

# SEMIANNUAL REPORT TO CONGRESS

April 1, 2024 – September 30, 2024



U.S. Commodity Futures Trading Commission  
OFFICE OF INSPECTOR GENERAL





# A MESSAGE FROM THE INSPECTOR GENERAL



It is with great pleasure that I present the Commodity Futures Trading Commission (CFTC or Commission) Office of Inspector General (OIG) Semiannual Report to Congress for the period of April 1, 2024 to September 30, 2024. This report reflects the exceptional work of the CFTC OIG team and their commitment to the mission of the OIG.

During the reporting period, the Office of Audits completed and published the [Fiscal Year \(FY\) 2023](#) and [FY 2024 Federal Information Security Modernization Act \(FISMA\) audits](#) and the [Payment Integrity Information Act audit](#); the latter two were completed by independent public accountants (IPAs) overseen by the Office of Audits. Additionally, the audit team began work on the following audits: FY 2024 CFTC Financial Statements; FY 2024 CFTC Customer Protection Fund Financial Statements; CFTC's Compliance with the Government Charge Card Act; and CFTC's Enterprise Risk Management Program. The audit team is also working with the Council of Inspectors General on Financial Oversight (CIGFO) in its review of the effectiveness and internal operations of the Financial Stability Oversight Council (FSOC) designation of nonbank financial companies. In addition, we established the Office Evaluations and initiated an evaluation into the CFTC's non-disclosure policies, forms, and agreements to assess compliance with the Whistleblower Protection Enhancement Act of 2012.

During the reporting period we brought on a new OIG investigations team, hiring a new Assistant Inspector General for Investigations and a new Senior Investigations Counsel. The Office of Investigations continues to respond to hotline complaints and conduct investigations. The team began the reporting period with four investigations open from the prior period and after evaluating the merits of those matters, we determined that none warranted further OIG action. In addition, we received a total of 43 complaints during the reporting period. We referred, assisted, or dismissed 39 of these complaints and five complaints remain open, including one complaint undergoing further analysis from the previous reporting period. The investigations team is in the process of implementing an electronic case management system and hotline portal to assist in the overall management of hotline complaints and investigations.

Going forward, the CFTC OIG remains committed to helping the agency to maximize the integrity, efficiency, and effectiveness of CFTC programs and operations; our audits, evaluations, and investigations demonstrate our ongoing commitment to sound government practices. I look forward to continuing to work with the CFTC OIG team, the Commission, members of Congress, and my IG colleagues to provide oversight to the CFTC on behalf of the American taxpayers.

**Christopher Skinner**  
*Inspector General*

Semiannual Report  
of the U.S. Commodity Futures Trading Commission  
Office of the Inspector General

April 1, 2024 – September 30, 2024



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## EXECUTIVE SUMMARY

This semiannual report is issued by the Commodity Futures Trading Commission (CFTC or Commission) Office of the Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended. It summarizes the OIG’s activities and accomplishments for the period April 1, 2024, through September 30, 2024. During this period:

- The Office of Audits completed and published the Fiscal Year (FY) 2023 and FY 2024 Federal Information Security Modernization Act (FISMA) audits and the Payment Integrity Information Act audit; the latter two were completed by independent public accountants (IPAs) overseen by the Office of Audits. Additionally, the audit team began work on the following audits: FY 2024 CFTC Financial Statements; FY 2024 CFTC Customer Protection Fund Financial Statements; CFTC’s Compliance with the Government Charge Card Act; and CFTC’s Enterprise Risk Management Program. The audit team is also working with the Council of Inspectors General on Financial Oversight (CIGFO) in its review of the effectiveness and internal operations of the Financial Stability Oversight Council (FSOC) designation of nonbank financial companies.
  - The CFTC Office of Audits was peer reviewed by another independent OIG for the three-year period ending March 31, 2022. Although the Audit peer review identified no substantive deficiencies with the audits reviewed, the CFTC Audit Program received a rating of “fail.” The CFTC OIG respectfully disagreed with some of the conclusions of the audit peer review report but accepted the results with reservations. The peer review report is published to our [webpage](#)<sup>1</sup> and our response is provided on page 10. The Office of Audits implemented corrective actions and consulted with an independent contractor, to assure the audit function is current with all applicable audit standards.<sup>2</sup> The independent contractor did not identify any significant deficiencies in the design or compliance of the CFTC OIG audit quality control system.
- The OIG established the CFTC OIG Office of Evaluations. In June 2024, we announced an evaluation of CFTC’s non-disclosure policies, forms, and agreements to assess compliance with the Whistleblower Protection Enhancement Act of 2012. The Office of Evaluations team is in the process of updating the Evaluations Manual to ensure it meets Council of Inspectors General on Integrity and Efficiency (CIGIE) standards.
  - In addition, our Evaluation function was peer reviewed by another OIG during the period. This review consisted of an examination of the office’s policy as we did not issue any evaluation reports during the period under review. The peer review report is published to our [webpage](#).

- The Office of Investigations continues to respond to hotline complaints and conduct investigations. The team began the reporting period with four investigations open from the prior period and after evaluating the merits of those matters, we determined that none warranted further OIG action. In addition, we received a total of 43 complaints during the reporting period. We referred, assisted, or dismissed 39 of these complaints and five complaints remain open, including one complaint undergoing further analysis from the previous reporting period. The investigations team is in the process of implementing an electronic case management system and hotline portal to assist in the overall management of hotline complaints and investigations.





## CFTC PROGRAMS AND OPERATIONS

Established by statute as an independent agency in 1974, the CFTC assumed responsibilities previously belonging to the U.S. Department of Agriculture since the 1920s.<sup>3</sup> The mission of the CFTC is: “To promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation.”<sup>4</sup> The CFTC and its predecessor were established to protect market participants and the public from fraud, manipulation, and other abusive practices in the commodity futures and options markets. After the 2008 financial crisis and the subsequent enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the CFTC’s mission expanded to include oversight of the swaps marketplace.

The Commission consists of five Commissioners appointed by the President, with the advice and consent of the Senate, who serve staggered five-year terms. The President appoints one of the Commissioners to serve as Chairman. No more than three Commissioners may be from the same political party.<sup>5</sup> The CFTC maintains offices in Washington, D.C.; New York, NY; Chicago, IL; and Kansas City, MO. The CFTC organization consists of the following Divisions and Offices (not including OIG):<sup>6</sup>

- Division of Clearing and Risk (DCR)
- Division of Enforcement, including the Whistleblower Office (DOE)
- Division of Market Oversight (DMO)
- Market Participants Division (MPD)
- Division of Data (DOD)
- Office of the General Counsel (OGC)
- Division of Administration (DA)
- Office of the Chief Economist (OCE)
- Office of International Affairs (OIA)
- Office of Public Affairs (OPA)
- Office of Technology Innovation (OTI)
- Office of Legislative and Intergovernmental Affairs (OLIA)
- Office of Minority and Women Inclusion (OMWI)
- Office of Customer and Education Outreach (OCEO)



# CFTC OIG MISSION, RESPONSIBILITIES, RESOURCES, ORGANIZATION, AND INDEPENDENCE

## CFTC OIG Mission, History, and Responsibilities

The Office of the Inspector General (OIG) mission is to detect fraud, waste, and abuse and to promote integrity, economy, efficiency, and effectiveness in the CFTC's programs and operations. The CFTC OIG was created in 1989 in accordance with the 1988 amendments to the Inspector General Act of 1978. The 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, evaluations, 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 Commission in accordance with the applicable laws and regulations governing appointments within the CFTC. The CFTC OIG conducts audit engagements in accordance with the [Generally Accepted Government Auditing Standards \(GAGAS\)](#)<sup>7</sup> issued by the Government Accountability Office (GAO). The OIG conducts inspections, evaluations, and other covered products in accordance with the [Quality Standards for Inspection and Evaluation](#)<sup>8</sup> issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE). OIG investigations are performed in accordance with the [Quality Standards for Investigations](#)<sup>9</sup> issued by the CIGIE. Additional information can be found on our [webpage](#).<sup>10</sup>

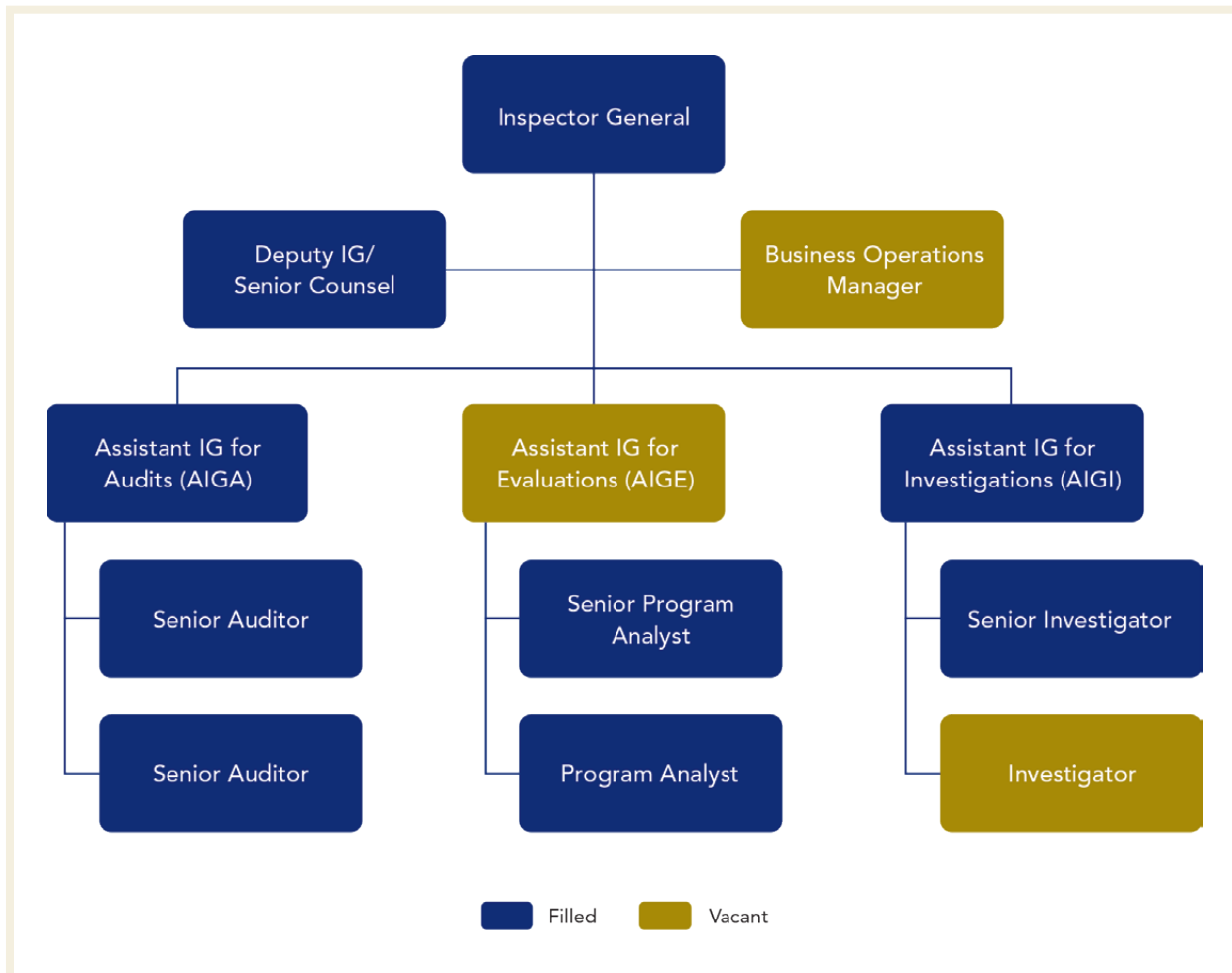
The Dodd-Frank Act<sup>11</sup> established the Financial Stability Oversight Council (FSOC), which is vested with the mission to monitor domestic and international financial regulatory proposals and developments, including insurance and accounting issues, and to advise Congress and make recommendations in such areas that will enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets.<sup>12</sup>

The Dodd-Frank Act also created the Council of Inspectors General on Financial Oversight (CIGFO) to evaluate the effectiveness and internal operations of FSOC. The CFTC IG is a CIGFO member, and CFTC OIG participates in CIGFO projects within CFTC OIG jurisdiction.

## CFTC OIG Organization and Human Capital

CFTC OIG maintains an Office of Audits, an Office of Evaluations, and an Office of Investigations. At the beginning of the reporting period, the CFTC OIG consisted of eleven FTEs (full-time equivalent employees), including five vacancies. Following the arrival of Inspector General Skinner in April 2024, we acquired a new Assistant Inspector General for Investigations, a Senior Investigations Counsel, and at the end of the reporting period were in the process of recruiting the first Assistant Inspector General for Evaluations. We finished the reporting period with three vacancies, currently anticipated to permit additional staff in the Office of Investigations and in the Office of Evaluations. We hope to increase our FTE count to 12 during FY 2025, with all new staff acquisitions depending on funding.

**CFTC OIG Organizational Chart**



## OIG Independence; Required Statement Regarding Information Access and Assistance

The OIG operates independently of the Agency. Our investigations have been conducted regardless of the rank or party affiliation of the subject. The OIG has conducted audits, evaluations, and reviews without intentional or substantive interference. Furthermore, the OIG will recommend improvements to the administration of agency programs and processes without regard to the party affiliation of any Chairman or Commissioner.<sup>13</sup>

Type of Interference	Number	Explanation
Budget constraints	0	N/A
Resistance to oversight	0	N/A
Delayed information access	0	N/A
Other (Intimidation)	0	N/A



# AUDIT OPERATIONS

## Completed Audits, Audit Reviews, and Other Audit Projects

### *FINANCIAL*

#### [Audit of CFTC’s Compliance with the Payment Integrity Information Act \(PIIA\)<sup>14</sup>](#)

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended the Improper Payments Information Act of 2002 (IPIA) and required agencies to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB). Additionally, section 3 of IPERA required IGs to review each agency’s improper payment reporting and issue an annual report. On March 2, 2020, the PIIA repealed IPERA, IPIA, and the Improper Payments Elimination and the Recovery Improvement Act of 2012 (IPERIA) but set forth similar improper reporting requirements including an annual report.

For FY 2023 the OIG contracted with an independent contractor to conduct a compliance audit to assess CFTC’s compliance with the Payment Integrity Information Act (PIIA). Accordingly, the contractor determined that CFTC complied, in all material respects, with the PIIA requirements and that the Commission is making proper threshold determinations for the year ended September 30, 2023. This audit was performed in accordance with GAGAS. There were no instances where the OIG disagreed with the conclusions stated in this audit report.

To enhance the accuracy of personnel records and future payments, the report identified a recommendation to enhance the control for secondary review of all newly hired or transferred employees. Management concurred with the report and the recommendation.

### *INFORMATION TECHNOLOGY MANAGEMENT AND SECURITY*

#### [Audit of CFTC’s FY 2023 Compliance with the Federal Information Security Management Act \(FISMA\)<sup>15</sup>](#)

The Federal Information Security Modernization Act (FISMA) defines a framework of guidelines and security standards to protect government information and operations. A key requirement of FISMA is an annual review of information security programs, with the intent of keeping risks at or below specified acceptable levels. The OMB is responsible for final oversight of the FISMA compliance efforts of each agency including Inspector General review metrics. While FISMA sets the legal requirement for annual compliance, the National Institute of Standards and Technology (NIST) is the government body responsible for developing the standards and policies that agencies use to ensure their systems, applications, and networks remain secure.

The objective of this audit was to evaluate CFTC’s information security program, and practices as required by FISMA. We found CFTC’s information security program “effective” for the FY 2023 core and supplemental metrics outlined in the measurement criteria outlined in the FY 2023 – 2024 IG FISMA Metrics. We identified four recommendations for the Commission to consider. Management concurred with the recommendations and closed them during the reporting period. Due to the sensitive nature of this audit report, specific details are omitted from publication, but an executive summary is published to our webpage.<sup>16</sup>

### **Audit of CFTC’s FY 2024 Compliance with the Federal Information Security Management Act (FISMA)**<sup>17</sup>

The CFTC OIG contracted with an independent auditor to conduct the FY 2024 Audit of CFTC’s compliance with FISMA. The auditor conducted the audit in accordance with GAGAS and is responsible for the report and its conclusions. The OIG monitored the contractor’s performance throughout the performance audit and reviewed the report and related documentation.

The auditor’s assessment found that the CFTC’s information security program continues to operate effectively. The Commission’s security controls are sufficient by design and operating as intended. The audit identified four recommendations for the Commission to consider to enhance the posture of the program. Management concurred with the recommendations. Due to the sensitive nature of this report, specific details pertaining to the substance of the recommendations are omitted from publication, but an executive summary is published to our webpage.<sup>18</sup>

## **Ongoing Audits, and Other Audit Projects**

### ***FINANCIAL***

All financial audits are being performed by an Independent Public Accounting firm (IPA) with oversight by OIG Office of Audits.

### **Audit of the CFTC’s FY 2024 Annual Financial Report**

The Accountability of Tax Dollars Act of 2002 expanded the Chief Financial Officers Act of 1990 which requires the annual preparation and audit of CFTC’s financial statements. The objective of this Congressionally mandated audit is to render an opinion on the agency financial report (financial statements) in accordance with GAGAS.

### **Audit of the CFTC’s FY 2024 Customer Protection Fund (CPF)**

The objective of this Congressionally mandated audit is to render an opinion on customer protection fund financial statements in accordance with GAGAS.

### **Audit of CFTC’s Compliance with the Government Charge Card Abuse Prevention Act**

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), enhanced the management and oversight of agency purchase card programs. The Charge Card Act requires executive branch agencies to implement a specific set of internal controls, establish penalties for employees who misuse agency purchase cards, and conduct periodic risk assessments and audits of agency purchase card programs. The objective of this audit is to evaluate CFTC’s compliance with the Charge Card Act, specifically to assess CFTC’s use of purchase cards and travel card programs.

## ***RISK MANAGEMENT***

### **Audit of CFTC’s Enterprise Risk Management (ERM) Program**

OMB Circular No. A-123 requires agencies to integrate a risk-based approach towards meeting strategic, operations, reporting, and compliance objectives. The audit objectives are to assess the effectiveness of the CFTC’s ERM process with specific attention to Governance and Internal Control Integration and to determine CFTC’s ERM program maturity using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model. We have contracted with an independent public accountant to perform this audit and OIG staff will monitor all work in accordance with GAGAS.

### **Audit of the Financial Stability Oversight Council (FSOC) Designation of Nonbank Financial Companies**

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) created the Council of Inspectors General on Financial Oversight (CIGFO). Dodd-Frank authorizes the CIGFO to convene a Working Group of its members to evaluate the effectiveness and internal operations of the FSOC.

The audit objectives include: to assess (1) the sufficiency of the new guidance to effectively respond to financial stability threats under Section 113 of Dodd-Frank; (2) the extent that the FSOC Members were engaged in the development of the new guidance considering such factors as lessons learned and any identified barriers from earlier guidance; and (3) the impact on the nonbank designation process as a result of the new guidance compared to the preexisting guidance and process.

The Treasury OIG is conducting this audit and is working with the relevant CIGFO agencies in obtaining the required information.

## **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 or evaluation reports issued during the reporting period lacking Commission response within 60 days, and no instances of an audit or evaluation 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 lacking or revised during the reporting period, and the Inspector General did not disagree with any management decisions on OIG audit or evaluation recommendations during the reporting period.

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

There are five new recommendations from FY 2024, and one significant recommendation from FY 2020 where corrective action has not been completed, as relayed in the tables that follow, with explanatory text.

**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
2024	2	5	N/A	0
2020	1	1	N/A	0
<b>Totals</b>	<b>3</b>	<b>6</b>	<b>N/A</b>	<b>0</b>

**Table 2: Detail of Unimplemented Recommendations**

Fiscal Year	Audit Report	Unimplemented Recommendations
2024	Audit of CFTC’s Compliance with the Payment Integrity Information Act (PIIA)	<b>One new</b> recommendation to enhance the accuracy of personnel records and future payments.
2024	FY 2024 FISMA Audit	<b>Four new</b> recommendations to further assist the Commission in strengthening its information security program and integrating into the agency’s enterprise risk management program.
2020	FY 2020 FISMA Audit*	<b>One</b> outstanding recommendation to enhance the CFTC’s privacy program.

\* In FY 2020, the privacy program determined the Commission’s existing privacy policies and procedures were out-of-date. In FY 2021, the program commenced a comprehensive review of federal privacy laws and policies. In FY 2022, the privacy program began to work with stakeholders across the Commission to draft an enterprise privacy policy that aligns with the requirements in federal privacy laws and policies. In FY 2023, the privacy program planned to finalize the draft enterprise privacy program policy and work with the CFTC Policy Governance Board (PGB) to facilitate the intra-agency review of the proposed policy. The development of procedures is ongoing. The Acting Chief Privacy Officer continues to work with the Senior Agency Official for Privacy to review the privacy program’s staffing and resourcing and to develop a plan to address the current resource constraints.





## EVALUATIONS

We began the reporting period with no Evaluations pending. During the reporting period the Inspector General established the CFTC OIG Office of Evaluations. We recruited a program analyst to join the team and began recruitment for the Assistant Inspector General for Evaluations in September 2024. We plan to hire one additional staff member in FY 2025, pending budget allocation. In June 2024 we began one new evaluation, described below, which was pending at the close of the reporting period.

### Ongoing Evaluations

#### **OIG Evaluation 24-E-01: Review of CFTC’s Non-Disclosure Policies, Forms, and Agreements to Assess Compliance with the Whistleblower Protection Enhancement Act of 2012**

On March 11, 2024, Senator Chuck Grassley sent a [letter](#)<sup>19</sup> to numerous Inspectors General requesting review of their respective federal agencies’ implementation of non-disclosure policies and similar agreements to determine whether they included certain statutory whistleblower protection provisions. Accordingly, in June 2024 we announced an evaluation which will review CFTC’s non-disclosure policies, forms, and agreements to assess compliance with the Whistleblower Protection Enhancement Act of 2012. Fieldwork was ongoing at the close of the reporting period.



# INVESTIGATIONS

## People & Processes

During the reporting period the Office of Investigations welcomed a new Assistant Inspector General for Investigations and new Investigations Counsel. Previously, all investigative positions had been vacant since August 2023. With these personnel in place, the investigations team has updated complaint intake procedures, begun drafting a new investigations manual, and procured a new case management system that will facilitate internal communications, investigative planning, and record retention practices. Implementation of the new procedures and case management system is scheduled for the next reporting period.

## Investigations

During the reporting period, the Office of Investigations reviewed four investigations that were previously reported as open or pending. Upon review, we determined that all four cases warranted no further investigative activity and should have previously been reported as closed for the following reasons, *inter alia*:

1. A report of investigation had been issued and no further CFTC OIG investigation was appropriate leaving the case closed as of issuance of the investigative report (in one case);
2. The issues raised did not warrant investigation because they did not allege violations of legal or policy standards appropriate for OIG investigation (in two cases); and
3. The subject of the investigation had sought and received approval from agency ethics officials regarding the conduct at issue (in one case).

There were no findings of whistleblower retaliation during this reporting period and no findings involving a senior government employee where allegations of misconduct were substantiated. We ended the reporting period with no open investigations.

## Complaints

We began the reporting period with eight complaints pending, seven of which were closed without opening investigations due to legal considerations,<sup>20</sup> staleness, or vagueness.<sup>21</sup>

During the reporting period, the investigations team received 43 complaints (23 via email, 10 via online portal, four in person, two via the phone hotline, two via postal mail, one via Microsoft Teams message, and one by email directly to the Inspector General). During the reporting period, 26 complaints were referred to the CFTC Division of Enforcement (DOE), five were referred to other federal entities for potential action, five were closed based on legal considerations, two were referred internally for possible treatment as an audit or evaluation, one was declined due to vagueness, and four are undergoing further analysis. We therefore finished the reporting period with five open complaints, including one complaint undergoing further analysis from a previous reporting period.

During the reporting period, the team updated the OIG email complaint inbox with an automated response that informs each submitter of the online portal and instructs that all information must be submitted through the portal. The automated response also instructs contacts how to submit complaints that allege violations of the Commodity Exchange Act (CEA) to the DOE. This improves the prior practice of referring email intakes to CFTC DOE by directing CEA complaints directly to DOE; however, the investigations team will continue to refer information received through the OIG intake portal to the CFTC DOE and to other entities as appropriate, and investigations personnel will continue to monitor the email inbox and the OIG telephone hotline.

## Ongoing Investigative Matters and Required Disclosures

At the close of this reporting period, the Office of Investigations had no ongoing investigations and five open complaints under consideration. All open investigations are confidential, as are the content of incoming allegations. CFTC OIG does not disclose non-public 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**

April 1, 2024 – September 30, 2024 <sup>22</sup>		
A.	Completed investigations	0
B.	Referrals to prosecuting authorities for criminal prosecution	0
C.	Indictments from prior referrals	0
D.	Whistleblower retaliation findings	0

It is our practice to discuss potential criminal investigations early with the Department of Justice to ensure matters of interest are coordinated from the outset. No formal referrals for prosecution were made during the reporting period.



## TOP MANAGEMENT CHALLENGES

In accordance with the Reports Consolidation Act of 2000, we identify the most serious management and performance challenges facing the Commission and provide a brief assessment of the Commission's progress in addressing those challenges. Each challenge area is related to the CFTC's mission and reflects continuing vulnerabilities and emerging issues. The following identifies the CFTC's most significant management and performance challenges in our FY 2025 report, which is based on our experience and observations from our oversight work:

1. Pending Digital Assets Legislation: The Financial Innovation and Technology for the 21st Century Act (FIT21)
2. Expiration of Customer Protection Fund Expense Account (Whistleblower Program)
3. CFTC Headquarters Relocation
4. Maturing Enterprise Risk Management Practices
5. Maintaining a Proactive Cybersecurity Posture

We have prepared and plan to issue a detailed report concerning the foregoing challenges during the next reporting period.



# LEGISLATIVE & REGULATORY PROJECTS

## Introduction and Summary

As specified in Section 4(a)(2) of the Inspector General Act of 1978,<sup>23</sup> OIG may review the impact of existing and proposed legislation and regulations on CFTC programs and operations and make recommendations regarding more effective or efficient alternatives or protections against fraud and abuse. The OIG may also review exchange rule proposals circulated to senior staff at the CFTC.

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

## Legislative Activities

The OIG reviews legislation impacting programs and operations of the CFTC, and initiates contact with Congressional staff concerning various Agency and IG issues as appropriate. In addition, the IG serves on CIGIE Legislation Committee, which comments on proposed amendments to the IG Act and other legislation affecting the IG community. CFTC OIG participated in legislation committee efforts. No formal projects were undertaken during this reporting period.

## Pending Legislation

The Financial Innovation and Technology for the 21st Century Act (FIT21) proposes to amend the Commodity Exchange Act (CEA) to formally define digital assets and digital commodities regulated by the CFTC for the first time. In addition, FIT21 will:

- Establish new categories of CFTC registrants pertaining to digital asset transactions;
- Provide for CFTC regulation of new registrants;
- Require the CFTC to share certain information regarding digital commodity exchanges with the Board of Governors of the Federal Reserve, the Securities and Exchange Commission, and certain additional federal and State entities;
- Authorize the collection of fees to offset related costs;
- Codify the CFTC's LabCFTC;
- Establish a CFTC-SEC Joint Advisory Committee on Digital Assets; and
- Require certain studies prepared in coordination with the Securities and Exchange Commission.

The Chairman has acknowledged that regulating digital assets within CFTC jurisdiction will impose substantial additional costs to the agency.<sup>24</sup> Regarding FIT21, the Congressional Budget Office has opined, "future appropriation laws would set fees in a manner such that the collection of additional fees would roughly offset the costs for the CFTC to implement H.R. 4763."<sup>25</sup>

The OIG anticipates this pending legislation as a potential challenge for the CFTC. This legislation would require the CFTC to implement new registrant categories, complete necessary rulemakings, implement disclosure and cooperative efforts mandated under FIT21, and to continue enforcement activities related to the digital asset industry falling under CFTC jurisdiction. Challenges include obtaining additional qualified staff necessary to create and implement regulations and conduct cooperative efforts required under FIT21, launching and maintaining necessary additional data systems and analytics, and management of additional budgetary resources.



## PEER REVIEWS

An important function in each agency OIG is the peer review process. GAGAS requires 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 GAGAS and CIGIE peer review quality control and assurance standards, an OIG audit team assesses other OIGs' audit functions. 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.

### **Most Recent Peer Review of the CFTC OIG Audit Function**

The Equal Employment Opportunity Commission (EEOC) OIG reviewed the system of quality control for the CFTC OIG audit organization in effect for the year ending March 31, 2022. Although the peer review identified no substantive deficiencies with the audits reviewed, the CFTC Audit Program received a rating of "fail." The CFTC OIG respectfully disagreed with some of the conclusions of the audit peer review report but accepted the results with reservations. The peer review report is published to our [webpage](#) and our response is provided on page 14. Our organization benefited from this report, and we thank the EEOC OIG team for its thorough examination of our audit function.

The Office of Audits implemented corrective actions and consulted with an independent contractor, to assure the function is current with all applicable audit standards. As such, the independent contractor performed a quality assurance review which did not identify any significant deficiencies in the design or compliance of the CFTC OIG audit quality control system.

## **Most Recent Peer Review of the CFTC OIG Investigation Function**

Investigative peer reviews are conducted under CIGIE peer review standards to evaluate compliance with the requirements of the [CIGIE Quality Standards for Investigations](#) and the adequacy of internal safeguards and management procedures. CFTC OIG last voluntarily submitted to a peer review of its investigative function in 2013; the Federal Trade Commission, Office of Inspector General, reviewed the system of quality control for the CFTC OIG investigative function and concluded that the system of internal safeguards and management procedures for the CFTC OIG investigative function complied with the quality standards adopted by CIGIE, and provided a reasonable assurance of conforming with professional standards in the conduct of investigations.<sup>26</sup>

## **Most Recent Peer Review of the CFTC OIG Evaluation Function**

During this reporting period the AmeriCorps Office of the Inspector General (OIG) completed a Modified Inspection and Evaluation Peer Review Report of the Commodity Futures Trading Commission (CFTC) OIG's Inspection and Evaluation (I&E) Program. This review consisted of an examination of the office's I&E policy as the CFTC OIG did not issue any I&E reports during the period under review. The AmeriCorps OIG identified instances in which the I&E policy was inconsistent with the updated [CIGIE's Quality Standards for Inspection and Evaluation, December 2020 \(Blue Book\)](#), and recommended that the CFTC OIG update its policy.

We concur with the recommendations and plan to take corrective action. The CFTC OIG has undergone significant staff turnover since 2023, including the departure of the Inspector General. The CFTC OIG has prioritized reviewing and updating internal policies to ensure compliance with mandated legal requirements and CIGIE standards. As such, we have implemented a new Evaluations policy which supersedes the policy reviewed during this peer review. Additionally, we are in the process of hiring the CFTC OIG's Assistant Inspector General for Evaluations. Our organization will benefit from this report, and we thank the AmeriCorps OIG team for its thorough examination of our I&E policy.

There are no open recommendations from prior peer reviews conducted by the CFTC OIG or conducted on the CFTC OIG.





## SUMMARY OF FINAL REPORTS NOT MADE PUBLIC

All reports issued during this reporting period were published as required by law. Executive summaries of our FISMA audits for FY 2023 and FY 2024 were published due to the reports' sensitivity.



## CONTACTING THE OFFICE OF THE INSPECTOR GENERAL

The CFTC 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. Our email address for general questions and discussion is [OIGEmail@cftc.gov](mailto:OIGEmail@cftc.gov). Please visit the [OIG webpage<sup>27</sup>](#) for additional information.

If you wish to file a hotline complaint, please complete the online complaint [form<sup>28</sup>](#) or call the OIG hotline at 202-418-5510. You may choose to remain confidential or file a complaint anonymously. If you wish to file a complaint with the CFTC OIG, please provide sufficient information so that we can initiate an inquiry as insufficient information can hinder the OIG's investigation.

The OIG will protect your confidentiality to the fullest extent practicable, by not disclosing your identity. In very rare circumstances, it may be necessary for the OIG to disclose the identity of its sources. For example, in a criminal investigation, the OIG may be required to reveal the identity of its source to the Assistant U.S. Attorney who is handling the case. If the OIG is required to reveal the identity of a source who requested confidentially, the source will be notified prior to disclosure and provided an explanation as to why his or her identity must be revealed. All sources who provide information to the OIG are protected from retaliation under federal law.



# APPENDICES

## Appendix 1 – Reports Issued with Questioned Costs

April 1, 2024 – September 30, 2024

		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

## Appendix 2 – Reports Issued with Recommendations That Funds Be Put to Better Use

April 1, 2024 – March 30, 2024

		Number	Dollar Value 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

## Appendix 3 – Index of IG Act Reporting Requirements

5 USC Title 4	Description	Page/Link
§ 404(a)(2)	Review of Legislation and Regulations	<a href="#">19</a>
§ 405(b)(1)	Significant Problems, Abuses and Deficiencies	None
§ 405(b)(2)	Recommendations with Respect to Significant Problems	None
§ 405(b)(3)	Recommendations from Previous Reporting Periods that have not been Completed	<a href="#">14</a>
§ 405(b)(4)	Matters Referred to Prosecutorial Authorities	None
§ 405(b)(5)	Summary of Instances where Information was Refused	None
§ 405(b)(6)	Completed Audit Reports	<a href="#">11-12</a>
§ 405(b)(7)	Summary of Significant Reports	<a href="#">11-12</a>
§ 40b(b)(8)	Statistical Table – Questioned Costs	<a href="#">25</a>
§ 405(b)(9)	Statistical Table – Funds Recommended for Better Use	<a href="#">26</a>
§ 405(b)(10)	Audit Reports Issued before the Start of the Reporting Period Lacking Management Decision	None
§ 405(b)(10)	Audit Reports without Commission Response after 60 Days	None
§405(b)(10)	Audit Reports Issued before this Reporting Period with Outstanding Unimplemented Recommendations, with Aggregate Potential Cost Savings	<a href="#">14</a>
§ 405(b)(11)	Significant Revised Management Decisions	None
§ 405(b)(12)	Management Decisions with which the IG Disagrees	None
§ 405(b)(14)	Peer Review Information	<a href="#">21</a>
§ 405(b)(17), (18)	Investigative Statistical Information and Metrics	<a href="#">17</a>
§ 405(b)(19)	Substantiated Misconduct in Investigations Involving a Senior Government Employee	None
§ 405(b)(20)	Whistleblower Retaliation Findings	None
§ 405(b)(21)	Attempted Agency Interference with OIG Independence	None
§ 405(b)(22)	Undisclosed Inspections, Evaluations, Audits, and Investigations	None
§ 406(c)	Summary of reports to Chairman where assistance was refused	None

## ENDNOTES

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- <sup>1</sup> <https://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.
- <sup>2</sup> The contractor reviewed OIG audits conducted during the period of April 1, 2022, through March 30, 2024, and performed their work in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the Council of Inspectors General on Integrity and Efficiency (CIGIE) "Guide for Conducting External Peer Reviews of the Audit Organizations of the Federal Office of Inspector General."
- <sup>3</sup> U.S. Commodity Futures Trading Commission, [Strategic Plan FY 2022-2026](#) (March 2022), page 3. All links in this paper were last tested on October 26, 2024.
- <sup>4</sup> Id., page 3.
- <sup>5</sup> 7 U.S.C. § 2(a)(2).
- <sup>6</sup> <https://www.cftc.gov/About/CFTCOrganization/index.htm>.
- <sup>7</sup> <https://www.gao.gov/products/gao-21-368g>.
- <sup>8</sup> <https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf>.
- <sup>9</sup> <https://www.ignet.gov/sites/default/files/files/invprg1211appi.pdf>.
- <sup>10</sup> <https://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.
- <sup>11</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, P.L. 111-203, 124 Stat. 1376 (2010).
- <sup>12</sup> The FSOC voting members are: Secretary of the Treasury (also serves as FSOC chairman); Comptroller of the Currency; Directors of the Consumer Financial Protection Bureau and Federal Housing Finance Agency; Chairpersons of the Federal Reserve, Security and Exchange Commission, Commodity Futures Trading Commission, Federal Deposit Insurance Corporation, and National Credit Union Administration; and an independent member appointed by the President, by and with the advice and consent of the Senate, having insurance expertise. 12 USC § 5321(b)(1).
- <sup>13</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. § 415(d)(1).
- <sup>14</sup> [https://www.cftc.gov/media/10971/oig\\_PIIAComplianceReport071124/download](https://www.cftc.gov/media/10971/oig_PIIAComplianceReport071124/download).
- <sup>15</sup> [https://www.cftc.gov/media/10631/oig\\_ExecutiveSummaryFY23/download](https://www.cftc.gov/media/10631/oig_ExecutiveSummaryFY23/download).
- <sup>16</sup> [https://www.cftc.gov/media/10631/oig\\_ExecutiveSummaryFY23/download](https://www.cftc.gov/media/10631/oig_ExecutiveSummaryFY23/download).
- <sup>17</sup> [https://www.cftc.gov/media/11426/oig\\_FISMAComplianceExecutiveSummary100324/download](https://www.cftc.gov/media/11426/oig_FISMAComplianceExecutiveSummary100324/download).
- <sup>18</sup> [https://www.cftc.gov/media/11426/oig\\_FISMAComplianceExecutiveSummary100324/download](https://www.cftc.gov/media/11426/oig_FISMAComplianceExecutiveSummary100324/download).
- <sup>19</sup> [https://www.grassley.senate.gov/imo/media/doc/grassley\\_to\\_oigs\\_-\\_anti-gag\\_provision.pdf](https://www.grassley.senate.gov/imo/media/doc/grassley_to_oigs_-_anti-gag_provision.pdf).
- <sup>20</sup> Legal reasons to close a complaint include instances where the alleged misconduct is not illegal, where OIG lacks jurisdiction, and where the alleged conduct is already the subject of pending litigation or investigation.
- <sup>21</sup> We retain complaints for 10 years; therefore, complaints may be reopened if appropriate upon receipt of additional information or due to other considerations.
- <sup>22</sup> These statistics were generated through an examination of digital files.
- <sup>23</sup> 5 USC § 404(a)(2) (made applicable to CFTC OIG at 5 USC § 415(g)).
- <sup>24</sup> Chairman Rostin Behnam, U.S. Senate Committee on Agriculture, Nutrition and Forestry's Hearing on the Oversight of Digital Commodities, July 10, 2024, at 1:06:10 (<https://www.agriculture.senate.gov/hearings/oversight-of-digital-commodities>).
- <sup>25</sup> [https://www.cbo.gov/system/files/2024-05/hr4763\\_house.pdf](https://www.cbo.gov/system/files/2024-05/hr4763_house.pdf).
- <sup>26</sup> See [Qualitative Assessment Review Guidelines \(ignet.gov\)](#). Newly established OIGs or those that do not have statutory law enforcement authority but conduct investigations in accordance with the Quality Standards are strongly encouraged to participate voluntarily in an investigative peer review program.
- <sup>27</sup> <https://www.cftc.gov/About/OfficeoftheInspectorGeneral/index.htm>.
- <sup>28</sup> <https://forms.cftc.gov/Forms/OIGIntake>.



