

Federal Trade Commission Office of Inspector General



Semiannual Report to Congress
April 1, 2023–September 30, 2023

FTC OIG at a Glance

FY 2023 Budget

	<i>Budget (in thousands)</i>	<i>Authorized Positions</i>
FTC	\$430,000	1,380
FTC OIG	\$2,163	10 ^a
FTC OIG %	0.5	0.6

^a As of September 30, 2023, the OIG had 8 full-time staff.

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

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PHOTOS: Federal Trade Commission headquarters (FTC OIG staff); flag, FTC headquarters (FTC OIG staff) the White House (David Everett Strickler, Unsplash); 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 April 1, 2023, through September 30, 2023.

This report describes 4 completed oversight products; statistically summarizes 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.

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, evaluation, and related oversight products: (1) an audit of the FTC's contracting officer's representatives' (CORs') available resources and support for monitoring expert witness contracts; (2) an audit of the FTC's zero trust architecture (ZTA); (3) our FY 2023 report on the FTC's top management and performance challenges; and (4) a review of the FTC's compliance with improper payments requirements for FY 2022.

Audit of FTC Resources and Support for Expert Witness Contracting Officer Representatives (May 12, 2023)

In July 2022, we issued a survey to all agency contracting officer representatives (CORs), which followed up on our December 2021 audit report on the FTC's COR program. Survey respondents identified concerns related to COR duties specific to expert witness service contracts, including the availability of relevant training and the scope of COR duties. We conducted this performance audit to determine whether the FTC's Bureau of Competition expert witness contracts are administered in accordance with federal requirements. Specifically, the audit assessed the sufficiency of resources and support available to CORs monitoring the FTC's expert witness contracts, including the effectiveness of available training.

We found that the FTC's COR program met the minimum federal requirements by stipulating that employees obtain a Federal Acquisition Certification-Contracting Officer's Representatives (FAC-COR) certification to become a COR. Nevertheless, the audit found that (I) COR training is difficult to access and bears little relevance to expert witness contracts and (II) assessment of COR performance is vague and inconsistent.

We recommended that the FTC Executive Director, in coordination with the Director of the Financial Management Office, develop (1) a strategy for establishing a formal training regimen addressing the specific

processes entailed in acquiring, managing, and closing out expert witness contracts, and (2) a process that allows for CORs to receive recognition for and feedback on their COR duties.

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

Audit of FTC Progress on the Implementation of Zero Trust Architecture (August 30, 2023)

We conducted this audit to assess the FTC’s progress on the implementation of zero trust architecture (ZTA) and compliance with federal mandates.

The results of our research, interviews, FTC’s self-assessment, and inspection of relevant documentation informed our conclusions on the FTC’s implementation progress. We concluded that the FTC has made progress on meeting ZTA cybersecurity principles and did not make any recommendations for management.

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

FY 2023 Report on the FTC’s Top Management and Performance Challenges (September 29, 2023)

Based on work conducted by our office and separate observations and discussions with senior leaders at the FTC, we identified the following issues as the top management and performance challenges currently facing the FTC:

1. Securing information systems and networks from destruction, data loss, or compromise
2. Addressing challenges to FTC litigation
3. Successfully managing merger transactions
4. Combating increasingly sophisticated imposter scams and enhancing the public’s awareness of them

We also identified “the FTC’s oversight of the Horseracing Integrity and Safety Authority” as a “watch list” item—an issue that does not rise to the level of a serious management and performance challenge but, nonetheless, requires management’s continued attention.

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

The FTC's Compliance with Improper Payments Requirements for FY 2022 (April 3, 2023)

We reviewed the FTC's FY 2022 compliance with all appropriate requirements of the Payment Integrity Information Act of 2019 (Public Law 116-117) and concluded that, for FY 2022, 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 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.

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 2 audits:

Audit of Contractor Invoices

The FTC maintains an interagency agreement with the U.S. Department of the Treasury's Bureau of the Fiscal Service, Administrative Resource Center (ARC), to award contracts for various goods and services on behalf of the FTC in compliance with federal procurement policies, procedures, and regulations. The FTC and ARC provide contract administrative services for their respective contracts. These services include executing approved and authorized contract modifications, monitoring delivery schedules, approving invoices and payments, and closing out completed contracts.

The objective of this audit is to determine whether the FTC's invoice process is conducted efficiently and in accordance with federal regulations.

Audit of the FTC's Controlled Unclassified Information Program

Controlled unclassified information (CUI) is a category of unclassified information within the U.S. federal government. It is information that requires safeguarding, or dissemination controls pursuant to and consistent with applicable laws, regulations, and government-wide policies but is not classified. The CUI program was established by Executive Order 13556 to standardize the Executive Branch classification that requires safeguarding or dissemination controls—

and facilitate a streamlined method for information sharing and safeguarding.

The objective of this audit is to assess the effectiveness of the FTC's current practices and procedures related to managing and safeguarding CUI.

We have also begun work on our audit of the FTC's (1) FY 2023 compliance with FISMA and (2) FY 2023 financial statements. In addition, the OIG closed out one review of the FTC's legacy IT systems. Future work in this or other IT-related program areas may also take into consideration the results of our August 2023 ZTA audit and our ongoing FISMA audit.

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	0
Open investigations	9 ^a
Reports issued	0
Investigations closed	1
Hotline complaints received and reviewed	844
^a FTC OIG is assisting other federal agencies on all of these matters.	

Significant Matters and Activities

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.

During this semiannual period, the FTC OIG initiated outreach with the CIGIE community and the U.S. Department of Justice in an effort to enhance fraud investigations through the use of Consumer Sentinel Network identity theft report data. Additionally, the FTC OIG has collaborated with the agency to prioritize combating increasingly sophisticated imposter scams.



Engagement, Review of Legislation, and Other Reporting Requirements

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 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 Legislation Committee. The Deputy Inspector General and Counsel to the Inspector General serves as the Chair for the Council of Counsels to the Inspector General (CCIG) and participates in the Small OIG Counsels 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.

Other Reporting Requirements

Pursuant to the Trafficking Victims Prevention and Protection Reauthorization Act (P.L. 117-348), the OIG reports no relevant suspected violations, investigations, or recommended actions to improve the programs and operations of the agency.

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



<i>Report and Open Recommendations</i>	<i>Issue Date</i>	<i>Pending Mgmt Decisions</i>	<i>Potential Cost Savings</i>
<i>Management Advisory on Controlling and Protecting Sensitive Information</i> 3. Develop a more comprehensive strategy for communications and training related to prohibitions of nonpublic information and records (NPI) disclosures ^a	09/29/2021	No	N/A
<i>Management Advisory on FTC Records Management</i> 1. Develop requirements for acquiring the necessary staff and technology resources for managing records scheduling, disposition, access, and storage	02/28/2022	No	N/A

^a Recommendation open as of September 30, 2023, and closed prior to the issue date of this report.



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

<i>Audit, Evaluation, or Inspection Report (Issue Date)</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>	<i>Funds to Be Put to Better Use</i>	<i>Pending Mgmt Decisions</i>
<i>Audit of FTC Progress on the Implementation of Zero Trust Architecture (08/30/2023)</i>	0	0	0	N/A
<i>Audit of FTC Resources and Support for Expert Witness Contracting Officer Representatives (05/12/2023)</i>	0	0	0	0
<i>The FTC's Compliance with Improper Payments Requirements for FY 2022 (04/03/2023)</i>	0	0	0	N/A

Appendix III: Results of Most Recent Peer Review



Federal Trade Commission Office of Inspector General

<i>Most Recent Peer Review Conducted by Another OIG</i>	<i>Date Issued</i>	<i>Peer Review Ending Date</i>	<i>Outstanding Recs (if Applicable)</i>
U.S. Government Accountability Office	08/20/2021	03/31/2021	N/A
<i>Most Recent Peer Review Conducted by FTC OIG</i>	<i>Date Issued</i>	<i>Peer Review Ending Date</i>	<i>Outstanding Recs (if Applicable)</i>
U.S. International Development Finance Corporation (limited procedures)	06/15/2023	N/A	N/A



Appendix IV: IG Act Reporting Requirements Index

<i>IG Act Section</i>	<i>Reporting Requirement</i>	<i>Page #/ Appendix # or Comment</i>
4(a)(2)	Review of legislation and regulations	Page 7
5(a)(1)	Significant problems, abuses and deficiencies	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	None to report
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

IG Act Section	Reporting Requirement	Page #/ Appendix # or Comment
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
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