

United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

January 25, 2013

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

Dear Inspector General Lavik:

In July 2011, I sent a letter to the Office of the Inspector General of the Commodity Futures Trading Commission (CFTC OIG) (attached) raising concerns about the failing grade received on a peer review of its quality control systems.¹ I am again following up to ensure that your office has, indeed, implemented all 35 recommendations as stated in the most recent Semiannual Report.² It is vital for Congress to know that the OIG is in a position to provide the oversight necessary to ensure the functionality of all CFTC regulated markets.

In August and September of 2011, the CFTC OIG met with my staff to provide updates about the steps being taken to resolve the many issues outlined in the peer review. During those meetings, my staff was assured that the OIG had implemented most of the recommendations. Moreover, the previous three CFTC OIG Semiannual Reports have included the following statement, "...the Federal Election Commission Office of Inspector General completed a peer review of CFTC OIG, as of March 31, 2011, that resulted in 35 recommendations for improving CFTC OIG's operations. As of September 30, 2011, CFTC OIG had fully implemented all of the recommendations."

However, I remain concerned that the CFTC OIG's preparation for the peer review and the subsequent responses to the deficiencies may call into question whether the recommendations for improvement have been fully implemented. The OIG provided numerous excuses for lax controls and failure to meet procedural requirements while making assurances that the problems will be resolved within six months. However, this peer review found that three major recommendations from the 2007 review hadn't yet to be implemented, including: maintaining Continuing Professional Education requirements; audit competency; and GAGAS compliance.³

During the meetings, my staff was also assured that the Federal Elections Commission OIG (FEC OIG), the office that conducted the peer review, would return for

¹ http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/oig_peerreview.pdf.

² <http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/oigsar093012.pdf>, p. 12.

³ http://www.cftc.gov/ucm/groups/public/@aboutcftc/documents/file/oig_peerreview.pdf, p. 2.

a follow up review prior to September 30, 2011. However, the FEC OIG Semiannual Report from that period states, "In accordance with the CIGIE's peer review guidelines, it is not the responsibility of the FEC OIG to verify whether the recommendations have been implemented by the CFTC OIG, and as such, the FEC OIG has not conducted any follow-up review of the CFTC OIG to verify implementation of corrective actions."⁴

Congress depends on the Inspector General's office to ensure that the Department or Agency is spending taxpayer dollars wisely. For these reasons, please provide the following information:

- 1) Please provide detailed documentation of all steps taken to ensure that these problems were resolved within six months. Please include a detailed explanation of how the office continues to maintain the highest professional standards now and in the future.
- 2) Three of the recommendations contained in the 2011 peer review - maintaining Continuing Professional Education requirements, audit competency, and GAGAS compliance - are repeated from the 2007 peer review audit. Please documentation that these recommendations have been fully met.
- 3) The peer review raised concerns about the lack of detailed documentation for OIG budget proposals. Please provide documentation of the steps taken by the OIG to meet this requirement.

In light of these concerns, I am also requesting a staff briefing in which the Inspector General will provide detailed documentation of how and when the peer review deficiencies will be resolved. Please contact Janet Drew or Chris Lucas on my staff at 202-224-5225 to schedule the briefing at your earliest convenience.

Sincerely,



Charles E. Grassley
Ranking Member

⁴ <http://www.fec.gov/fecig/documents/semi11b.pdf>, p. 21.