

# Federal Trade Commission Office of Inspector General



Semiannual Report to Congress  
October 1, 2023–March 31, 2024

# FTC OIG at a Glance

	<i>FY 2024 Budget (in thousands)</i>	<i>Authorized Positions</i>
<b>FTC</b>	\$425,700	1,388
<b>FTC OIG</b>	\$2,619	10 <sup>a</sup>
<b>FTC OIG %</b>	0.6	0.7

<sup>a</sup> As of March 31, 2024, the OIG was comprised of 8 full-time staff.

## Employees by Position

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

## Contact Information

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**Message from the Inspector General 1**



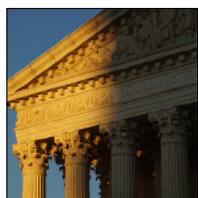
**Audits and Related Oversight Products 2**



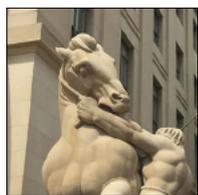
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## Message from the Inspector General

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 October 1, 2023, through March 31, 2024.

This report describes 5 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. The work summarized in this report reflects our continued engagement with the agency and innovations in automation and data analysis.

We thank Chair Khan and each of the Commissioners. We also extend a warm welcome to Commissioners Melissa Holyoak and Andrew Ferguson, who were sworn in during this reporting period. In addition, we 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 span our government.

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

Andrew Katsaros

## Audits and Related Oversight Products



### Completed Products

During this period, the OIG issued the following 5 audit and related oversight products: (1) an audit of the FTC's contractor invoice processes; (2) an audit of the FTC's FY 2023 financial statements; (3) an audit of the FTC's 2023 compliance with the Federal Information Security Modernization Act (FISMA); (4) a review of the FTC's compliance with improper payments requirements for FY 2023; and (5) periodic 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.

#### *Audit of the FTC's Contractor Invoice Processes (December 22, 2023)*

We conducted this performance audit to determine whether the FTC's contractor invoice processes for time and materials and labor-hour contracts (i.e., high-risk contracts) are conducted efficiently and in accordance with federal regulations. The audit found that, despite recent initiatives (e.g., ad hoc invoice reviews), the FTC has not yet refined a complete, structured, program-level process for invoice reviews and payments. We recommended that the agency complete its efforts to implement a formal, structured process for invoice review, approval, and payment to align with federal standards and guidance, as well as develop plans to assess the effectiveness of the new process.

#### *Audit of the FTC's FY 2023 Financial Statements (November 15, 2023)*

The OIG contracted with an independent public accounting firm (IPA) to (a) audit the financial statements of the FTC as of and for the fiscal year ending September 30, 2023, and (b) prepare a report on internal control over financial reporting and compliance with laws and regulations, as well as other matters. The audit is required by the Accountability of Tax Dollars Act of 2002. The IPA provided an unmodified opinion on the FTC's FY 2023 financial statements.

*FY 2023 Audit of the FTC's Information Security Program and Practices  
(November 6, 2023)*

As required by the Federal Information Security Modernization Act of 2014 (P.L. 113-283) (FISMA), the OIG evaluated the FTC's information security program and practices for FY 2023. The OIG contracted with an IPA to conduct an independent audit to meet the FY 2023 FISMA requirements. The IPA concluded that the FTC's information security program and practices were effective and made two recommendations to assist the FTC in strengthening its information security program.

*The FTC's Compliance with Improper Payments Requirements  
for FY 2023 (February 15, 2024)*

The Payment Integrity Information Act of 2019, or PIIA (Public Law 116-117), requires agencies and Inspectors General to improve efforts to identify and reduce government-wide improper payments. Agencies must identify and review all programs and activities they administer that may be susceptible to significant improper payments, based on guidance provided by OMB Circular A-136 (May 19, 2023). Inspectors General must determine whether each agency is in compliance and issue an annual report, per OMB Circular A-123, Appendix C (M-21-19, March 5, 2021). The OIG concluded that, for FY 2023, the FTC complied with all requirements applicable to the agency for improper payment reporting.

*OIG Letter to OMB on the FY 2023 Charge Card Risk Assessment  
(January 26, 2024)*

Per the Charge Card Act, as implemented by OMB Appendix B to Circular No. A-123, *A Risk Management Framework for Government Charge Card Programs*, we conducted this periodic assessment of agency purchase card, convenience check, and travel card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. Based on our risk assessment of FY 2023 activity, 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 in FY 2024.

### *Ongoing Audit, Evaluation, and Related Oversight Work*

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

#### *Audit of the FTC Bureau of Consumer Protection's (BCP's) Redress Program*

FTC law enforcement actions aim to stop illegal practices and, when possible, deliver refunds to consumers who lost money. Once defendants have paid the money ordered in a court judgment, or agreed to in a settlement, the BCP's Office of Claims and Refunds develops a plan for providing redress to the appropriate consumers. The objective of the audit is to assess the effectiveness of the FTC's data management and oversight of contractors for the redress program.

#### *Audit of the FTC's Controlled Unclassified Information (CUI) Processes*

CUI requires safeguarding as well as dissemination controls, pursuant to and consistent with applicable law, regulations, and government-wide policies. The federal CUI program unifies the effort among executive branch agencies to standardize related protections and practices. The objective of our audit is to determine the effectiveness of the FTC's current practices and procedures related to managing and safeguarding CUI.

#### *Audit of the FTC Division of Consumer Response and Operations' Consumer Response Center (CRC)*

BCP's Division of Consumer Response and Operations collects and analyzes data to measure the impact of activities related to the FTC's consumer protection mission. The division is responsible for the Consumer Response Center, whose counselors respond to consumer complaints and inquiries reported via telephone, mail, and the FTC website. The objective of our audit is to assess the effectiveness of the practices and procedures for recording and responding to consumer reports and inquiries.



## Investigations

### Investigations Summary

Category	Number
Indictments and informations	1 <sup>a</sup>
Referrals to state authorities for prosecution	0
Referrals to the Department of Justice for prosecution	0
Convictions resulting from investigations	0
Open investigations	13
Reports issued	0
Investigations closed	0
Hotline complaints received and reviewed	4,120

<sup>a</sup> The FTC OIG assisted in this indictment.

### Significant Matters and Activities

As reported in the previous semiannual period, the FTC OIG has continued 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. This matter has been scheduled for trial; currently, the FTC OIG continues to provide guidance and support on the fraudulent identity theft reports that were submitted to the FTC's Consumer Sentinel Network (CSN) in violation of 18 U.S.C. § 1001.

During this semiannual period, the FTC OIG assisted another USAO in an indictment that, among other counts, included 8 identity theft-related counts. In particular, the FTC OIG identified at least 21 fraudulent identity theft reports that were submitted to the CSN, in violation of 18 U.S.C. § 1001.

## Engagement, Review of Legislation, and Other Reporting Requirements



### *Inspector General and Federal Community Engagement*

The OIG continued to participate actively 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. 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 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.

### *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>
<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	None	N/A
<p><i>Audit of the FTC Resources and Support for Expert Witness Contracting Officer Representatives</i></p> <p>1. Develop a process that allows for CORs to receive recognition for and feedback on their COR duties<sup>a</sup></p>	05/12/2023	None	N/A
<p><sup>a</sup> Recommendation open as of March 31, 2024, and closed prior to the issue date of this report.</p>			

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



<i><b>Audit, Evaluation, or Inspection Report (and Issue Date)</b></i>	<i><b>Questioned Costs</b></i>	<i><b>Unsupported Costs</b></i>	<i><b>Funds to Be Put to Better Use</b></i>	<i><b>Pending Mgmt Decisions</b></i>
<i>The FTC’s Compliance with Improper Payments Requirements for FY 2023 (02/15/2024)</i>	0	0	0	N/A
<i>OIG Letter to OMB on the FY 2023 Charge Card Risk Assessment (01/26/2024)</i>	0	0	0	N/A
<i>Audit of the FTC’s Contractor Invoice Processes (12/22/2023)</i>	0	0	0	N/A
<i>Independent Auditor’s Report on the FTC’s Financial Statements for the Fiscal Year Ended September 30, 2023 (11/15/2023)</i>	0	0	0	N/A
<i>FY 2023 Audit of the FTC’s Information Security Program and Practices (11/06/2023)</i>	0	0	0	N/A



### Appendix III: Results of Most Recent Peer Review

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

## Appendix IV: IG Act Reporting Requirements Index



<b>IG Act Section</b>	<b>Reporting Requirement</b>	<b>Page #/ Appendix # or Comment</b>
4(a)(2)	Review of legislation and regulations	Page 6
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 5
5(a)(4)	Total number of convictions during the reporting period resulting from investigations	Page 5
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

<i><b>IG Act Section</b></i>	<i><b>Reporting Requirement</b></i>	<i><b>Page #/ Appendix # or Comment</b></i>
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
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 5