government’s total liability. CFTC thereafter reported the ADA violation as required,<sup>23</sup> and in FY2018 an independent public accounting firm noted that CFTC had resolved the prior reporting issues, stating: “The Commission corrected a violation of the recording statute in FY 2016 by recording its obligations for all future building lease payments in accordance with OMB Circular A-11.”<sup>24</sup> We believe the recent GAO report proves the complexity of the ADA, as well as the importance of maintaining expertise as necessary to recognize ADA issues in advance of GAO, if possible.

## INVESTIGATIVE OPERATIONS

### SUMMARY

There were 17 open matters – eight investigations and nine preliminary investigations – pending at the start of the reporting period. We received 33 allegations from the OIG email hotline, telephone hotline, and other sources.<sup>25</sup> The OIG engaged in the following investigative activity:

- Referred 16 allegations to the CFTC Division of Enforcement
- Referred three allegations to another entity for possible investigation
- Referred four allegations of management issues to be addressed by management
- Closed two allegations because the employee departed CFTC and the allegations were minor
- Held three allegations open for consideration in FY2020 (pending further study)
- Converted four allegations to preliminary investigations that remained open at the close of the reporting period

<sup>21</sup> GAO, [B-328450](#), *Commodity Futures Trading Commission—Liabilities Outside of the Government’s Control* (March 6, 2018).

<sup>22</sup> GAO, [B-327242](#), *Commodity Futures Trading Commission—Recording of Obligations for Multiple-Year Leases* (February 4, 2016); CFTC OIG, [Financial Statement Audit FY 2015 \(Independent Auditor’s Report\)](#), page 2 (January 15, 2016).

<sup>23</sup> See, GAO, [Antideficiency Act Reports – Fiscal Year 2017](#), page 11;

<sup>24</sup> CFTC OIG, [Financial Statement Audit FY 2018 \(Independent Auditor’s Report\)](#), page 20 (November 15, 2018).

<sup>25</sup> The OIG email hotline receives hundreds of messages during any given reporting period; however, because we limit spam filters to avoid missing a meritorious allegation, almost all of the email we receive are advertisements or other material that do not merit attention.

- Converted one allegation to a preliminary investigation, and closed it during the reporting period
- Closed five of eight investigations that were pending at the start of the reporting period (with reports of investigations)
- Continued work on three investigations pending at the close of the last period that remained open at the close of this reporting period

At the close of the reporting period there remained 14 open matters: three investigations, eight preliminary investigations, and three allegations that remain under consideration.

## CLOSED INVESTIGATIONS

We closed five investigations.

We investigated an alleged purchase of gray market computer equipment by CFTC procurement staff. We found CFTC complied with all relevant applicable procurement laws, regulations, and procedures; and the resulting purchase of gray market equipment was not the fault of CFTC procurement staff. We encouraged CFTC to replace the equipment (following a fully compliant procurement process), and the equipment has been replaced. We provided our report to the Commission on April 2, 2019.

We investigated three CFTC employees of alleged impermissible investment holdings and transactions, following a referral from OGC ethics staff. Although we found all three employees had transacted and held stock in entities registered with the CFTC (or subsidiaries) in violation of 7 U.S.C. § 13(c) and CFTC regulations, we recommended no disciplinary action due to mitigating factors. All three invested in the prohibited interests prior to registration by the entities. Although all three had access to confidential CFTC trade position data, confidential information was not used to inform trading. None participated in matters that would give rise to conflicts punishable under 18 U.S.C. § 208. All three employees repeatedly self-reported the investments on yearly financial disclosure forms. CFTC ethics staff repeatedly certified the disclosure forms and in some cases discussed the treatment of the investment on financial disclosure forms, following registration, without noting the investment was impermissible. All three employees cooperated fully with our investigation.

For two of the employees, the investments were in a *de minimis* amount<sup>26</sup> and of relatively short duration (2012-2015, and 2014-2017). The third employee invested in larger amounts over a longer period of time (2010-2018); however, upon learning that the investment was impermissible, liquidated in accordance with instruction from CFTC ethics staff. We

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<sup>26</sup> 5 C.F.R. § 2640.202 provides that an employee may participate in any particular matter involving specific parties in which a disqualifying financial interest arises from the ownership by the employee, his spouse or minor children of securities issued by one or more entities affected by the matter, if the investment is publicly traded and the aggregated value (employee, spouse, and minor children) is less than \$15,000. This *de minimis* exception interprets a waiver provision for conflicts of interest at 18 U.S.C. § 208(b); CFTC has by regulation (17 CFR § 140.735-2a) adopted the 208(b) waiver provision for certain prohibited interests (holdings), but generally not for prohibited transactions (17 C.F.R. § 140.735-2).

recommended individualized counseling on appearance issues and conflicts of interests for the third employee.

We noted improvement in the CFTC ethics function regarding employee training and monitoring of transactions and holdings, as well as the development of ethics processes to guide employees saddled with impermissible investments following registration, all of which took place during the period of investment for the three employees (2010-2018), and during the period of our investigation (2016-2019). We suggested ethics processes could be further improved by requiring supervisors to view employee financial disclosure forms prior to submission to OGC. We believe it would permit supervisors to avoid appearance issues and violative conduct when assigning work. We provided our consolidated report of the three investigations to the Commission on September 12, 2019.

The fifth investigation involved allegations of transit subsidy fraud. We found minor violations which we communicated to the appropriate CFTC official.

### CLOSED PRELIMINARY INVESTIGATIONS

We closed five preliminary investigations without finding evidence sufficient to warrant further inquiry. One involved allegations of Hatch Act violations; we concluded the speech was protected based on our review of the online speech that was the subject of the allegation. The second involved allegations of lax processes for approval of international travel; through interviews we learned that the approval process has been altered, and all international travel is now coordinated through the Office of International Affairs. We closed a third preliminary investigation into time and attendance fraud following departure of the employee. The fourth preliminary investigation involved an allegation of intentional or erroneous failure to reimburse a CFTC employee under the CFTC parking subsidy program. Following interviews, we concluded the employee (now departed) failed properly to request the subsidy prior to departure. The fifth preliminary investigation involved an allegation that CFTC Enforcement did not adequately address allegations in 2015 of irregularities in connection with NFA actions that took place in 2014. We interviewed the complainant and others, and reviewed documents, and we concluded that CFTC Enforcement adequately considered the 2015 allegation and the 2014 NFA action, and that its determination not to act appeared neither improper nor indicative of misconduct on the part of CFTC.

We note that, for all five preliminary investigations, we received no further allegations other than the single allegation that motivated each preliminary investigation by OIG. OIG retains all investigation files and allegation files for a period of 10 years; therefore, if additional information or allegations are received in the future, a closed matter can be reopened.

### ONGOING INVESTIGATIVE MATTERS AND REQUIRED DISCLOSURES

The Office of Investigations currently has 14 open matters – three investigations, eight preliminary investigations, and three allegations under consideration. All open investigations and preliminary investigations are confidential, as are the content of incoming allegations. It is the

policy of CFTC OIG to not disclose details regarding open investigations absent good cause; if an ongoing investigation is disclosed to the public it will be listed here.

*Table 3: Investigative Statistics for Referrals and Whistleblower Retaliation*

<b>April 1, 2019 – September 30, 2019</b>		
A.	Completed reports of investigation	5
B.	Referrals to prosecuting authorities for criminal prosecution	0
C.	Indictments from prior referrals	0
D.	Whistleblower retaliation findings	0

We compiled these statistics from a review of our digital files.

It is our practice to discuss potentially criminal investigations early with an Assistant United States Attorney (AUSA) to ensure matters of interest are coordinated from the outset. While we engaged with AUSAs during the reporting period, no formal referrals for prosecution were made.

There were no findings of whistleblower retaliation during the reporting period. There were no reports of investigation involving a senior Government employee where allegations of misconduct were substantiated.

#### FOLLOW-UP ON INVESTIGATIVE REPORTS ISSUED IN PRIOR REPORTING PERIODS

In our Semiannual Report for the period ending March 31, 2019, we reported that CFTC management had not acted on a report of investigation (ROI) issued in August of 2018. This investigation involved a senior Government employee where allegations of misconduct were substantiated. During this reporting period CFTC initiated a disciplinary action, and the employee left the CFTC.

## INDEPENDENT STUDY

### **Review of Policies and Procedures for Calculating Overhead**

We engaged an independent organization to conduct a study of CFTC overhead with the following objectives:

- to evaluate CFTC overhead policies, procedures, and practices, and
- to identify best practices and opportunities for maximizing mission resources.

The study will be conducted in accordance with CIGIE I&E [standards](#). Included in the scope of the study will be the CFTC’s overhead calculation methodologies for purposes of budget submissions (FY 2015 through FY 2019), a comparison of the calculation methodologies to similar federal or private entities (normalized based on budget object class), and best practices for managing overhead.

## LEGAL AND ECONOMIC REVIEW

There were no Office of Legal and Economic Review projects pending at the start of this reporting period. Due to a staff detail and turnover, there were no completed projects and no new projects begun. We recently began a recruitment process. We plan not only to replace the departing employee, but to add an additional attorney with a background in law and in economics, in order to restore OLER legal staff to 2017 levels.

## LEGISLATIVE and REGULATORY PROJECTS

### 1. Introduction and Summary

As specified in Section 4(a)(2) of the Inspector General Act of 1978,<sup>27</sup> the Office of Legal and Economic Review within 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 the CFTC.

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

### 2. Legislative Activities

OIG reviews legislation impacting programs and operations of the CFTC, and makes contact with Congressional staff concerning various Agency and IG issues as appropriate. This work is performed by the Office of Legal and Economic Review within OIG. 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. No formal projects were undertaken during this reporting period.

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<sup>27</sup> 5 USC App. 3 § 4(a)(2).

## PEER REVIEWS

An important function in each Agency OIG is the peer review process. [Government Auditing Standards](#) (GAS) require that audit organizations conducting audits of Federal agencies undergo peer reviews every three years. The IG community has implemented a process to meet this requirement and, in accordance with GAS and CIGIE peer review quality control and assurance standards, an OIG audit team assesses another OIG's audit function every 3 years. 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. We are required to include in each OIG semiannual report:

- 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 required information follows:

### **Peer Review Report of CFTC OIG Audit Function**

The Federal Maritime Commission, Office of the Inspector General, reviewed the system of quality control for the CFTC OIG audit organization in effect for the year ending March 31, 2016. In their opinion, the system of quality control for the audit organization of CFTC in effect for the year ending March 31, 2019, has been suitably designed and complied with to provide CFTC with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. CFTC OIG received the highest external peer review rating of "pass."

### **Peer Review of the National Endowment for the Arts (NEA) OIG Audit Function**

We reviewed the system of quality control for the NEA OIG audit organization in effect for the year ending March 31, 2019. In our opinion, the system of quality control for the audit organization of NEA in effect for the year ending March 31, 2019, has been suitably designed and complied with to provide NEA with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. NEA OIG received the highest external peer review rating of "pass."

Similarly, investigative peer reviews are conducted to ensure compliance with the requirements of the [Quality Standards for Investigations](#) and to determine whether adequate

internal safeguards and management procedures exist. Because it is a Designated Federal Entity Inspector General, the CFTC OIG is not required to undergo a peer review of its investigative function, but does so voluntarily. CFTC OIG passed its last investigative peer review on [March 27, 2013](#).

## SUMMARY of FINAL REPORTS NOT MADE PUBLIC

During the reporting period, all audit reports and other audit products were issued in final and were made public (some with redaction). Reports of investigation were not made public, but are summarized in this report (beginning [page 18](#)).

## GAO LIAISON

OIG is charged with providing policy direction for, and conducting, supervising, and coordinating audits, investigations, and other projects 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 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 INSPECTOR GENERAL

### MISSION, VISION, AND VALUES

#### **Mission**

The mission of the OIG is to promote the integrity, efficiency, and effectiveness of the critical programs and operations of the CFTC. We accomplish this mission by the following:

- Communicating timely and useful information that facilitates decision-making and measurable gains;
- Conducting independent and objective audits, evaluations, and other reviews of CFTC programs and operations;

- Conducting independent and objective investigations of potential criminal, civil, and administrative violations that undermine the ability of the CFTC to accomplish its statutory mission;
- Identifying vulnerabilities in and making recommendations to improve CFTC programs and operations;
- Preventing and detecting fraud, waste, and abuse in CFTC programs and operations; and
- Keeping the Commission and Congress currently and fully informed of significant issues and developments.

### **Vision Statement**

The OIG is an independent, professional organization that contributes to the success of the CFTC through audits, investigations, and other activities, and thereby acts as a catalyst for positive change in the CFTC's programs and operations.

### **Values Statement**

We most value integrity, accuracy, and efficient communication. These values are fundamental to the accomplishment of our mission and our daily operations.

## STRATEGIC GOALS FOR THE COMING YEAR

### STRATEGIC GOAL 1: EVALUATE THE ECONOMIC IMPACT OF CFTC REGULATORY ACTIONS THROUGH LEGAL ANALYSIS, WHITE PAPERS, INSPECTIONS AND EVALUATIONS, MANAGEMENT REVIEWS, AND OTHER PRODUCTS

#### **Office of Legal and Economic Review: Legislative, Economic, and Regulatory Review Agenda**

OLER plans to continue to identify and explore areas where OIG legal and/or economic review might aid the CFTC in improving the economy and efficiency of its programs. OLER products may include white papers, management reviews, legal opinion, and other products.<sup>28</sup> These efforts are particularly important since the CFTC is an economic regulatory agency. We plan to replace an attorney/economist who departed in August 2019, and to add an attorney; this will restore OLER legal staff to 2017 levels. We will continue to seek staff that possesses exceptional expertise in relevant law and economics.

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<sup>28</sup> As stated in the Inspector General Act, it is our duty and responsibility to continually review existing and proposed legislation and regulations relating to CFTC programs and operations, and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency in the administration of such programs. 5 U.S.C. App. 3 § 4 (made applicable to the CFTC at 7 U.S.C. §8G(g)).

## STRATEGIC GOAL 2: ADDRESS HIGH IMPACT ISSUES IN CFTC ADMINISTRATIVE AND MISSION PERFORMANCE

### Office of Audits: Audit and Review Agenda

#### A. Introduction

The primary objectives of OIG's audit and review agenda are to promote long-term efficiency and effectiveness in the administration and operation of the Commission and to protect against fraud and abuse. The 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 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.<sup>29</sup> 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 19-01.

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<sup>29</sup> See [fn. 4](#).

## Audit of the CFTC Customer Protection Fund

Section 748 of the Dodd-Frank Act<sup>30</sup> 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. OIG will perform the following reviews and evaluations annually.

### Inspector General's Assessment of the CFTC's Management Challenges

The Reports Consolidation Act of 2000<sup>31</sup> 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<sup>32</sup>

In support of OMB Circular A-123, 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<sup>33</sup> 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, Reviews, and Audit Projects; Data Analytics

OIG will focus the balance of its resources on the review of CFTC program and management operations (giving priority to activities relating to the most serious management challenges facing the CFTC), and compliance with Congressional mandates. Toward that end, OIG intends to increase the use of data analytics to enable audit operations. Data Analytics within the Office of Inspector General supports data services and analyses, and provides the competency to deliver short-turnaround projects that produce quick, valuable successes. We intend to hire or procure the services of a data science specialist, dependent on funding. A data science specialist will serve all OIG mission functions for technical, analytical, and data intelligence. Finally, OIG will stand ready to respond to issues and requests as they are received from Congress, the Agency, members of the public, or any other source.

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<sup>30</sup> See [fn. 5](#).

<sup>31</sup> P.L. 106-531, 114 Stat. 2537 (2000).

<sup>32</sup> P.L. 97-255, 96 Stat. 814 (1982).

<sup>33</sup> See [fn. 7](#).

### STRATEGIC GOAL 3: ADDRESS EMPLOYEE AND CONTRACTOR MISCONDUCT PROMPTLY, THOROUGHLY, AND RELIABLY

As a chain is only as strong as its weakest link, CFTC likewise depends on each and every employee and contractor to perform with competence, and to refrain from misconduct. CFTC OIG considers and investigates every credible allegation to ensure that CFTC employees and contractors uphold the public trust and perform their work with integrity and competence.

#### **Office of Investigations: 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, or abuse of authority; or a substantial and specific danger to the public health and safety.

CFTC is an independent regulator with a mission that does not involve grants, substantial contracts, or other benefits to administer, and is therefore less likely than some agencies to generate a substantial investigative workload. Historically, OIG has conducted only a reactive investigative program, chiefly relying on unsolicited complaints as the source of investigative leads. Allegations and complaints are received primarily from CFTC staff and management, CFTC ethics officials, the general public, and Congress. We also receive referrals from law enforcement officers at other agencies. Should further experience show areas at CFTC on which to focus proactively, we will consider establishing an investigative agenda.

To ensure that employee complaints easily reach OIG, we maintain a 24-hour hotline. The hotline phone number is (202) 418-5510. We also maintain an email address, [oig@cftc.gov](mailto:oig@cftc.gov).

#### RESOURCES REQUIRED

OIG estimates that approximately four 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. OIG estimates three staff years of effort will be devoted over each of the next five years to the investigative, and legal and economic (legislative and regulatory) review functions. OIG estimates two staff years for management, administrative, and outreach efforts. 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.

## 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. Our general telephone number is (202)418-5110. Our facsimile number is (202)418-5522. The hotline email is [OIG@cftc.gov](mailto:OIG@cftc.gov). The hotline phone number is (202)418-5510. OIG's web page is located at <http://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.

<b>Appendix 1 – Reports Issued with Questioned Costs</b>
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**April 1, 2019 – September 30, 2019**

	Number	Dollar Value Thousands Questioned	Unsupported
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
Subtotals (A + B)	0	0	0
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

<b>Appendix 2 – Reports Issued with Recommendations That Funds Be Put To Better Use</b>
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**April 30, 2019 – September 30, 2019**

	<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

## Appendix 3 - Index of IG Act Reporting Requirements

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