



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

Office of the Chairman

January 31, 2002

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

I am pleased to report that the Federal Trade Commission's (FTC) management control and financial management systems provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA), Sections 2 and 4, are being achieved.

This FMFIA report is based on a variety of information provided from various sources, including FTC managers, Office of Inspector General (OIG) reports, and consistent unqualified audit opinions on the FTC's Financial Statements. Management officials have evaluated their programs and attested that their management controls comply with the management accountability and control guidance found in Office of Management and Budget (OMB) Circular A-123, and related guidance found in the General Accounting Office's (GAO) November 1999 release of "Standards for Internal Control in the Federal Government."

Further, the FTC's OIG has completed four consecutive annual audits of the Commission's financial statements, structure, policies, systems, and operations, under the requirements of the Chief Financial Officers Act. Each independent audit resulted in an unqualified opinion-- the highest audit opinion available. A copy of each audit is available at [www.ftc.gov/oighome.htm](http://www.ftc.gov/oighome.htm).

### **Internal Control Reviews**

Office of Inspector General audit results, management reviews, and statements provided by agency officials and external financial service providers, provide reasonable assurance under Section 2 of the FMFIA that the FTC's internal accounting and administrative controls generally conform to the principles and standards developed by the Comptroller General of the United States (CG), OMB, JFMIP, and the Department of the Treasury. This finding of reasonable assurance is made notwithstanding the material weaknesses identified below under the heading "Government Information Security Reform Act."

### **Accounting System Review**

Pursuant to Section 4 of the FMFIA, OIG audits included reviews of selected Commission accounting and financial systems in use during the fiscal year. Separately, each financial management system manager and service provider attested to the systems under their control.

## Government Information Security Reform Act (GISRA)

The OIG recently performed an evaluation of the FTC's information security program and practices under the Government Information Security Reform Act (GISRA). In this evaluation, the OIG found that the FTC had no documented security policies or procedures for either its program or support areas as required by OMB Circular A-130. These findings resulted in two weaknesses being identified by the OIG as material in accordance with National Institute of Standards and Technology rating guidelines.

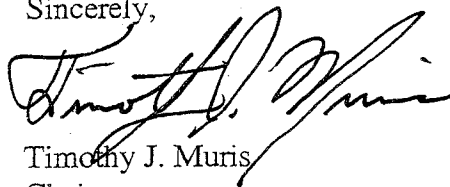
In response to these findings, the OIG recommended several solutions for which the FTC's information technology management team has developed a GISRA plan of action. The GISRA plan of action and milestones were delivered to OMB October 31, 2001.

### Concluding Remarks

The FTC is effectively managing its programs, policies, organization structure, and administrative procedures with the goal of better serving its customers at less cost. The FTC internal control review program, along with OIG audits and other independent reviews, play a significant role in ensuring effective and responsive agency operations. Our strategic and performance planning efforts further enable us to identify steps to obtain efficiencies.

In summary, the Commission has no high risk areas or material non-conformance to report. The enclosure with this letter provides a statistical summary of performance.

Sincerely,



Timothy J. Muris  
Chairman

Enclosure

Federal Trade Commission FMFLA Statistics

Section Two: Integrity Act Statistics						
Agency	Adequate and Effective Management Controls		Number of Material Weaknesses			
	Yes	No	Pending as of 12/31/00	Newly Reported in 2001	Corrected in 2001	Pending as of 12/31/01
FTC	X		None	2	None	2

Section Four: Integrity Act Statistics						
Agency	Compliance of Financial Management Systems with Government-wide Requirements		Number of Material Non-Conformances			
	Yes	No	Pending as of 12/31/00	Newly Reported in 2001	Corrected in 2001	Pending as of 12/31/01
FTC	X		None	None	None	None

ENCLOSURE

Statistical Summary of Performance

Section 2. Internal Control

Material Weaknesses			
	Number reported for the first time in:	For that year, number that have been corrected:	For the year number still pending:
Prior Years	None	N/A	N/A
1999 Report	None	N/A	N/A
2000 Report	None	N/A	N/A
2001 Report	2	0	2
Total	2	0	2

Of the total number corrected, how many were corrected in 2001: 0

Section 4. Financial Management Systems

Material Non-Conformance Issues			
	Number reported for the first time in:	For that year, number that have been corrected:	For the year, number still pending:
Prior Years	None	N/A	N/A
1999 Report	None	N/A	N/A
2000 Report	None	N/A	N/A
2001 Report	None	N/A	N/A
Total	None	N/A	N/A

Of the total number corrected, how many were corrected in 2001: N/A