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Report to the Chairman, Subcommittee on Nutrition and Investigations, Committee on Agriculture, Nutrition, and Forestry, U.S. Senate

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EMPLOYEE FINANCIAL DISCLOSURE

CFTC System Affords Reasonable Protection Against Conflicts of Interest

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The Honorable Tom Harkin
Chairman, Subcommittee on Nutrition
and Investigations
Committee on Agriculture, Nutrition,
and Forestry
United States Senate

Dear Mr. Chairman:

This report, the third in response to your request, evaluates the employee financial disclosure system of the Commodity Futures Trading Commission (CFTC), an independent regulatory agency. As agreed with the Subcommittee, we determined whether CFTC's system reasonably ensures that conflicts between its employees' duties and their outside interests will be prevented and, when they exist, will be detected and resolved. We earlier reported to you on the disclosure systems of the Department of Agriculture and the Farm Credit Administration.[1]

CFTC is subject to the Ethics in Government Act of 1978, as amended; related executive orders; and implementing regulations issued by the Office of Personnel Management (OPM) and the Office of Government Ethics (OGE). As such, CFTC is required to implement a system of financial disclosure. The system is to provide for the (1) identification of employees who must file reports on their outside financial interests, (2) collection of the reports by dates specified in the 1978 act or agency instructions, and (3) review of the reports to ensure they are complete and to identify any conflicts of interest. Conflicts of interest that CFTC identifies are to be resolved by appropriate administrative action, such as having the employee dispose of the interests or changing the employee's assigned duties.

Results in Brief

CFTC has established a system of controls that, under current requirements, should provide reasonable assurance that conflicts of interest will be prevented. The agency's approach to preventing conflicts is to (1) restrict employees' outside financial interests and (2) annually require all employees to report outside interests for CFTC's review or certify they have no such interests that conflict with their CFTC duties.

[1]Financial Disclosure: USDA's System Limited by Insufficient Top Management Support (GAO/GGD 90-100, July 13, 1990) and Employee Financial Disclosure: Farm Credit Administration System Is Generally Operating Effectively (GAO/GGD-90-115, Sept. 27, 1990).

example, it did not make decisions on 19 public reports out of 31 filed in 1989 until more than 60 days (the maximum allowed by the 1978 act) and in some cases more than 180 days after CFTC received the reports. CFTC also did not require employees filing confidential reports to disclose certain information (namely, employees' financial transactions during the year and the dollar value of employees' financial holdings at the end of the year) that, in our view, was necessary in reviewing outside interests and making conflict decisions. CFTC also had not established an ethics training program.

Background

An agency of 558 employees in June 1989, CFTC is headed by a chairman and four commissioners nominated by the president and confirmed by the Senate. The agency is responsible for administering federal legislation and developing comprehensive regulations to protect the public from fraud and manipulation in, and to ensure the financial integrity of, the commodity futures markets. CFTC oversees these markets by making regular or periodic examinations of self-regulatory organizations, such as the Chicago Board of Trade and the Chicago Mercantile Exchange; maintaining a surveillance system for oversight of daily trading activity; and reviewing and approving rules and rule changes. CFTC provides direct regulation primarily by rulemaking, investigating alleged wrongdoing, and hearing complaints of market participants.

The 1978 act requires high-level federal employees, such as presidential appointees and senior executives, to file public disclosure reports by May 15 each year. OPM regulations require employees not covered by the above public disclosure requirements and in positions designated by agencies for confidential disclosure to report outside financial interests as of June 30 each year. The OPM regulations do not specify when the reports are to be submitted to agencies. CFTC's regulations on financial disclosure (17 C.F.R. 140.735) require employees in CFTC-designated positions to prepare confidential disclosure reports as of June 30. CFTC's reporting instructions require employees to submit reports to CFTC by July 15 each year.

CFTC has named the General Counsel, who reports to the CFTC Chairman, as the Designated Agency Ethics Official (DAEO). As such, the General Counsel is responsible under OGE regulations (5 C.F.R. 2638) for CFTC's entire ethics program, including training and counseling, public and confidential disclosure, and ethics program evaluation. The General Counsel, and a Deputy General Counsel who acts as alternate DAEO, are authorized to make conflict-of-interest decisions for public disclosure the 23 reports we selected. We also determined whether CFTC implemented recommendations made by OGE in 1986 to improve the CFTC disclosure system.

Our review, made during the period from August 1989 to May 1990 at CFTC headquarters where disclosure reports were received, reviewed, and maintained, was done in accordance with generally accepted government auditing standards.

Employees' Outside Financial Interests Are Restricted and Must Be Reported

CFTC has reduced the risk of conflicts of interest by (1) restricting employees' outside financial activities and (2) requiring all employees to file reports or certifications concerning their financial interests.

CFTC Restricts Outside Financial Activities

CFTC's regulatory functions present significant risks of conflict between employees' duties and their financial interests. Employees assigned to these functions have duties and responsibilities that can affect financial organizations and transactions outside CFTC. For example, economists in the Division of Economic Analysis survey the commodity futures markets to detect and prevent actions by companies to manipulate commodity prices. Employees in this division analyze the terms of commodity futures contracts to ensure that they are not susceptible to price manipulation or distortion. These employees and those in other CFTC offices and divisions, such as the Division of Trading and Markets and Division of Enforcement, are in positions to potentially benefit from their relationships with, or knowledge of, individuals and organizations outside CFTC.

To deal with such risks, CFTC prohibits or limits employees' interests in outside entities that are subject to CFTC oversight or direct regulation. The Commodity Exchange Act of 1936, as amended, imposes certain restrictions on CFTC employees' outside interests, such as not allowing employees to directly buy and sell commodity futures contracts. CFTC has implemented these restrictions and provided additional restrictions and guidance through its Code of Conduct. CFTC requires the Code to be distributed to all its employees when they begin employment with the agency.

All Employees Must File Financial Disclosure Reports or Certify No Conflict of Interest Exists

CFTC monitors employees' compliance with the Code and other requirements, such as those in the 1978 act and related regulations, through its financial disclosure system. CFTC requires all employees to annually file either (1) a financial disclosure report (public or confidential) showing interests outside CFTC that are to be reviewed for conflicts of interest or (2) a certification of compliance indicating that no conflicts of interest exist.

CFTC's regulations include specific criteria on who must file each type of disclosure report and certifications of compliance. The regulations require annual confidential reporting by all employees at the GS-13 through GS-15 levels. Regardless of grade level, all attorneys, auditors, economists, investigators, and futures trading specialists must file confidential reports because they (1) have access to sensitive, nonpublic information and (2) can influence CFTC decisions through their collection and analysis of data.

According to CFTC, other employees not covered by public and confidential disclosure requirements also have access to sensitive, nonpublic information. Therefore, CFTC requires every employee who is not required to file a public or confidential report to file certifications of compliance by July 15 each year. They must certify that they have no financial interests, including outside employment, that violate the Code.

Thus, all CFTC employees must file reports on their outside interests or certifications of compliance at least annually. According to a CFTC personnel official, as of May 1989, CFTC had required public disclosure reports from 31 employees; confidential reports from 318 employees, such as economists, attorneys, and auditors; and certifications from the remaining employees.

Employees Filed Required Disclosure Reports and Usually Did So by Due Dates

CFTC had procedures for identifying employees who must file disclosure reports, notifying employees to file, and following up with late filing employees. To identify employees who must file each year, CFTC officials said the Office of Information Resources Management uses a computer program to identify from the automated payroll system each employee's grade/pay level, position, and type of appointment. The officials said this information allows them to determine the type of report (public, confidential, or certification) that each CFTC employee must file. Officials in CFTC's Office of General Counsel and Office of Personnel said they use lists provided by Information Resources Management to notify all CFTC employees of filing requirements. In 1989, General Counsel and of the Division of Economic Analysis obtain reports, within 5 days, from employees who should have filed by July 15 but had not filed. Most (13 of 19) of the late confidential reports due from GS-15 employees were filed within 30 days after the due date. Six reports were filed more than 30 days after the due date. We do not know why these employees did not file their reports earlier.

CFTC Report Reviews Included Steps to Detect Errors and Conflicts of Interest

When reviewing public and confidential reports, General Counsel and Personnel reviewers took steps to determine whether employees followed reporting guidelines and complied with prohibitions and limitations on their outside financial interests. If the outside interests reported by employees do not meet the restrictions and other requirements, the reviewers are to determine whether the employees should take remedial action such as to recuse themselves from certain CFTC activities or dispose of the interest to meet requirements.

Reviewers in General Counsel and Personnel required errors in disclosure reports, such as the omission of required information, to be corrected. For example, General Counsel reviewers required 6 of the 9 public reports in our sample to be corrected before making conflict-of-interest decisions. General Counsel and Personnel reviewers also questioned employees' interests in persons or organizations subject to CFTC oversight or direct regulation. Of the 9 public and 14 confidential reports that we reviewed, 6 reports (2 public and 4 confidential) disclosed interests in large traders. The CFTC reviewers determined that none of the employees' interests were in conflict with related CFTC restrictions. The CFTC reviewers determined that none of the outside interests in the 23 reports posed apparent or possible conflicts of interest. We also determined, on the basis of information available during the review and requirements in the 1978 act and implementing regulations, that the reported interests did not present conflicts of interest.

CFTC Can Strengthen Certain Financial Disclosure Procedures

Although CFTC's disclosure system was generally operating effectively, CFTC can make certain improvements in the administration of the system. These improvements include (1) making more timely conflict-of-interest decisions and (2) requiring additional information in confidential disclosure reports for such decisions.

final and signed to indicate no conflicts of interest existed until February 1990.

We believe that the lengthy delays, ranging up to more than 6 months, in completing the reviews of some public and confidential reports indicate that review timeliness needs improving. Of the 26 public report reviews that were completed late, 20 were reviewed from 61 to 180 days after receipt, and 6 were completed more than 180 days after receipt. As table 3 shows, Personnel completed the final review of 54 of the 87 confidential reports more than 60 days after the employees' signature dates on the reports. Of these 54 reports, 24 were reviewed between 61 and 180 days, and 30 were reviewed more than 180 days after the employees' signature dates.

Until CFTC completes its reviews of employees' reported outside interests, it runs the risk that conflicts of interest will exist but will not be detected and resolved. Accordingly, we believe that CFTC needs to establish a time limit for completing reviews of confidential disclosure reports and ensure that both public and confidential reports are reviewed within the established time limit.

Additional Information in Confidential Reports Is Needed for Monitoring Outside Interests

In 1988 and 1989, CFTC did not require employees to provide information in confidential reports on (1) their financial transactions during the year and (2) the value of their financial interests. Although current federal regulations do not specifically require this information, we believe it is needed to help CFTC and its employees ensure that outside interests meet CFTC restrictions and other requirements.

Financial Transactions Not Reported

CFTC required employees filing confidential reports—unlike those filing public reports—to annually report financial interests held on the last day of the reporting period (June 30) but did not require them to report changes in interests that occurred during the reporting year. Although the CFTC Code restricts employees' outside financial interests that could pose conflicts of interest, we believe that information on employees' transactions during the year, as well as their holdings at the end of the year, is needed for monitoring compliance with the Code. Currently, employees can engage in prohibited transactions, such as the purchase and sale of commodity futures contracts, during the year and not be required to disclose the transactions in their year-end disclosure reports because they do not hold the financial interests on the last day of the reporting period, June 30.

CFTC Implemented Most of OGE's 1986 Recommendations

To improve the disclosure system, CFTC made changes in its report review procedures that OGE recommended in a January 1986 report to the DAEO. For example, in response to the OGE report, the DAEO advised OGE that General Counsel and Personnel would (1) use consistent criteria in determining whether employees' outside interests pose conflicts of interest and (2) share information, such as Personnel's microfiche list of CFTC registrants and large traders, that each needed to review reports. We determined in our review of selected public and confidential disclosure reports that General Counsel and Personnel reviewed reports using the same criteria and shared information in their respective reviews.

Although the OGE recommendations dealt mainly with the disclosure system, OGE recommended as well that the DAEO establish a CFTC-specific ethics training program for all its employees. In October 1986, when OGE made a follow-up visit to CFTC, the DAEO said he had not established the recommended ethics training program because legislative changes were being considered that could affect restrictions on CFTC employees' outside financial interests.

According to OGE, an ethics training program has been required since passage of the Ethics in Government Act of 1978, but the requirement in the act and implementing regulations is very general. In April 1989, President Bush issued Executive Order 12674 containing specific requirements for ethics training. The order requires, among other things, that agency heads, in coordination with OGE, develop annual agency-specific ethics training plans. The order requires mandatory annual briefings on ethics and standards of conduct for those employees required to file public or confidential disclosure reports.[9]

In September 1990, CFTC still had not developed a program of regular ethics training for its employees. At that time, ethics training was limited to new CFTC employees and given as part of their orientation. According to CFTC General Counsel officials, changes in both the commodity futures laws and ethics laws and regulations have delayed the development of a CFTC ethics training program.

Conclusions

CFTC has reduced the risk of conflicts of interest by restricting the financial interests of all its employees. In our view, on the basis of applicable

[9]In September 1990, OGE published proposed regulations on executive agency ethics training programs (55 Fed. Reg. 38,335)

Major contributors to this report are listed in appendix I. Please contact me on 275-5074 if you have any questions about this report.

Sincerely yours,

Bernard L. Ungar

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Michael R. Volpe, Assistant General Counsel requirements for financial disclosure, CFTC's system provides a reasonable basis for monitoring compliance with the restrictions on employees' outside interests.

Although CFTC improved the system in response to OGE recommendations, the administration of the system can be further improved. Specifically, CFTC needs to ensure that (1) conflict-of-interest decisions are made in a timely manner, (2) confidential reports provide all the information necessary for conflict-of-interest decisions, and (3) an ethics training program is established for all CFTC employees.

Recommendations

To further reduce the risk of conflicts of interest and improve the CFTC disclosure system, we recommend that the CFTC Chairman direct the DAEO to

- establish a time limit, such as 60 days after receipt, for completing reviews of confidential disclosure reports and ensure that (1) confidential report reviews are completed within that limit and (2) public report reviews are completed within the existing 60-day statutory limit;
- require employees to include information on their financial transactions that occur during the year in their confidential reports; and
- establish a program of regular ethics training for all CFTC employees.

Agency Comments

We discussed the contents of this report with the DAEO and other General Counsel and Personnel officials, and their comments were considered when we prepared the final report. These officials agreed with the thrust of our recommendations but said they planned to defer making changes to the agency's confidential disclosure requirements until OGE issues regulations on the subject. Given (1) the history of OGE's efforts to issue regulations on confidential requirements and (2) that OGE has not committed to a firm publication date, we believe that CFTC should make the recommended changes before the next annual filing period.

As arranged with the Subcommittee, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the issue date. At that time, we will send copies to the CFTC Chairman and other interested parties.

CFTC officials believed that the agency was complying with applicable requirements for disclosing financial transactions in confidential disclosure reports. We believe that applicable regulations do not clearly require information on financial transactions to be disclosed in confidential reports. Even so, we believe that CFTC needs this information for conflict-of-interest decisions and should require employees to provide it in their confidential disclosure reports, because without this information CFTC cannot review employees' transactions during the year and determine whether they meet CFTC restrictions and other requirements.

The Department of Agriculture, like CFTC, did not require employees to report their financial transactions in confidential reports, but the Department has since agreed to request OGE approval to include this requirement.[7] Because current regulations are unclear regarding employees' financial transactions, we recommended, in June 1990, that OGE require information on financial transactions to be reported in confidential disclosure reports.[8] The OGE Acting Director said this requirement will be included in regulations now being developed.

Value of Outside Interests Not Reported

CFTC required employees to identify certain entities in which they had financial interests but did not require them to disclose in confidential reports the dollar or share value of such interests. As mentioned earlier, CFTC restricted certain employees' holdings to a specific number of dollars or shares, such as $25,000 or 10 percent of the outstanding shares of entities trading commodity futures contracts. Because CFTC did not receive information in the reports to compare the values of employees' holdings against the restrictions, Personnel had to contact filers to obtain this information when employees reported interests in entities subject to the restrictions.

Because CFTC needs information on employees' financial transactions for making conflict-of-interest decisions, we believe that employees should be required to provide the information when filing their reports. We discussed the need for this information with Personnel officials during our review. Subsequently, in June 1990, CFTC issued instructions to require that employees include the number and value of shares held in reported entities.

[7] Our report entitled Financial Disclosure: USDA's System Limited by Insufficient Top Management Support (GAO/GGD-90-100, July 13, 1990) contains a more detailed discussion on current regulatory requirements for disclosure of financial transactions in confidential reports.

[8] Office of Government Ethics: Oversight Role (GAO/T-GGD-90-48, June 5, 1990).

Conflict-Of-Interest Decisions Should Be More Timely

General Counsel reviewers did not complete the review of public reports within the time required by the act—60 days after receipt—for 26 of the total 60 public reports filed in 1988 and 1989, as table 2 shows.

Table 2: Public Report Review Timeliness

	1988	1989	Total
Total number of annual reports	29	31	60
Review completed[a]			
Within 60 days	22	12	34
More than 60 days	7	19	26

[a]We used the reviewing official's signature date on the report to indicate the review completion date

CFTC did not require confidential reports to be reviewed within any specified period of time. Current federal regulations on confidential disclosure do not establish a time limit for these reviews. However, as stated earlier, the 1978 act imposes a 60-day standard for review of public reports. OGE has proposed a 60-day standard for review of confidential reports.[6] Were a 60-day standard in effect for confidential reports, CFTC would not have met the standard for most of the 87 reports filed by GS-15 employees in 1988 and 1989, as table 3 shows.

Table 3: Confidential Report Review Timeliness Assuming a 60-Day Review Requirement

	1988	1989	Total
Total GS-15 annual reports filed	39	48	87
Review completed[a]			
Within 60 days	7	26	33
More than 60 days	32	22	54

[a]We used the Personnel reviewing official's signature date on the report as the review completion date

A General Counsel official responsible for reviewing public reports believed that, when compared to the number required to be reviewed and the other work required of the report reviewers, the number of public report reviews completed late was not significant. A Personnel official said that, in 1989, some of the confidential reports that were not reviewed within 60 days had been initially reviewed within 60 days but, because of a misunderstanding within Personnel, were not reviewed in

[6]OGE proposed the 60-day review standard in regulations published in the Federal Register in December 1986. In August 1990, the Acting Director of OGE said OGE had reworked the regulations in response to the Ethics Reform Act of 1989 and was consulting with OPM and the Department of Justice on the revised regulations as required by presidential executive order. According to the Acting Director, no firm publication date had been set, pending completion of OGE's consultation with OPM and Justice

Personnel sent notifications to employees at least 30 days before public reports were due on May 15 and before confidential reports and certifications of compliance were due on July 15.

We determined that in 1988 and 1989 all employees required to file annual public reports and all employees at the GS-15 level required to file annual confidential reports did so. Most of these employees filed reports on time in both years, as table 1 shows.

Table 1: Timeliness of Annual Reports Filed for 1988 and 1989

	1988	1989	Total
Public reports			
Number required	29	31	**60**
Number filed			
By due date	27	29	**56**
After due date	2	2	**4**
Confidential reports			
Number in GAO sample	39	48	**87**
Reports filed[a]			
By due date	29	39	**68**
After due date	10	9	**19**

[a]We used employees' signature dates on reports to indicate the filing dates for confidential reports CFTC recorded receipt dates for public reports but not for confidential reports

CFTC took steps to obtain late reports due in 1988 and 1989. CFTC employees who file public reports are few in number, and an Office of General Counsel official said that her office made contacts orally with employees to obtain late public reports. As table 1 shows, four public reports were late for the 2 years combined. Two reports were filed 7 days after the due date, and a third one was filed 79 days late. A General Counsel official said, after consulting with OGE on the fourth report, that the employee who had since left CFTC filed a report but not until 203 days after the due date. The employee reported financial interests as of the date that the report was filed.[5]

To obtain late confidential reports, Personnel sent letters to division and office heads requesting them to obtain employees' reports. For example, on July 26, 1989, the Director of Personnel requested that the Director

[5]The 1978 act did not provide any penalty for late filing of public reports until it was amended by the Ethics Reform Act of 1989 (P L. 101-194, Nov. 30, 1989). Beginning with reports due after January 1, 1991, a filing fee of $200 must be imposed against employees who file public reports more than 30 days after due dates or the extension dates approved by the agency, unless the filing fee is waived by the supervising ethics office, i.e., OGE for the executive branch.

Among other restrictions, the Code provides that CFTC employees are not to have the following outside interests:

- any beneficial interest in an organization regulated by CFTC, such as registered futures commission merchants;
- a significant beneficial ownership involving any person or organization required to file reports under the Commodity Exchange Act, such as large commodities traders; or
- purchase or sell any securities of a company that is involved in a pending CFTC investigation, a proceeding before CFTC or in which CFTC is a party, or other matters under CFTC's consideration that could significantly affect the person or organization.[4]

The commodity futures markets were originally designed for agricultural-based products and have expanded to include contracts based on nonagricultural commodities such as metals, foreign currencies, and financial instruments. As these changes occurred, CFTC supplemented the Code with related guidance on ethics matters and imposed new financial restrictions on employees. For example, in 1984, the DAEO prohibited all CFTC employees from participating in futures contracts on stock indexes and options on stock indexes, such as the Standard and Poor's 500 Stock Price Index futures contracts traded on the Chicago Mercantile Exchange. The DAEO determined that such financial instruments that are the subjects of futures contracts that CFTC has authorized for trading fall within the definition of the term "commodity" used in section 9(d) of the Commodity Exchange Act.

Along with addressing changes in the futures markets, since 1982, the DAEO had provided guidance in areas such as post-employment, acceptance of food and refreshment, and political activity. According to CFTC officials, restrictions in the Code and guidance issued by the DAEO apply to all CFTC employees—regardless of grade level and duties—their spouses, minor children, and other relatives who are residents of their immediate household.

[4]CFTC has defined terms used in the Code. For example, significant beneficial ownership is defined to mean more than 10 percent or $25,000 of the outstanding stock of a person or organization subject to CFTC reporting requirements. Employees may have financial interests in these entities up to these limitations. CFTC has identified the types of outside entities that are the subjects of the prohibitions and limitations.

reports. CFTC has assigned responsibility to the Director of the Office of Personnel, who reports to the CFTC Executive Director, for administering the confidential disclosure system, including making conflict-of-interest decisions.

Under the 1978 act, OGE is responsible for developing ethics policies for the executive branch. OGE reviews agency ethics programs, including financial disclosure systems, to determine whether the programs conform with requirements of the act and regulations. OGE last reported on CFTC's disclosure system in January 1986.

Objectives, Scope, and Methodology

To determine how CFTC protects against employee conflicts of interest we (1) reviewed the agency's policies and guidance to determine whether they reasonably restrict employees' outside financial interests that could pose conflicts; (2) determined which of CFTC's employees must submit reports on outside interests; and (3) compared CFTC's disclosure system with related requirements in the 1978 act, executive orders, and regulations to determine whether the system adequately conforms with those requirements.

To determine the timeliness of report filing and review we did the following work:

- We reviewed CFTC's procedures for obtaining reports by due dates specified in the 1978 act and related regulations and reviewed the reports within time periods required in the act.
- We reviewed all public disclosure reports due by May 15 in both 1988 and 1989 (60 reports) and all confidential disclosure reports due by July 15 in 1988 and 1989 from employees at the GS-15 level (87 reports). We agreed with the Subcommittee that, because of the volume of confidential reports filed at CFTC each year (318 in 1989, according to a CFTC Personnel official), we would limit our review of confidential reports to those filed by GS-15 level employees.

We assessed the adequacy of CFTC's procedures for reviewing reports and making conflict-of-interest decisions according to the 1978 act and implementing regulations by reviewing a nonrepresentative sample of public and confidential disclosure reports. We selected the sample of reports by randomly picking 9 public reports from the universe of 31 filed in 1989 and 14 confidential reports from the total 48 annual reports filed by GS-15 employees in 1989. CFTC had previously reviewed

CFTC defines in its Code of Conduct those financial interests, such as commodity futures contracts and certain investment transactions involving an actual commodity, that all employees are to avoid.[2] Over the years, CFTC has added restrictions on employees' outside interests to address new futures contracts that are based on commodities such as stock indexes and options on stock indexes.[3]

CFTC uses its financial disclosure system to enforce these restrictions and guard against conflicts of interest. In 1989, CFTC required disclosure reports from 349 of its 558 employees. The 349 employees consisted of 31 high-level employees (presidential appointees and senior executives) who were required to file reports that were available to the public. In addition to these 31 employees, 318 other employees, such as economists, attorneys, and auditors, were required to file disclosure reports that were to be kept confidential. CFTC required the remaining employees, all of whom were in positions that CFTC determined to be less susceptible to conflicts of interest, to certify that they had no conflicts of interest.

For 1989, all but 2 of the 31 employees required by the 1978 act to file public reports by the annual due date did so. In addition, all but 9 of 48 GS-15 employees required to file confidential reports by the annual due date did so. CFTC took follow-up steps, such as sending notices to the supervisors of late filing employees, and obtained these 11 late public and confidential reports.

We selected at random 23 reports filed in 1989 (9 public reports filed by high-level employees and 14 confidential reports filed by GS-15 employees) and determined whether CFTC's reviews of these reports detected apparent or potential conflicts of interest. After requiring certain employees to supplement or clarify reports, CFTC determined that none of the reports presented conflicts of interest. We also determined that the 23 reports presented no financial interests that posed conflicts of interest.

Although CFTC's disclosure system works well overall, CFTC can improve its administration of the system. CFTC did not always make timely conflict-of-interest decisions on public and confidential reports. For

[2] Futures contracts are standard agreements to buy or sell commodities for delivery in the future at prices determined at initiation of the contracts.

[3] An example of a stock index is the Standard and Poor's 500 Stock Price Index, which is a weighted index of the prices of stocks of 500 companies.