



April 22, 2014

A. Roy Lavik
Inspector General
U.S. Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

Dear Mr. Lavik:

We have reviewed the system of quality control for the audit organization of Commodity Futures Trading Commission Office of the Inspector General (CFTC OIG) in effect for the period April 1, 2010, through March 31, 2013, and have issued our report thereon dated April 22, 2014, in which CFTC OIG received a rating of pass with deficiencies. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The findings below were not considered to be of sufficient significance to affect the opinion expressed in that report.

Finding 1 – Policies and Procedures

GAS 3.92 states “When performing GAGAS audits, audit organizations should have policies and procedures for the safe custody and retention of audit documentation for a time sufficient to satisfy legal, regulatory, and administrative requirements for records retention. Whether audit documentation is in paper, electronic, or other media, the integrity, accessibility, and retrievability of the underlying information could be compromised if the documentation is altered, added to, or deleted without the auditors’ knowledge, or if the documentation is lost or damaged. For audit documentation that is retained electronically, the audit organization should establish effective information systems controls concerning accessing and updating the audit documentation.” We found that CFTC’s policies do not address electronic media. Majority of workpapers were electronic and they are working on transitioning to TeamMate for workpaper storage. Their policies and procedures should reflect their current practices.

GAS 3.95 states “The audit organization should analyze and summarize the results of its monitoring process at least annually, with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The audit organization should communicate to appropriate personnel any deficiencies noted

during the monitoring process and make recommendations for appropriate remedial action.” We found that CFTC’s policies and procedures do not address annual summaries of the results of its monitoring process.

GAS 3.105 “An external audit organization should make its most recent peer review report publicly available. For example, an audit organization may satisfy this requirement by posting the peer review report on a publicly available web site or to a publicly available file designed for public transparency of peer review results.” We found that CFTC OIG’s policy does not address the posting of the peer review report for the public.

In addition, CFTC OIG’s policy does no reference GAS 6.23 through 6.27 to ensure auditors obtain an understanding of information systems controls when information systems are used extensively throughout the program under audit and the fundamental business processes related to the audit objectives rely on information systems.

GAS 6.50 states; “If an audit is terminated before it is completed and an audit report is not issued, auditors should document the results of the work to the date of termination and why the audit was terminated. Determining whether and how to communicate the reason for terminating the audit to those charged with governance, appropriate officials of the audited entity, the entity contracting for or requesting the audit, and other appropriate officials will depend on the facts and circumstances.” We found that there is no terminology in CFTC OIG’s policies and procedures regarding the preparation of appropriate documentation for engagements terminated prior to completion.

We also found that CFTC OIG’s policy does not address if and how attestation engagements or non-audit services would be performed. In addition, the overall policy is not up to date with Government Auditing Standards 2011 revision.

Recommendation

1. CFTC OIG should update their policy and procedures to addresses the findings identified and ensure compliance with GAS 2011 revision.

CFTC OIG Response. The six comments provided by Ex-Im OIG, all address CFTC-OIG audit policies and procedures manual. Four of the issues raised were not presented to us before issuance of the draft peer review report. We agree with one of the four issues along with the two other issues raised. Changes have been made to our policies and procedures manual to address these three issues.

Three of the comments in the letter incorrectly state that the policies and procedures manual we provided was missing certain guidance. During the exit conference Ex-Im OIG staff was advised where the guidance was located in the policies and procedures manual we had provided them. However the letter was not

corrected. Specifically: 1) guidance on summarizing CFTC-OIG monitoring process is located at sections 402.00 and 900.06; 2) guidance on auditors' reliance on electronic information systems is located at section 400.06; and 3) guidance on documenting the termination of a GAGAS audit is located at 400.07.

Evaluation of CFTC OIG's Response. A draft report and the comment letter were provided on two separate occasions. The first preliminary copy was provided to CFTC OIG on February 6, 2014 and on March 5, 2014, the official draft was issued to CFTC OIG for comments. The comment letter did not change in either version provided. In addition, we concur that their policy sections 402.00 and 900.06 mentions CFTC's OIG monitoring process but Government Auditing Standards also requires an annual analysis and summary of those results. The annual analysis and summary should be included. We also concur that Section 400.06 provides guidance on auditor's reliance on electronic information systems; however, we suggest that CFTC OIG's policy reference GAS 6.23 through 6.27. Finally, the original reference that CFTC provided Ex-Im OIG to their policy did not reference termination of GAGAS audits. During our review we identified this issue to CFTC OIG to include providing a copy of the comment letter on two separate occasions. The reference to 400.07 does mention termination and we consider this issue resolved.

If CFTC OIG takes steps to update their policy and addresses the findings it will resolve this recommendation.



Osvaldo Gratacos
Inspector General