



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

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

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

**DATE:** August 19, 2019

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

The Reports Consolidation Act of 2000 (RCA) requires the Inspector General to summarize the “most serious management and performance challenges facing the agency” and briefly assess the Agency’s progress in addressing those challenges.<sup>1</sup> The Government Performance and Results Modernization Act of 2010 defines major management challenges as “programs or management functions, within or across agencies, that have greater vulnerability to waste, fraud, abuse, and mismanagement (such as issues identified by the Government Accountability Office as high risk or issues identified by an Inspector General) where failure to perform well could seriously affect the ability of an agency to achieve its mission or goals.”<sup>2</sup>

To complete our assessment we relied on data contained in the CFTC financial statement audit and Agency Financial Report, representations by agency management, and our knowledge of industry trends and CFTC operations. This memorandum fulfills our duties under the RCA.

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<sup>1</sup> [P.L. 106-531](#), § 3, 114 STAT. 2537 (Nov. 22, 2000), codified at 31 USC § 3516(a).

<sup>2</sup> [P.L. 111-352](#), § 3, 124 STAT. 3870 (Jan. 4, 2011), codified at 31 U.S.C. § 1115(h)(5).

## **CFTC's Progress on Last Year's Management and Performance Challenges**

For [FY2018](#), we identified management and performance challenges in the areas of cybersecurity, information technology (IT) modernization, stress-testing, and management's ability to enhance its business operations to lower cost. We acknowledge 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. In this regard, we recognize that CFTC has taken steps to sharpen market intelligence and risk surveillance through enhanced quantitative data analytical capabilities. Particularly noteworthy are CFTC's recent efforts to ingest order book data,<sup>3</sup> and its aspiration to use machine learning to monitor the market.<sup>4</sup>

### **Fiscal Year 2019 Management and Performance Challenges**

We reiterate our FY 2018 challenges for FY2019 and add data governance as an emerging challenge for FY 2019.<sup>5</sup> During this year, we issued [Review of CFTC's Data Governance Program: Integrated Surveillance System](#) (June 7, 2019), which reported that CFTC's Data Governance program could be improved, specifically with regard to confidential trade information. CFTC is already taking positive steps regarding data governance; we acknowledge the Commission's recently proposed [Data Protection Initiative](#) with approval. In addition, while we recognize that CFTC is migrating parts of its network to cloud-based solutions, it has yet to formalize a mature enterprise architecture project plan for capital investment planning and execution for IT transformation (as previously [recommended](#)). My office will continue to undertake work that addresses these challenges.

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<sup>3</sup> See, CFTC Market Intelligence Branch, Division of Market Oversight staff report, [Updated Report Agricultural Block Trade Analysis](#), October 2018.

<sup>4</sup> See, Keynote Address of Chairman Giancarlo, [Quantitative Regulation: Effective Market Regulation in a Digital Era](#), November 7, 2018; Remarks of Daniel Gorfine, Director of LABCFTC, [LABCFTC: Developments and Discoveries](#), June 11, 2019.

<sup>5</sup> With regard to IT modernization, [President Trump](#) has called for agencies, including CFTC, to modernize legacy technology infrastructures to reduce costs, mitigate cybersecurity risks, and deliver improved services to the American people. (May 15, 2018).

**Cc:** Anthony Thompson, Executive Director  
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