

Federal Trade Commission Office of Inspector General



Semiannual Report to Congress
October 1, 2022–March 31, 2023

FTC OIG at a Glance

	<i>Budget (in thousands)</i>	<i>Authorized Positions</i>
FTC	\$433,000	1,380
FTC OIG	\$2,163	8
FTC OIG %	0.5	0.6

Employees by Position

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

Contact Information

OIG Hotline

(202) 326-2800
oig@ftc.gov

Mailing Address

Federal Trade Commission
Office of Inspector General
Room CC-5206
600 Pennsylvania Ave NW
Washington, DC 20580

General Inquiries

(202) 326-3527

Fax

(202) 326-2034



Message from the Inspector General	1
---	----------



Audits and Related Oversight	2
-------------------------------------	----------



Investigations	6
-----------------------	----------



Engagement and Review of Legislation	7
---	----------



Appendix I: Recommendations in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	8
---	----------



Appendix II: OIG Reports Issued During Current Semiannual Period, with Potential Monetary Benefits and Status of Management Decision (if Applicable)	10
---	-----------



Appendix III: Results of Most Recent Peer Review	11
---	-----------



Appendix IV: IG Act Reporting Requirements Index	12
---	-----------

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, 2022, through March 31, 2023.

This report describes 4 completed oversight products; statistically summarizes the current numbers of our ongoing investigations and inquiries; highlights our ongoing oversight projects; and reflects our continued engagement within the greater federal inspector general and law enforcement community over the past 6 months. All of this is possible only with the high level of dedication and commitment to service demonstrated daily by our team.

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.

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.

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

Andrew Katsaros

Audits and Related Oversight



Completed Products

During this period, the OIG issued the following 4 audit and related oversight products: (1) an audit of the FTC's fiscal years (FY) 2022 and 2021 financial statements; (2) an audit of FTC's compliance with the Federal Information Security Modernization Act (FISMA); (3) a special report on the management of post-FTC employment matters; and (4) 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.

Independent Auditor's Report on the FTC's Financial Statements for the Fiscal Years Ended September 30, 2022 and 2021 (November 14, 2022)

We contracted with an independent public accounting firm (IPA) to audit the financial statements of the FTC as of and for the fiscal years ending September 30, 2022, and 2021, and to provide a report on internal control over financial reporting and on compliance with laws and other matters. The contract required that the audit be performed 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 reported

- that the financial statements 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; and
- no reportable noncompliance with provisions of laws tested or other matters.

Public report accessible on [the FTC OIG website](#) and at [CIGIE Oversight.gov](#).

*FY 2022 Audit of the FTC Information Security Program and Practices
(November 14, 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 2022 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 the FTC's information security program and practices were effective for the period October 1, 2021, to September 30, 2022. The IPA identified one needed improvement, in the area of supply chain risk management; it made no recommendations for FY 2022.

Public report accessible on [the FTC OIG website](#) and at [CIGIE Oversight.gov](#).

*OIG Special Report on the Management of Post-FTC Employment
Matters (December 20, 2022)*

Both the media and Congress had given attention to how former federal employees—including those at the FTC—may exert influence on agency-specific matters in their private sector capacity. Given this level of interest and its potential impact on our office, this report shared the FTC OIG's views on its jurisdiction and role in conducting oversight in this area.

Pursuant to the Inspector General Act (IG Act) of 1978, the FTC OIG considers its jurisdiction to include investigating (a) crimes or misconduct by FTC employees; (b) crimes against the FTC; and (c) crimes related to fraud or the misuse of FTC funding by entities or individuals that receive such funding (e.g., contractors). Given these jurisdictional parameters, the FTC OIG typically initiates (and plans to continue to initiate) investigations related to post-employment ethics issues only where there is an allegation of a Section 207 violation and/or associated serious misconduct.

This report did not contain recommendations for FTC management.

Public report accessible on [the FTC OIG website](#) and at [CIGIE Oversight.gov](#).

*OIG Letter to OMB on the FY 2023 Charge Card Risk Assessment
(February 1, 2023)*

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 2023, our FY 2022 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 that 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.

Public report accessible on [the FTC OIG website](#) and at [CIGIE Oversight.gov](#).

Ongoing Audit, Evaluation, and Related Oversight Work

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

Audit of the FTC's Zero Trust Architecture (ZTA) Implementation

ZTA is an end-to-end approach to enterprise resource and data security that encompasses identity (person and nonperson entities), credentials, access management, operations, endpoints, hosting environments, and the interconnecting infrastructure. A full ZT solution will include elements of all three of the following approaches: enhanced identity governance, logical micro-segmentation, and network-based segmentation.

The objective of this audit is to determine whether the FTC's ZTA implementation meets federal requirements, including OMB mandates.

Audit of the FTC's Oversight of Expert Witness Contracts

In its efforts to enforce federal antitrust laws, the FTC's Bureau of Competition (BC) litigation divisions obtain the services of expert witnesses to consult and, if needed, to testify as part of litigation proceedings. The agency currently has a considerable reliance on contractors to perform expert witness activities.

The objective of this audit is to determine whether BC expert witness contracts are administered in accordance with federal requirements.

Review of the FTC's Legacy IT Systems

"Legacy" describes an old or outdated system, technology, or software application that continues to be used by an organization because it still performs the functions it was initially intended to do. Generally, legacy systems no longer have support and maintenance, and are limited in growth. Legacy systems pose a number of risks (including security, performance, cost, and compliance risks) to organizations that rely on them.

The objective of this review is to assess the FTC's management of legacy IT systems, including plans for their modernization and their resilience, currently supporting the agency's mission. We will examine FTC policies and practices related to IT management, security, and risk, including redundancy, disaster recovery plans, and legacy system reliability.

We have also begun work on our audit of the FTC's FY 2023 compliance with FISMA, as well as our review of the agency's FY 2022 compliance with improper payments requirements. In addition, we have initiated a program that analyzes periodic data feeds related to key FTC financial and other functions. This program will allow our office to monitor potential problems (such as sudden changes in data trends) in real time and alert the agency to emerging risks.

Investigations



Investigations Summary

Category of Data	Number
Indictments and informations	0
Referrals to state authorities for prosecution	0
Referrals to the Department of Justice for prosecution	0
Convictions resulting from investigations	8 ^a
Open investigations	8 ^b
Reports issued	1
Investigations closed	2
Hotline complaints received and reviewed	678

^a These convictions resulted from joint investigations with other federal law enforcement agencies.

^b The FTC OIG is assisting other federal agencies on all 8 of these matters.

Significant Matters and Activities

As reported in the previous semiannual period, the FTC OIG has continued during this semiannual period to support a United States Attorney’s Office (USAO) in its prosecution against multiple individuals indicted for participating in a multi-state scheme involving mortgage fraud, credit repair, government loan fraud, and filing fraudulent identity theft reports with the FTC. To date, several other defendants have been indicted while others have pled guilty in this ongoing matter.

In another case within the same USAO, FTC OIG assistance resulted in three defendants being charged in a superseding indictment with, among other charges, making false statements to the FTC, in violation of 18 U.S.C. §1001, by submitting fraudulent identity theft reports to the FTC. The three defendants were originally charged with submitting fraudulent loan documentation to a bank to obtain various COVID relief loans. Defendants ultimately pled guilty to one count of conspiracy to commit bank and wire fraud, in violation of 18 U.S.C. § 1349, with part of the factual basis for the guilty plea being the fraudulent submission of identity theft reports to FTC.



Engagement and Review of Legislation

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 Chair of the CIGIE Budget Committee and a member of the CIGIE Professional Development Committee and the CIGIE Legislation Committee. The Deputy Inspector General and Counsel to the Inspector General serves as the 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.

Appendix I: Recommendations in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed



Report and Open Recommendations	Issue Date	Pending Mgmt Decisions	Potential Cost Savings (\$)
<p><i>Management Advisory on Travel and Purchase Card Processes</i></p> <p>4. Identify and mitigate instances of unallowable reimbursements of professional membership fees</p>	06/04/2020	No	N/A
<p><i>Audit of FTC Interagency Agreement Processes</i></p> <p>3. Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions</p>	09/30/2020	No	N/A
<p><i>Management Advisory on Controlling and Protecting Sensitive Information</i></p> <p>3. Develop a more comprehensive strategy for communications and training related to prohibitions of nonpublic information and records (NPI) disclosures</p>	09/29/2021	No	N/A
<p><i>Audit of the FTC’s Compliance with the DATA Act</i></p> <p>1. Implement internal controls and update policies and procedures to improve the accuracy of the information submitted for DATA Act reporting</p> <p>2. Implement internal controls and update policies and procedures to improve the timeliness of the information submitted for DATA Act reporting</p>	11/08/2021	No	N/A

Report and Open Recommendations	Issue Date	Pending Mgmt Decisions	Potential Cost Savings (\$)
<p><i>Audit of the Federal Trade Commission COR Program</i></p> <p>1. Update the <i>FTC Administrative Manual</i>, Chapter 2: Section 300—Acquisition, to reflect the current process of acquiring and managing FTC contracts</p> <p>2. Develop guidance on the oversight of COR activities and maintenance of COR files</p>	12/02/2021	No	N/A
<p><i>Management Advisory on FTC Records Management</i></p> <p>1. Develop requirements for acquiring the necessary staff and technology resources for managing records scheduling, disposition, access, and storage</p>	02/28/2022	No	N/A
<p><i>Audit of the FTC's Unpaid Consultant and Expert Program</i></p> <p>1. Develop internal policy or guidance requiring documenting unpaid consultants' and experts' scope of work—including guidance on allowable and prohibited activities and a process for communicating the scope of work with candidates prior to their time with the FTC</p>	08/01/2022	No	N/A

Appendix II: OIG Reports Issued During Current Semiannual Period, with Potential Monetary Benefits and Status of Management Decision (if Applicable)



Audit, Evaluation, or Inspection Report (and Issue Date)	Questioned Costs	Unsupported Costs	Funds to Be Put to Better Use	Pending Mgmt Decisions
<i>Independent Auditor’s Report on the FTC’s Financial Statements for the Fiscal Years Ended September 30, 2022 and 2021 (11/14/2022)</i>	0	0	0	N/A
<i>FY 2022 Audit of the FTC’s Information Security Program and Practices (11/14/2022)</i>	0	0	0	N/A
<i>OIG Special Report on the Management of Post-FTC Employment Matters (12/20/2022)</i>	0	0	0	N/A
<i>OIG Letter to OMB on the FY 2023 Charge Card Risk Assessment (02/01/2023)</i>	0	0	0	N/A



Appendix III: Results of Most Recent Peer Review

<i>Most Recent Peer Review Conducted by Another OIG (and Issue Date)</i>	<i>Peer Review Period Ending Date</i>	<i>Outstanding Recommendations (if Applicable)</i>
U.S. Government Accountability Office (08/20/2021)	03/31/2021	N/A
<i>Most Recent Peer Review Conducted by the FTC OIG (and Issue Date)</i>	<i>Peer Review Period Ending Date</i>	<i>Outstanding Recommendations (if Applicable)</i>
Farm Credit Administration OIG (06/09/2022)	03/31/2021	N/A

Appendix IV: IG Act Reporting Requirements Index



IG Act Section^a	Reporting Requirement	Page #/ Comment
4(a)(2)	Review of legislation and regulations	Page 7
5(a)(1)	Significant problems, abuses, and deficiencies and associated reports and recommendations for corrective action	None to report
5(a)(2)	Recommendations made before the reporting period, for which corrective action has not been completed, including the potential costs savings associated with the recommendation	Appendix I
5(a)(3)	Summary of significant investigations closed during the reporting period	Page 6
5(a)(4)	Total number of convictions during the reporting period resulting from investigations	Page 6
5(a)(5)	List of each audit, inspection, or evaluation report issued during the reporting period—including, if applicable, the total dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and the dollar value of recommendations that funds be put to better use, including whether a management decision had been made by the end of the reporting period	Appendix II
5(a)(6)	Management decisions made during the reporting period with respect to any audit, inspection, or evaluation issued during a previous reporting period	Appendix I

^a Signed into law on December 23, 2022, the James M. Inhofe National Defense Authorization Act (NDAA) for FY 2023, Pub. L. No. 117-263 § 5273, amended the IG semiannual reporting requirements (as well as several other sections of the IG Act of 1978). On December 27, 2022, the IG Act was codified into law at 5 U.S.C. Ch. 400 (formerly at 5 U.S.C. App. 3). See Revisions in Title 5, United States Code and Technical Amendments to Improve the United States Code, Pub. L. No. 117–286. Given the closeness in time between the enactment of the NDAA and the codification of the IG Act, the NDAA amendments to the IG Act are still awaiting codification into 5 U.S.C. Ch. 400. For that reason, this table refers to the relevant IG Act section, rather than the pertinent United States Code section.

IG Act Section^a	Reporting Requirement	Page #/ Comment
5(a)(7)	Information described under section 804(b) of the Federal Financial Management Improvement Act of 1996	None to report
5(a)(8) & 5(a)(9)	(A) an appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or (B) 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; and 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	Appendix III
5(a)(10)	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	Appendix III

^a Signed into law on December 23, 2022, the James M. Inhofe National Defense Authorization Act (NDAA) for FY 2023, Pub. L. No. 117-263 § 5273, amended the IG semiannual reporting requirements (as well as several other sections of the IG Act of 1978). On December 27, 2022, the IG Act was codified into law at 5 U.S.C. Ch. 400 (formerly at 5 U.S.C. App. 3). See Revisions in Title 5, United States Code and Technical Amendments to Improve the United States Code, Pub. L. No. 117–286. Given the closeness in time between the enactment of the NDAA and the codification of the IG Act, the NDAA amendments to the IG Act are still awaiting codification into 5 U.S.C. Ch. 400. For that reason, this table refers to the relevant IG Act section, rather than the pertinent United States Code section.

IG Act Section^a	Reporting Requirement	Page #/ Comment
5(a)(11)	(A) the total number of investigative reports issued during the reporting period; (B) the total number of persons referred to the Department of Justice for criminal prosecution during the reporting period; (C) the total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period; and (D) the total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities	Page 6

^a Signed into law on December 23, 2022, the James M. Inhofe National Defense Authorization Act (NDAA) for FY 2023, Pub. L. No. 117-263 § 5273, amended the IG semiannual reporting requirements (as well as several other sections of the IG Act of 1978). On December 27, 2022, the IG Act was codified into law at 5 U.S.C. Ch. 400 (formerly at 5 U.S.C. App. 3). See Revisions in Title 5, United States Code and Technical Amendments to Improve the United States Code, Pub. L. No. 117–286. Given the closeness in time between the enactment of the NDAA and the codification of the IG Act, the NDAA amendments to the IG Act are still awaiting codification into 5 U.S.C. Ch. 400. For that reason, this table refers to the relevant IG Act section, rather than the pertinent United States Code section.