

# **Federal Trade Commission Office of Inspector General**



**Semiannual Report to Congress**  
April 1, 2024–September 30, 2024

# FTC OIG at a Glance

## FY 2023 Budget

	<i>Budget (in thousands)</i>	<i>Authorized Positions</i>
<b>FTC</b>	\$425,700	1,258
<b>FTC OIG</b>	\$2,619.40	10 <sup>a</sup>
<b>FTC OIG %</b>	0.5	0.6
<sup>a</sup> As of September 30, 2024, the OIG was comprised of 8 full-time staff.		

## Employees by Position

Inspector General  
Principal Deputy Inspector General  
Counsel to the Inspector General (vacant)  
Assistant Inspector General  
    for Investigations  
Assistant Inspector General  
    for Audits and Automation  
Lead Auditor  
Lead Auditor (vacant)  
Program Analyst/Investigator  
Program Analyst  
Administrative Assistant

## Contact Information

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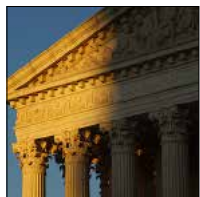
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PHOTOS: Federal Trade Commission headquarters (FTC OIG staff); flag, FTC headquarters (FTC OIG staff); the White House (David Everett Strickler, Unsplash); the Supreme Court (Ian Hutchinson, Unsplash); statue, FTC headquarters (FTC OIG staff); south wing, Treasury Department headquarters ([www.Treasury.gov](http://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, 2024, through September 30, 2024.

This report describes 3 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; agency leadership and their staff, for their ongoing cooperation; and Congress, for its enduring commitment to supporting the OIG's mission.

Our office will continue 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 Products



### Completed Products

During this period, the OIG issued the following 3 audit, evaluation, and related oversight products: (1) our FY 2024 report on the FTC’s top management and performance challenges; (2) a management advisory on the FTC’s non-federal sourced travel; and (3) an audit of the FTC Redress Program’s data management and oversight of contractors.

#### *FY 2024 Report on the FTC’s Top Management and Performance Challenges (September 30, 2024)*

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

We also identified records management 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](#).

*Management Advisory on the FTC's Non-Federal Sourced Travel  
(September 12, 2024)*

Pursuant to federal regulations and internal FTC policies, the FTC may accept financial support from non-federal sources for employee travel—typically for attending meetings, conferences, and other functions related to official duties. However, the FTC non-federal sourced travel program faces several challenges. First, the complicated process that employees must use to request authorization for and input non-federal sourced travel has proven difficult for employees to follow properly. Second, reimbursements from non-federal sourced entities are frequently delayed and often involve substantial administrative burdens. In this management advisory, we share our observations about these issues, with no formal recommendations for agency leadership.

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

*Audit of FTC Redress Program Data Management and Oversight  
of Contractors (August 9, 2024)*

A core mission of the agency's law enforcement actions is to stop illegal business practices. As part of this mission, the agency's Bureau of Consumer Protection (BCP) Division of Consumer Response and Operation's (DCRO's) Office of Claims and Refunds delivers refunds, via the Redress Program, to consumers who lost money because of these practices.

We conducted this audit as a follow-up evaluation of the FTC's progress on, and effectiveness of, changes that the agency implemented in its Redress Program following our March 4, 2020, OIG report *Audit of Federal Trade Commission Redress Process Controls*. For the current audit, we narrowed our audit objective to focus specifically on the Redress Program's effectiveness of contractor oversight and program data management.

Our audit found that the Redress Program's current approach to contractor oversight, including a combination of legacy and alternative practices, is not integrated into policy. We found that the program's current oversight is effective—and could potentially be enhanced by a policy framework that supports consistent oversight processes and promotes the overarching goals of DCRO.

We recommended that the Director of BCP, in coordination with DCRO management, more formally integrate its legacy practices, standard operating procedures, and alternative procedures into a single source that clarifies how oversight activities of all contractors interrelate to support DCRO's goals.

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 Division of Consumer Response and Operations' (DCRO's) Consumer Response Center (CRC)***

The FTC BCP DCRO is responsible for the CRC, which serves as a direct interface for consumers to report complaints, seek assistance, and access resources. The CRC handles a wide range of complaints that include fraudulent marketing and identity theft, channeling them to the appropriate entities, either within the FTC or externally. CRC staff are trained to respond to telephone and mail contacts, accurately capture consumer complaints, and, when necessary, transfer or refer them to the appropriate agencies. The objective of our audit is to assess the effectiveness of the practices and procedures for recording and responding to consumer reports and inquiries.

#### ***Audit of the FTC's FY 2024 and 2023 Financial Statements***

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, 2024, and 2023, and to provide a report on internal control over financial reporting and on compliance with laws and other matters. The contract requires 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*.

#### ***FY 2024 Audit of the FTC Information Security Program and Practices***

The Federal Information Security Management Act of 2002 (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 will perform the FY 2024 evaluation. The objective of the audit is to evaluate the status of the FTC's overall information technology security program and practices. The contract requires 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.

The OIG also terminated our audit of the FTC's controlled unclassified information (CUI) program. We did not identify any specific compliance issues or areas requiring immediate attention in the work that we performed.



Investigations



Investigations Summary

Category of Data	Number
Indictments and informations	0
Referrals to state authorities for prosecution	1
Referrals to the Department of Justice for prosecution	3
Convictions resulting from investigations	1
Open investigations	15 <sup>a</sup>
Reports issued	1
Investigations closed	5
Hotline complaints received and reviewed	7,838
<sup>a</sup> FTC OIG is assisting other federal agencies on 11 of these matters.	

Significant Matters and Activities

During this semiannual reporting period, the FTC OIG concluded an administrative misconduct investigation into allegations that an FTC employee engaged in unauthorized outside employment activities and improperly obtained an Economic Injury Disaster Loan advance. During this investigation, which confirmed these allegations, the FTC OIG further identified and confirmed additional evidence that the employee had violated other administrative and criminal laws.

Also during this semiannual period, the FTC OIG assisted in an investigation that resulted in the defendant pleading guilty to, among other charges, 21 counts of making false statements to the FTC, in violation of 18 U.S.C. § 1001, which carries a maximum penalty of 5 years of imprisonment and a \$250,000 fine.

As reported in previous semiannual periods, 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. The trial is scheduled to commence early in the reporting period; 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.

## 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 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 Principal Deputy Inspector General (who is the Acting 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 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	None	N/A
<i>Fiscal Year 2023 Audit of the FTC's Information Security Program and Practices</i>  1. FTC CIO implement requirements across Event Logging tiers to meet the maturity level of EL2 (intermediate) in accordance with OMB M-21-31	11/06/2023	None	N/A

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



Federal Trade Commission Office of Inspector General

<i><b>Audit, Evaluation, or Inspection Report (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><b>FY 2024 Report on the FTC's Top Management and Performance Challenges (09/30/2024)</b></i>	0	0	0	N/A
<i><b>Management Advisory on the FTC's Non-Federal Sourced Travel (09/12/2024)</b></i>	0	0	0	0
<i><b>Audit of FTC Redress Program Data Management and Oversight of Contractors (08/09/2024)</b></i>	0	0	0	N/A



Appendix III: Results of Most Recent Peer Reviews

<i>Most Recent Peer Review Conducted by Another OIG</i>	<i>Date Issued</i>	<i>Peer Review Ending Date</i>	<i>Peer Review Results</i>	<i>Outstanding Recs (if Applicable)</i>
Federal Election Commission	09/11/2024	03/31/2024	Pass	N/A
<i>Most Recent Peer Review Conducted by FTC OIG</i>	<i>Date Issued</i>	<i>Peer Review Ending Date</i>	<i>Peer Review Result</i>	<i>Outstanding Recs (if Applicable)</i>
U.S. International Development Finance Corporation (limited procedures)	06/15/2023	N/A	Modified peer review	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 8
5(a)(1)	Significant problems, abuses and deficiencies	Pages 2–4
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	Pages 6–7
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

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