# FY 2026 Report on the Federal Trade Commission's Top Management and Performance Challenges

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

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**MEMORANDUM**

**FROM:** Marissa Gould
Acting Inspector General

**TO:** Andrew Ferguson
Chairman

**SUBJECT:** FY 2026 Report on the FTC's Top Management and Performance Challenges

The *Reports Consolidation Act of 2000* requires that each agency's inspector general provides an annual summary perspective on the most serious management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The challenges summarized in this document are based either on work conducted by the Office of Inspector General (OIG) or separate observations and discussions with senior leaders at the Federal Trade Commission (FTC).

The four top management and performance challenges we discussed in last year's report remain; we incorporate each one with important updates, as well as the progress that the FTC has made over the last year. They are as follows:

1. **Managing Resources Effectively**
2. **Addressing Challenges to FTC Litigation**
3. **Combating Evolving Scams and Enhancing the Public's Awareness**
4. **Strengthening Cybersecurity Resilience and Technological Infrastructure in an Era of Evolving Threats, Increased Requirements, and Organizational Change**

In last fiscal year's *Report on the FTC's Top Management and Performance Challenges*, the OIG downgraded Safeguarding Nonpublic Information from a challenge to a "watch list" issue, which means it does not rise to the level of a serious management and performance challenge but, nonetheless, requires management's continued attention.

Following the OIG's oversight and investigative work on this issue[1] and a steep decline in unauthorized disclosures of FTC nonpublic information to the media ("leaks") in 2026,[2] we have removed leaks as a "watch list" item for 2026. While we no longer consider leaks to be a top management and performance challenge, we continue to monitor the issue.

The OIG provided a draft of this report to officials from multiple bureaus and offices, whose comments on the FTC's progress in each challenge area were summarized and incorporated into this final version. We thank these officials for the thoughtful consideration they provided in comments on this report.

## I. Managing Resources Effectively

Managing resources effectively continues to be a top challenge for the FTC due to significant uncertainty in appropriations and rising and variable operational and litigation costs.[3]

***Long Term Budget and Staffing Planning.*** Significant fluctuations in appropriations and staffing have made it difficult for the FTC to effectively conduct long-term budget and staffing planning. After a decade of relatively flat funding and stable staffing levels, the agency saw a nearly 40% increase in its budget in the early 2020s, allowing the hiring of approximately 175 new employees.[4] However, in FY 2024, the FTC faced challenges in its ability to continue carrying higher staffing levels after Congress reduced its budget and the agency's costs increased.[5] With a flatlined budget in 2025, and in preparation for further budget reductions, the FTC offered voluntary separation incentives to employees, resulting

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[1] *See* FTC OIG, FTC OIG INVESTIGATES DISCLOSURE OF FTC NONPUBLIC INFORMATION TO THE MEDIA (May 11, 2026); FTC OIG, FEDERAL TRADE COMMISSION OFFICE OF INSPECTOR GENERAL SEMIANNUAL REPORT TO CONGRESS (APRIL 1, 2026–SEPTEMBER 30, 2026) (Oct. 30, 2026) (describing the OIG's ongoing audit of the FTC's controls of nonpublic information).

[2] In 2024, the OIG found at least 13 potential leaks, which declined to 11 in 2025 and only 1 in 2026. The OIG's investigation of leaks covered the 2024 and 2025 potential leaks.

[3] In our FY 2025 *Top Management and Performance Challenges* report, we reported, as part of the Managing Resources Effectively challenge, on the undertaking required to implement the FTC's new role enforcing the 2025 TAKE IT DOWN Act (TIDA, or the Act), a law which requires platforms to remove, within 48 hours of a victim's request, intimate photos or videos shared online without victims' consent. We did not include it in the Managing Resources Effectively challenge this year as FTC officials have expressed confidence in the agency's success in setting up an enforcement structure. In accordance with TIDA's deadlines, on May 19, 2026, the FTC began enforcing TIDA and debuted the TIDA required website, TakeItDown.ftc.gov, for consumers to file complaints about platforms that fail to remove prohibited content. In addition to allowing consumers to file reports, the website also links users to other resources. To stand up its enforcement effort, the FTC hired two new investigators and three new attorneys and shifted veteran agency staff from divisions across BCP to the initiative.

[4] From 2010 to 2019, the FTC's level of full-time equivalents (FTE) stayed between 1,100 and 1,160, and the FTC's annual appropriation fluctuated between $291 and $310 million. Between 2019 and 2023, the FTC's appropriation grew from $310 million to $430 million. *See* FTC, FTC APPROPRIATION AND FULL-TIME EQUIVALENT (FTE) HISTORY (2026).

[5] The FTC's appropriation shrunk from $430 million in 2023 to $425.7 million in 2024. *See* FTC, FTC APPROPRIATION AND FULL-TIME EQUIVALENT (FTE) HISTORY (2026). This reduction was compounded by a 5.2% unfunded pay raise for federal employees. *See* EXEC. OFF. OF THE PRESIDENT, EXEC. ORDER NO. 14113, ADJUSTMENTS OF CERTAIN RATES OF PAY (Dec. 21, 2023).

in the departure of more than 300 employees[6]—nearly double the average number of annual employee departures. While it was necessary for the agency to reduce staff levels, particularly after Congress reduced the agency's budget by an additional 10% in FY 2026,[7] this large wave of departures included a disproportionate number of senior employees[8] and left the agency staffed considerably under even what the 2026 budget could withstand.

The significant reduction in staffing has created challenges across the agency, including gaps in institutional knowledge and critical functions. Although the FTC has worked to preserve institutional knowledge through enhanced documentation efforts[9] and has begun hiring for critical positions, several senior agency officials noted that rebuilding workforce capacity to fully deploy available appropriated funds will require sustained effort over time.

Some senior agency officials and other employees also reported concerns about the effects of the staffing reductions and reduced flexibility in work arrangements.[10] With fewer personnel available, matters are more thinly staffed—placing greater demands on remaining employees—and the agency has to be more discerning about which discretionary cases to pursue. The agency continues to navigate these competing pressures while seeking to maintain the quality and pace of its enforcement work.

***Unpredictable Building Maintenance and Critical Infrastructure Costs*.** Unpredictable building maintenance and critical infrastructure costs also continue to prove challenging to the FTC's ability to effectively manage its resources. For several years, the agency has anticipated having to transition from steam-based heat to another heat solution, as part of a government wide effort led by the General Services Administration (GSA) to decouple federal agencies from steam-based heat. However, the agency has been unable to fully plan for the transition because it still does not know the timeline, technical solution, or how much its periodic payments will be. Senior officials believe they will have a better grasp on these three issues in 2027.

Aside from the continued uncertainty of the costs of the transition from steam, the agency has made large strides this past year on building maintenance and critical infrastructure projects within its control, such as successfully moving a large group of staff to a new building and completing some long-needed structural repairs and updates to the

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[6] The number of employees declined from 1,301 on January 1, 2025, to 1009 on January 2, 2026.

[7] *See* Consolidated Appropriations Act, 2026, Pub. L. No. 119-75, Div. E, Title V (Feb. 3, 2026), appropriating the $383.6 million to the FTC.

[8] More than half of the 318 employee departures in 2025 were senior employees (General Schedule (GS) 15s, Senior Level (SL), or executive service (ES)). 107 of the 318 employees were either ES, SL, or GS-15s with more than 10 years of tenure at the FTC.

[9] *See* FTC OIG, AUDIT OF FTC RESOURCES AND SUPPORT FOR EXPERT WITNESS CONTRACTING OFFICER REPRESENTATIVES (May 16, 2023) (noting the need for documented policies, procedures, and standards of practice to ensure knowledge is not lost when employees depart).

[10] On November 9, 2026, the FTC issued its 2026 FTC Annual Employee Survey, which provides employees an opportunity to share feedback about workplace experience, employee engagement, leadership, communication, organizational effectiveness, and other factors that contribute to a productive and supportive work environment. Responses are due November 30, 2026. Once the survey closes, the agency should have an increased understanding of current employee morale.

headquarters building. With these needed repairs behind them, senior officials hypothesized that building and infrastructure costs should prove to be less of a strain on agency resources in the upcoming year. Nevertheless, the aging headquarters building and the transition from steam make it difficult for the agency to confidently estimate its building maintenance and critical infrastructure costs.

***Expert Witness Costs.*** Planning for expert witness costs continues to challenge the agency, though the FTC has made notable progress over the past year.[11] Building on prior reforms, this year the FTC continued to expand its use of in-house economists and financial analysts as expert witnesses and to support expert witnesses, achieving an estimated $9.5 million in savings compared to the cost of retaining outside economic consultants for equivalent work. The FTC is also exploring mechanisms to appropriately incentivize staff to serve as experts, recognizing the significant additional workload and stress involved.

With respect to its management of outside expert costs, the FTC has continued requiring case teams to develop case budgets and provide justification before engaging outside experts and to track case expenses in a more detailed and timelier way once experts onboard. In addition, the FTC has begun incorporating economists and attorneys into the acquisitions process for experts, which has resulted in increased scrutiny of proposals and bills, and expansion of the pool of experts to promote increased competition. Several recent cases have come in at or under projected expert cost budgets, reflecting the positive impact of these reforms.

Significant progress has also been made on the data analysis system funded by the $14.6 million Technology Modernization Fund (TMF) grant. The TMF system, which the agency expects to be operational by January 2027, will be an FTC-owned system designed to provide the FTC with the capability of quickly processing and analyzing large sets of litigation data. Prior to this system, the FTC had to rely on outside consulting firms or time-intensive internal processes to manage such data. The agency estimates that the TMF system could save the FTC approximately $1 million annually, while also providing greater flexibility and reducing the time required to initiate data analysis work. The agency's initial projections suggest the project will come in under the $14.6 million budget.

Despite the significant progress that the agency has made in controlling expert witness costs, the challenge persists due, in large part, to unpredictable fluctuations in merger activity and parties' willingness to settle cases.

*FTC Progress in Addressing the Challenge*

[11] Since 2018, the OIG has included expert witness costs in nearly every Top Management & Performance Challenges report. *See* OIG Top Management and Performance Challenges reports 2018-2025, https://oig.ftc.gov/reports/top-management-challenges. During this period, the OIG also issued two audits related to the agency's expert witness program. *See* FTC OIG, AUDIT OF FTC RESOURCES AND SUPPORT FOR EXPERT WITNESS CONTRACTING OFFICER REPRESENTATIVES (May 12, 2023); AUDIT OF FEDERAL TRADE COMMISSION EXPERT WITNESS SERVICES (Nov. 14, 2019).

The agency agrees with the OIG's assessment of both the challenge and the agency's progress in addressing the challenge. The agency notes that it has delegated authority from the U.S. General Services Administration (GSA) to operate, maintain, and repair the FTC headquarters building and works collaboratively with GSA on capital projects and other GSA initiatives. Large projects are coordinated and funded under GSA's capital replacement and modernization responsibilities.

## II. Addressing Challenges to FTC Litigation

The FTC's ability to secure monetary relief for harmed consumers has been significantly curtailed by a series of compounding court decisions. The Supreme Court's 2021 ruling in *AMG Capital Management, LLC v. FTC*[12] eliminated the court's ability to award the agency equitable monetary relief (refunds and disgorgement of unjust gains) under FTC Act Section 13(b)[13]. Without the ability to seek refunds and disgorgement under Section 13(b), the agency focused on FTC Act Section 19,[14] either pursuing rule-based violations in federal court pursuant to Section 19(a)(1) or unfair or deceptive act or practice claims using Section 19(a)(2), a cumbersome two-track process requiring a full administrative trial before pursuing redress in federal court.[15]

The Fifth Circuit's recent 2026 decision in *Intuit, Inc. v. FTC*[16] has further limited the 19(a)(2) pathway. In that case, the court held that the FTC's underlying deception claim—rooted in the company's advertising practices—implicated a private right rather than a public right and therefore could not be adjudicated through the FTC's administrative process without violating U.S. Constitution Article III. While *Intuit*'s holding was limited to deception-based advertising claims, the decision makes seeking monetary relief via Section 19(a)(2) problematic, as such enforcement actions are subject to the risk that courts could extend *Intuit*'s reasoning to conclude that the underlying administrative adjudication of other types of unfair or deceptive conduct cases is also unconstitutional.

Taken together, *AMG*, *Axon,*[17] and now *Intuit* represent a cumulative erosion of the FTC's remedial authority. *AMG* removed the agency's ability to seek refunds and disgorgement under Section 13(b). Axon introduced procedural delay and uncertainty by letting respondents challenge the constitutionality of an administrative proceeding before it concludes. *Intuit* now has called into question the constitutionality of administrative adjudication for deceptive advertising and marketing claims and potentially other deceptive or unfair conduct. This leaves the FTC with a shrinking set of tools: Section 19(a)(1) actions tied to specific rule violations, and state-partnership arrangements that depend on the cooperation and authority of state enforcement agencies rather than the FTC's own

[12] 593 U.S. 67 (2021).
[13] 15 U.S.C. § 53(b).
[14] *Id.* at § 57b.
[15] Notably, unlike Section 13(b), Section 19 does not provide an avenue to seek monetary relief in anti-competitive conduct cases.
[16] 170 F.4th 411 (5th Cir. 2026).
[17] *Axon v. FTC*, 598 U.S. 175, 143 S. Ct. 890 (2023).

independent authority. Absent congressional action, the FTC's ability to secure refunds or disgorgement of unlawful gains is now severely constrained.

Separately, the Supreme Court's 2026 decision in *Trump v. Slaughter*[18] struck down for-cause removal protections for FTC Commissioners, introducing institutional uncertainty regarding Commission composition and leadership continuity.

*FTC Progress in Addressing the Challenge*

The agency agrees with OIG's assessment of the ongoing challenges to the agency's ability to obtain monetary relief in its law enforcement actions. Since the Supreme Court's decision in *AMG*, the agency continues to aggressively use its remaining options—in particular, Section 19(a)(1) and strategic partnerships with state law enforcement agencies—to obtain consumer redress. In addition, the agency has substantially reduced its use of administrative proceedings due in part to the ongoing legal risks, including the recent decision in *Intuit*.

The agency also reports that, in the 5 months since the Supreme Court's decision in *Trump v. Slaughter*, the decision does not appear to have had any significant impact on the FTC's day-to-day operations.

## III. Combating Evolving Scams and Enhancing the Public's Awareness

The FTC continues to confront the growing volume and evolving tactics of domestic and foreign scams targeting American consumers. Imposter scams remain the most reported fraud category, with scammers forging FTC credentials, creating fake websites, and blending private-company and government impersonation to escalate threats. In the first 6 months of 2026, the FTC received 468,443 imposter scam reports from people self-reporting through the FTC Consumer Sentinel Network,[19] including both business and government imposters, with total monetary losses reaching over $1.8 billion.[20] Investment scams, often tied to cryptocurrency and bank transfers, are also producing high losses. Investment scams commonly begin on social media, where scammers build trust before steering victims into fraudulent schemes.

Despite shrinking budgets and rising costs, the FTC strives to counter increasingly sophisticated scams by using targeted digital advertising, media engagement, webinars, and strategic partnerships to reach vulnerable consumers. At the same time, the agency is strengthening cross-agency messaging, expanding public education, and adapting quickly to new fraud tactics. For example, in June 2026, the FTC, along with the Department of Justice and the Department of Health and Human Services, spearheaded the *Never Ever* campaign, a public-private coordinated consumer education effort to raise awareness

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[18] 146 S. Ct. 2283 (2026).

[19] The FTC hosts ReportFraud.gov, where consumers can report scams and other fraud, and Identitytheft.gov, where consumers can report identity theft. These complaints populate a database run by the FTC Consumer Response Center that law enforcement can view.

[20] FTC Consumer Sentinel Network top reports available at https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudReports/TopReports.

about government and business imposter scams. Conducted through the Elder Justice Coordinating Council ("EJCC") and in partnership with its members, the campaign was designed to encourage government agencies and businesses to spread the word, using unified messaging, on how to recognize and avoid imposter scams. Broad outreach activities through the campaign, such as alerts sent through the United States Postal Service Informed Delivery system, used the FTC's coordinated messaging tools and echoed the consistent banners on key pages throughout the FTC.gov website warning people about the signs of FTC and other government and business imposter scams.

The agency also works proactively with federal partners to anticipate scam risks tied to new federal programs. For example, the FTC collaborated with the Department of Treasury on messaging for "Trump Accounts," clarifying legitimate communication channels and seeking to preempt fraud before the program launched.

The high volume and rapidly evolving nature of consumer scams can strain the FTC's Consumer Response Center (CRC), as noted in our 2025 audit report.[21] One of the CRC's key functions is responding to calls from consumers who are actively engaged with suspected imposters and seeking to verify whether the individual claiming to represent the FTC is legitimate. While FTC management recently implemented the recommendations to improve the program, challenges will likely remain based on the high volume of ever evolving imposter scams. Overall, the agency faces the ongoing challenge of keeping pace with fast-evolving, high-loss scams while sustaining clear, widespread, and timely consumer guidance across limited resources.

*FTC Progress in Addressing the Challenge*

The agency agrees with the OIG's assessment of both the challenge and progress made to address the challenge. The agency continues to work with federal partners and others to combat impersonation scams. The FTC continues to take aggressive law enforcement action against those who violate the Impersonation Rule and works with domain registrars and others to take down websites impersonating the FTC. The agency has increased referrals to the DOJ's National Elder Fraud Hotline, including referrals of older adults with losses to impersonation scams. The agency is currently seeking public comment through an Advance Notice of Proposed Rulemaking, 91 Fed. Reg. 62347 (Oct. 1, 2026), on whether to amend the Impersonation Rule to address platforms' role in these scams.

## IV. Strengthening Cybersecurity Resilience and Technological Infrastructure in an Era of Evolving Threats, Increased Requirements, and Organizational Change

The FTC faces a complex and dynamic cybersecurity and digital environment shaped by emerging threats, workforce transitions, aging infrastructure, and contractor dependency.

In FY 2026, the Office of the Chief Information Officer (OCIO) navigated meeting complex FISMA compliance requirements while managing staff retirements and shifting responsibilities that required cross-training and role expansion to preserve continuity of operations. Despite these pressures, the FTC is making meaningful progress in

[21] FTC OIG, AUDIT OF FTC CONSUMER RESPONSE CENTER PRACTICE AND PROCEDURES (February 6, 2025).

strengthening the resilience of its information systems. The agency advanced implementation of Zero Trust Architecture (ZTA), reinforcing a security model that continuously verifies trust rather than assuming it. The Identity, Credential, and Access Management (ICAM) program was further expanded to improve secure access controls and enhance verification of user identities across the enterprise. OCIO also improved secure system access protocols and intensified efforts to track and manage agency devices, supporting faster identification of anomalies, reducing the agency's attack surface, and strengthening visibility across the FTC's broader technology environment. In addition, the FTC expanded its proactive efforts to stay ahead of emerging cybersecurity risks associated with rapidly evolving super intelligence (SI) technologies. OCIO worked closely with cybersecurity vendors to understand how commercial tools are adapting to SI-enabled attack vectors and to evaluate the agency's preparedness against these next-generation threats.

Uncertainty surrounding federally shared cybersecurity services added further complexity throughout FY 2026. Questions about the long-term future of the Continuous Diagnostics and Mitigation (CDM) program and The Federal Risk and Authorization Management Program (FedRAMP), driven by funding constraints at the federal level, complicated long-term planning and expanded the workload for the FTC's internal cybersecurity and compliance teams. To mitigate these risks, the FTC documented costs and prepared unfunded requirements in the event CDM support is curtailed, monitored cloud vendor performance closely, and reported concerns to the General Services Administration (GSA) when warranted. The agency is continuing to evaluate alternative approaches to manage costs without compromising its security posture.

The FTC also has been challenged by keeping pace with the increasing demands on its digital infrastructure, including network bandwidth, storage volume/costs, emerging demands from big data processing, SI, and machine learning (ML) workloads, and large-scale litigation data management. The FTC has had to prioritize these demands and deploy an iterative approach for mitigations. For example, the agency is upgrading network bandwidth to enable practical transfer of large litigation datasets to support a tiered storage strategy that moves inactive cases out of costly platforms to lower cost cloud storage. Beyond litigation support, increased bandwidth will also improve general network performance across the agency. Replacement of agency laptops is also underway to meet modern processing demands.

In addition, the reliance on information technology (IT) contractors paired with the reduction in headcount has strained FTC government personnel's capacity to independently evaluate technical performance and costs. This has prompted the FTC to pursue strategies that increase internal technical capacity through internal consulting with technologists from the Office of Technology, upskilling of selected personnel, and technical cross-training for others. The objective is not to eliminate contractors, but to strengthen the government's ability to manage them effectively and, where appropriate, to bring certain functions in-house.

OCIO has also identified significant opportunities to reduce costs through assisting the agency in taking a more aggressive approach to contract management and competition for digital services and products. One notable example involved a database subscription

initially priced at approximately $1.1 million annually. By considering cancellation and entering targeted negotiations, the agency secured substantially lower pricing along with additional SI-enabled capabilities, demonstrating the tangible value of informed and assertive contract oversight. OCIO is similarly evaluating whether some large infrastructure support contracts could be restructured into more targeted, specialized components to improve oversight, cost efficiency, and better align contractor expertise to specific agency needs.

Taken together, the challenges facing the FTC in FY 2026 reflect broader trends across the federal government, a rapidly shifting threat environment, workforce evolution, contractor dependency, aging infrastructure, and resource uncertainty. Across these areas, the FTC remains focused on strengthening resilience, improving efficiency, reducing costs, and safeguarding its systems and data to fulfill its mission.

*FTC Progress in Addressing the Challenge*

The FTC continues its commitment to agile and novel solutions in the face of the dynamic ranges of challenges in FY 2027. To address the risks presented by the changes to, and long-term questions about, federally shared cybersecurity services, the agency's efforts have included IT and cybersecurity training for non-IT staff with IT-related roles or responsibilities. Regarding the FTC's continuing evaluation of IT infrastructure contracts, there is no blanket solution, and so the agency's needs must be approached on a case-by-case basis. In addition, laptop refresh, network bandwidth, and tiered storage solution efforts continue—in conjunction with governance and process improvements that will (a) more efficiently address data at its point of intake and (b) synchronize with the wider federal-level data efforts. Finally, the FTC is sustaining its FY 2026 focus on cybersecurity resilience, safeguarding information, and enhancing IT infrastructure and overall efficiency across all aspects of its IT operations.