

Federal Trade Commission Office of Inspector General



Semiannual Report to Congress
April 1, 2021–September 30, 2021

FTC OIG at a Glance

	<i>Budget (in thousands)</i>	<i>Authorized Positions</i>
FTC	\$351,000 ^a	1,140
FTC OIG	\$1,807	7
FTC OIG %	0.5	0.6

^a This amount does not include an additional \$30.4 million for COVID-19 related work authorized on March 11, 2021, by the American Rescue Plan Act of 2021 and available through FY 2026.

Employees by Position

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

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Message from the Inspector General

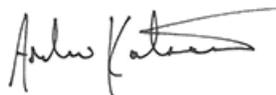
On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our latest Semiannual Report to Congress. This report summarizes the activities and accomplishments of our team from April 1, 2021, through September 30, 2021.

Our seven-member team has risen to every challenge encountered in the past year and maintained its high level of productivity, issuing four products and completing one investigation. We also continued in various leadership roles within the greater Inspector General community.

Special thanks to Chair Khan and each of the Commissioners for their continued support and for facilitating a smooth transition to a new administration. We also thank agency leadership and their staff for their ongoing cooperation and Congress for its enduring support for the OIG's mission.

I further personally thank our talented team, whose resilience and flexibility throughout the last two years has allowed the OIG to maintain its ability to promote economy, efficiency, and effectiveness at the FTC and detect and prevent waste, fraud, abuse, and misconduct in the agency's operations and programs.

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.



Andrew Katsaros

Audits and Related Oversight



Completed Products

During this period, the OIG issued the following 4 audit, evaluation, and related oversight products: (1) a review of the FTC's compliance with FY 2020 improper payments requirements; (2) an audit of the FTC's personal identity verification (PIV) program; (3) a management advisory on controlling and protecting sensitive FTC information; and (4) our FY 2021 report on the FTC's top management and performance challenges.

FTC's Compliance with Improper Payments Requirements for FY 2020 (April 9, 2021)

The objective of this review was to determine whether the FTC is compliant with the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117). Our review was conducted in accordance with implementing guidance set forth in OMB Memorandum M-18-20, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, June 26, 2018. OMB Memorandum M-18-20 describes what each agency Inspector General should review to determine agency compliance with improper payments requirements. The requirements include, but are not limited to, the agency publishing an agency financial report (AFR) or performance and accountability report (PAR) for the most recent fiscal year and conducting a program specific risk assessment, if required.

Based on our review of all relevant information, we have determined that the FTC is in compliance with PIIA for FY 2020.

Report on the Audit of the FTC's PIV Badge Program (A-21-03; July 9, 2021)

Homeland Security Presidential Directive-12 (HSPD-12) establishes the requirements for a common identification standard for identity credentials (i.e., PIV badges) issued by federal departments and agencies to federal employees and contractors (including contractor employees) for (1) gaining physical access to federally controlled facilities and (2) logical access to federally controlled information systems. The PIV

badge authenticates the individual and authorizes entry into an area relative to the access rights of the individual.

The objective of this performance audit was to determine whether the FTC's PIV badge access system meets federal requirements and appropriately safeguards access to FTC assets.

Our audit found that the FTC would benefit from (A) developing and maintaining sufficient policies and processes to ensure the effectiveness of its PIV badge program, including activating, maintaining, and terminating PIV badges; (B) developing a process that reconciles information from multiple sources to assist in ensuring it has completed all necessary badge terminations; and (C) documenting FTC-specific standard operating processes and procedures to evaluate program data and make improvements to the PIV badge program, as necessary.

Management Advisory on Controlling and Protecting Sensitive FTC Information (M-21-04; September 29, 2021)

This advisory addressed issues related to the current processes for controlling and protecting sensitive FTC information—including their possible contribution to various media releases of nonpublic information and records (NPI). Since 2013, the Commission has addressed such issues and begun implementing responsive solutions in steps. In this advisory, we acknowledged the progress that the Commission has made—while noting persistent vulnerabilities that have created opportunities for continued NPI release incidents.

FY 2021 Report on the FTC's Top Management Challenges (A-21-05; September 30, 2021)

The Reports Consolidation Act of 2000 requires that each agency's inspector general provide an annual summary perspective on the most serious management and performance challenges facing the agency, and a brief assessment of the agency's progress in addressing those challenges. The challenges summarized in our report were based on work conducted by our office along with 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. Seeking monetary relief for consumers
3. Controlling expert witness costs

4. Ensuring mission success subsequent to the expiration of the current emergency orders
5. Understanding fraudulent identity theft complaints

We also identified “Maintaining and securing agency information” 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.

Ongoing Audit, Evaluation, and Related Oversight Work

Our office is continuing work on 5 audit and related oversight products:

Audit of the FTC’s Fiscal Year 2021 Financial Statements

To fulfill the requirements of the Accountability of Tax Dollars Act of 2002, we contracted with an independent public accounting firm (IPA), who will audit the FTC’s FY 2021 financial statements in accordance with generally accepted government auditing standards and present its unmodified opinion.

Audit of the FTC’s Compliance with DATA Act Requirements

To fulfill the requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act), we contracted with an IPA, who will audit the FTC’s DATA Act compliance for quarter 1 of FY 2021.

Audit of the FTC’s Compliance with the Federal Information Security Modernization Act (FISMA)

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 2021 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, Office of Management and Budget (OMB) policy and guidance, and National Institute of Standards and Technology (NIST) standards and guidelines.

Audit of the FTC’s Contracting Officer’s Representative (COR) Program

The COR plays a vital role in the successful administration of federal contracts and, in coordination with the contracting officer (CO), monitors contractor performance for potential or actual problems. COs are

responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.

The objective of this performance audit is to determine whether the FTC's COR program is in compliance with federal requirements and FTC policies and procedures.

Audit of the Bureau of Consumer Protection's (BCP's) Order Enforcement Program

The FTC's Bureau of Consumer Protection stops unfair, deceptive and fraudulent business practices. Its Division of Enforcement manages BCP's order enforcement program, which involves monitoring compliance with administrative and federal court orders entered in FTC consumer protection cases.

Our audit objective is to evaluate the efficiency and effectiveness of the order enforcement program.

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	1
Preliminary inquiries opened	5
Open investigations	2
Reports issued	1
Investigations closed	1

Significant Matters and Activities

The following are significant investigative matters that we closed during the reporting period and a significant result from an investigation closed during the prior reporting period.

Violation of Financial Conflicts Statute

The OIG received a referral from the FTC Office of the General Counsel (OGC) regarding an FTC employee’s possible violation of 18 U.S.C. § 208(a), Acts Affecting a Personal Financial Interest. In its referral, OGC determined that all of the elements of a section 208(a) violation were established, and that, while no exemption or waiver was applicable under the statute, several mitigating factors were present. The OIG discussed this matter with the Department of Justice’s Public Integrity Section, which informed the OIG that it would not be opening a criminal investigation. This matter is now closed.

Hotline Information

Category of Data	Number
Inquiries and complaints received	363
Complaints addressed	8
Complaints referred to other FTC offices	355



Engagement, Review of Legislation, and Peer Reviews

Inspector General and Federal Community Engagement

The OIG continued to actively participate 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 serves on the CIGIE Integrity, Legislation, Professional Development, and Audit committees. The Inspector General also participates in the CIGIE Small/Unique OIGs Working Group. The Deputy Inspector General and Counsel to the Inspector General serves as the Vice Chair for the CIGIE Council of Counsels (CCIG) and participates in the Small OIG Counsels working group. On behalf of the CIGIE Legislation Committee, the Deputy Inspector General and Counsel to the Inspector General led the development of a CIGIE legislative priority to reform semiannual reporting requirements. Our Assistant Inspector General for Investigations also serves on and contributes to the CCIG COVID-19 working group and also 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.

Peer Reviews

The FTC OIG's audit operations were peer reviewed by U.S. Government Accountability Office OIG for the year ending March 31, 2021. The resulting "pass" was issued on August 20, 2021. There are no outstanding recommendations from peer reviews conducted by other OIGs of the FTC OIG.

The FTC OIG did not conduct any peer reviews of other OIGs during this reporting period, and there are no outstanding recommendations from peer reviews conducted by the FTC OIG.

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



<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Audit of FTC Interagency Agreement Processes	09/30/2020	1	Develop a mitigation practice for acquiring updated information on all interagency agreements when this information is not available from the Department of Treasury’s Administrative Resource Center
		2	Identify the universe of open assisted acquisitions and, if needed, prepare the required documentation, including the Determination and Finding
		3	Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions
Audit of the FTC’s Personnel Security and Suitability Program	09/29/2020	2	Finalize standard operating procedures for employee pre-screenings, background investigations, suitability determinations, adjudications, and documentation requirements for background case files
Management Advisory on Travel and Purchase Card Processes	06/24/2020	4	Identify and mitigate instances of unallowable reimbursements of professional membership fees

^a The OIG does not have anything to report pursuant to IG Act, sections 5(a)(10)(A) & (B), which require the OIG to summarize reports issued before the commencement of the reporting period for which either no management decision has been made by the end of the reporting period or establishment comment was not returned within 60 days of providing the report to the establishment. Additionally, the OIG does not have any costs savings to report in accordance with IG Act, section 5(a)(10)(C).

<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Audit of the FTC's Compliance with the DATA Act	11/08/2019	1	Revise internal control procedures and processes to ensure that reconciliation differences are resolved timely and prior to DATA Act submission
		2	Revise internal control procedures and processes to ensure award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely
		3	Revise control procedures and processes to ensure contract awards are recorded into FPDS-NG timely

^a The OIG does not have anything to report pursuant to IG Act, sections 5(a)(10)(A) & (B), which require the OIG to summarize reports issued before the commencement of the reporting period for which either no management decision has been made by the end of the reporting period or establishment comment was not returned within 60 days of providing the report to the establishment. Additionally, the OIG does not have any costs savings to report in accordance with IG Act, section 5(a)(10)(C).

Appendix II: OIG Reports with Questioned Costs and Funds to Be Put to Better Use



Federal Trade Commission Office of Inspector General

<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>	<i>Funds to Be Put to Better Use</i>
Audit, inspection, and evaluation reports for which no management decision has been made by the commencement of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports which were issued during the reporting period	4	0	0	0
Audit, inspection, and evaluation reports for which a management decision was made during the reporting period ^a	2	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made by the end of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made within six months of issuance	0	0	0	0
^a The OIG does not have any disallowed costs or costs not disallowed to report pursuant to IG Act, section (5)(a)(8)(C). Likewise, the OIG does not have anything to report, pursuant to IG Act, section (5)(a)(9)(C), related to dollar values of recommendations for which there was a management decision agreed to during this reporting period.				



Appendix III: IG Act Reporting Requirements Index

IG Act Section	Reporting Requirement	Page #/ Comment
4(a)(2)	Review of legislation and regulations	None to report
5(a)(1)	Significant problems, abuses and deficiencies	None to report
5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None to report
5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	Appendix I
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Page 6
5(a)(5)	Reports made to the head of the establishment under IG Act Section 6(c)(2) during the reporting period	Pages 2–4
5(a)(6)	List of reports issued during the reporting period	Appendix II
5(a)(7)	Summary of each particularly significant report	Pages 2–4
5(a)(8) & 5(a)(9)	Statistical tables showing the total number of reports and dollar value of questioned costs and funds to be put to better use	Appendix II

IG Act Section	Reporting Requirement	Page #/ Comment
5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period (A) for which no management decision has been made by the end of the reporting period; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations	5(a)(10)(A)—None to report; 5(a)(10)(B)—None to report; 5(a)(10)(C)—Appendix I
5(a)(11)	Significant revised management decisions during the reporting period	None to report
5(a)(12)	Significant management decision with which the Inspector General is in disagreement	None to report