

COMMODITY FUTURES TRADING COMMISSION

**SEMIANNUAL REPORT
OF THE**

**OFFICE OF THE
INSPECTOR GENERAL**



FOR THE PERIOD ENDING September 30, 2009



U.S. COMMODITY FUTURES TRADING COMMISSION

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Office of the
Inspector General

October 30, 2009

TO: Gary Gensler
Chairman

FROM: A. Roy Lavik *ARL*
Inspector General

SUBJECT: Semiannual Report of the Office of the Inspector General

Attached is the Semiannual Report of the Office of the Inspector General for the period from April 1, 2009 through September 30, 2009. This report is submitted to you in accordance with the requirements of Section 5 of the Inspector General Act of 1978, as amended.

I appreciate your continuing support of this office.

Attachment

OFFICE OF THE INSPECTOR GENERAL
COMMODITY FUTURES TRADING COMMISSION

SEMIANNUAL REPORT
FOR THE PERIOD FROM
April 1, 2009 THROUGH September 30, 2009

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EXECUTIVE SUMMARY

This semiannual report is issued by the Commodity Futures Trading Commission's (CFTC's) Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended. It summarizes OIG's activities and accomplishments for the period April 1, 2009, through September 30, 2009. During this period, OIG completed one review and began work on one review and three audit projects. OIG also responded to Congressional inquiries, and met with Congressional staff to discuss pending legislation and other issues. OIG reviewed proposed enforcement actions, as well as rules proposed by CFTC and by regulated entities, participated in training, monitored peer review activities, visited CFTC field offices, and participated in Government-wide OIG professional and cooperative meetings and training. One preliminary investigation was opened and closed during the reporting period. No investigations were pending at the close of this reporting period. No significant problems, abuses or deficiencies regarding CFTC programs and operations were identified during the reporting period.

Highlights of OIG's completed and ongoing audit, evaluation, investigative and other projects include:

- OIG conducted and completed a review of the Agency's use of GovTrip, finding significant issues related to the use of GovTrip and making several recommendations to improve GovTrip use and save money.
- OIG began work on a new review of the Agency's pay system. This review will evaluate whether the CFTC is getting value for the additional pay its employees receive.
- OIG began work on the fiscal year (FY) 2009 audit of compliance with the Federal Managers' Financial Integrity Act (FMFIA), the FY 2009 Federal Information Security Management Act (FISMA) independent evaluation, and the FY 2009 financial statement audit.
- OIG continued its participation in a procurement to secure an external auditor to perform the CFTC financial statement audit; however, the Acting Chairman selected the external auditor in May 2009. Allegations concerning possible misconduct relating to the procurement process that CFTC OIG referred to the Integrity committee during the last reporting period were pending at the close of this reporting period.
- OIG received multiple allegations that CFTC began to implement HSPD-12 out of compliance with applicable law. Upon determination that the CFTC Chairman and Office of General Counsel had not yet been afforded the opportunity to examine the relevant legal issues, OIG declined to investigate pending Agency action.
- On August 17, 2009, the Assistant Inspector General for Audits began a detail to the International Trade Commission to serve as Acting Inspector General.

INTRODUCTION

1. CFTC Programs and Operations.

Congress created the Commodity Futures Trading Commission in 1974 as an independent agency with the mandate to regulate commodity futures and options markets in the United States. The Commission's mandate was renewed and/or expanded in 1978, 1982, 1986, 1992 and 1995. In December 2000, the Commission was reauthorized by Congress and the President through Fiscal Year 2005 with the passage of the Commodity Futures Modernization Act of 2000 (CFMA). In May of 2008, Congress reauthorized the CFTC through Fiscal Year 2013.

The CFTC is responsible for fostering the economic utility of futures markets by encouraging their competitiveness and efficiency, ensuring their integrity and protecting market participants against manipulation, abusive trade practices and fraud. Through effective oversight regulation, the CFTC enables the commodity futures markets better to serve their vital function in the nation's economy—providing a mechanism for price discovery and a means of offsetting price risks.

The CFTC operating divisions are: Office of the Chairman, Office of the Executive Director, Office of General Counsel, Division of Clearing and Intermediary Oversight, Division of Enforcement, Division of Market Oversight and Office of the Chief Economist. In addition to its headquarters office in Washington, DC, the CFTC maintains offices in Chicago, Illinois; Kansas City, Missouri; and New York, New York.

2. OIG Responsibilities.

The CFTC OIG was created in 1989 in accordance with the 1988 amendments to the Inspector General Act of 1978 (P.L. 95-452). 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;
- 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; and
- Keep the Chairman 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.

OIG is required to conduct, supervise and coordinate audits of CFTC programs and operations in accordance with generally accepted government auditing standards. OIG is also required to recommend changes to existing and proposed CFTC programs and operations to promote economy, efficiency and effectiveness and to prevent and detect fraud and abuse.

The purpose of OIG audits generally is to ensure that:

- Funds have been expended in a manner consistent with related laws, regulations and policies;
- Resources have been managed effectively and efficiently;
- Stipulated program objectives have been achieved;
- Agency operations have not been subject to improper influence or corruption; and
- Resources have been safeguarded.

OIG operates independently of the Agency and has not experienced any interference from the CFTC Chairman in connection with the conduct of any investigation or audit, and our investigations have been pursued regardless of the rank or party affiliation of the target. OIG has also conducted audits 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.¹ No Chairman has interfered with OIG decisions regarding personnel actions, training, travel or other expenditures; however, a recent procurement process initiated to secure the services of an external auditor to conduct the required CFTC financial statement audit has developed issues pertaining to IG independence, as well as allegations requiring referral to the Integrity Committee. The Integrity Committee investigation is pending.

3. OIG Resources.

OIG consists of the Inspector General, the Assistant Inspector General for Audits (AIGA), an Attorney-Advisor and a secretary. The present Inspector General assumed his position on October 7, 1990. The Assistant Inspector General joined the office in 1999, and the Attorney-Advisor joined in 2007.

On August 17, 2009, the AIGA began a detail to the International Trade Commission (ITC). The AIGA will serve as the IG for the ITC on a reimbursable basis for a period of up to 120 days. While serving as the IG, we anticipate the AIGA will gain experience that will be valuable to this Office at the completion of the detail. The AIGA remains available to consult with this Office regarding the financial statement audit and other activities during the detail.

¹ The Inspector General Act of 1978, as amended, states: “Neither the head of the establishment nor the officer next in rank below such head shall prevent or prohibit the Inspector General from initiating, carrying out, or completing any audit or investigation....” 5 U.S.C. App. 3 sec. 3(a).

COMPLETED AUDITS and REVIEWS

1. Review of Agency Use of GovTrip

Objective.

The objectives of the GovTrip review were to identify issues, strengths and difficulties regarding the use of GovTrip, find out what works and what doesn't, determine which difficulties appear with greatest frequency, and evaluate what improvements could alleviate any problems. With regard to travel card usage, we were concerned with identifying problems encountered by card users during the transition period to a new travel card, as well as any ongoing problems with the new travel cards.

The review covered each employee's overall experience with GovTrip, with significant focus on FY 2008 and FY 2009. Employees have used GovTrip from its introduction at CFTC in 2006 or since their start date at CFTC (if later). With regard to travel card usage, the review addressed the travel card transition period at the end of FY 2008 up to the present.

In order to complete our review, we sat down with 46 CFTC employees to discuss their experiences with GovTrip and with the travel cards. We focused on Division of Enforcement (DOE) employees because they do a high volume of travel, including travel on short notice.

Status.

The results of our review were mixed. We found no significant problems with the new travel cards. While a few employees experienced some difficulties during the travel card transition period, none were experiencing ongoing difficulties, and we received no new complaints during our review. Another topic revealing no significant problems was reimbursements. Employees uniformly were pleased with the speed with which they receive reimbursements through GovTrip, with many citing it as an improvement over prior travel systems at CFTC. We were also encouraged by the number of employees who made clear that saving money was a priority when scheduling travel through GovTrip.

Nevertheless, the interviews revealed several areas of concern. We learned of significant difficulties pertaining to employee use of the GovTrip website on CFTC computers (which appears to be exacerbated in the CFTC regional offices). In addition, DOE employees demonstrated a lack of knowledge of basic GovTrip functions and official travel policy. It appeared that both training and guidance in GovTrip were not readily accessible to CFTC employees. The combination of system difficulties and lack of expertise caused many CFTC employees to spend far more time than should be necessary or practicable to schedule travel. We continued to receive informal complaints about GovTrip from CFTC employees in DOE and other divisions while our review was pending. Finally, we were concerned that high level employees in DOE were scheduling their own travel, possibly resulting in wasted resources.

We recommended enhanced training and web-based guidance, and encouraged CFTC to urge the implementation of constructive changes to the GovTrip system. In addition, we asked CFTC to identify and remedy any computer network deficiencies that may exacerbate GovTrip issues. The problems relayed to us by CFTC employees were so serious that we believe the core issue -- whether CFTC travelers or administrative employees should schedule travel through GovTrip -- is a question in need of further examination by both the Office of Financial Management (OFM) and Agency management. We especially recognized this as an area of concern because DOE employees at Headquarters and in two Field Offices schedule their own travel until they reach the deputy level.

During the pendency of our review, the Agency announced the creation of a Travel Services Office (TSO) which is described in a response by OFM included with our review. We were encouraged by the creation of the TSO, and recommended that use of the TSO be required in all instances where CFTC supervisory personnel decide employee time would be better spent on mission critical activities, and encourage the OFM to create guidelines to assist CFTC supervisory personnel to determine which employees should be required to use the TSO in order to process travel in the most efficient and cost effective way possible, prioritizing mission-critical tasks before administrative tasks.

CURRENT AUDITS and REVIEWS

1. Audit of CFTC Financial Statements for Fiscal Year 2008.

In FY 2002, Congress passed the Accountability of Tax Dollars Act. The Act requires the CFTC, along with numerous other Federal entities, to obtain an independent financial statement audit each year. During the reporting period, the Acting Chairman selected an external auditor to render an opinion on the agency's financial statements for Fiscal Year 2009 in accordance with generally accepted auditing standards, Government Auditing Standards and OMB Bulletin 01-02.

The specific objectives of this audit include determinations whether:

(1) The financial statements present fairly the financial position of the Commodity Futures Trading Commission in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The five financial statements, along with all corresponding notes to be audited include: (a) Balance Sheet; (b) Statement of Net Cost; (c) Statement of Changes in Net Position; (d) Statement of Budgetary Resources; and (e) Statement of Custodial Activity.

(2) Management's assertions about the effectiveness of its internal controls for achieving internal control objectives described in Statement on Auditing Standards (AU) Section 319 and the Federal Managers Financial Integrity Act (FMFIA) are fairly stated in all material respects. The Independent Public Accountant (IPA) makes this determination in part by obtaining an understanding of the internal control policies and procedures and

assessing the level of control risk relevant to all significant cycles, classes of transactions, and account balances. For those significant control policies and procedures that have been properly designed and placed in operation, the contractor performs sufficient tests to provide reasonable assurance as to whether the controls are effective and working as designed.

The IPA limits its internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin 01-02. Further, the IPA is not required to test all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to achieving efficient operations.

With respect to internal controls related to performance measures reported in the accountability report, the IPA obtains an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin 01-02. The procedures are not required to provide assurance on internal controls over reported performance measures.

(3) The agency has complied with selected provisions of laws and regulations identified by OMB Bulletin 01-02 or the Inspector General, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The IPA limits its tests of compliance to these provisions and need not test compliance with all laws and regulations applicable to the CFTC.

Status.

In May 2009, the Acting Chairman selected an external auditor to complete the CFTC Financial Statement Audit. The Fiscal Year (FY) 2009 audit began in May with an entrance conference with senior agency managers, the OIG and representatives from the IPA. Further meetings and reviews have taken place throughout this reporting period while work on the audit is ongoing. The final audit report is to be delivered to the Office of the Inspector General in November 2009.

The IG Act and the Federal Financial Management Improvement Act of 1996 (FFMIA) require the Inspectors General of certain agencies to report “instances and reasons” when the Agency has not met intermediate target dates established in a remediation plan to bring the Agency’s financial management system into substantial compliance with the Act. CFTC is not subject to the requirements of the FFMIA; however, it voluntarily seeks to comply with its requirements. During this reporting period, there were no events giving rise to a duty to report under FFMIA.

2. Audit of Compliance with the Federal Managers' Financial Integrity Act, FMFIA

The Federal Managers' Financial Integrity Act of 1982 requires federal managers to establish a continuous process for evaluating, improving, and reporting on the internal control and accounting systems for which they are responsible. OMB Circular A-123, revised December

2004, "Management Accountability and Control," is the implementing guidance for FMFIA. The annual FMFIA report will be included in the Performance and Accountability report issued on November 16th under the heading "Management Assurances."

Status.

The Office of the Inspector General in the process of receiving and reviewing draft internal control reviews produced by agency staff, and will provide comments to the originating divisions. OIG will report its assessment of the final FMFIA documents in its annual assurance letters to the Chairman which will be included in the PAR.

3. Evaluation of the Federal Information Security Management Act at CFTC.

The Federal Information Security Management Act (FISMA) was enacted on December 17, 2002. FISMA requires the Office of the Inspector General to perform annual independent evaluations of the information security program and practices of the agency.

Status.

Due to a new reporting collection system tool, the Office of Management and Budget (OMB) established November 18, 2009 as the new deadline for FISMA reports. The OIG is currently completing its evaluation of the agency's FISMA related documents and will submit its assessment along with the agency's documents to OMB by the established due date.

4. Review of the Effect of the CFTC Pay System on Recruitment and Retention.

Scope and Objective

This review will evaluate the effect of the CFTC pay scale on current recruitment and retention. Section 10702 of Public Law 107-171, the Farm Security and Rural Investment Act of 2002 (FSRIA) authorized CFTC to create its own pay system (The CT Pay System). CFTC began paying employees under the new pay system in 2003. We are going to review retention during the past six years, as well as changes in recruitment that may be attributed to the new pay system. The objectives of this review are: to elicit employee and management views on how the CT pay system has effected recruitment and retention over the past six years, coupled with Agency data that will permit an informed analysis of the effect of the CT pay system.

Status

During the reporting period, the OIG initiated the planning stages of this review, researching applicable law and policy regarding the CT pay system and informally discussing the review with Agency management.

AUDIT REPORTS and REVIEWS OVER SIX MONTHS OLD

1. Corrective Action not Completed.

There were no instances of audit reports over six months old where corrective action had not been completed.

2. Corrective Action Completed.

There were no instances of reports issued before the commencement of the reporting period for which corrective action had been completed by the end of the reporting period.

3. Management Decision not Made.

There were no instances of a 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. In 2006, the CFTC OIG issued a report titled "Review of the Need for a Western Regional Office in Los Angeles." That report recommended, among other things, that the Commission review the feasibility of reestablishing the former Los Angeles field office. That recommendation was not carried out largely due to budget constraints. In January 2008, partially in response to a Congressional inquiry, CFTC OIG updated its analysis and on March 12, 2008, issued a follow-up report which reiterated the earlier recommendation. In January 2009, the Acting Chairman issued a decision declining to implement the recommendation generally due to cost considerations. In light of increased funding for FY09 and FY10, as well as further consultation with regulators as well as Agency management and senior staff, we renew the recommendation. In addition, current legislative proposals could greatly expand the CFTC's jurisdiction and mission, and if this is the case we believe it will add to the reasons to open additional CFTC Offices on the West Coast and possibly other areas as well.

INVESTIGATIONS

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 and other sources concerning the possible existence of an activity constituting a violation of law, rules or regulations, or mismanagement, abuse of authority, or gross waste of funds, or a substantial and specific danger to the public health and safety.

No investigations were pending as of the beginning of the reporting period. No investigations were opened during this period. One preliminary inquiry was closed without formal investigation due to the failure of the submitter to provide any evidence to support the claims, and following interviews with appropriate CFTC staff.

HSPD-12, “Policy for a Common Identification Standard for Federal Employees and Contractors,” requires the development and agency implementation of a mandatory, government-wide standard for secure and reliable forms of identification for Federal employees and contractors, and was signed by former President George W. Bush on August 27, 2004. In August 2009 OIG received multiple allegations that CFTC began to implement HSPD-12 out of compliance with applicable law. CFTC employees complained that Agency investigations undertaken supposedly in furtherance of HSPD-12 were not authorized under HSPD-12 or any applicable law. Upon determination that the CFTC Office of General Counsel had not yet been afforded the opportunity to examine the relevant legal issues, OIG declined to investigate pending Agency action. We understand these issues were pending at the end of the reporting period.

SUMMARY OF MATTERS REFERRED TO PROSECUTORIAL AUTHORITIES

No matters were referred to prosecutorial authorities during the reporting period. In accordance with section 11(d)(4) of the Inspector General Act of 1978, as amended, an allegation relating to supposed misconduct within the OIG was referred to the Integrity Committee of the Council of the Inspectors General on Integrity and Efficiency.

CONGRESSIONAL INQUIRIES

OIG fielded multiple requests for assistance from members of Congress and staff during the reporting period. Issues addressed included recent OIG activities as well as pending legislation. The IG also consulted Congressional staff regarding issues relating to the procurement of an external auditor to perform the CFTC financial statement audit.

LEGISLATIVE, REGULATORY AND RULE REVIEWS

1. Introduction and Summary.

As specified in Section 4(a)(2) of the Inspector General Act of 1978, 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 CFTC.

OIG notifies the responsible Divisions as to any concerns with draft and final documents relating to legislation, rules (including exchange rules) or investigations. Initial discussions are usually informal. Formal comments were not submitted to the Commission during this reporting period.

2. Rule Reviews Initiated in Previous Reporting Periods.

There were no rule reviews initiated in previous reporting periods which were continued into this reporting period.

3. Rule Reviews Initiated this Reporting Period.

No rule reviews were initiated during this reporting period.

4. Legislative Activities.

OIG tracked legislation impacting programs and operations of the CFTC, and made contact with Congressional staff concerning various agency and IG issues as appropriate. The IG serves on the legislation committee for the Executive Council on Integrity and Efficiency, which comments on proposed amendments to the IG Act and other legislation affecting the IG community. At the request of Congressional staff, the IG continued to discuss pending HR 885, a bill that would convert the IGs at five financial regulators to Presidential appointments.

OTHER REVIEWS

1. Peer Reviews.

An important function in each Agency OIG is the peer review process. The Inspector General community's annual report, *A Progress Report to the President, Fiscal Year 2007*,² described the processes for audits and investigative peer reviews as follows:

Government Auditing Standards require that audit organizations conducting audits of Federal agencies undergo peer reviews every 3 years. The IG community has implemented a process to meet this requirement. The purpose of the peer review is to determine whether the reviewed audit organization's internal quality control

² <http://www.ignet.gov/randp/fy07apr.pdf>.

systems are adequate and provide reasonable assurance that applicable auditing standards, policies and procedures are met.

Similarly, investigative peer reviews are conducted to ensure compliance with the requirements of the *Quality Standards for Investigations* and determine whether adequate internal safeguards and management procedures exist to ensure that law enforcement powers are properly exercised.³

During this reporting period, OIG continued to monitor the government-wide OIG peer review schedules as communicated by the Council of the Inspectors General on Integrity and Efficiency. OIG discussed scheduling issues with our partner OIG offices as appropriate. No peer reviews were begun or completed during this reporting period.

2. Other Reviews.

No other review activity took place during this reporting period.

SUMMARY OF EACH REPORT MADE TO THE AGENCY HEAD

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).

REVISED MANAGEMENT DECISIONS

No management decisions were revised during the reporting period.

INSPECTOR GENERAL DISAGREEMENT

The Inspector General did not disagree with any management decisions on OIG recommendations during the reporting period.

GAO LIAISON

OIG is charged with providing policy direction for, and conducting, supervising, and coordinating audits and investigations relating to CFTC programs and operations. In addition, OIG is required to recommend policies for, and conduct, supervise, and coordinate with other

³ Id. at p.19.

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 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 THE INSPECTOR GENERAL

1. 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, abuse of authority or a substantial and specific danger to the public health and safety.

OIG has to date conducted only a reactive investigative program chiefly relying on unsolicited employee complaints as the source of investigative leads. However, allegations and complaints are also received from the general public and Congress. This reactive program has resulted in only a handful of investigations per year. This strategy was followed because OIG believed that an independent regulatory agency such as the CFTC, without grant money or substantial contracts to award, was not likely to generate a substantial investigative workload.

To insure that employee complaints could easily reach OIG, a 24-hour hotline was established in February 1993 to receive complaints. The hotline phone number is (202)418-5510.

Because of the necessarily reactive nature of OIG's investigative program, no investigative agenda has been established.

2. Legislative and Regulatory Review Agenda.

Because of the importance of this activity in a financial and economic regulatory agency, OIG reviews proposed and final CFTC regulations, legislation and selected exchange rules using six basic criteria: Whether the agency: (1) has identified specifically the problem(s) to be addressed by the proposal; (2) has defined through case study or data analysis a clear link between the proposed solution and the identified problem(s); (3) has specified clearly the means to effectively and efficiently enforce the proposal; (4) has assessed the likely efficiency and effectiveness of alternative solutions; (5) can reasonably document that the proposal will yield

positive net benefits over the long term; and (6) has met the requirements of the Regulatory Flexibility Act and the Paperwork Reduction Act.

The Regulatory Flexibility Act requires the agency to evaluate the impact of its regulations on small entities. The Paperwork Reduction Act requires the agency to manage effectively and efficiently its information collections so that they are the least burdensome necessary to achieve the stipulated objectives.

Because OIG does not initiate legislation or, generally, regulations, OIG legislative and regulatory review program is reactive to the legislative and regulatory proposals developed by others. Accordingly, no independent legislative and regulatory review agenda has been established.

3. Audit Agenda.

a. Introduction

The primary objectives of the OIG audit agenda is to promote long-term efficiency and effectiveness in the administration and operation of the Commission and to protect against fraud and abuse. The audit 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. 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 07-04.

Audit of Compliance with the Federal Managers' Financial Integrity Act, FMFIA.

In support of OMB Circular A-123 (Revised), 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 requires the Inspector General or his designee to perform annual independent evaluations of the information security program and practices of the agency.

c. Other Audits.

During the next reporting period, the OIG will review the CT pay system and its effect on retention and recruitment.

Looking to the long term, the OIG intends to focus the balance of its audit resources on the review of the management and operation of the agency and compliance with Congressional mandates. The OIG intends to continue to monitor the agency's use of contractors from time to time, with an emphasis on contracts for IT services. In addition, OIG intends to focus its efforts with a view to auditing or reviewing activities relating to the most serious management challenges facing the CFTC.

OIG issues an assessment of the most serious management challenges each year for publication in the CFTC Performance and Accountability Report. In the past four years, OIG has identified as management challenges the following areas of concern:

- Efficient Acquisition and Integration of Skilled Human Capital
- Modernization of Electronic Market Surveillance
- Expansion of CFTC Oversight into New Markets
- Industry Consolidations
- Exchange Trading Revolutions (*Growth of Derivative Trading*)
- Efficient Acquisition and Integration of Skilled Human Capital

OIG will seek to identify issues and to conduct audits and reviews relating to these management challenges. Our forthcoming review of the CT pay system will examine the effects of the CT pay system on recruitment and retention efforts, which will speak to the CFTC's

challenge to efficiently acquire skilled human capital. Finally, OIG will stand ready to respond to issues and audit requests as they are received from Congress, the Agency and members of the public or any other source.

d. Resources Required.

OIG estimates that approximately one staff year of effort will be devoted over the next reporting period in completion of the review of the CT pay system. One-half staff year of effort will be devoted over each of the next five years to the “Annual Audits” described above. All other Audits will consume up to one and a half staff years. Because OIG resources can be diverted at any time to an investigation or audit 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 impossible to forecast with complete accuracy how resources will be utilized from year to year.

<p style="text-align: center;">CONTACTING THE OFFICE OF THE INSPECTOR GENERAL</p>
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OIG is located at 1155 21st Street, N.W., Washington, D.C. 20581. The telephone number is (202)418-5110. The facsimile number is (202)418-5522. The hotline number is (202)418-5510. The OIG web page is located at <http://www.cftc.gov/aboutthecftc/oig.html> Regular business hours are between 8:30 AM and 5:00 PM, Monday through Friday, except Federal holidays.

Table 1

**Reports Issued with Questioned Costs
(April 1, 2009 – September 30, 2009)**

		Dollar Value Thousands		
	Number	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

Table 2

**Reports Issued with Recommendations
That Funds be Put to Better Use
(April 1, 2009 – September 30, 2009)**

	Number	<u>Dollar Value</u> Thousands
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



**THE INSPECTOR GENERAL
NEEDS YOUR HELP TO
ASSURE THE INTEGRITY OF
CFTC'S PROGRAMS**

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(202) 418-5510

**Office of the Inspector General
Commodity Futures Trading Commission
1155 21ST Street, N.W.
Washington, D.C. 20581**