

Federal Trade Commission Office of Inspector General



Semiannual Report to Congress
October 1, 2021–March 31, 2022

FTC OIG at a Glance

	<i>Budget (in thousands)</i>	<i>Authorized Positions</i>
FTC	\$351,000 ^a	1,140
FTC OIG	\$1,794	7
FTC OIG %	0.5	0.6

^a On March 15, 2022, the President signed into law the Consolidated Appropriations Act of 2022, which funds the FTC at \$376.5 million for the fiscal year. As of the end of this semiannual reporting period, this increased amount was still being allocated. The current FY 2021 amount reported here does not include a remaining \$21.5 million authorized by the American Rescue Plan Act of 2021 and available through FY 2026.

Employees by Position

Inspector General
Deputy Inspector General and Counsel
to the Inspector General
Assistant Inspector General
for Investigations
Auditor
Auditor
Program Analyst
Administrative Assistant

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PHOTOS: Federal Trade Commission headquarters (FTC OIG staff); the White House (David Everett Strickler, Unsplash); flag, FTC headquarters (FTC OIG staff); the Supreme Court (Ian Hutchinson, Unsplash); statue, FTC headquarters (FTC OIG staff); south wing, Treasury Department headquarters (www.Treasury.gov); the U.S. Capitol (Alejandro Barba, Unsplash).



Message from the Inspector General

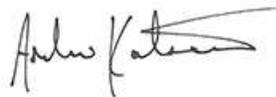
On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our latest *Semiannual Report to Congress*. This report summarizes the activities and accomplishments of our team from October 1, 2021, through March 31, 2022.

Our seven-member team has continued to meet every challenge we encounter in maintaining a high level of productivity and engagement. This report highlights seven completed oversight products, summarizes the current numbers of our ongoing investigations and inquiries, and reflects our continued engagement within the greater federal inspector general and law enforcement community over the past 6 months.

We thank Chair Khan and each of the Commissioners for their continued support of our work. We also thank agency leadership and their staff for their ongoing cooperation, as well as Congress for its enduring commitment to supporting the OIG's mission.

All of this is possible only with the high level of dedication and commitment to service demonstrated daily by our talented staff. Only through their efforts has the OIG been able to fulfill our mission: promoting economy, efficiency, and effectiveness at the FTC through the detection and prevention of waste, fraud, abuse, and misconduct in the agency's operations and programs.

We look forward to continuing to provide independent and effective oversight of the FTC and working with our stakeholders and the larger inspector general community on important issues that cut across our government.



Andrew Katsaros

Audits and Related Oversight



Completed Products

During this period, the OIG issued the following 7 audit, evaluation, and related oversight products: (1) an audit of the FTC's compliance with DATA Act requirements; (2) an audit of the FTC's fiscal year (FY) 2021 financial statements; (3) an audit of the FTC's contracting officer's representative (COR) program; (4) an audit of the FTC's compliance with the Federal Information Security Modernization Act (FISMA); (5) correspondence to the Office of Management and Budget (OMB) on the FTC's compliance with Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act) requirements; (6) a review of the FTC's compliance with improper payments requirements for FY 2021; and (7) a management advisory on FTC records management.

Audit of the FTC's Compliance with the DATA Act (A-22-01; November 8, 2021)

To fulfill the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act), we contracted with an independent public accounting firm (IPA) to audit the FTC's DATA Act compliance for the first quarter of FY 2021.

In its audit, the IPA found that the financial and awards data of the FTC for the first quarter of FY 2021 was presented in accordance with OMB and Department of Treasury data definition standards, as applicable, for DATA Act reporting in all material respects. The IPA made two recommendations to help strengthen the FTC's controls over its DATA Act reporting.

Independent Auditor's Report on the FTC's Financial Statements for the Fiscal Years Ended September 30, 2021 and 2020 (A-22-02; November 12, 2021)

To fulfill the requirements of the Accountability of Tax Dollars Act of 2002, we contracted with an IPA to audit the FTC's FYs 2021 and 2020 financial statements. The contract called for the IPA to perform the audit—and provide reports on internal control over financial reporting

and compliance with laws and other matters—in accordance with U.S. generally accepted government auditing standards, OMB audit guidance, and the Government Accountability Office (GAO)/Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Financial Audit Manual*.

In its audit, the IPA found

- that the FTC’s financial statements as of and for the fiscal years ended September 30, 2021 and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

*Audit of the FTC’s Contracting Officer’s Representative Program
(A-22-03; December 2, 2021)*

The objective of this performance audit was to determine whether the FTC’s COR program is in compliance with federal requirements and FTC policies and procedures.

We concluded that the program generally complies with federal requirements, including the Federal Acquisition Regulation (FAR). However, our audit did reveal opportunities for management to clarify responsibilities within the COR program. We recommended that the FTC Executive Director, in coordination with the Director of the Financial Management Office, update the FTC *Administrative Manual*, Chapter 2: Section 300—Acquisition, to reflect the current process of acquiring and managing FTC contracts. We also recommended that the FTC Executive Director, in coordination with each FTC operating unit director, develop guidance on the oversight of COR activities and maintenance of COR files.

*FY 2021 Audit of the FTC Information Security Program and Practices
(A-22-04; January 10, 2022)*

FISMA requires each OIG, on an annual basis, to evaluate its agency’s information security and privacy program and practices to determine their effectiveness. Under a contract with the OIG, an IPA performed the FY 2021 evaluation. The objective of the audit was to evaluate the status of the FTC’s overall information technology security program

and practices. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, applicable FISMA requirements, OMB policy and guidance, and National Institute of Standards and Technology (NIST) standards and guidelines.

In summary, the IPA found that the FTC's information security program and practices were effective for the period October 1, 2020, to September 30, 2021.

OIG Letter to OMB on the FY 2021 Charge Card Risk Assessment (A-22-04; January 28, 2022)

The Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), as implemented by OMB Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, requires inspectors general of executive agencies with more than \$10,000,000 in annual purchase card and/or \$10,000,000 in travel card spending to conduct periodic assessments of agency purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. OIGs use these risk assessments to determine the necessary scope, frequency, and number of audits or reviews of these programs.

To respond to this reporting requirement for the FTC for FY 2022, our FY 2021 risk assessment of the FTC's charge card program was conducted with the objective to identify and analyze the risk of illegal, improper, or erroneous purchases and payments, and determine the scope, frequency, and number of periodic audits of charge card activity we would plan to conduct.

Based on our assessment, the OIG has identified the FTC charge card program's overall risk level—including of illegal, improper, and erroneous purchases made through the FTC's purchase card program—as low. As a result, the OIG does not currently plan to conduct audit work over the FTC's charge card program.

The FTC's Compliance with Improper Payments Requirements for FY 2021 (February 15, 2022)

We reviewed the FTC's FY 2021 compliance with all appropriate requirements of the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117) and concluded that, for FY 2021, the FTC complied with all requirements that are applicable to the agency for improper payment reporting.

The FTC performed risk assessments of improper payments for FYs 2015, 2018, and 2021. These risk assessments did not identify any programs or activities susceptible to significant improper payments at or above threshold levels set by OMB. The FTC also determined that improper payment recapture audits were not cost-effective.

Based on our review of all relevant information, we have determined that the FTC is in compliance with PIIA for FY 2021.

Management Advisory on FTC Records Management (A-22-05; February 28, 2022)

This memorandum alerted FTC leadership to certain records management conditions that we identified in the course of our oversight and review work. While the FTC recently has made significant progress in some areas of records management, such as shifting to all-electronic recordkeeping, the FTC still faces challenges in (1) complying with National Archives and Records Administration (NARA) records schedule requirements and (2) setting up automated practices for properly storing and timely disposing of records in a uniform manner across the agency. The FTC must assess whether its current personnel and technology are capable of meeting these challenges in advance of fiscal year 2023.

We recommended that the FTC Chair and the appropriate agency senior leadership—in coordination with the Office of the Secretary and the Office of the Chief Information Officer, and in accordance with NARA and OMB directives—develop requirements for (1) acquiring the necessary staff and technology resources for managing records scheduling, disposition, access, and storage; and (2) incorporating records management function, retention, and disposition requirements into information life cycle processes and stages.

In addition, the OIG closed out one review of the FTC Bureau of Consumer Protection's (BCP's) order enforcement program.

Ongoing Audit, Evaluation, and Related Oversight Work

Our office is continuing work on 3 audit and related oversight products:

Survey of FTC Attorneys' Work on Merger Transactions

On March 1, 2022, we issued a survey to attorneys from the FTC Bureau of Competition (BC), as well as other areas of the agency, who review merger transactions, seeking input on various issues that may affect BC's management of its merger review workload. The current report in process will compile the survey responses and convey our observations based on the resulting data.

Audit of the FTC's Unpaid Consultants, Detailees, and Intergovernmental Personnel Act Mobility Program Participants

The FTC obtains consultants and detailees to support a wide array of needs. The federal agency may agree to reimburse the non-federal organization for all, some, or none of the costs of the assignment.

The objective of this audit is to determine whether the program used to manage the FTC's unpaid consultants, detailees, and Intergovernmental Personnel Act Mobility Program participants is in compliance with federal and FTC requirements.

We have also begun work on our audit of FY 2022 compliance with FISMA.



Investigations

Investigations Summary

<i>Category of Data</i>	<i>Number</i>
Indictments and informations	2 ^a
Referrals to state authorities for prosecution	0
Referrals to the Department of Justice for prosecution	0
Preliminary inquiries opened	7
Open investigations	7 ^b
Reports issued	0
Investigations closed	1
^a These indictments resulted from an investigation led by another OIG. ^b FTC OIG is assisting other federal agencies on 5 of these matters.	

Significant Matters and Activities

During this semiannual period, the FTC OIG assisted a United States Attorney's Office (USAO) and several other lead OIGs in a case resulting in the indictment of several individuals for their participation in a multi-state scheme involving mortgage fraud, credit repair, and government loan fraud. The individuals allegedly recruited clients for credit repair using various company names and "cleaned" their clients' credit histories by filing false identity theft reports with the FTC through IdentityTheft.gov. After fraudulently inflating client credit worthiness, the individuals are alleged to have fraudulently obtained credit cards, disaster loans, and mortgages for themselves and their clients through false statements and fake documents. This matter is ongoing, as the USAO has returned indictments on several additional individuals for the same multi-state scheme.

Collaborations

Throughout the period, we collaborated with various state and federal entities, including the Department of Justice (with various U.S. Attorney's Offices, as well as with the Federal Bureau of Investigations), the U.S. Secret Service, the Department of the Treasury, the Department of Health and Human Services, the Department of Homeland Security, and the Consumer Financial Protection Bureau; other OIGs at the Federal Housing Finance Agency, the U.S. Postal Inspection Service, and the National Aeronautics and Space Administration; and state agencies and local authorities.

Hotline Information

<i>Category of Data</i>	<i>Number</i>
Inquiries and complaints received	325
Complaints addressed	12
Complaints referred to other FTC offices	313



Engagement, Review of Legislation, and Peer Reviews

Inspector General and Federal Community Engagement

The OIG continued to actively participate in community-wide activities, particularly those involving CIGIE, an independent entity within the Executive Branch comprised of federal inspectors general. We coordinated with and assisted various OIGs during the period on activities that include investigations, planning, and audit support.

The Inspector General is the Vice-Chair of the CIGIE Budget Committee and a member of the CIGIE Professional Development Committee and the CIGIE Legislation Committee. The Inspector General also participates in the CIGIE Small/Unique OIGs Working Group. The Deputy Inspector General and Counsel to the Inspector General serves as the Vice Chair for the Council of Counsels to the Inspectors General and participates in the Small OIG Counsels working group. Our Assistant Inspector General for Investigations works with the FBI Cyber Task Force.

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's audit operations were not subject to any peer reviews by other OIGs during this reporting period. 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



<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Audit of FTC Interagency Agreement Processes	09/30/2020	1	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
		2	Identify the universe of open assisted acquisitions and, if needed, prepare the required documentation, including the Determination and Finding
		3	Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions
Management Advisory on Travel and Purchase Card Processes	06/04/2020	4	Identify and mitigate instances of unallowable reimbursements of professional membership fees

^a 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).

<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Audit of the FTC's Compliance with the DATA Act	11/08/2019	1	Revise internal control procedures and processes to ensure that reconciliation differences are resolved timely and prior to DATA Act submission
		2	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	Revise control procedures and processes to ensure contract awards are recorded into FPDS-NG timely
Management Advisory on Controlling and Protecting Sensitive Information	09/29/2021	1	Develop policies and practices within the bureaus related to limiting the sharing and maintenance of nonpublic information and records (NPI)
		2	Incorporate the use of encrypted messaging and password protection for the delivery of documents and communications that it considers most sensitive
		3	Develop a more comprehensive strategy for communications and training related to prohibitions of NPI disclosures
<p>^a 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).</p>			

Appendix II: OIG Reports with Questioned Costs and Funds to Be Put to Better Use



<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>	<i>Funds to Be Put to Better Use</i>
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	7	0	0	0
Audit, inspection, and evaluation reports for which a management decision was made during the reporting period ^a	2	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

^a 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

IG Act Section	Reporting Requirement	Page #/ Comment
4(a)(2)	Review of legislation and regulations	None to report
5(a)(1)	Significant problems, abuses and deficiencies	None to report
5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None to report
5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	Appendix I
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Page 7
5(a)(5)	Reports made to the head of the establishment under IG Act Section 6(c)(2) during the reporting period	Pages 2–5
5(a)(6)	List of reports issued during the reporting period	Appendix II
5(a)(7)	Summary of each particularly significant report	Pages 2–5
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	Appendix II

IG Act Section	Reporting Requirement	Page #/ Comment
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)—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