



# SEMIANNUAL REPORT TO CONGRESS

Office of Inspector General

Federal Trade Commission

April 1, 2020 - September 30, 2020



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# Message from the Inspector General

On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our latest Semiannual Report to Congress. This report summarizes the activities and accomplishments of our team from April 1, 2020 through September 30, 2020.

Despite the all-virtual environment, and the related work and personal challenges resulting from COVID-19, our team issued five reports and completed two investigations during the reporting period, and assumed leadership roles within the greater Inspector General community. The quality and level of production, and our staff's willingness to contribute during such a challenging time are all testaments to our team of seven's perseverance.

Many thanks to our colleagues at the Council of the Inspectors General on Integrity and Efficiency (CIGIE), who contribute greatly to our success by providing us with access to direct and community-wide mission support, resources, and best practices. We also thank the federal offices that either assisted or coordinated with us throughout the period. In addition, our entire office thanks Chairman Simons, all of the Commissioners, agency leadership and their staff, and Congress for their continued support of the OIG's mission. Finally, I personally thank our talented team, which, through grit and determination, has continued to effectively support our mission to promote economy, efficiency, and effectiveness at the FTC and detect and prevent waste, fraud, abuse, and misconduct in the agency's operations and programs.

In the years to come, I look forward to continuing to provide independent and effective oversight of the FTC and working with our stakeholders and CIGIE on important issues that cut across our government.

A handwritten signature in black ink, appearing to read "Andrew Katsaros".

Andrew Katsaros

## Audits, Evaluations, and Related Oversight<sup>1</sup>

During this period, the OIG issued the following four audit, evaluation, and related oversight products: (1) an audit of the FTC's Interagency Agreement Process, (2) an audit of the FTC's Personnel Security and Suitability Program, (3) a management advisory on travel and purchase card processes; and (4) a report on a survey the OIG conducted related to FTC metrics and management challenges. The OIG also issued the FY 2020 report on the top management challenges facing the agency.

### Audit of FTC Interagency Agreement Processes

The OIG conducted a performance audit to: 1) assess the effectiveness of the FTC's processes and procedures for approving, acquiring, and monitoring interagency acquisition agreements (IAA); and 2) determine whether FTC conducted these processes in accordance with federal regulations, agency policies, and available best practices. Our audit scope included FTC IAAs in place during fiscal year 2019.

We found that the FTC's Budget Division generally has effective controls over the IAA process. Specifically, we found that quarterly reconciliations of interagency balances are accomplished on a timely basis and comply with applicable federal guidance. Also, written agreements exist for every interagency acquisition, and there are no material unreconciled differences (defined as greater than \$10 million) with the FTC's federal trading partners. The results of our audit also show that opportunities exist to improve the overall administration of interagency acquisitions. Our audit found that the FTC either

had not developed or updated internal written policies and procedures to guide its administration of IAAs. We found that the FTC (1) encountered limitations in readily producing quality information on interagency agreements for management decision-making; (2) was unable to identify the universe of open assisted acquisitions and determine if the required documentation was included; and (3) would benefit from a formal control structure around its agreement processes.

### Recommendations

We recommended that the FTC:

- ◆ Develop a mitigation practice for acquiring updated information on all interagency agreements when this information is not available from the Department of Treasury's Administrative Resource Center.
- ◆ Identify the universe of open assisted acquisitions and, if needed, prepare the required documentation, including the Determination and Finding.
- ◆ Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions.

The FTC concurred with our recommendations.

<sup>1</sup>In addition to our agency website, FTC OIG public reports are available at Oversight.gov, which contains a database of the completed work of all Inspectors General that publicly post reports.

## Audits, Evaluations, and Related Oversight

### Audit of the FTC's Personnel Security and Suitability Program

The OIG conducted a performance audit to determine whether the FTC's Personnel Security Office ("PSO") effectively accomplishes the Personnel Security and Suitability Program's (PSSP) objectives in accordance with federal regulations and agency policies. The PSSP encompasses all suitability investigation activities for employees and contractors requiring access to FTC facilities and resources. This includes pre-screening applicants, submitting requests to investigation agencies, reviewing employee reports, granting security clearances, ensuring employee suitability, and tracking cleared employees' needs for re-investigation.

We found that the PSO system for managing and tracking PSSP information, which consisted of multiple spreadsheets that were not connected to each other, was complicated, piecemeal, prone to error, and lacked information necessary for effective decision-making. We also found that PSSP did not have formal policies and procedures related to managing investigation files, the adjudication process, and re-investigations of employees. Additionally, we noted that PSO processes would be improved by the migration of hardcopy paper files of investigations to electronic files.

### Recommendations

We recommended that the FTC:

- ◆ Migrate all PSSP suitability investigation information into a single system.
- ◆ Finalize standard operating procedures for employee pre-screenings, background investigations, suitability and security clearance determinations, adjudications, and documentation requirements for background case files.

The FTC concurred with and has begun making changes based on our recommendations.

## Audits, Evaluations, and Related Oversight

### Management Advisory on Travel and Purchase Card Processes

The OIG issued this advisory based on information it learned after conducting an assessment of the FTC's charge card program, as required by the Government Charge Card Abuse Prevention Act of 2012, to determine the scope and how often the FTC would need to conduct future audits or reviews of the program. Although the OIG identified the FTC charge card program's risk as low in that assessment, the OIG issued this advisory to alert management to concerns related to travel card and agency purchase card use.

With respect to travel card use, the OIG alerted management that: (1) 9% of travel authorizations executed in FYs 2018 and 2019 were approved after travel had commenced, in violation of the Federal Travel Regulation and internal policy; and (2) a significant number of employees went on official travel more than twice during 2019 without having been issued a government travel card, in violation of 41 C.F.R. §§ 301-511 and agency policy.

With respect to purchase cards, we alerted management that: (1) the FTC's current policy and processes resulted in cardholders exceeding the monthly spending limits on their cards; and (2) purchase card holders were paying for employee association membership fees with purchase cards, in violation of 5 U.S.C. § 5946.

### Recommendations

We recommended that the FTC:

- ◆ Track trends on the timeliness of travel authorization approvals.
- ◆ Better ensure that FTC travelers obtain and use a government issued travel card for official travel.
- ◆ Monitor and document exceptions to monthly purchase card limits.
- ◆ Identify and mitigate instances of unallowable reimbursements of professional membership fees.

The FTC concurred with and has begun making changes based on our recommendations.

## Audits, Evaluations, and Related Oversight

### FY 2020 Report on the FTC's Top Management Challenges

The Reports Consolidation Act of 2000 requires that each agency's Inspector General provide an annual summary perspective on the most serious management and performance challenges facing the agency, and a brief assessment of the agency's progress in addressing those challenges. The challenges summarized in our report were based on work conducted by our office along with observations and discussions with senior leaders at the FTC.

#### Top Management Challenges

We identified the following as the top management challenges facing the FTC:

1. Securing Information Systems and Networks from Destruction, Data Loss, or Compromise.
2. Maintaining Mission Success During the COVID-19 Pandemic.
3. Understanding Fraudulent Identity Theft Complaints.
4. Costs of Expert Witnesses.

We also identified Acquisition Planning and Contract Management as a "watch list" item. The OIG considers a watch list item to be an issue area that does not rise to the level of a serious management and performance challenge, but nonetheless requires management's continued attention.

### Survey on FTC Metrics & Challenges

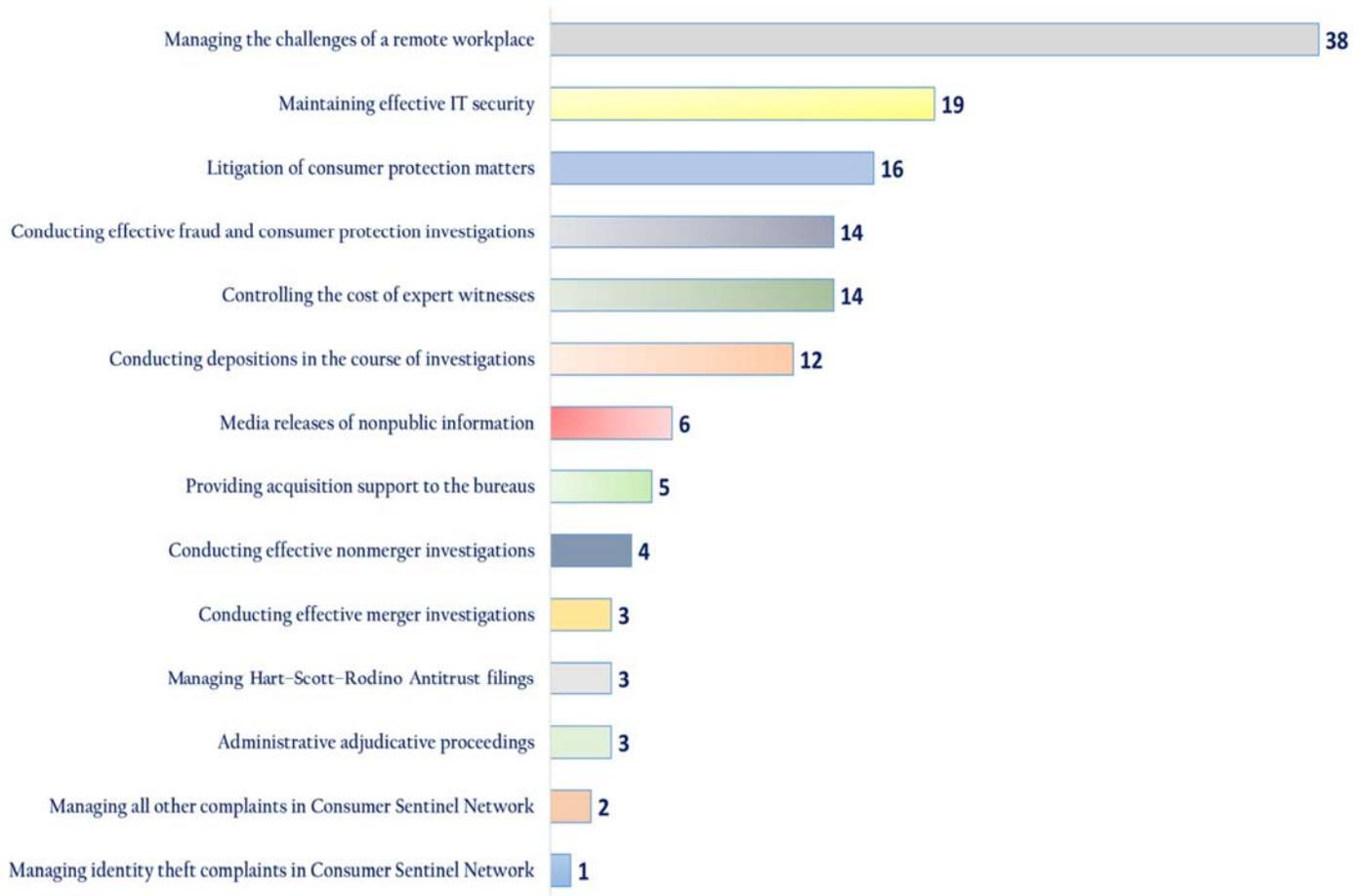
As part of the process for considering challenges to be included in our fiscal year 2020 top management challenges report, the OIG conducted a survey of agency employees on performance metrics and challenges facing the agency. The survey consisted of seven questions: six questions on the agency's strategic plan metrics and one on employee views on the top management challenges facing the FTC. Approximately 13% of employees responded to the survey.

The OIG issued a report compiling the results. The report noted that approximately two-thirds of respondents stated they were at least somewhat aware of the agency's strategic performance metrics. Twenty-five percent of respondents believed there were additional FTC activities worth measuring, including: (1) FTC outreach efforts; (2) the type and number of offending companies identified in FTC actions, including those found to be targeting vulnerable consumers; and (3) the FTC's internal progress on diversity and inclusion. With respect to the top challenges facing the agency, respondents' answers are shown in the graph on page 7.

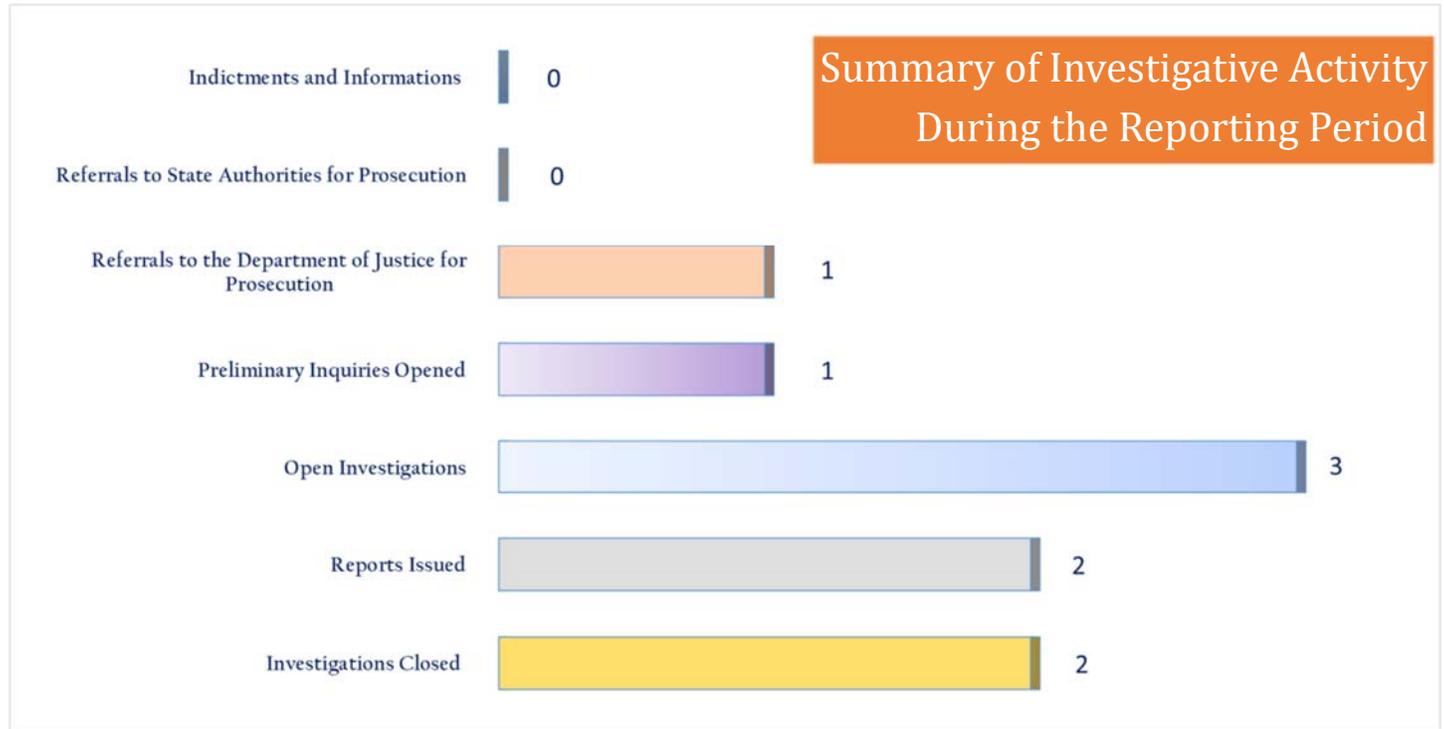
There were no recommendations in this report.

# Audits, Evaluations, and Related Oversight

## Significant Challenges that Respondents Stated the FTC is Facing



# Investigations



The following are two significant investigations that we closed during the reporting period.

## Misuse of Government Resources and Outside Employment without FTC Approval

The OIG received a referral alleging that an employee was misusing FTC resources and official time and engaging in outside employment without supervisory approval.

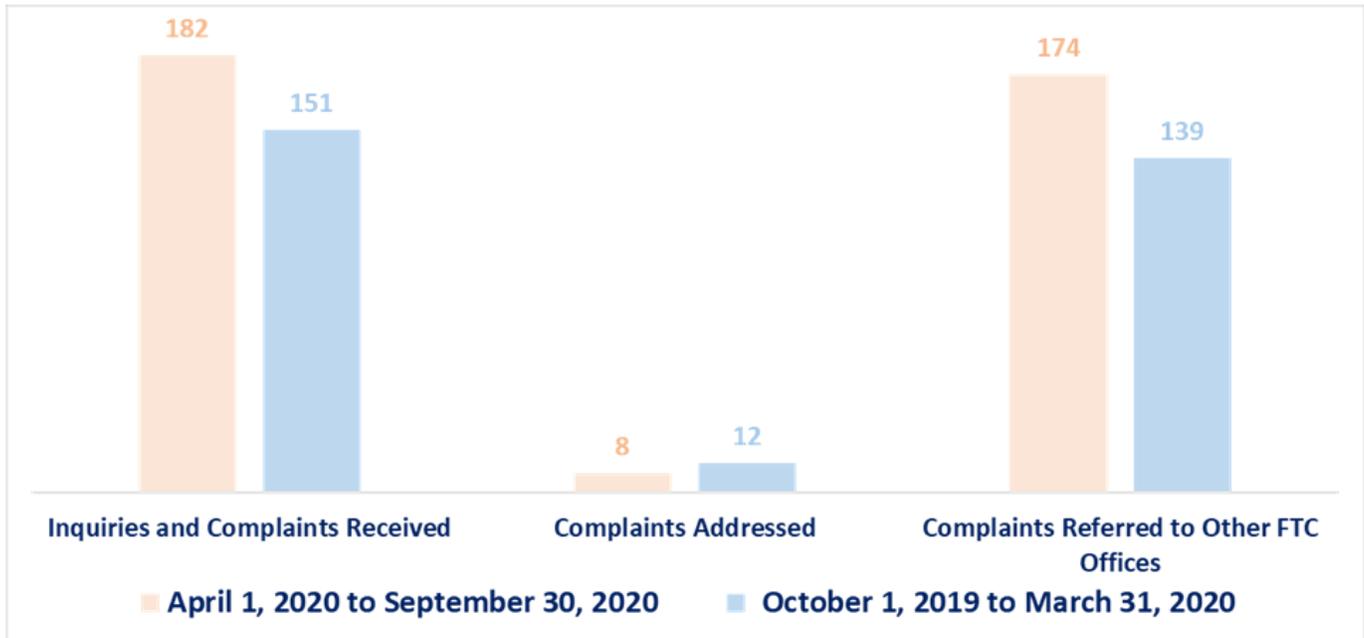
The OIG conducted an investigation and found that the employee misused government property by using government resources to engage in outside employment activities in violation of 5 C.F.R. § 2635.704, *Use of Government Property*, and the FTC Administrative Manual (“Manual”) sections on standards of conduct and appropriate use of information technology. The OIG also found that the employee had failed to obtain the required outside employment approval, in violation of 5 C.F.R. § 5701.101; *Prior Approval for Outside Employment*. In addition, the OIG found that when the employee was disruptive and unprofessional during an OIG interview and failed to respond to the OIG’s compelled interrogatories, the employee violated the Manual’s requirement to cooperate with the OIG .

# Investigations & Hotline Complaints

## Non-Public Information Releases to the Media

The OIG was advised of the potential release of nonpublic information related to an ongoing FTC investigation of Facebook, Inc. The OIG confirmed that nonpublic information about the FTC investigation of Facebook was revealed in the media on multiple occasions during fiscal year (FY) 2019. We also learned that nonpublic information about two other FTC matters was revealed in various media outlets throughout FY 2019. However, based on our interviews and reviews of records related to the media accounts noted, none of the releases of nonpublic information could be attributed to any current FTC employee or other individual. As a result, this case is now closed. However, the OIG will continue to monitor evidence involving potential leaks, including this matter.

## OIG Hotline Information



## Engagement, Review of Legislation, & Peer Reviews

### Engagement

During the reporting period, we continued to foster our positive relationship with the agency by meeting with agency leadership regularly, providing presentations about our work, and informing agency staff about issues of concern, including those related to ethics. We also continued our engagement with the Inspector General community.

#### OIG Consumer Fraud Initiative

During this reporting period, the OIG continued its collaboration with the FTC Bureau of Consumer Protection (BCP) and various OIGs to identify opportunities to increase and enhance consumer fraud investigations by increasing the number of OIGs using BCP's Consumer Sentinel Network (CSN). Currently, CSN has 376 active users from 23 OIGs. Combined, OIGs have contributed over 5,700 complaints to date.

#### Inspector General Community Engagement

The OIG continued to actively participate in community-wide activities, particularly those involving the Council of the Inspectors General on Integrity and Efficiency (CIGIE), an independent entity within the Executive Branch comprised of federal Inspectors General.

The Inspector General serves on the CIGIE Integrity Committee and participates on both the CIGIE Audit Committee and the CIGIE Small/Unique OIGs Working Group. The Counsel to the Inspector General is leading an initiative for the CIGIE Legislation Committee, serves on the CIGIE Council of

of Counsels ("CCIG") and Small OIG Counsels working group, and acted as a mentor for law students interning at other OIGs. Another attorney in our office serves on and contributes to the CCIG COVID-19 working group.

### Review of Legislation

Pursuant to IG Act Section 4(a)(2), during this period, the OIG reviewed legislation and/or regulations both individually and in coordination with CIGIE's Legislation Committee.

### Peer Reviews

The FTC OIG was not peer reviewed by another OIG during this reporting period. The last peer review of the FTC OIG, which only reviewed the FTC OIG's audit operations, was issued on July 2, 2018. There are no outstanding recommendations from peer reviews conducted by other OIGs of the FTC OIG.

The FTC OIG did not conduct any peer reviews of other OIGs during this reporting period, and there are no outstanding recommendations from peer reviews conducted by the FTC OIG.

# Appendix I

## Significant Recommendations in Previous Semiannual Reports on which Corrective Action Has Not Been Completed

Report	Issue Date	Recommendation #	Open Recommendations <sup>2</sup>
<b>Audit of Federal Trade Commission Redress Process Controls</b>	3/4/2020	1	We recommend that the Director of the Bureau of Consumer Protection (BCP) develop a contract deliverable requiring some form of detailed monthly bank statement information to be provided to the FTC on open cases.
		2	We recommend that the Director of BCP develop a uniform set of Redress Program data that can be used to compare disbursement activity across cases for closed case check audits, and develop a contract deliverable requiring this information, to include check registers and disbursement lists.
		3	We recommend that the Director of BCP develop and formalize, in policy, a structured program for contractor site visits for both IT System Security and operational site visits.
<b>Audit of Federal Trade Commission Information Security Program and Practices</b>	2/4/2020	1	We recommend that the FTC develop a consistent approval process that includes the designation of management’s approval embedded in its policies, procedures, plans, strategies, assessments, profiles, and reports.

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<sup>2</sup>The OIG does not have anything to report pursuant to IG Act Sections 5(a)(10)(A) & (B), which require the OIG to summarize reports issued before the commencement of the reporting period for which either no management decision has been made by the end of the reporting period or establishment comment was not returned within 60 days of providing the report to the establishment. Additionally, the OIG does not have any costs savings to report in accordance with IG Act Section 5(a)(10)(C).

# Appendix I

## Significant Recommendations in Previous Semiannual Reports on which Corrective Action Has Not Been Completed

Report	Issue Date	Recommendation #	Open Recommendations
		3	<p>We recommend that the FTC enhance its process of performing enterprise risk management (ERM) assessments to determine the respective risk posture of its systems to include the entity-wide performance metrics for measuring the effectiveness of its:</p> <ul style="list-style-type: none"> <li>Contractor-operated systems and contractor-provided IT services;</li> <li>Change control activities to ensure data supporting the metrics is obtained accurately, consistently, and in a reproducible format;</li> <li>Data exfiltration and enhanced network defenses; and</li> <li>Data Breach Response Plan to ensure data supporting the metrics is obtained accurately, consistently, and in a reproducible format.</li> </ul>
<b>Audit of Federal Trade Commission’s Compliance with the DATA Act</b>	11/8/2019	1	We recommend that the FTC revise internal control procedures and processes to ensure that reconciliation differences are resolved timely and prior to DATA Act submission.
		2	We recommend that the FTC’s management revise internal control procedures and processes to ensure award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely.
		3	We recommend that the FTC revise control procedures and processes to ensure contract awards are recorded into FPDS-NG timely.

# Appendix I

## Significant Recommendations in Previous Semiannual Reports on which Corrective Action Has Not Been Completed

Report	Issue Date	Recommendation #	Open Recommendations
<b>Management Advisory on Accountable Personal Property</b>	10/21/2019	1	We recommend that the FTC Executive Director develop practices ensuring that accountable property roles related to the custody of assets, recordkeeping, and conducting inventories are separated.
		2	We recommend that the FTC Executive Director update Chapter 4, Section 200 of the FTC Administrative Manual to reflect current positions and those duties that should be performed by separate individuals.
<b>Audit of Federal Trade Commission Acquisition Planning Activities</b>	9/28/2018	2	We recommend that the FTC Executive Director develop requirements for a systematic legal review process for acquisitions that meet identified conditions.

## Appendix II

### OIG Reports with Questioned Costs and Funds to Be Put to Better Use

	Number	Questioned Costs  (dollar value)	Unsupported Costs  (dollar value)	Funds to Be Put to Better Use
Audit, inspection, and evaluation reports for which no management decision has been made by the commencement of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports which were issued during the reporting period	3	0	0	0
Audit, inspection, and evaluation reports for which a management decision was made during the reporting period <sup>3</sup>	3	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made by the end of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made within six months of issuance	0	0	0	0

<sup>3</sup>The OIG does not have any disallowed costs or costs not disallowed to report pursuant to IG Act Section (5)(a)(8)(C). Likewise, the OIG does not have anything to report, pursuant to IG Act Section (5)(a)(9)(C), related to dollar values of recommendations for which there was a management decision agreed to during this reporting period.

**Appendix III**

**IG Act Reporting Requirements Index**

<b>IG Act Section</b>	<b>Reporting Requirement</b>	<b>Page Number/ Comment</b>
4(a)(2)	Review of legislation and regulations	10
5(a)(1)	Significant problems, abuses and deficiencies	3-7
5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	3-5
5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	11-13 (Appendix I)
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	8-9
5(a)(5)	Reports made to the head of the establishment under IG Act Section 6(c)(2) during the reporting period	None to report
5(a)(6)	List of reports issued during the reporting period	3
5(a)(7)	Summary of each particularly significant report	3-7
5(a)(8) & 5(a)(9)	Statistical tables showing the total number of reports and dollar value of questioned costs and funds to be put to better use	14 (Appendix II)
5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period (A) for which no management decision has been made by the end of the reporting period; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations	5(a)(10)(A) - None to report 5(a)(10)(B) - None to report 5(a)(10)(C) - 11-13 (Appendix I)
5(a)(11)	Significant revised management decisions during the reporting period	None to report
5(a)(12)	Significant management decision with which the Inspector General is in disagreement	None to report

**Appendix III**

**IG Act Reporting Requirements Index**

<b>IG Act Section</b>	<b>Reporting Requirement</b>	<b>Page Number/ Comment</b>
5(a)(14) & (15)	Peer reviews of the OIG conducted by another OIG and outstanding recommendations from prior peer reviews	10
5(a)(16)	OIG peer reviews of other OIGS and outstanding recommendations from prior peer reviews conducted by the OIG	10
5(a)(17) & (18)	OIG investigative activity during the reporting period	8
5(a)(19)	OIG investigations involving senior government employees where allegations of misconduct were substantiated	None to report
5(a)(20)	Substantiated instances of whistleblower retaliation	None to report
5(a)(21)	Attempts by the agency to interfere with OIG independence	None to report
5(a)(22)	Closed OIG matters not disclosed to the public	None to report

# Contact the OIG

Promote integrity, economy & efficiency.  
Report suspected fraud, waste,  
abuse or mismanagement.

**(202) 326-2800**

Fax (202) 326-2034

**OIG@ftc.gov**

600 Pennsylvania Avenue, NW, CC-5206  
Washington, DC 20580

**Complaints may be made anonymously.**

Any information you provide will be held in confidence. However, providing your name and means of communicating with you may enhance our ability to investigate.