FISCAL YEAR

2020

AGENCY FINANCIAL

REPORT

FEDERAL TRADE COMMISSION

FEDERAL TRADE COMMISSION ★ UNITED STATES OF AMERICA ★ MCMXV

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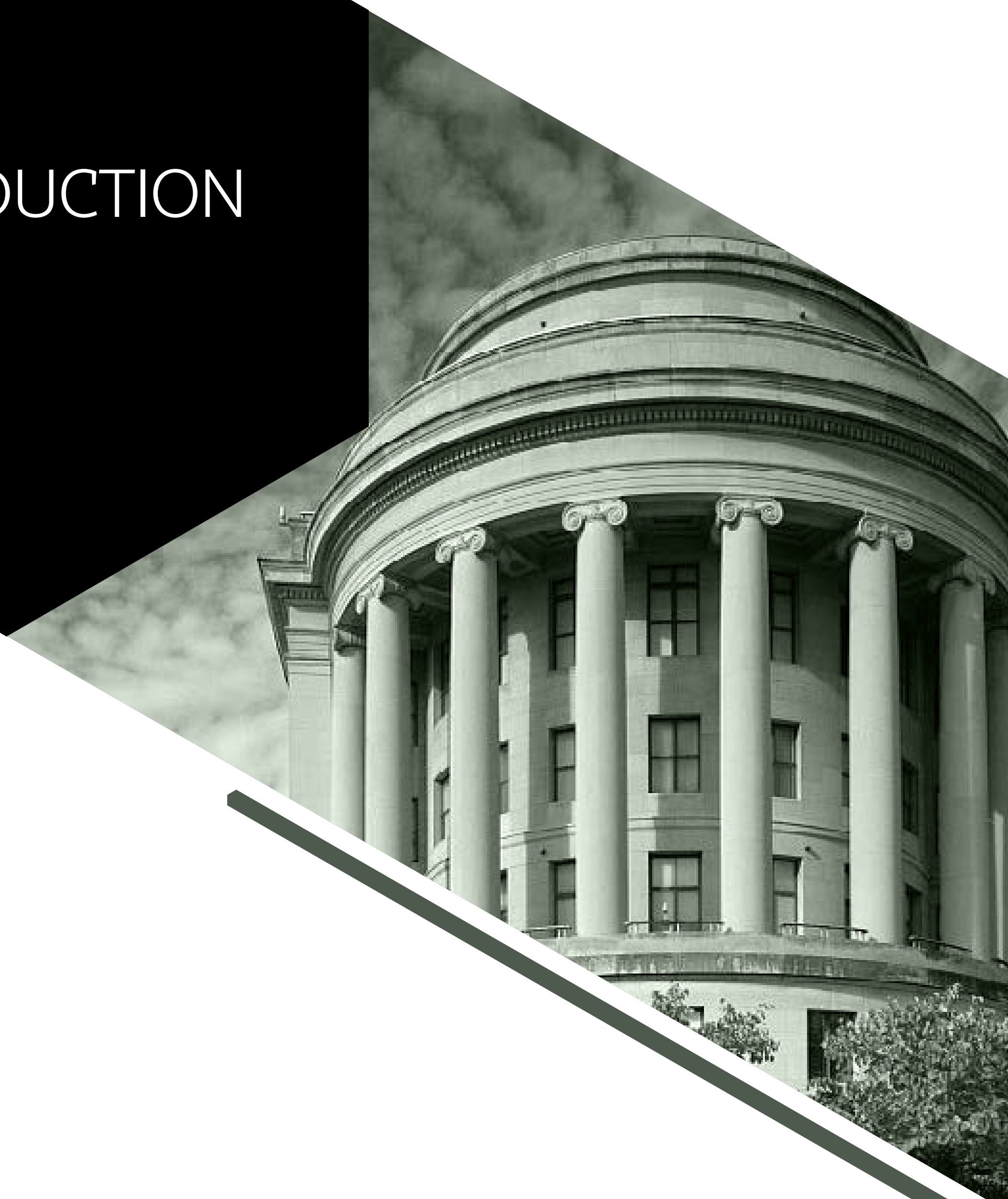
INTRODUCTION



ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2020 Agency Financial Report (AFR) provides financial and high-level performance results and demonstrates to the Congress, the President, and the public the FTC's commitment to its mission and accountability over the resources entrusted to it.

This report, available at the FTC's website, satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity Act of 1982
- Prompt Payment Act of 1982
- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Government Performance and Results Modernization Act of 2010
- Improper Payments Elimination and Recovery Improvement Act of 2012
- Digital Accountability and Transparency Act of 2014
- Federal Information Security Modernization Act of 2014
- Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
- Fraud Reduction and Data Analytics Act of 2015
- Payment Integrity Information Act of 2019

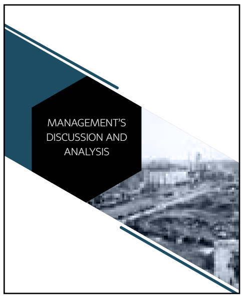
The FTC publishes both an AFR and an Annual Performance Report (APR). The FY 2020 APR will be combined with the FY 2022 Annual Performance Plan (APP) and included in the FY 2022 Congressional Budget Justification. The combined APP and APR will be available at https://www.ftc.gov/about-ftc/performance along with other performance documents.

CERTIFICATE OF EXCELLENCE

The FTC received the *Association of Government Accountants' Certificate of Excellence in Accountability Reporting* for its FY 2019 AFR. The FY 2019 AFR demonstrates the value provided by the FTC, while quantifying the benefits the agency brought to the American public by highlighting examples of cases and investigations the agency pursued.

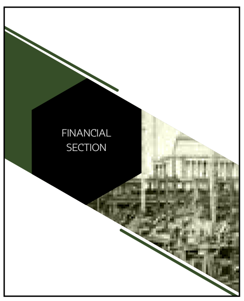
HOW THIS REPORT IS ORGANIZED

The FTC Agency Financial Report is organized into the following three major sections, plus supplemental appendices.



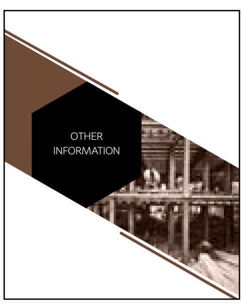
1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis is required supplementary information that provides an overview of the FTC's financial and summary performance information. This section includes agency mission and organization, performance goals and highlights, mission challenges, management assurances on internal controls, and financial highlights.



2. FINANCIAL SECTION

This section provides financial details, including the message from the Chief Financial Officer (CFO), independent auditor's report, and audited financial statements with accompanying notes.



3. OTHER INFORMATION

This section provides the Office of Inspector General's summary of top management and performance challenges, a summary of financial statement audit and management assurances, payment integrity information, a fraud reduction report, real property, and a schedule of civil monetary penalties' adjustments for inflation.

4. APPENDICES

Appendix A lists the acronyms cited throughout this report; Appendix B provides contact information and acknowledgements.

THE FTC AT-A-GLANCE

HISTORY

The Federal Trade Commission was created on September 26, 1914, when President Woodrow Wilson signed the Federal Trade Commission Act into law. The original purpose of the FTC was to prevent unfair methods of competition in commerce as part of the battle to "bust the trust." Over the years, Congress passed additional laws giving the agency greater authority to police anticompetitive practices, and in 1938, Congress passed a broad prohibition against "unfair and deceptive acts or practices." Since then, the FTC has been further directed by Congress to enforce a wide variety of other consumer protection laws and regulations.

LAWS ENFORCED

The FTC is an independent law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws and regulations. Examples include the Federal Trade Commission Act, Clayton Act, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act and Equal Credit Opportunity Act. In total, the commission has enforcement or administrative responsibilities under more than 70 other laws.

PROFILE

- The agency is headquartered in Washington, D.C. and operates in seven regions across the United States.
- The agency had 1,160 full-time equivalent employees at the end of FY 2020.
- Total new budget authority for FY 2020 was $332 million, which comprises $217 million in general fund appropriations and $115 million in offsetting collections.

HEADQUARTERS

The FTC established its headquarters at 600 Pennsylvania Ave., N.W., with President Franklin D. Roosevelt (FDR) laying the cornerstone himself. Roosevelt remarked, "May this permanent home of the Federal Trade Commission stand for all time as a symbol of the purpose of the government to insist on a greater application of the golden rule to conduct the corporation and business enterprises in their relationship to the body politic." Listen to FDR's speech.

The building, which is particularly known for its two art deco-style statues, called "Man Controlling Trade," is located at the apex of the Federal Triangle, and was the culmination of the massive Depression-era government building project. Commissioners and staff officially moved in on April 21, 1938, and the building continues to function as the FTC's headquarters, serving the agency's adjudicative, executive, policy, and administrative functions.

Joseph J. Simons, *Chairman*

Despite a year of unprecedented challenges presented by the COVID-19 pandemic, the Federal Trade Commission has continued to deliver on our dual mission of protecting consumers and promoting competition. I am incredibly proud of how well the agency has met these challenges and pursued a vigorous law enforcement agenda. This Agency Financial Report highlights the FTC's major accomplishments during this time, illustrates how efficiently we manage our resources, and outlines our plans to address the challenges ahead.

FY 2020 PERFORMANCE HIGHLIGHTS

CONSUMER PROTECTION

The Commission continued our leadership this year in protecting consumers from fraudulent business practices, stopping illegal robocalls, and protecting privacy and promoting data security. This year, the agency led a multipronged effort using warning letters, enforcement actions, education, and outreach, in order to stop pandemic-related fraud, including products falsely advertised as treatments and cures for COVID-19; online sales of masks or personal protective equipment (PPE) that never ship or fail to meet delivery promises and do not provide refunds; and misleading claims to consumers and small businesses about federal loans or other temporary small business relief.

Other areas of success include:

- A $120 million judgment in the largest land fraud case in FTC history against defendants selling lots in a purported luxury development in remote Belize to U.S. retirees.
- A $191 million settlement with the University of Phoenix for falsely advertising relationships and job opportunities with major companies. This is the FTC's largest settlement in a case against a for-profit school.
- An agreement to bar sales of three mobile "stalking apps," which allow users to spy on phones with the app installed. The developers must take steps to ensure that the apps will be used only for legitimate purposes.

PROMOTING COMPETITION

For over 100 years, the FTC has enforced the antitrust laws and ensured that consumers benefit from competition. By preventing anticompetitive mergers and stopping business practices that diminish competition, we ensure that consumers enjoy benefits such as lower prices, higher quality products and services, and more choices in the marketplace. In FY 2020, the Hart-Scott-Rodino (HSR) merger filing process—long done via paper—was quickly converted to digital processes in response to the COVID-19 pandemic. Meanwhile, even as they were teleworking, agency attorneys were as busy as ever. The FTC challenged 28 mergers this year, more than in any year since FY 2001.

The agency also launched two large competition studies, using our authority under Section 6(b) of the FTC Act. The first study is looking at what happens to health care prices, quality, access, and innovation when states grant antitrust immunity to hospital mergers and collaborations through the use of certificates of public advantage (COPAs). The second study is examining a decade of tech company acquisitions made by Alphabet/Google, Amazon.com, Apple, Facebook, and Microsoft. This study will deepen our understanding of these types of acquisitions and help us evaluate whether we are getting adequate notice of transactions that might harm competition.

The FTC also voted to issue new Vertical Merger Guidelines, the first ever issued jointly by the Commission and the Department of Justice. These Guidelines explain in clear language how we analyze vertical issues in our merger enforcement practice.

FINANCIAL MANAGEMENT

The FTC takes very seriously our commitment of responsible stewardship of the public resources entrusted to us by the American taxpayers and Congress. The agency's FY 2020 independent financial audit yielded our 24th consecutive unmodified opinion, the highest audit opinion available. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with internal controls, financial systems, or laws and regulations. I am pleased to report that management's assessment of risks and review of controls and financial systems disclosed no material weaknesses, and that the financial and performance data presented here is reliable and complete (see Statement of Assurance, p. 34)

LOOKING FORWARD

As markets rapidly evolve, the FTC must not only address present challenges, but also focus intently on the future in order to continue to protect American consumers and maintain competition.

The agency will continue to prioritize stopping fraud in all of its forms, protecting consumer privacy, and targeting illegal robocalls and deceptive advertising, while staying apprised of technological developments in order to assist with enforcement actions, inform policymaking efforts, and educate consumers and businesses.

Our competition work remains focused on promoting competition across industries, including in the health care, pharmaceutical, and high-tech markets. To reinforce our commitment to ensuring that consumers benefit from robust competition in rapidly evolving technology markets, we established the Technology Enforcement Division.

For more details regarding the Agency Mission Challenges, see p. 26.

The Office of Inspector General (OIG) identified four significant management challenges this year: (1) securing information systems and networks from destruction, data loss, or compromise; (2) maintaining mission success during the COVID-19 pandemic; (3) understanding fraudulent identity theft complaints; and (4) costs of expert witnesses. In addition, the OIG highlighted acquisition planning and contract management as a "watch list" issue that, while not a serious management challenge, still requires attention. Agency management agrees that these are important challenges and concurs with the OIG's assessment of our progress in addressing these challenges (see p. 90).

Working with the FTC's partners and colleagues in Congress, domestic and international law enforcement, and industry, the agency will continue to pursue its mission to protect American consumers and promote competition.

Joseph J. Simons

Joseph J. Simons, *Chairman*
November 13, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGENCY AND MISSION INFORMATION

The work of the Federal Trade Commission (FTC) is critical to protecting and strengthening free and open markets and promoting informed consumer choice, both in the United States (U.S.) and around the world. The FTC performs its mission through the use of a variety of tools, including law enforcement, rulemaking, research, studies on marketplace trends and legal developments, and consumer and business education.

VISION

A vibrant economy characterized by vigorous competition and consumer access to accurate information.

MISSION

Protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

OUR PURPOSE AND HISTORY

Consumers and businesses are likely to be more familiar with the work of the FTC than they think. In the consumer protection area, the product warranties, care labels in clothes, and labels on home appliances showing their energy cost provide information that is required by the FTC. Likewise, businesses must be familiar with the laws requiring truthful advertising and protecting consumers' personally identifiable information. These laws are enforced by the FTC.

Competition among independent businesses is good for consumers, the businesses themselves, and the economy. Competitive markets yield lower prices and better quality goods and services, and a vigorous marketplace provides the incentive and opportunity for the development of new ideas and innovative products and services. Many of the laws governing competition are also enforced by the FTC.

The FTC has a long tradition of maintaining a competitive marketplace for both consumers and businesses. In 1903, Congress created the predecessor to the FTC, the Bureau of Corporations, as an investigatory agency within the Department of Commerce and Labor. The Bureau investigated and published reports on the operation of interstate corporations, looking for monopolistic practices. In one case of note, the Justice Department used the Bureau's 1906 report on petroleum transportation when it successfully prosecuted and broke up Standard Oil in 1911. In 1914, President Woodrow Wilson signed the Federal Trade Commission Act into law, creating the FTC, which then absorbed the Bureau of Corporations in 1915.

When the FTC was created in 1914, its purpose was to prevent unfair methods of competition in commerce as part of the battle to "bust the trusts." Over the years, Congress passed additional laws giving the agency greater authority over anticompetitive practices. Recognizing that unfair and deceptive practices can distort a competitive marketplace as much as unfair methods of competition, in 1938 Congress passed a broad prohibition against "unfair or deceptive acts or practices in or affecting commerce." Since then, the FTC also has been directed to enforce a wide variety of other consumer protection laws and regulations.

OUR ORGANIZATION

The FTC is an independent Federal law enforcement agency that reports to the President and to Congress on its actions, with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws, such as the Federal Trade Commission Act (FTC Act), Fair Credit Reporting Act, and Clayton Act. In total, the Commission has enforcement or administrative responsibilities under more than 70 laws. The FTC also enforces rules issued pursuant to the FTC Act or other laws, including the Business Opportunity Rule and the Telemarketing Sales Rule. FTC actions include pursuing vigorous and effective law enforcement; advancing consumers' interests by sharing its expertise with Congress and state legislatures and U.S. and international government agencies; developing policy and research tools through hearings, workshops, and conferences; and creating practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

The FTC is headed by a Commission composed of five commissioners, nominated by the President and confirmed by the Senate, each serving a staggered seven-year term. No more than three commissioners may be from the same political party. The President designates one Commissioner to act as Chair who is given the responsibility for the administration of the Commission.

FTC Commissioners (from left to right): Rebecca Kelly Slaughter, Noah Joshua Phillips, Chairman Joseph J. Simons, Rohit Chopra, Christine S. Wilson.

Joseph J. Simons was sworn in as Chairman on May 1, 2018. The four Commissioners are Noah Phillips, Rohit Chopra, Rebecca Slaughter, and Christine Wilson who were also sworn in during 2018. This was the first complete changeover in leadership since the agency's founding.

The FTC's workforce is its greatest asset. The agency's workforce consists of 1,160 civil service employees dedicated to carrying out the agency's mission.

The FTC's mission is carried out by three bureaus:

The **Bureau of Competition** (BC) enforces the nation's antitrust laws, which form the foundation of our free market economy. The antitrust laws promote the interests of consumers; they support unfettered markets and result in lower prices and more choices. By enforcing the antitrust laws, the Bureau promotes competition and protects consumers' freedom to choose goods and services in an open marketplace at a price and quality that fit their needs. The Bureau seeks to prevent anticompetitive mergers and other anticompetitive business practices in the marketplace.

The **Bureau of Consumer Protection**'s (BCP) mandate is to protect consumers against unfair, deceptive or fraudulent practices. The Bureau enforces a variety of consumer protection laws enacted by Congress, as well as trade regulation rules issued by the Commission. Its actions include individual company and industry-wide investigations, administrative and federal court litigation, rulemaking proceedings, and consumer and business education. In addition, the Bureau contributes to the Commission's ongoing efforts to inform Congress and other government entities of the impact that proposed actions could have on consumers.

The **Bureau of Economics** helps the FTC evaluate the economic impact of its actions. To do so, the Bureau provides economic analysis and support to antitrust and consumer protection investigations and rulemakings. It also analyzes the impact of government regulation on competition and consumers and provides Congress, the Executive Branch and the public with economic analysis of market processes as they relate to antitrust, consumer protection, and regulation.

The work of the bureaus is aided by several additional offices:

The **Regional Offices** work with the Bureaus of Competition and Consumer Protection to conduct investigations and litigation, provide advice to state and local officials on the competitive implications of proposed actions, recommend cases, provide local outreach services to consumers and businesspersons, and coordinate activities with local, state, and regional authorities.

The **Office of Congressional Relations** works closely with members of Congress and their staffs. The office informs Commissioners and FTC staff of Capitol Hill issues and policies, and helps provide information on legislation of interest to the Commission. It also coordinates the preparation of both Congressional testimony and responses to Congressional inquiries concerning FTC policies and programs to provide expertise on topics related to consumer protection and business competition.

The **Office of Public Affairs** informs the news media, as well as the public at large, about the activities of the FTC and responds to media inquiries about Commission actions and policy. The office also manages FTC.gov, the agency's public website, and social media accounts, which are critical communication tools for the agency.

The **Office of the Chief Privacy Officer** ensures that the agency's practices and policies comply with applicable federal information privacy and security requirements.

The **Office of Policy Planning** conducts research, develops policy recommendations, and generates written comments and reports on a variety of competition and consumer protection issues. Policy Planning staff research and analyze emerging issues relating to competition in a variety of industries, including issues at the intersection of competition and intellectual property, in order to enrich the Commission's expertise and inform enforcement decisions involving novel or complex legal issues.

The **Office of International Affairs** leads and coordinates the FTC's work in international antitrust, consumer protection, and technical assistance projects. The FTC works with competition and consumer protection agencies around the world to promote cooperation and convergence toward best practices.

The **Office of the Secretary** oversees prompt processing of all matters presented to the Commission, supports the Commission decision-making process, and ensures it operates efficiently. The office also responds to most Congressional and White House correspondence raising constituent issues.

The **Office of the General Counsel** is the Commission's chief legal officer and adviser. The office represents the Commission in court and provides legal counsel to the Commission, the three bureaus, and other offices.

The **Office of the Executive Director** is responsible for the administration and management of the Commission through four organizations, which manage the Commission's human capital, information technology (IT), finances, records, and administrative services.

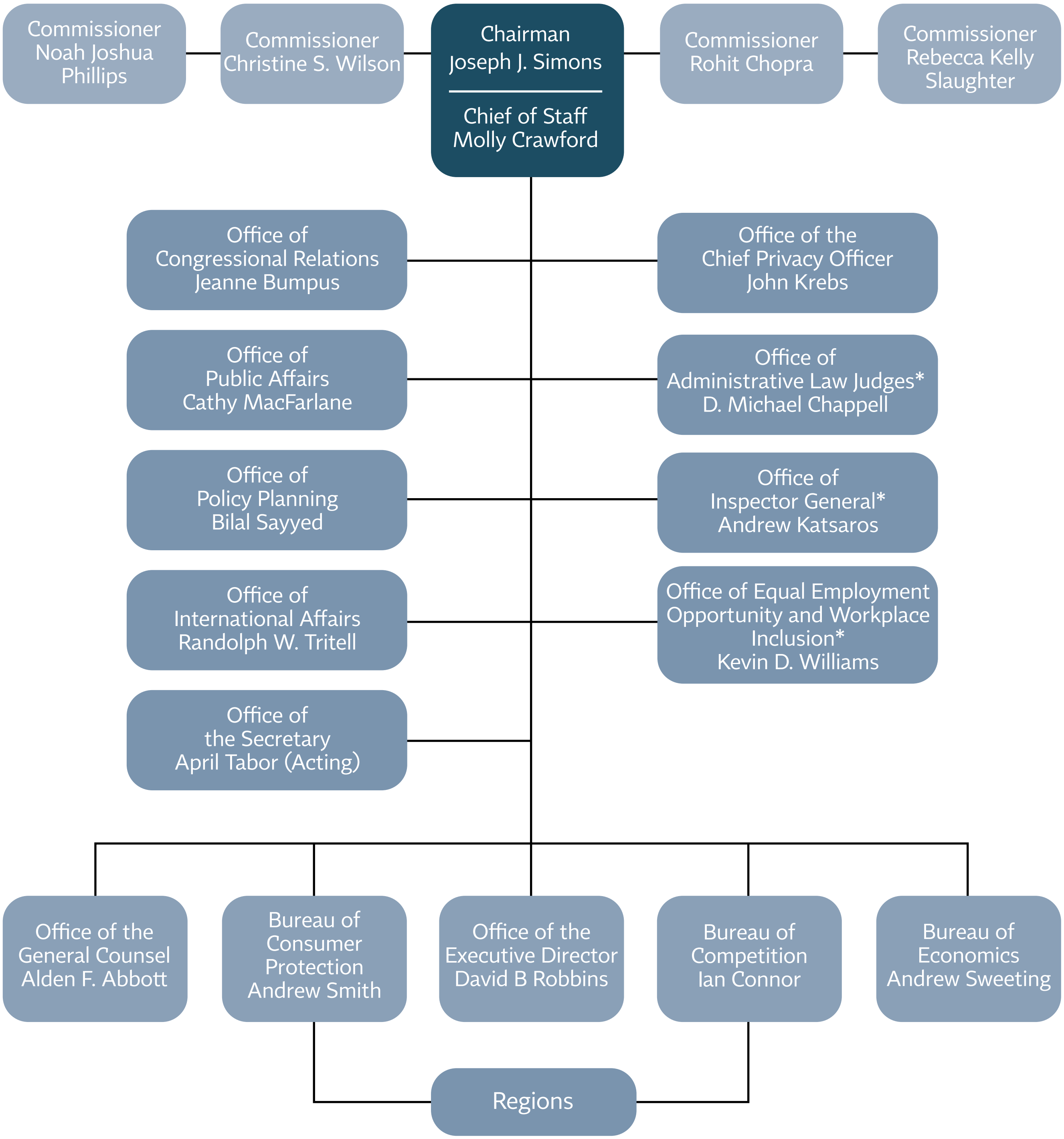
The **Office of Administrative Law Judges** performs the initial adjudicative fact-finding in Commission administrative complaint proceedings, guided by the FTC Act, the Administrative Procedure Act, relevant case law interpreting these statutes, and the FTC's Rules of Practice. Administrative Law Judges are independent decision makers, appointed under the authority of the Office of Personnel Management.

The **Office of Inspector General** is an independent and objective organization within the FTC, established in compliance with the Inspector General Act Amendments of 1988. Under the Inspector General Act, the office conducts audits and investigations relating to the programs and operations of the FTC.

The **Office of Equal Employment Opportunity and Workplace Inclusion** advises and assists the FTC in carrying out its responsibilities and duties relative to Title VII of the Civil Rights Act of 1964, as amended, and other laws, executive orders, and regulatory guidelines affecting affirmative employment and the processing of equal employment opportunity complaints to maintain a work environment that is free from all forms of illegal discrimination, including reprisal and harassment.

For more information about the agency's components, visit the FTC's Bureaus and Offices webpage.

FEDERAL TRADE COMMISSION ORGANIZATIONAL CHART



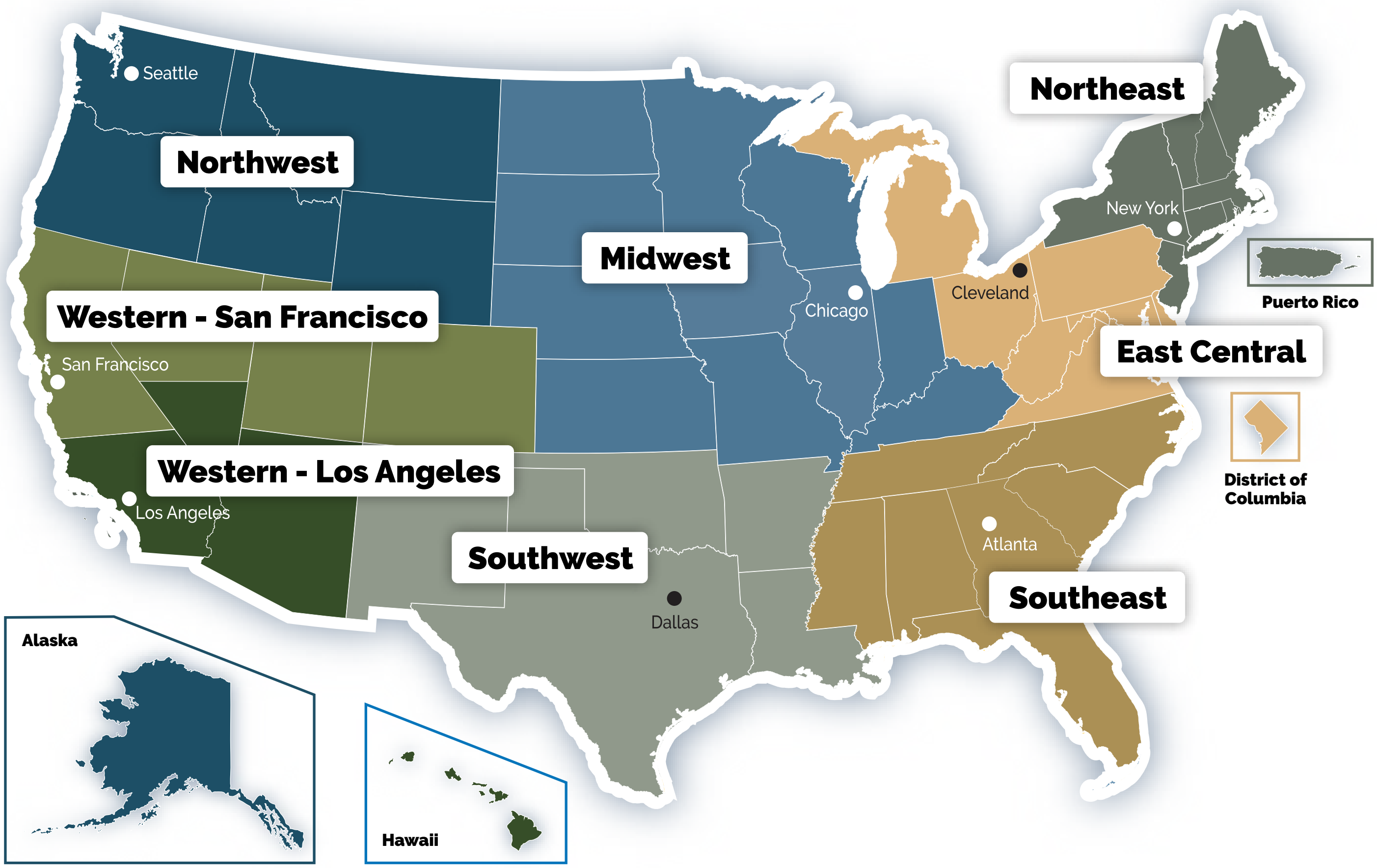
* An independent organization within the FTC

REGIONAL OFFICES

Protecting America's consumers

Since 1918, regional offices have played an integral role in fulfilling the FTC's consumer protection and competition missions. Currently, eight regional offices covering seven geographic regions conduct investigations and litigation; provide local outreach to consumers and industry; and build partnerships with local, state, regional, and cross-border law enforcement authorities. Read more about the FTC's regional offices by clicking on the map below.

The agency is headquartered in Washington, D.C., and operates in seven regions across the U.S. The graphic below illustrates the locations of the FTC regions.



PERFORMANCE HIGHLIGHTS

The FTC has chosen to produce an AFR and a separate Annual Performance Report (APR) for FY 2020. The FY 2020 APR will be included as part of the FY 2022 Congressional Budget Justification to be published in February 2021. The AFR and APR, will be published at the FTC's website.

This section explains the FTC's strategic and performance planning framework and summarizes the key performance goals. The performance results described in this report enable the FTC to administer its programs, gauge their success, and make adjustments necessary to improve program quality for the public.

STRATEGIC AND PERFORMANCE PLANNING FRAMEWORK

The FTC's Annual Performance Report is structured around three strategic goals and their supporting objectives as established in the FTC Strategic Plan for FY 2018 to 2022. The FTC's strategic goals, objectives, and performance measures articulate what the agency intends to accomplish to meet its mission, demonstrate the highest standards of stewardship, and improve the management functions vital to core mission success.

The following table shows the FTC's net costs for its strategic goals.

STRATEGIC GOALS (Dollars in millions)	OBJECTIVES
GOAL 1: Protect consumers from unfair and deceptive practices in the marketplace.	1.1 Identify and take actions to address deceptive or unfair practices that harm consumers.
	1.2 Provide consumers and businesses with knowledge and tools that provide guidance and prevent harm.
Net Costs: $182	1.3 Collaborate with domestic and international partners to enhance consumer protection.
GOAL 2: Maintain competition to promote a marketplace free from anticompetitive mergers, business practices, or public policy outcomes.	2.1 Identify and take actions to address anticompetitive mergers and practices.
	2.2 Engage in effective research, advocacy, and stakeholder outreach to promote competition, and advance its understanding.
Net Costs: $65	2.3 Collaborate with domestic and international partners to preserve and promote competition.
GOAL 3: Advance the FTC's performance through excellence in managing resources, human capital, and information technology.	3.1 Optimize resource management and infrastructure.
Goal 3's costs are distributed to Goal 1 and Goal 2 predominately by Goal 1 and Goal 2's FTE usage, except for those non-pay costs that are clearly attributable to a specific goal.	3.2 Cultivate a high-performing, diverse, and engaged workforce.
	3.3 Optimize technology and information management that supports the FTC mission.

Note: Net Costs represent the resources used to achieve strategic goals and signify the relative efficiency and cost-effectiveness of agency program/operations. The FTC does not divide net costs by objective.

PERFORMANCE MEASUREMENT REPORTING PROCESS

Bureau and Office representatives serve as the Performance Measure Reporting Officials (PMRO), who act as data stewards for each of the agency's publicly-reported performance goals. The PMROs report performance data to the Performance Improvement Officer (PIO) on a quarterly or annual basis via an internal data reporting tool. The Financial Management Office (FMO) also leads periodic performance goal reviews in coordination with budget execution reviews. Quarterly reports are sent to senior managers throughout the agency, allowing for adjustments to agency strategies based on the interim results.

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The following outlines how the agency ensures the performance information it reports is complete, reliable, and accurate:

- The FTC has adopted a central internal repository for performance data entry, reporting, and review. The electronic data tool reduces human error, increases transparency, and facilitates review of the agency's performance information.
- Each PMRO is responsible for updating the data quality appendix (DQA) at least once per year. The DQA serves as a process document, laying out data sources, and collection methods for performance information, as well as how metrics are calculated.
- PMROs must provide all supporting documentation for their performance results at both the midpoint and end of the fiscal year. This allows FMO Performance Staff to "dig beneath the surface" and see the data underlying the metrics.
- After reviewing the underlying data, several measures are selected each year to investigate more thoroughly, including interviewing the staff responsible for data collection, asking about alternative methods, and comparing data collection and calculations to those reported in the DQA.

PERFORMANCE GOALS OVERVIEW

In the FY 2018 to 2022 Strategic Plan, the FTC has established 36 performance goals and targets for assessing program performance against agency strategic goals and objectives. Of the 36 performance goals, nine are considered "key" performance goals because they best indicate whether agency activities are achieving the desired outcome associated with the related objective.

The following tables summarize actual performance during FY 2020 against established targets for the FTC's nine key performance goals. The tables also include results from the prior four fiscal years as well as a description of how performance results are calculated for that performance goal. The FTC met or exceeded FY 2020 targets on six of nine key performance goals, missed targets on two goals, and are still awaiting results for one goal.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target was met or exceeded

X Signifies that the target was not met

STRATEGIC GOAL 1: PROTECT CONSUMERS FROM UNFAIR AND DECEPTIVE PRACTICES IN THE MARKETPLACE

KEY PERFORMANCE GOAL 1.1.3:

Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement

Description: This measure tracks the efficiency of the FTC's consumer protection law enforcement spending. We compare how much money the FTC saves consumers each year through law enforcement to the amount the FTC spends on consumer protection law enforcement. Consumer savings are comprised of: (a) the amount of money returned to consumers; and (b) an estimate of the amount of harm that would have occurred but for the FTC's law enforcement action. To calculate this latter figure, the FTC assumes that the unlawful conduct would have continued for one year but for our action. The FTC also assumes that the amount of harm that would have occurred in that year is the same as what consumers lost in the past. Performance Goals 2.1.3 and 2.1.5 are similar measures that track the impact of antitrust law enforcement. The amount reported is a three-year rolling average (average of the current year and two prior year totals).[1]

FY 2020 Results: The agency saved consumers on average over 14 times the amount of resources devoted to the consumer protection program in the past three years, or an average of $1.4 billion per year. This is largely attributable to the Online Trading Academy, Western Union, and RevenueWire cases. Although the results for FY 2020 are more than double the target, the amount reported in FY 2020 decreased from prior years because the $7.3 billion in consumer redress for the Volkswagen case, which was part of the FY 2017 result, is no longer included in the three-year average.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
$8.80 in consumer savings per $1 spent	$35.20 in consumer savings per $1 spent	$39.00 in consumer savings per $1 spent	$38.60 in consumer savings per $1 spent	$14.40 in consumer savings per $1 spent	$7.00 in consumer savings per $1 spent	✔

[1] Calculation/Formula: (Amount of money returned to consumers + the sum of the estimated consumer savings generated by law enforcement actions) / Annual expenditures on consumer protection law enforcement.

The amount of money returned to consumers: the sum of refund checks cashed by consumers as the result of FTC consumer protection enforcement actions plus the amount of redress distributed to consumers without FTC contractors (if refund check cashed information is not available).

The sum of the estimated consumer savings generated by law enforcement actions: the estimate of harm that would have occurred but for the FTC's law enforcement action. The FTC assumes that the unlawful conduct would have continued for one year but for our action and the amount of harm that would have occurred in that year is the same as what consumers lost in the past. This amount is estimated by BCP case managers by estimating the consumer loss due to fraudulent, deceptive, or unfair practices in the 12 months prior to the FTC's first contact with the defendants or by dividing the estimated total economic injury by the amount of time the defendants' business operated to derive an annualized estimate of consumer savings. The measure also includes instances wherein, as a result of FTC law enforcement action directed specifically at a business, that business stops its allegedly unfair or deceptive practices.

The annual expenditures on consumer protection law enforcement: the FTC budget dollars spent on consumer protection law enforcement. Dollars spent on the Consumer and Business Education and Economics and Consumer Policy work are excluded from this calculation.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

KEY PERFORMANCE GOAL 1.1.4:

The amount of money the FTC returned to consumers or forwarded to the U.S. Treasury resulting from FTC enforcement action

Description: This goal tracks the FTC's effectiveness in returning money to consumers who were defrauded and forwarding money to the U.S. Treasury (e.g., if sending money to individuals is impracticable, or if funds were paid as a civil penalty). The FTC targets law enforcement efforts on violations that cause the greatest amount of consumer harm; the amount of money returned to consumers or forwarded to the U.S. Treasury is a useful indicator that the FTC is targeting the right defendants. The number reported is a three-year rolling average (average of the current year and two prior year totals).[2]

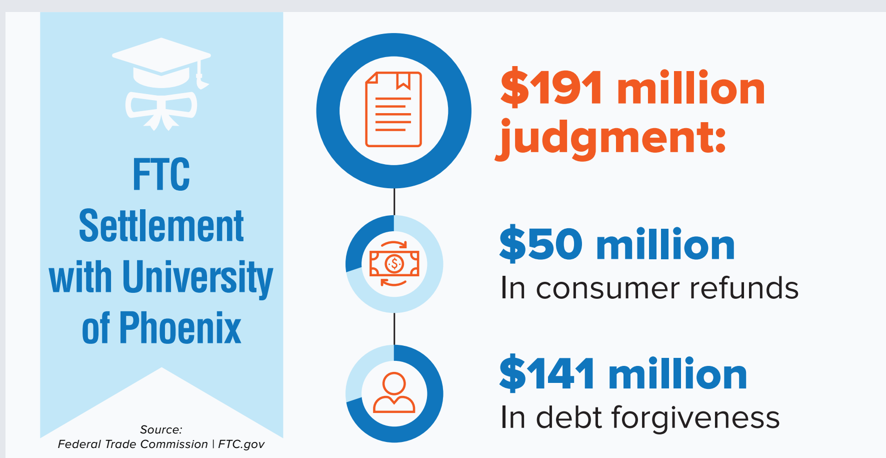
FY 2020 Results: In the last three years, the annual average of the total amount returned to consumers and forwarded to the U S Treasury is $2.79 billion. In FY 2020, the FTC returned $131.8 million to consumers and forwarded $5.0 billion to the U.S. Treasury. The FTC returned money to more than 2.2 million consumers in dozens of cases, including Office Depot, LifeLock, Helping America Group and I Works. The money returned to the U.S. Treasury included civil penalties obtained in settlements with Facebook, Kohl's, and HyperBeard. In addition, in FY 2020, some FTC orders required defendants to self-administer refund programs worth more than $510.7 million in refunds to consumers, including University of Phoenix, AT&T Mobility, and Western Union.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
$95.2 million	$2.69 billion	$3.25 billion	$3.52 billion	$2.79 billion	$65 million	✔

[2] Calculation/Formula: Sum of refund checks cashed by consumers, plus the amount of redress distributed to consumers without FTC contractors (if refund check cashed information is not available), plus the amount of money paid to the FTC by defendants and forwarded to the U.S. Treasury, either because sending refunds was not feasible or because the money was paid as a civil penalty. The amount reported is a three-year rolling average (average of the current year and two prior year totals).

For more details on measurement and data quality, see the FTC Data Quality Appendix.

$191 MILLION SETTLEMENT WITH UNIVERSITY OF PHOENIX



The University of Phoenix (UOP) and its parent company, Apollo Education Group, agreed to settle for a record $191 million to resolve FTC charges that they used deceptive advertisements that falsely touted their relationships and job opportunities with companies such as AT&T, Yahoo!, Microsoft, Twitter, and the American Red Cross. Under the settlement, UOP agreed to pay $50 million in cash as well as cancel $141 million in debts owed to the school by students who were harmed by the deceptive ads. This is the largest settlement the Commission has obtained in a case against a for-profit school.

KEY PERFORMANCE GOAL 1.2.1:

Rate of consumer satisfaction with FTC consumer education websites

Description: This measure gauges the effectiveness, helpfulness, and usability of the FTC's consumer education websites. Consumer education serves as the first line of defense against deception and unfair practices. Well-informed consumers are better able to protect themselves from bad actors in the marketplace. This measure includes the customer satisfaction scores for consumer.ftc.gov. [3]

FY 2020 Results: In FY 2020, the FTC used the desktop survey on Consumer.ftc.gov to determine the rate of customer satisfaction with FTC consumer education websites. The rate of customer satisfaction for Consumer.ftc.gov (desktop) was 76.2. The average citizen satisfaction score for participating federal government websites was 75.5. Due to customer satisfaction survey changes during FY 2020, the FTC can no longer report a combined score for Consumer.ftc.gov and Bulkorder.ftc.gov, which was done for previous years. The Consumer.ftc.gov desktop survey receives the most responses, so the FTC will report this score starting in FY 2020.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
76	77	77	77.7	76.2	75.5 (average rate for websites)	✔

[3] Calculation/Formula: When visiting consumer.ftc.gov, consumers are given the option to complete a short survey to provide feedback on the following aspects of the site: information browsing, look and feel, navigation, site information, and site performance. The formula for the overall satisfaction score is proprietary to ForeSee.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC RESPONDS TO COVID-19 SCAMS WITH WARNING LETTERS, LITIGATION, AND EDUCATION

The FTC has pursued a multi-prong strategy to fight scams and address consumer issues involving the novel Coronavirus Disease 2019 (COVID-19) crisis, including an unprecedented warning letter campaign, law enforcement actions, consumer and business education, and national and local outreach. Since the pandemic began in March, the Commission has issued more than 300 warning letters to marketers claiming their products will treat, cure, or prevent COVID-19; multi-level marketers regarding health and earnings claims they or their participants are making related to COVID-19, including more than eighty joint warning letters with the FDA; Voice over Internet Protocol (VoIP) service providers and other companies warning against "assisting and facilitating" illegal COVID-19-related telemarketing calls; and advertisers for potentially misleading claims about their purported affiliation with the federal government or emergency loan programs created to protect businesses or provide stimulus funds during the pandemic. In addition, the FTC has brought enforcement actions against several companies for making false claims related to COVID-19. Beginning in early February, the FTC stepped up its consumer and business education and outreach, building COVID-specific webpages, drafting more than 100 blog posts and scam alerts, and partnering with other law enforcement partners and industry to reach all segments of the population. For more information on the FTC's response to COVID-19, please visit https://www.ftc.gov/coronavirus.

KEY PERFORMANCE GOAL 1.3.2:

Number of investigations or cases in which the FTC obtained foreign-based evidence or information or engaged in other mutual assistance that contributed to FTC law enforcement actions or in which the FTC cooperated with foreign agencies and/or multilateral organizations on enforcement matters

Description: The Office of International Affairs works to expand cooperation and coordination between the FTC and international consumer protection partners through information sharing, investigative assistance, and the development of investigative best practices and enforcement capacity. This measure counts the number of investigations and cases in which the FTC and foreign consumer protection agencies shared information or engaged in other enforcement cooperation. [4]

FY 2020 Results: In FY 2020, the FTC cooperated in 42 instances on consumer protection and privacy matters to obtain or share evidence or engage in other enforcement cooperation in investigations, cases, and enforcement-related projects. Foreign authorities assisted the FTC in activities such as sharing consumer complaints, obtaining corporate records, and providing other investigative information. The FTC also provided assistance to numerous foreign authorities to share information and provide investigative assistance using compulsory process. The FTC also cooperated on enforcement matters with international enforcement organizations such as the ICPEN, the GPEN, the UCENet, and the International Mass-Marketing Fraud Working Group.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
53	50	43	48	42	40	✔

[4] Calculation/Formula: # of FTC consumer protection investigations or cases where supporting evidence or information or other investigative assistance was obtained from foreign agencies + # of foreign consumer protection investigations or cases where supporting evidence or information or other investigative assistance was provided by the FTC + # of enforcement matters where the FTC otherwise engaged in enforcement cooperation with foreign agencies or multilateral enforcement networks.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

THE SAFE WEB ACT HELPS THE FTC FIGHT FRAUD ACROSS BORDERS

In September 2020, Congress reauthorized the SAFE WEB Act, originally passed in 2006, for a third seven-year period. The Act confirms the FTC's statutory authority to sue foreign wrongdoers and supports enforcement cooperation with the agency's foreign counterparts, making it an essential tool to combat cross-border fraud. Since the SAFE WEB Act's passage, the FTC has relied on the Act's authority to respond to 165 SAFE WEB information-sharing requests from 42 enforcement agencies in 18 foreign countries. The FTC also has helped its foreign enforcement partners, both civil and criminal, to obtain U.S.-based evidence by issuing more than 138 civil investigative demands (investigative subpoenas) in 65 investigations, on behalf of 18 foreign agencies from ten countries. This has led to reciprocal information sharing, evidence gathering, and case coordination in numerous cross-border matters that affect U.S. consumers – ranging from sweepstakes and lotteries frauds to privacy violations and data breach incidents to misleading health claims. The Act also enables the FTC's "International Fellows" program, which brings officials from foreign competition, consumer protection, and privacy agencies to work alongside FTC staff on investigations and cases. The FTC has hosted 131 foreign colleagues from 41 jurisdictions under the staff exchange provision of the Act.

STRATEGIC GOAL 2: MAINTAIN COMPETITION TO PROMOTE A MARKETPLACE FREE FROM ANTICOMPETITIVE MERGERS, BUSINESS PRACTICES, OR PUBLIC POLICY OUTCOMES

KEY PERFORMANCE GOAL 2.1.1:

Percentage of full merger and nonmerger investigations in which the FTC takes action to maintain competition

Description: This measure tracks FTC actions taken to maintain competition, including litigated victories, consent orders, abandoned transactions, or restructured transactions (either through a fix-it-first approach or eliminating the competitive concern) in a significant percentage of full merger and nonmerger investigations.[5]

FY 2020 Results: In FY 2020, the agency took action to maintain competition in 27 of 35 full merger and nonmerger investigations concluded. The FTC's 27 actions included 11 consent orders, two litigated victories (Benco, Peabody/Arch Coal), one stipulated injunction (Indivior), one settlement with a party to an ongoing administrative adjudication (Safariland), three matters in which the parties abandoned their transactions after the Commission authorized staff to challenge the proposed acquisition in federal or administrative proceedings (Illumina/PacBio, Edgewell/Harry's, Post/TreeHouse), and nine abandoned transactions. This year's results exceeded the target range for this performance goal, primarily because more matters than anticipated led to enforcement actions.

The agency's 27 actions included 24 merger actions and three nonmerger actions in second request or compulsory process investigations in a broad array of industries such as healthcare, pharmaceuticals, consumer goods and services, energy, and manufacturing. The agency concluded eight merger matters in which it did not take an enforcement action during FY 2020.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
54.6%	49.1%	67.9%	62.9%	77.1%	Between 40%-70%	X

[5] Calculation/Formula: The measure is calculated by taking the number of full investigations concluded with an action during the fiscal year divided by the total number of full investigations concluded during the fiscal year.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC HOSTS WORKSHOP ON NON-COMPETE AGREEMENTS IN THE WORKPLACE

On January 9, 2020, the Federal Trade Commission held a public workshop to examine whether there is a sufficient legal basis and empirical economic support to promulgate a Commission rule that would restrict the use of non-compete clauses in employer-employee employment contracts. This workshop, titled "Non-Competes in the Workplace: Examining Antitrust and Consumer Protection Issues," included legal scholars, economists, and policy experts who considered whether the Commission had rulemaking authority under either unfair method of competition or unfair or deceptive act or practice principles and who reviewed the current state of the law and economic literature on non-compete clauses in contracts between employers and employees.

KEY PERFORMANCE GOAL 2.1.3:

Total consumer savings compared to the amount of FTC resources allocated to the merger program

Description: This measure reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive mergers compared to the amount spent on the merger program. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[6]

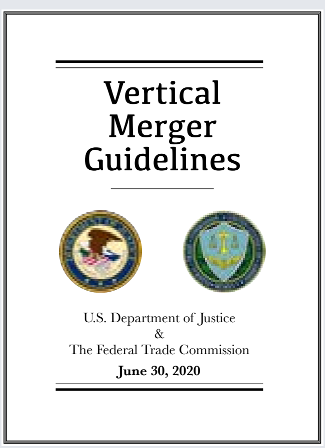
FY 2020 Results: In FY 2020, the FTC saved consumers, on average, approximately $25.70 for every dollar devoted to its merger program. Merger actions in the healthcare, pharmaceuticals, consumer goods and services, and manufacturing resulted in considerable consumer savings in the period. These results fell short of the target level for the period, due in large part to unusually large consumer savings from merger actions in FY 2015 that are no longer included in the five-year timeframe for the goal. Targets have been adjusted for FY 2021. Significant increases in case-related spending during the period, primarily attributable to a growing antitrust litigation docket, also resulted in a reduction in the ratio of estimated consumer savings to program costs during the period.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
$46.40 in consumer savings per $1 spent	$55.60 in consumer savings per $1 spent	$50.30 in consumer savings per $1 spent	$65.90 in consumer savings per $1 spent	$25.70 in consumer savings per $1 spent	$42.00 in consumer savings per $1 spent	X

[6] Calculation/Formula: Estimated consumer savings generated under goal 2.1.2 are divided by the amount of resources spent on the merger program for the current fiscal year. When available, staff uses case-specific data to generate the estimate of consumer savings. Otherwise, staff uses a formula of three percent of the volume of commerce of the relevant product market(s) for two years. In order to create a balanced performance profile, performance is reported as a "rolling average" over five years, compensating for highly variable results in any individual year due to the influence of a few significant cases or the level of merger activity in that year.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC AND DOJ UPDATE VERTICAL MERGER GUIDELINES


Vertical Merger Guidelines

U.S. Department of Justice
&
The Federal Trade Commission
June 30, 2020

In June 2020, the Federal Trade Commission and Department of Justice (DOJ) jointly issued new Vertical Merger Guidelines that outline how the agencies evaluate the likely competitive impact of vertical mergers and whether they comply with U.S. antitrust law. These guidelines represent the first major revision to DOJ's 1984 Non-Horizontal Merger Guidelines, and mark the first time the two agencies have jointly issued such guidance. The guidelines will help the enforcement agencies identify and challenge harmful vertical mergers by detailing the techniques and main types of evidence used to predict whether vertical mergers may substantially lessen competition, and likewise will help businesses and antitrust practitioners through increased transparency into the agencies' analytical framework for evaluating vertical transactions.

KEY PERFORMANCE GOAL 2.1.5:

Total consumer savings compared to the amount of FTC resources allocated to the nonmerger program

Description: This measure reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive business conduct compared to the amount spent on the nonmerger program. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[7]

FY 2020 Results: In FY 2020, the FTC saved consumers, on average, approximately $46 per dollar devoted to its nonmerger enforcement program. Nonmerger actions in the healthcare, pharmaceutical, and consumer services industries contributed to that total, and when coupled with modest reductions in program spending, allowed the agency to again meet the target for this performance goal.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
$52.30 in consumer savings per $1 spent	$39.60 in consumer savings per $1 spent	$40.10 in consumer savings per $1 spent	$75.80 in consumer savings per $1 spent	$46.00 in consumer savings per $1 spent	$40.00 in consumer savings per $1 spent	✔

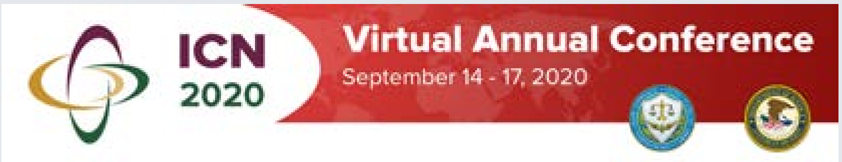
[7] Calculation/Formula: Estimated consumer savings generated under goal 2.1.4 are divided by the amount of resources spent on the nonmerger program for the current fiscal year. When available, staff uses case-specific data to generate the estimate of consumer savings. Otherwise, staff uses a formula of one percent of the volume of commerce of the relevant geographic/product market(s) for one year. In order to create a balanced performance profile, performance is reported as a "rolling average" over five years, compensating for highly variable results in any individual year due to the influence of a few significant cases or the level of nonmerger activity in that year.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC SUES PHARMACEUTICAL COMPANY FOR MONOPOLIZATION

The Commission authorized staff to seek a permanent injunction and equitable monetary relief to halt an elaborate anticompetitive scheme to preserve a monopoly for a life-saving drug. According to the complaint, the FTC alleges that after acquiring the rights to Daraprim, the gold standard treatment for toxoplasmosis, Vyera Pharmaceuticals immediately raised the price 4100% and engaged in a series of unlawful tactics, including distributional restraints and interference with FDA-mandated bioequivalence testing to prevent generic entry into the market. The complaint further charges that Vyera signed data blocking agreements to deny generic pharmaceutical firms access to the data needed to assess whether development of an alternative treatment is worth pursuing. Toxoplasmosis is a potentially fatal parasitic infection that is particularly threatening for individuals with compromised immune systems, such as HIV/AIDS and cancer patients or recipients of organ transplants. This matter is currently pending in federal court.

FTC CO-HOSTS INTERNATIONAL COMPETITION NETWORK ANNUAL CONFERENCE



The FTC continues to be an engaged leader at the International Competition Network (ICN), one of the most important fora for promoting convergence toward sound international antitrust policies and practices. In September, the FTC co-hosted (with the Department of Justice, Antitrust Division) the ICN Annual Conference, which is the largest gathering of competition agency leaders and members of the competition community from around the world. The conference promoted international cooperation and convergence, highlighting the FTC's (and broader U.S. competition community's) expertise and thought leadership, including through the involvement of senior FTC antitrust officials, respected academics, and economists. The FTC serves as an active member of the ICN Steering Group, originating new areas for ICN discussion, including a project on the intersection of competition, consumer protection, and privacy enforcement and policy. The FTC also leads the ICN's implementation efforts, developing and managing the network's strategy and promotion of ICN work products. Looking forward, the FTC will lead the ICN's "2020Vision" project, a top-to-bottom review of the ICN to ensure the ICN's continued effectiveness as the network enters its third decade.

KEY PERFORMANCE GOAL 2.3.1:

Percentage of FTC cases involving at least one substantive contact with a foreign antitrust authority in which the agencies followed consistent analytical approaches and reached compatible outcomes

Description: The Office of International Affairs strives to ensure appropriate cooperation on and coordination of investigations under parallel review by the FTC and foreign competition agencies. This measure gauges the effectiveness of the FTC's enforcement cooperation with foreign antitrust authorities pursuing parallel enforcement activities.[8]

FY 2020 Results: In FY 2020, the FTC cooperated on 29 international enforcement matters. FTC staff engaged in substantive case cooperation with 13 agencies, including those of Australia, Brazil, Canada, China, the European Union, Germany, Israel, Japan, Mexico, New Zealand, Singapore, South Africa, and the United Kingdom. The FTC and its counterpart agencies reached compatible outcomes in all cases completed during the fiscal year. While the FTC will continue to strive for 100 percent success, the target reflects the possibility of inconsistent outcomes, particularly as additional antitrust agencies assert their jurisdiction and as more agencies prosecute cases based on unilateral conduct theories.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
100%	96%	98%	100%	100%	95%	✔

[8] Calculation/Formula: # of FTC cases, with at least one substantive contact with a foreign antitrust agency, where the foreign agency is pursuing a case against the same company(ies) and where they followed consistent analytical approaches and reached compatible outcomes / # of FTC cases where the FTC had at least one substantive contact with a foreign antitrust agency, where the foreign agency is pursuing a case against the same company(ies).

For more details on measurement and data quality, see the FTC Data Quality Appendix.

GOAL 3: ADVANCE THE FTC'S PERFORMANCE THROUGH EXCELLENCE IN MANAGING RESOURCES, HUMAN CAPITAL, AND INFORMATION TECHNOLOGY

KEY PERFORMANCE GOAL 3.2.3:

The extent to which employees believe the FTC cultivates engagement throughout the agency

Description: The Employee Engagement Index of the Federal Employee Viewpoint Survey (FEVS) determines this measure. The Index gauges the extent to which employees believe that management listens and provides meaningful support and feedback in various areas that assist staff in supporting the overall mission of the agency. The index is compiled from questions across three sub-factors: Leaders Lead, Supervisors, and Intrinsic Work Experience.

- Leaders Lead: Employees' perceptions of leadership's integrity as well as leadership behaviors such as communication and workforce motivation.
- Supervisors: Interpersonal relationship between worker and supervisor, including trust, respect, and support.[9]
- Intrinsic Work Experience: Employees' feelings of motivation and competency relating to their role in the workplace.[9]

FY 2020 Results: Due to the ongoing pandemic, the Office of Personnel Management postponed the launch of the FEVS Survey from May 2020 until September 2020. Results from the survey, normally available in October, are not expected to be released until December 2020.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
82%	83%	83%	84%	Data Not Available	Government average +10 points	To be determined

9 Calculation/Formula: The FEVS Employee Engagement Index measures conditions important to supporting employee engagement through responses to 20 questions across the three sub factors described above. The FEVS automatically calculates an agency Index score from responses to these 20 questions.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC LAUNCHES E-FILING SYSTEM FOR HART-SCOTT-RODINO (HSR) MERGER FILINGS

In response to the COVID-19 pandemic, in March 2020 the Federal Trade Commission suspended acceptance of hard copy and DVD HSR filings and seamlessly developed and launched a temporary electronic filing system and related operating procedures. This system represents a first step in the eventual launch of a permanent, cloud-based electronic filing solution, which will reduce costs for both the FTC and Antitrust Division of the Department of Justice as well as filing parties and their counsel.

AGENCY MISSION CHALLENGES

In today's increasingly complex economy, the FTC stands as a champion for competition and consumers. For example, when consumers and businesses encounter difficulties with financial scams, deceptive or fraudulent advertising, or unfair or deceptive practices related to privacy and data security, the FTC is prepared to respond with vigorous law enforcement. Similarly, when consumers are harmed by anticompetitive business practices in key sectors of our economy like technology and health care, the FTC steps forward, bringing to bear its full complement of enforcement and policy tools.

Agency mission challenges are presented as they relate to the agency's strategic goals: Strategic Goal 1 (Protect Consumers) and Strategic Goal 2 (Maintain Competition). A reference to the most applicable strategic objectives is also provided, so readers may refer to descriptions of related performance targets and actual results.

Management's assessment was performed independently from the process by which the Inspector General (IG) identified management and performance challenges (see Other Information Section). Management concurs with the IG-identified challenges and assessment of agency progress in addressing the challenges.

STRATEGIC GOAL 1: PROTECT CONSUMERS

Pursuant to the agency's Protect Consumers goal, the FTC will continue to prioritize the following challenges: protecting Americans from fraud, including in the financial services marketplace; protecting consumers as technology evolves; protecting consumer privacy and improving data security, including combating identity theft; and addressing emerging advertising issues and targeting deceptive advertising.

PROTECTING AMERICANS FROM FRAUD:

Fraud can potentially affect all consumers and businesses. The FTC will continue its enforcement efforts to stop fraud, focusing on those instances that cause or are likely to cause the greatest consumer harm. The FTC continues to receive consumer complaints about imposter scams in which the perpetrators pose as government agencies, legitimate technical support companies, family members, or other trusted entities. Certain scams, such as those involving business and income opportunities, pose an even greater risk to consumers from lower income or underserved communities.

The FTC will continue to work closely with other enforcement authorities and stakeholders to stop scammers and other unfair and deceptive business practices during the COVID-19 pandemic. The FTC will continue to send warning letters to companies and individuals to ensure they are not engaging in unfair or deceptive practices relating to the crisis, and the FTC will also continue to bring enforcement actions against companies that make false claims related to COVID-19.

The FTC will maintain a focus on frauds targeting specific populations, including military consumers, seniors, non-English-speaking consumers, communities of color, and small businesses. Con artists continue to target the most vulnerable consumers and consumers in financial distress. This unlawful conduct can have severe consequences for consumers who can least afford it. Therefore, the FTC will continue to pursue law

FTC WINS LARGEST LAND FRAUD CASE AGAINST SANCTUARY BELIZE

The FTC won a $120.2 million judgment against the primary Sanctuary Belize defendants, successfully putting an end to the largest land fraud case in FTC history. The defendants, including Andris Pukke (the primary defendant in the FTC's Ameridebt case), sold lots in a purported luxury development in remote southern Belize to U.S. retirees. In truth, the development was little more than a jungle with few, if any, amenities. After a four-week trial, the court held all of the trial defendants liable on all counts; found judgment in the amount of $120.2 million; found Pukke and his business partner in contempt for violations of the Ameridebt order; and stated that Pukke will receive a complete real estate ban and a telemarketing ban, while the other defendants will receive telemarketing bans and partial real estate bans.

FTC STOPS ADVOCARE PYRAMID SCHEME

Multi-level marketer AdvoCare International and its former CEO, Brian Connolly, agreed to pay $150 million and be banned from the multi-level marketing business to resolve FTC charges that the company operated an illegal pyramid scheme that deceived consumers into believing they could earn significant income as "distributors" of its health and wellness products. Two top promoters, Carlton and Lisa Hardman, also settled charges that they promoted the illegal pyramid scheme and misled consumers about their income potential, agreeing to a multi-level marketing ban and a judgment of $4 million that will be suspended when they surrender substantial assets. The FTC complaint also charged two other top AdvoCare promoters.

enforcement actions to stop deceptive or other unlawful conduct in mortgage, student loan, and other debt relief services; payday lending; debt collection; and financing transactions. The FTC will also prioritize education for these populations.

The FTC will continue to coordinate closely with other federal agency partners to ensure that consumers are protected in the financial marketplace, and to avoid duplicative efforts between agencies. Through the FTC's Business Center at *business.ftc.gov* and other outreach efforts, the FTC will continue to offer educational materials to help consumers and businesses—especially small businesses—understand and comply with consumer protection laws and avoid becoming victims of fraud. (Objectives 1.1, 1.2, and 1.3)

PROTECTING CONSUMERS AS TECHNOLOGY EVOLVES:

Technology provides many benefits to consumers, including choice, convenience, and increased access to goods, services, and information. However, it also enables new vehicles for fraudulent, deceptive, and unfair practices in the marketplace. The FTC will continue its focus on the consumer protection issues associated with the use of emerging technology, including a careful consideration of the costs and benefits of new business practices and the importance of fostering innovation. The FTC will take enforcement actions against deceptive practices that appear in new formats and new media (e.g., apps, games, streaming videos, and social networks). The FTC held a public workshop to examine voice cloning technologies, which enable users to make near-perfect reproductions of a real person's voice. "You Don't Say: An FTC Workshop on Voice Cloning Technologies" examined both the benefits and potential misuses of voice cloning technologies. For example, voice cloning could be used to help people who have lost the ability to speak to communicate using technology that simulates a cloned version of their own voice. These same technologies, however, could be misused by scammers to impersonate others. In addition, the FTC will continue to monitor consumer complaints about Internet Service Providers (ISPs) and will take appropriate action against deceptive ISP advertising or other unfair or deceptive ISP practices. The FTC will continue to conduct research on emerging technologies to assist with enforcement actions, inform policy, and educate consumers.

Consumers and law enforcers face challenges resulting from technological advances that facilitate the use of illegal robocalls and make it easier for fraudsters perpetrating telemarketing scams to hide their location. The FTC will continue its law enforcement efforts, and will continue to work with consumer groups, telecommunications industry representatives, technologists, policymakers, and other stakeholders to develop solutions to halt illegal robocalls and other telemarketing practices that violate the Telemarketing Sales Rule. The FTC and Federal Communication Commission will continue their coordinated efforts to combat illegal robocalls and promote innovative solutions to protect consumers. (Objectives 1.1, 1.2, and 1.3)

PROTECTING CONSUMER PRIVACY AND IMPROVING DATA SECURITY:

The FTC will continue to take a leading role in efforts to protect consumers from unfair or deceptive practices related to the security and privacy of their personal

FTC BRINGS FIRST CASE AGAINST DEVELOPERS OF "STALKING" APPS

The FTC barred Retina-X Studios, the developers of three "stalking" apps, from selling apps that monitor consumers' mobile devices unless they take certain steps to ensure the apps will only be used for legitimate purposes. This is the first case the FTC has brought against a "stalking" app. The FTC alleged that Retina-X and its owner, James N. Johns, Jr., developed three mobile device apps that allowed purchasers to monitor the mobile devices on which they were installed, without the knowledge or permission of the device's user. Retina-X sold more than 15,000 subscriptions to all three stalking apps before the company stopped selling them in 2018. The settlement resolves allegations that these apps compromised the privacy and security of the consumer devices on which they were installed.

information, while preserving the many benefits that technological advances offer. The agency will stop unfair and deceptive consumer privacy and data security practices through law enforcement and will promote strong and balanced privacy and security protections through policy initiatives on a range of topics. The FTC hosted its fifth annual PrivacyCon event to highlight the latest research trends in consumer privacy and data security. The event focused on the privacy of health data collected, stored, and transmitted by mobile applications ("apps").

The agency will bring appropriate enforcement actions against entities that violate the Children's Online Privacy Protection Act (COPPA) Rule. The FTC held a workshop examining the COPPA Rule in light of evolving business practices and new technology in the marketplace. The agency will continue to participate in interagency groups, promote self-regulatory efforts, provide technical assistance to Congress on draft legislation, and participate in international privacy initiatives. In addition, the agency will continue to support the development of the digital economy through cross-border data flows and the Asia-Pacific Economic Cooperation/Cross Border Privacy Rules.

Identity theft exacts a heavy financial and emotional toll from its victims. The FTC will continue to assist the millions of Americans victimized each year through data security breaches and other means. The FTC will continue to be the repository for identity theft complaints and make them available to federal criminal law enforcement agencies. The agency's trained counselors will continue to advise identity theft victims who call our toll-free number about rights and remedies available to them under federal law. The FTC's website, IdentityTheft.gov, is the federal government's one-stop resource to help consumers report and recover from identity theft. IdentityTheft.gov highlights useful resources and connects identity theft victims to federal agencies and other organizations that are critical to the recovery process. IdentityTheft.gov allows visitors to create a customized plan based on their specific experiences. The Internal Revenue Service (IRS) continues to allow consumers to report identity theft to the IRS electronically through the FTC's IdentityTheft.gov website. Starting in October 2019, many members of the military received access to free electronic credit monitoring, which can help them spot identity theft. The agency also will continue to train local law enforcement to spot and prosecute identity theft, and will update educational materials. (Objectives 1.1, 1.2, and 1.3)

In addition, the Bureau of Consumer Protection's Office of Technology Research and Investigation is monitoring and conducting research on emerging technologies. That research assists with the Commission's consumer protection efforts on enforcement, consumer education, and policymaking.

ADDRESSING EMERGING ADVERTISING ISSUES AND TARGETING DECEPTIVE ADVERTISING:

Digital media has opened new avenues for companies to communicate with consumers, and the format of advertisements continues to evolve. Like all advertising, digital marketing must comply with the law, including deceptive advertising that appears in new formats (e.g., apps, games, videos, and social networks). The FTC will take enforcement action against deceptive advertisements that appear in new formats and new media (e.g., apps, games, videos, and social networks). The FTC also will evaluate the use of online reviews of products or services, including the use of fabricated reviews, undisclosed material connections with reviewers, prohibitions on negative reviews, or unsubstantiated testimonials, and take action as appropriate. Companies are increasingly blending advertising with news, entertainment, or editorial content in digital media. If consumers do not recognize and understand the difference between the advertising and other content, they may be deceived. The FTC, therefore, will continue to examine consumer protection issues raised by sponsored content, "native" advertising that looks like surrounding non-commercial content, and endorsements.

The FTC released a new publication for online influencers that explains when and how influencers must disclose sponsorships to their followers. The new guide, "Disclosures 101 for Social Media Influencers," provides influencers with tips from FTC staff about what triggers the need for a disclosure and offers examples of both effective and ineffective disclosures.

The FTC will continue to address deceptive advertising of health products, such as homeopathic products and dietary supplements. The agency will focus on disease prevention and treatment claims; claims related to COVID-19; claims aimed at baby boomers, seniors, and military members; and claims exploiting emerging health threats. The FTC also will continue to focus its law enforcement efforts on misleading environmental marketing claims and will educate businesses about the FTC's Guides for the Use of Environmental Marketing Claims ("Green Guides"). Additionally, the FTC will continue to focus its law enforcement efforts on companies that falsely claim their products were made in the United States and will educate businesses about how to comply with the Made in USA standard. (Objectives 1.1, 1.2, and 1.3)

STRATEGIC GOAL 2: MAINTAIN COMPETITION

Pursuant to the agency's Maintain Competition goal, the FTC will continue to prioritize promoting competition and preventing anticompetitive conduct in many areas of the economy, including the health care and pharmaceutical sectors, technology, retail markets, and the energy industry. The agency will also work to promote sound competition policy at the international level and will continue advocating for procompetitive outcomes before federal courts, state legislatures, and other governmental agencies.

In enforcing the antitrust laws, the FTC analyzes mergers and acquisitions filed under the Hart-Scott-Rodino (HSR) premerger notification program, and monitors the marketplace for non-reportable transactions that might raise competitive concerns. The FTC takes action against those mergers that are likely to reduce or eliminate competition, and that are unlikely to generate sufficient benefits to consumers to outweigh the competitive harm. The FTC is vigilant in identifying instances of unlawful monopolization or attempted monopolization, or instances in which two or more firms seek to coordinate in an attempt to stifle competition in order to raise prices, reduce the quality or choice of goods and services, or reduce innovation.

REINVIGORATED EMPHASIS ON TECHNOLOGY:

The ubiquity of technology, and the fast pace at which it evolves, are crucial marketplace challenges. FTC antitrust investigations involve increasingly complicated

FTC RULE PROVIDES FOR FREE CREDIT MONITORING FOR MILITARY SERVICE MEMBERS

Starting in October 2019, many members of the military received access to free electronic credit monitoring, which can help them spot identity theft. In response to a new FTC Rule implementing a 2018 law, the nationwide credit reporting agencies—Equifax, Experian, and TransUnion—are providing free electronic credit monitoring services to active duty service members and National Guard members. Credit monitoring services can alert consumers to mistakes or problems with their credit reports that might stem from the unauthorized use of their personal information to obtain credit.

high-technology markets, such as online platforms, computer hardware and software, electronic components, and devices used in manufacturing. To address these ongoing challenges, the Commission established the Technology Enforcement Division in 2019 to bolster and focus the agency's efforts to maintain competition given the unique antitrust issues raised by these dynamic markets.

Antitrust and competition policy matters in the technology marketplace were a primary focus of the Commission's 21st Century Hearings initiative, and are likewise the focus of a 6(b) study, announced in FY 2020 aimed at helping the Commission better understand large technology firms' acquisition activities, particularly of nascent or potential competitors, and how the firms

FTC MOVES TO BLOCK ANTICOMPETITIVE MERGERS

Coal Mining: In February 2020, the FTC challenged a proposed joint venture between Peabody Energy Corporation and Arch Coal, the two largest coal-mining companies in the United States. According to the complaint, the joint venture would have eliminated head-to-head competition between the companies for thermal coal in the Southern Powder River Basin. This product is a key input for power-generating utilities that provide electricity to millions of Americans. Following a two-week trial, the federal district court granted the FTC's request for a preliminary injunction, and the parties abandoned the joint venture shortly thereafter.

Philadelphia Area Hospitals: In February 2020, the FTC challenged a proposed merger between Jefferson Health and Albert Einstein Healthcare Network, two leading providers of inpatient general acute care hospital and rehabilitation services in the Philadelphia area. According to the complaint, the merger would have eliminated the head-to-head competition that drives improvements in quality and service, upgraded facilities, and investment in technology and innovation for hospitals in and around Philadelphia, resulting in the parties controlling around 50 percent of the general acute care services in each of the alleged geographic markets. This matter is currently pending in federal court.

DNA Sequencing Platforms: In December 2019, the FTC challenged Illumina's proposed acquisition of Pacific Biosciences of California (PacBio). In its complaint, the FTC alleged that Illumina was seeking to unlawfully maintain its monopoly in DNA sequencing platforms by extinguishing PacBio as a nascent competitive threat. PacBio had recently made significant technological advancements in its product, increasing its accuracy and lowering its cost, that made it a closer alternative to Illumina than ever before. The parties abandoned the acquisition after the FTC filed its complaint.

Police Body Cameras: In January 2020, the FTC challenged Axon Enterprise's consummated acquisition of its body-worn camera systems competitor VieVu. Before the acquisition, the two companies competed to provide body-worn camera systems to large, metropolitan police departments across the United States. According to the complaint, Axon's May 2018 acquisition reduced competition in an already concentrated market. The Commission has entered a consent agreement with VieVu's parent company, Safariland, while the action against Axon is currently pending.

Shaving Razors: In February 2020, the Commission moved to stop the proposed acquisition of Harry's by Edgewell Personal Care, the maker of Schick brand razors. According to the complaint, the deal would have eliminated a disruptive and innovative rival that has driven down prices and spurred innovation in the otherwise duopolistic U.S. market for men's and women's wet shave razors. Harry's launched as an internet-only, direct-to-consumer wet shave brand, and in 2016, entered into brick-and-mortar retail stores. The parties abandoned the acquisition in the face of the FTC's challenge.

FTC CHALLENGES CONSENT ORDER VIOLATIONS

In July 2020, the agency brought a civil penalty action against Alimentation Couche-Tard (ACT) and a former affiliate, CrossAmerica Partners LP (CAPL). The companies agreed to pay $3.5 million in civil penalties to settle charges that they violated a 2018 consent order requiring the divestiture of 10 retail fuel stations in Minnesota and Wisconsin prior to consummating their acquisition of 380 such stations in 10 states from Holiday Companies. According to the complaint, ACT and CAPL failed to divest stations in 9 of the 10 markets subject to the order, failed to maintain the viability of assets to be divested in the Hibbing, Minnesota market, and filed inaccurate and incomplete compliance reports.

report those activities to the FTC and DOJ Antitrust Division. The Commission will continue to use what it learns from these initiatives to inform policy and enforcement priorities in the technology space in the future. (Objectives 2.1 and 2.2)

PROMOTING COMPETITION IN HEALTH CARE AND PHARMACEUTICAL MARKETS:

The high cost of health care, which continues to account for a significant share of the gross domestic product, is a matter of ongoing concern for consumers, businesses, and taxpayers. To ensure that consumers receive the benefits of competitive health care markets, antitrust enforcement and advocacy in this sector are top priorities for the Commission.

The FTC will continue to focus resources on challenging pharmaceutical monopolization schemes, including anticompetitive reverse payment patent settlement agreements. Branded and generic drug manufacturers use these agreements to delay generic competition. As the U.S. Supreme Court explained in *FTC* v. *Actavis*, "there is reason for concern that settlements taking this form tend to have significant adverse effects on competition." Similarly, the Commission will continue to investigate other anticompetitive conduct, such as sham litigation, the abuse of government regulatory processes, or unnecessary restricted distribution schemes to delay generic entry into pharmaceutical markets. Such practices deny consumers access to lower priced generic drugs. The FTC reviews, investigates, and challenges these harmful practices where appropriate. The FTC will monitor developments related to pharmaceuticals to treat COVID-19 to identify any conduct that potentially harms competition.

The FTC also prioritizes stopping anticompetitive health care mergers that could lead to higher costs or reduced quality, including those involving health care providers and pharmaceutical and medical device companies. This also includes examining mergers for anticompetitive effects in labor markets, which could harm workers in the form of reduced wages, benefits, and working conditions. In recent years, the FTC has required significant divestitures in a large number of pharmaceutical transactions and has successfully challenged in court several anticompetitive mergers between hospitals or other health care providers.

Beyond enforcement, the FTC utilizes its full range of policy and advocacy tools to promote competition in health care markets. For example, the FTC has advocated against state legislation that attempts to immunize competing hospitals and other health care providers from federal antitrust laws when they merge or engage in certain forms of collaboration. The FTC is also studying whether mergers consummated in states where this type of legislation was enacted to determine whether they have resulted in competitive harm. In the FTC's view, state efforts to immunize such conduct are unnecessary because procompetitive collaboration that would benefit consumers is permitted by federal antitrust law. Therefore, these statutes effectively immunize conduct that likely would restrain competition and result in higher health care prices for consumers, without generating offsetting benefits.

The FTC also engages in research and scholarship and convenes hearings, workshops, and conferences, to better understand and keep apprised of health care and pharmaceutical market dynamics. (Objectives 2.1 and 2.2)

PREVENTING ANTICOMPETITIVE ACTIVITY IN THE ENERGY INDUSTRY:

The agency continues to monitor closely energy markets to identify and challenge anticompetitive mergers and conduct. In recent years, the Commission has brought several merger and conduct enforcement actions in the energy sector, resulting in multiple divestitures and other relief to maintain competition. The FTC also continuously examines price movements and other activity through its Gasoline and Diesel Price Monitoring Project, a tool that can help identify anticompetitive conduct such as illegal agreements among competitors, agreements between manufacturers and product dealers, and monopolization that may undermine the benefits of competition.

The FTC regularly issues reports on the factors that influence the prices American consumers pay for gas. In compliance with the Energy Policy Act of 2005, the FTC issued its fourteenth annual Ethanol Market report in 2018, which concluded that the market is less concentrated than it was fourteen years ago. (Objectives 2.1 and 2.2)

MAINTAINING ROBUST COMPETITION IN RETAIL AND CONSUMER GOODS MARKETS:

Retail and consumer goods markets directly impact the wallet of every American consumer. The FTC focuses significant resources on identifying and challenging mergers and conduct likely to harm competition in these critical markets. These actions preserve competition, which benefits consumers by keeping prices down, improving quality and service, and expanding innovation and consumer choice. In recent years, the Commission has successfully challenged several retail and consumer goods and services mergers, including proposed retail pharmacy, food product, and entertainment market transactions, as well as several supermarket acquisitions.

As in other sectors, the FTC also continues to study evolving competitive dynamics that affect how consumers shop for products they want to buy. The retail sector, perhaps more than most, has been reshaped through advances in technology, including behavioral advertising, predictive analytics, and big data—three transformative innovations discussed in recent Commission hearings. (Objectives 2.1 and 2.2)

FTC BEGINS TWO 6(B) STUDIES, REQUIRES DOCUMENT PRODUCTION FROM COMPANIES

In FY 2020, the FTC commenced three "6(b)" studies. Section 6(b) of the FTC Act gives the FTC authority to obtain documents and information from companies as part of its research work.

For the first study, the Commission issued orders to six e-cigarette manufacturers seeking information to study the companies' sales, advertising, and promotional methods from 2015-2018. The FTC study will complement similar FTC studies on cigarettes and smokeless tobacco products, and will assist the Commission, policy makers, and the public to better understand the rapidly growing e-cigarette market.

The second study follows the June 2019 public workshop on certificates of public advantage (COPAs). The FTC issued orders to study the effects of COPAs on prices, quality, access, and innovation of healthcare services. The COPA study sent five health insurance companies and two health systems orders seeking information on aggregated patient billing and discharge data, health system employee wage data, and other information relevant for analyzing the health systems' prices, quality, and innovation. This study will collect information over the next several years to help FTC staff conduct retrospective analyses.

For the third study, the Commission issued 6(b) orders against large technology firms' acquisition activities. The Commission ordered Alphabet/Google, Amazon.com, Apple, Facebook, and Microsoft to provide information and documents on the terms, scope, structure, and purpose of transactions that each company consummated between Jan. 1, 2010 and Dec. 31, 2019. The technology company orders will help the FTC deepen its understanding of large technology firms' acquisition activity, including how these firms report their transactions and whether large tech companies are making potentially anticompetitive acquisitions of nascent or potential competitors that fall below HSR filing thresholds.

MANAGEMENT ASSURANCES

IMPLEMENTATION OF THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

The FTC's Enterprise Risk Management (ERM) and internal controls are integral to managing daily operations and to carrying out activities that achieve strategic goals and objectives. Internal controls are part of all agency systems and processes. Senior management holds managers accountable for documenting, assessing, and improving these controls in order to provide efficient and effective risk management, program operations, high-quality data, and accurate reporting as well as program compliance with applicable laws and regulations.

The FTC's Senior Management Council (SMC) provides oversight to the Senior Assessment Team (SAT) activities and is instrumental in the strategic direction and mitigation strategies for the Agency's most significant risks. The SAT plans and executes the Agency's enterprise risk and internal control program activities to include fraud reduction initiatives. This includes assessing and improving compliance with applicable guidance (e.g., Office of Management and Budget Circular A-123, Management Responsibilities for Enterprise Risk Management and Internal Controls), monitoring and remediation of identified risk, and communicating the results of reviews to senior management and the head of the agency.

SAT activities in FY 2020 included planning the annual internal controls assessments; identifying key processes and related control activities; documenting the scope, design, and methodology of risk and internal control assessments; testing of internal controls, and monitoring corrective action plans and the remediation progress. In addition, the SMC updated the agency risk profile, including risks related to successful mission performance. Specifically, FTC's profile listed risks of escalating expert witness costs in cases involving market competition, impacts of budget constraints as they influence litigation options for the consumer protection mission, and the schedule risk and cost risk associated with FTC's technology modernization initiative. Risks related to maintaining operations during the COVID-19 pandemic and the potential disrupting of the agency's mission have also been noted. FTC leadership uses the risk profile to monitor agency operations, to make budget and resource decisions, and to assess mitigation strategies and activities.

This year, the FTC continued with the implementation of an ERM program plan and strategy. Activities for FY 2020 included executing an annual segment of the multi-year internal control assessment plan, monitoring existing risk registers, identifying and analyzing risk, assessing entity level control, and monitoring corrective actions, as well as performing DATA Act control assessments and OMB-directed Internal Control Over Reporting (ICOR) assessments. In determining if there were any management control deficiencies or nonconformance that must be disclosed in the annual assurance statement, the SAT and the Chairman evaluated several sources of information. These included results of ERM activities, other information from independent audits or reviews performed by the Office of Inspector General (OIG), the Government Accountability Office (GAO) (e.g., Federal Information Security Management Act review), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on Standards for Attestation Engagements (SSAE No. 18)), and other relevant evaluations and control assessments.

The Chairman's assurance statement that follows is supported by the processes and reviews described above, which were performed in FY 2020. Management assurance tables appear in the Other Information section.

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of the Chairman

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

The Federal Trade Commission's (FTC) management is responsible for establishing and maintaining effective risk management, internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the FTC conducted its annual assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management system conforms to applicable financial systems requirements.

Based on the results of this assessment, the FTC provides an unmodified assurance that it's internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2020, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls. Some reporting officials identified areas for improvement in their individual assessments, which are being addressed internally and are not of a material nature.

Further, based on our assessment, we provide an unmodified statement of assurance (no material weaknesses or lack of compliance reported) that the FTC financial management systems substantially conform with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, applicable financial systems requirements, applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

Signed Joseph J. Simons

Joseph Simons
Chairman
October 31, 2020

SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chairman's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2020. No new material weaknesses or significant nonconformances have been identified for over ten years, nor any existing unresolved weaknesses requiring corrective action.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

As mandated by FISMA, the agency continues to maintain an information security program to manage information technology in accordance with OMB Circular A-130 requirements and National Institute of Standards and Technology guidance. During FY 2020, the FTC executed the retirement of one system, the conversion of one system to Authorization to Use (ATU), and the performance of one assessment and authorization effort. The FTC currently has seven systems authorized to operate (ATO). The FTC leverages seventeen Federal Risk and Authorization Management Program (FedRAMP) cloud service providers.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014 (DATA ACT)

The DATA Act expands the Federal Funding Accountability and Transparency Act of 2006 to increase accountability and transparency in federal spending, making federal expenditure information more accessible to the public; improve the quality of the information on USASpending.gov, as verified through regular audits of the posted data; and to streamline and simplify reporting requirements through clear data standards. The FTC successfully transmitted the data files, and certified the quarterly submissions as required by the government-wide requirements set by OMB and the U.S. Department of Treasury.

DEBT COLLECTION IMPROVEMENT ACT

The Debt Collection Improvement Act of 1996 prescribes standards for the administrative collection, compromise, suspension, and termination of Federal agency collection actions and referrals to the proper agency for litigation. The FTC monitors, administers, and collects on debts less than 120 days delinquent. The FTC also monitors, administers, and collects on debts more than 120 days delinquent. Eligible, nonexempt debts more than 120 days old are transferred to the U.S. Department of the Treasury for cross-servicing. In addition, recurring payments were processed by electronic funds transfer in accordance with the provisions of the Debt Collection Improvement Act.

PROMPT PAYMENT ACT

The Prompt Payment Act requires Federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2020, the FTC processed 3,306 invoices totaling $90.3 million that were subject to prompt payment. Of these invoices, 97.2 percent were paid on time. During FY 2020, the FTC paid a total of $2,203.92 in interest penalties, or 0.0024 percent of the total dollar amount invoiced.

AGENCY FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The FTC's overall strategy for its financial management systems is to ensure that the systems provide accurate, reliable, and timely information for management decision making, maintain effective internal controls, and comply with applicable laws and regulations. It is also critical that the financial management systems support both operational efficiency and effectiveness in meeting the agency's strategic goals.

Through FY 2019, the FTC relied on the Department of the Interior's Interior Business Center (IBC) for servicing the agency's financial management system's needs. As part of the agency's efforts to continue to refine and improve its operations and to ensure it employs the most effective mix of services that will provide the most value to taxpayers, the FTC changed its financial services provider and entered into an agreement with the Department of the Treasury's Administrative Resource Center (ARC) for the FTC's core financial management systems needs beginning in FY 2020. The IBC continues to provide only personnel and payroll support services for the FTC, which it has been providing for the agency since 1998.

The FTC has gained several efficiencies in its financial management operations in the first fiscal year with the new service provider. Under ARC, the FTC continues to use Oracle Federal Financials (OFF) release 12.2 as its core financial management system but shifted to the Oracle Business Intelligence (OBI) 12c (release 12.1.1.4) reporting platform, gaining additional functionalities to perform visual analytics and create interactive dashboards and alerts that aid in more informed management decisions. ARC's implementation of OFF fully integrates with the Invoice Processing Platform, allowing the FTC to fully utilize this secure and centralized program to automate invoice collection, validation, and approval workflows. The agency also changed its travel management system to Concur Government Edition and its contract writing system to the Procurement Information System for Management, which is more widely used by Federal Government agencies and has many more contract writing functions than the Contract Lifecycle Management system the FTC used prior to FY 2020. These systems are also highly integrated with both OFF and OBI, allowing the FTC to perform more targeted analytics to assess the effectiveness and efficiency of its financial management operations that ultimately contribute to its mission success.

The agency recognizes the importance of financial management systems and oversight as part of serving as a good steward of taxpayer dollars entrusted to it. Accordingly, in FY 2021, the FTC will continue to work to refine its financial management processes and procedures to optimize operations and reporting. In addition, the agency will work with the Department of the Treasury to implement G-invoicing, the long-term sustainable solutions to improve the quality of Intragovernmental Transactions.

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT OF 1990

As established by statutory civil penalty provisions, the FTC has jurisdiction to charge civil penalties for violations specified in the FTC Act and other laws the Commission is responsible for administering and enforcing. The FTC adjusts these civil penalty amounts for cost of living, as required by Federal Civil Penalties Inflation Adjustment Act of 2015.

Details about the FTC's types of civil penalties, the authority for the penalty, adjustment dates, and current penalty amount can be found in the Other Information section of this report.

FRAUD REDUCTION DATA ANALYTICS ACT

The Fraud Reduction and Data Analytics Act of 2015 was passed to improve federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve Federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments

During Fiscal Year 2020, the FTC expanded its fraud risk program, strengthened the agency's processes, and improved internal controls to prevent, detect, and mitigate fraud risks. Please see the Fraud Reduction Report in the Other Information section of this report for additional information.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The FTC's accounting practices continue to be accurate and transparent, directly supporting the agency's dual mission to protect consumers and promote competition, and consistently demonstrating the FTC's commitment to responsible stewardship of resources and sound financial operations. For the 24th straight year, the FTC received a "clean" or unmodified opinion on its audited financial statements. Independent auditors issue an unmodified opinion when an entity's financial statements are presented fairly, in all material aspects, in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The following discussion provides an overview of the agency's financial position and results of operations. The complete audited financial statements with accompanying notes, including the independent auditor's report, are presented in the Financial Section of this report.

BALANCE SHEET

The FTC's Balance Sheet includes both entity and non-entity assets and liabilities. Entity assets, by law, are authorized by the Congress for the FTC to use in its operations, i.e., Property, Plant, and Equipment (PP&E). Entity liabilities consist of probable and measurable future outflows of FTC entity resources.

Non-entity assets (which are not available for the FTC's use) are those assets held on behalf of others, i.e., collections and accounts receivable that arise from civil monetary penalties and court-ordered judgments for monetary relief in the agency's consumer redress program. Non-entity assets are equal to, and offset by, non-entity liabilities.

CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2020 AND 2019

(Dollars in Millions)	FY 2020	FY 2019	% Change
Entity Assets			
Fund balance with Treasury	$ 114	$ 122	-7%
General property, plant, and equipment	25	30	-17%
Total Entity Assets	139	152	-9%
Non-Entity Assets			
Fund balance with Treasury	677	266	155%
Accounts receivable	628	616	2%
Total Non-Entity Assets	1,305	882	48%
Total Assets	$ 1,444	$ 1,034	40%
Entity Liabilities			
Employee related liabilities	30	24	25%
Accounts payable and other	12	14	-14%
Total Entity Liabilities	42	38	11%
Non-Entity Liabilities			
Redress collections not yet disbursed	677	266	155%
Liability for amounts to be collected	628	616	2%
Total Non-Entity Liabilities	1,305	882	48%
Total Liabilities	$ 1,347	$ 920	46%
Cumulative results of operations	97	114	-15%
Total Net Position	97	114	-15%
Total Liabilities and Net Position	$ 1,444	$ 1,034	40%

BALANCE SHEET – ENTITY

Entity assets totaled $139 million, or 10 percent of all FTC assets, as of September 30, 2020, a decrease of $13 million, or 9 percent, from the FY 2019 total of $152 million.

The Fund Balance with Treasury (FBwT) of $114 million comprises $35 million that is temporarily unavailable for expenditure and $79 million available to the FTC to make expenditures and pay liabilities, for a total decrease of $8 million, or 7 percent, from the FY 2019 total of $122 million. At the end of FY 2020, the FTC's FBwT contained $32 million in temporarily unavailable offsetting collections (fees from the FTC's National Do Not Call Registry and premerger notification filings) that exceeded the amount authorized to offset the FTC's appropriation. Of the $32 million, $6 million was temporarily reduced by the FY 2013 sequestration.

PP&E, net of accumulated depreciation/amortization, is $25 million, which consists of $22 million in leasehold improvements, $1.4 million in equipment, and $1.1 million in software. Of the total PP&E, $22 million in leasehold improvements is associated with the FY 2014 relocation of staff to office space at the Constitution Center. Total PP&E decreased by $5 million compared to FY2019. This decrease is primarily due to asset disposals and the continued depreciation/amortization of assets related to the FY 2014 staff relocation.

The annual trend in the FTC's total assets reflects the OMB Category B apportionment between FY 2010 and 2013 of more than $74 million for the relocation of staff to office space at Constitution Center. The move was completed in FY 2014, with over $46 million spent on capitalized assets. Since these assets were placed in service, the FTC's PP&E balance has decreased primarily due to continual depreciation and amortization. FBwT has declined over the past two years as the FTC has incurred higher costs associated with expert witness contracts in addition to rising salaries and benefits costs.

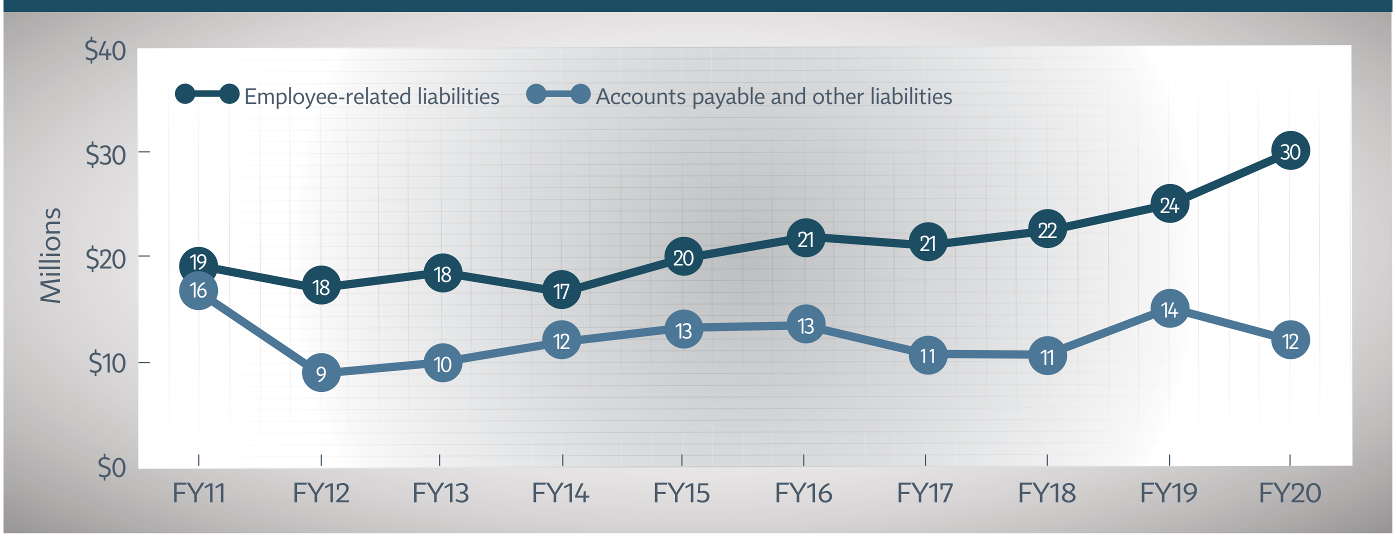
ENTITY ASSETS

Entity liabilities totaled $42 million, or 3 percent of all FTC liabilities, as of September 30, 2020, and represent an 11 percent increase in liabilities from FY 2019 to FY 2020.

Employee-related liabilities of $30 million consist of accrued payroll and benefits, accrued annual leave wages earned by employees but not yet paid, and the Federal Employees Compensation Act (FECA) liability. Accounts payable and other liabilities totaling $12 million consist of amounts owed, but not yet paid, for goods or services the FTC has received.

Entity liabilities have a smaller range of fluctuation in comparison to entity assets. Accounts payable balances fluctuate more significantly when capitalized purchases are involved. This was evident in FY 2011, when purchases of information technology hardware and software were accrued near the end of the fiscal year. Employee-related liabilities fluctuate based on the FTE count and the timing of the payroll disbursement cycle. At the end of FY 2014, the payroll and benefit liability included 7 days of unpaid wages while the FY 2020 year-end payroll accrual included 13 days of unpaid wages, which is 2 more days than the FY 2019 year-end payroll accrual of 11 days of unpaid wages. The uptick in employee-related liabilities in FY 2020 is attributable to the additional payroll accrual. The $2 million decrease in Accounts payable and other liabilities is primarily due to a probable contingent liability of $843 thousand recorded at the end of FY 2019 that was paid during FY 2020.

ENTITY LIABILITIES



BALANCE SHEET - NON-ENTITY

Non-entity assets totaled $1,305 million, or 90 percent of all FTC assets, as of September 30, 2020. This represents an increase of $423 million, or 48 percent, from the FY 2019 total of $882 million.

Non-entity assets are equal to, and offset by, non-entity liabilities. The $628 million net accounts receivable balance is offset by the $628 million liability for amounts to be collected, while the $677 million FBwT is offset by the $677 million liability for redress collections.

The FY 2020 ending net accounts receivable balance of $628 million reflects amounts to be paid to the FTC from court-ordered judgments in the consumer redress program. This represents a $12 million increase in net accounts receivable from the FY 2019 total of $616 million. The majority of the receivables balance for both fiscal years consists of a 2018 judgment against AbbVie, Inc. for $494 million (79 percent of the ending FY 2020 balance). A federal district court ruled that AbbVie used sham litigation to illegally maintain its monopoly over the testosterone replacement drug Androgel, and ordered $494 million in monetary relief to consumers who were overcharged for Androgel as a result of AbbVie's conduct. This court order represents the largest monetary award ever in a litigated FTC antitrust case. Although the award was reversed on September 30, 2020, by the United States Court of Appeals for the Third Circuit,

NON-ENTITY ASSETS & LIABILITIES

the FTC is retaining the receivable because the reversal is not yet final and remains with the Court of Appeals. Additionally, the bond securing the judgment remains outstanding.

The remaining ending net accounts receivable balance of $134 million primarily consists of amounts to be paid to the FTC from the following cases: AMG Services, Inc., for a payday lending scheme that deceived consumers; Jeremy Lee Marcus, et al. (Helping America Group) for allegedly selling phony debt relief and credit repair services, including fake loans; I Works, Inc., et al. for deceptive "trial" memberships for bogus government-grant and money-making schemes; Liberty Publishers Service, Inc. for a deceptive newspaper subscription scheme; Stark Law, LLC d/b/a Stark Recovery for deceptive and abusive collections practices; MOBE ("My Online Business Education") for administering fraudulent business education programs; Online Trading Academy (OTA) for administering deceptive investment training programs; and Belizean Bank for charges that it assisted various related entities (the Sanctuary Belize Enterprise, or SBE) in deceiving U.S. consumers as part of a deceptive scheme to sell property. Thirty additional matters account for the remainder of the balance.

The FY 2020 ending FBwT for consumer redress of $677 million is being held temporarily by the FTC until it is distributed to consumers, other harmed parties, or redress third party administrators (for distribution to consumers on behalf of the FTC), or disgorged to Treasury (if consumer redress is not practicable).

The increase of $412 million in FBwT consists of $549 million in collections offset by $137 million in disbursements. Significant collections during FY 2020 include $175 million from Progressive Leasing to settle charges it misled consumers about the true price of its leasing plans; $150 million from AdvoCare International L.P. to settle charges it operated an illegal pyramid scheme; $50 million from The University of Phoenix, Inc. to resolve allegations of deceptive advertising; and $40 million from First Data Merchant Services, LLC to settle charges that it knowingly processed credit card transactions for scams targeting hundreds of thousands of consumers.

Also during FY 2020, the FTC made a number of redress disbursements to consumers. Among these, the FTC disbursed $35 million to harmed parties from a 2019 settlement with Office Depot, Inc., and a software provider for allegedly tricking customers into buying millions of dollars' worth of computer repair and technical services; $16 million from a 2018 settlement with Jeremy Lee Marcus, et al. (Helping America Group) to consumers who lost money to a debt relief scam; $12 million to harmed parties from the judgement against I Works, Inc., et al for deceptive "trial" memberships for bogus government-grant and money-making schemes; and $9 million from a 2018 settlement with AWS, LLC, et al. (FBA Stores) to consumers who lost money to a business coaching services scam. These disbursements account for more than 50 percent of the $137 million disbursements made in FY 2020 to harmed consumers.

Historic trends of FBwT for consumer redress are primarily driven by a few select cases.

- In FY 2015, the FTC collected $458 million from a settlement resolving antitrust charges that Cephalon, Inc. illegally blocked generic competition to its drug Provigil by engaging in "pay for delay" conduct.
- In FY 2016, the FTC collected $200 million from Herbalife International of America, Inc. to settle FTC charges that Herbalife deceived consumers as part of a multi-level marketing operation. This large collection was primarily offset by a $120 million disbursement to harmed parties as a result of the Cephalon, Inc. settlement.
- In FY 2017, the FTC disbursed $200 million from the Herbalife settlement to claimants. Additionally, the FTC disbursed $125 million to harmed parties as a result of the Cephalon, Inc. settlement.
- In FY 2018, the FTC collected $471 million from AMG Services from a 2016 judgment for a payday lending scheme that deceived consumers across the country and illegally charged them inflated and undisclosed fees. The FTC disbursed $505 million to consumers harmed by this scheme during FY 2018 ($47 million had been collected prior to FY 2018).
- In FY 2019, the FTC disbursed $194 million to harmed parties as a result of the 2015 settlement agreement with Cephalon, Inc.
- In FY 2020, the FTC collected $150 million from Advocare International, L.P., for deceiving consumers into believing they could earn significant income as "distributors" of its health and wellness products. Also in FY 2020, the FTC collected $175 million from Progressive Leasing for misleading consumers about the true price of its leasing plans.

NON-ENTITY ASSETS - FUND BALANCE WITH TREASURY FY 2020 ACTIVITY

FY 2020 Non-Entity Fund Balance with Treasury Timeline Activity

	$265.4M	**Beginning Balance - FY 2020 Non-Entity Fund Balance with Treasury**	
A	$150.0M	**AdvoCare International, L.P.**	Collected $150M from a 2020 settlement against Advocare International, L.P., for deceiving consumers into believing they could earn significant income as "distributors" of its health and wellness products.
B	$30.0M	**Career Education Corporation**	Collected $30M from a 2019 settlement against Career Education Corp. for using deceptive lead generators to market its schools.
C	$13.7M	**I Works, Inc., et al.**	Collected $13.7M from a settlement stemming from 2010 charges against I Works, Inc. et al., which operated deceptive "trial" memberships and bogus government-grant and money-making schemes.
D	$16.4M	**Jeremy Lee Marcus, et al. (Helping America Group)**	Collected $16.4M from a 2018 settlement against a group of defendants known as Helping America Group that sold phony debt relief services.
E	$7.2M	**AWS, LLC, et al. (FBA Stores)**	Collected $7.2M from a 2018 settlement against FBA Stores and related companies who falsely claimed their "Amazing Wealth System" would enable people to create a profitable online business selling products on Amazon.
F	$50.0M	**The University of Phoenix, Inc.**	Collected $50M from a 2020 settlement of allegations the University of Phoenix, Inc. used deceptive advertisements that falsely touted their relationships and job opportunities with companies such as AT&T, Yahoo!, Microsoft, Twitter, and The American Red Cross. Under the settlement The University of Phoenix, Inc. will pay $50 million in cash as well as cancel $141 million in debts owed to the school by students who were harmed by the deceptive ads.
G	($34.3M)	**Office Depot, Inc.**	Disbursed $34.3M (541,247 refund checks) to individuals who allegedly were tricked by Office Depot, Inc. and a software provider into buying computer repair products and services. Refunds are a result of a 2019 settlement.
H	($6.9M)	**Telestar Consulting, Inc.**	Disbursed $6.9M (13,181 refund checks) to small businesses, non-profits, and government agencies targeted by an office supply telemarketing scam that charged them for products they did not order. Refunds are a result of a 2017 settlement.
I	$4.0M	**Neurometrix, Inc.**	Collected $4M from a 2020 settlement of allegations Neurometrix Inc. made deceptive claims that the electrical nerve stimulation devise called Quell treated pain throughout the body when placed below the knee.
J	$7.0M	**Fashion Nova, Inc.**	Collected $7M from a 2020 settlement of FTC charges that Fashion Nova did not properly notify consumers and give them a chance to cancel their orders when it failed to ship merchandise in a timely manner, and it illegally used gift cards to compensate consumers for unshipped merchandise instead of providing refunds.
K	$175.0M	**Progressive Leasing**	Collected $175M from a 2020 settlement of allegations Progressive Leasing mislead consumers about the true price of its leasing plans.
L	$6.7M	**RevenueWire, Inc.**	Collected $6.7M from a 2020 settlement of FTC charges RevenueWire, Inc. laundered credit card payments for, and assisted and facilitated, two tech support scams previously sued by the FTC
M	($12.7M)	**I Works, Inc., et al.**	Disbursed $12.7M ($147,333 refund checks) to individuals who lost money to a deceptive "trial" memberships and bogus government-grant and money-making schemes in 2010. Refunds are a result of settlement(s) from FTC's 2010 charges against I Works, Inc. et al.

FY 2020 Non-Entity Fund Balance with Treasury Timeline Activity

N	$40.3M	**First Data Merchant Services LLC**	Collected $40.3M from a 2020 settlement of FTC charges that First Data Merchant Services, LLC processed payments and laundered, or assisted laundering of credit card transactions for scams that targeted hundreds of thousands of consumers.
O	$5.7M	**AlliedWallet, Inc.**	Collected $5.7M from a 2019 settlement of FTC .charges that AlliedWallet, Inc. assisted numerous scams by knowingly processing fraudulent transactions to consumers' accounts.
P	($8.7M)	**Triangle Media Corporation**	Disbursed $8.7M (187,425 refund checks) to consumers who signed up online for "risk-free" trial offers, but were then charged full price and enrolled in expensive continuity plans without their knowledge. Refunds are a result of a 2019 settlement.
Q	($16.3M)	**Jeremy Lee Marcus, et al. (Helping America Group)**	Disbursed $16.3M (27,083 refund checks) to consumers who lost money to a debt relief scam. Refunds are a result of a 2018 settlement.
R	($9.1M)	**AWS, LLC, et al. (FBA Stores)**	Disbursed $9.1M (13,348 refund checks) to customers who paid for the "Amazing Wealth System." Refunds are a result of a 2018 settlement.
S	($3.9M)	**Neurometrix, Inc.**	Disbursed $3.9M (70,142 refund checks) to consumers who bought Quell, a wearable devise that supposedly would treat chronic pain throughout the body when placed below the knee. Refunds are a result of a 2020 settlement.
T	$10.0M	**Age of Learning, Inc. (ABCmouse)**	Collected $10M from a 2020 settlement of FTC charges that online children's education company Age of Learning, Inc., which operates ABCmouse, made misrepresentations about cancellations and failed to disclose important information to consumers, leading tens of thousands of people to be renewed and charged for memberships without proper consent.
	($12.4M)	Net of other collections $32.8M and disbursing ($45.2M) activities, related to over 180 additional matters.	
	$677.1M	**Ending Balances – FY 2020 Non-Entity Fund Balance with Treasury**	

Significant Contributors to the FY 2020 Non-Entity Fund Balance with Treasury Ending Balance

$175M	**Progressive Leasing**	$175M held by the FTC from a 2020 settlement of allegations Progressive Leasing mislead consumers about the true price of its leasing plans.
$150M	**AdvoCare International, L.P.**	$150M held by the FTC from a 2020 settlement of allegations AdvoCare deceived consumers into believing they could ear significant income as "distributors" of its health and wellness products.
$50M	**The University of Phoenix, Inc.**	$50M held by the FTC from a 2020 settlement of allegations The University of Phoenix, Inc. used deceptive advertisements that falsely touted their relationships and job opportunities with companies such as AT&T, Yahoo!, Microsoft, Twitter, and The American Red Cross. Under the settlement The University of Phoenix, Inc. will pay $50 million in cash as well as cancel $141 million in debts owed to the school by students who were harmed by the deceptive ads.
$49M	**Reckitt Benckiser INC**	$49M held by the FTC from a 2019 settlement of allegations Reckitt Benckiser, Inc. violated antitrust laws through a deceptive scheme to thwart lower-priced generic competition to its branded drug Suboxone.
$40M	**AMG Services INC**	$40M held by the FTC from a 2016 judgment (and earlier settlements) against AMG Services, Inc., a payday lending scheme that deceived consumers across the country and illegally charged them undisclosed and inflated fees. As of the end of FY 2019, the FTC has collected $548M from the defendants and disbursed $508M to harmed consumers.
$40M	**First Data Merchant Services LLC**	$40M held by the FTC from a 2020 settlement of FTC charges that First Data Merchant Services, LLC processed payments and laundered, or assisted laundering of credit card transactions for scams that targeted hundreds of thousands of consumers.
$173.1M	The remaining FBWT balance consists of funds held by the FTC from 139 separate matters.	
$677.1M	**Ending Balance - FY 2020 Non-Entity Fund Balance with Treasury**	

STATEMENT OF NET COST

STATEMENT OF NET COST SUMMARY

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

(Dollars in Millions)	FY 2020	FY 2019	% Change
Protecting Consumers:			
Gross costs	$ 195	$ 194	1%
Less: earned revenue	(13)	(12)	8%
Protecting Consumers	182	182	0%
Maintain Competition:			
Gross costs	$ 167	$ 151	11%
Less: earned revenue	(102)	(131)	-22%
Maintaining Competition	65	20	225%
Net Cost of Operations	$ 247	$ 202	22%

The Statement of Net Cost presents the FTC's gross costs less revenue earned for two of the FTC's strategic goals: Protect Consumers and Maintain Competition. The third goal, Advance Organizational Performance, has its costs distributed to the other two strategic goals based on the percentage of dollars directly traceable to each of these two goals. The FTC's net cost of operations was $247 million in FY 2020, which consists of $362 million in gross costs offset by $115 million in earned revenue.

The FY 2020 net cost of operations for the Protect Consumers strategic goal is $182 million, consisting of $195 million in gross costs offset by $13 million in earned revenue, which is mostly revenue from fees collected for the National Do Not Call (DNC) Registry. The FTC receives fees from telemarketers who pay an annual subscription fee to download telephone numbers of consumers who do not wish to receive calls. The DNC fees are based on the number of area codes that a telemarketer downloads.

The FY 2020 net cost of operations for the Maintain Competition strategic goal is $65 million, consisting of $167 million in gross costs offset by $102 million in earned revenue, which is mostly revenue from fees collected for premerger notification filings, with a small portion (about $1 million) from multiple reimbursable agreements with other Federal agencies. Premerger notification filings are made under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, which gives the federal government the opportunity to investigate and challenge certain mergers that are likely to harm consumers before injury occurs. The HSR Act requires the filing of premerger notifications with the FTC and the Department of Justice (DOJ) Antitrust Division. The filing fees are determined by the size of the merging parties and the value of the proposed transaction. By law, the FTC retains one-half of all premerger filing fees collected and remits one-half to the DOJ Antitrust Division.

The increase in the overall gross costs is primarily attributable to higher expenses for personnel salaries and benefits. Total payroll expenses have increased from $204 million in FY 2019 to $218 million in FY 2020. This results from a 2.6 percent general schedule increase in employee salaries and a rise in pension and post-retirement benefit expenses.

Rent expenses have increased by nearly $2 million in FY 2020 from the prior year due to higher property taxes on commercially-owned space and a General Services Administration (GSA) billing adjustment in September 2020 of $561 thousand in additional expenses for space improvement between FY 2018 and FY 2019 for the FTC's leased space at the Constitution Center. Finally, revenues for premerger notification filings have declined and resulted in a $28 million decrease in revenues from premerger filing fees, ultimately raising the net cost of operations.

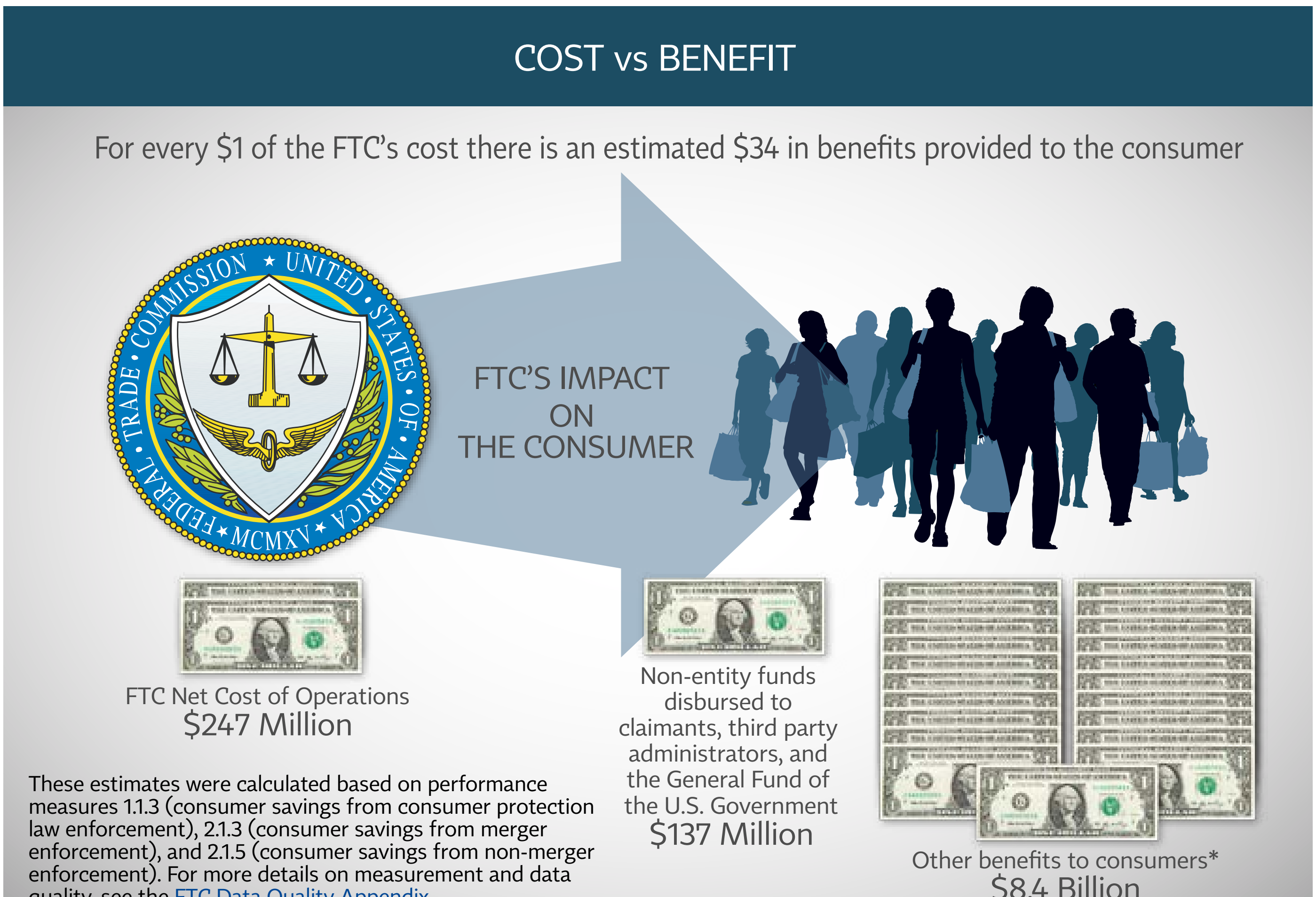
FTC NET COST OF OPERATIONS VS. BENEFIT TO CONSUMERS

The FTC had gross costs of $362 million in FY 2020, offset by $115 million in earned revenue, resulting in a total net cost of operations of $247 million. However, a large portion of the FTC's operations result in activity whose benefits are not reflected on the Statement of Net Cost. These important benefits to the public should be considered in determining the overall impact of the agency's strategic goals.

The Statement of Net Cost includes only entity activity. During FY 2020, the FTC returned $137 million in non-entity collections to consumers and the U.S. Treasury General Fund. Redress disbursements to harmed consumers during FY 2020 totaled $130 million with an additional $7 million in disgorgements to Treasury. Civil Penalty collections returned to Treasury totaled $4,854 million. This is primarily due to the substantial $5 billion civil penalty settlement that the FTC and the DOJ reached with Facebook related to allegations that the company violated its 2012 FTC privacy order by deceiving users about their ability to control the privacy of their personal information. The DOJ retained 3 percent, or $150 million, of the total settlement. All civil penalties collected by the FTC are transferred to the General Fund of the U.S. Government at the end of the fiscal year.

Throughout FY 2020, the FTC saved consumers an estimated $2.1 billion* through its merger and non-merger competition law enforcement actions and an estimated $1.4 billion* through its consumer protection law enforcement actions.

The FTC's cost to protect consumers and maintain competition is a small fraction of the amount the FTC has saved consumers. For FY 2020, the FTC provided an estimated total of $8.4 billion in benefits to consumers. When this benefit is compared to the $247 million in net costs, it equates to every $1 of the FTC's cost returning an estimated $34 in FTC-provided benefits to consumers.



These estimates were calculated based on performance measures 1.1.3 (consumer savings from consumer protection law enforcement), 2.1.3 (consumer savings from merger enforcement), and 2.1.5 (consumer savings from non-merger enforcement). For more details on measurement and data quality, see the FTC Data Quality Appendix.

STATEMENT OF CUSTODIAL ACTIVITY

CONDENSED STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

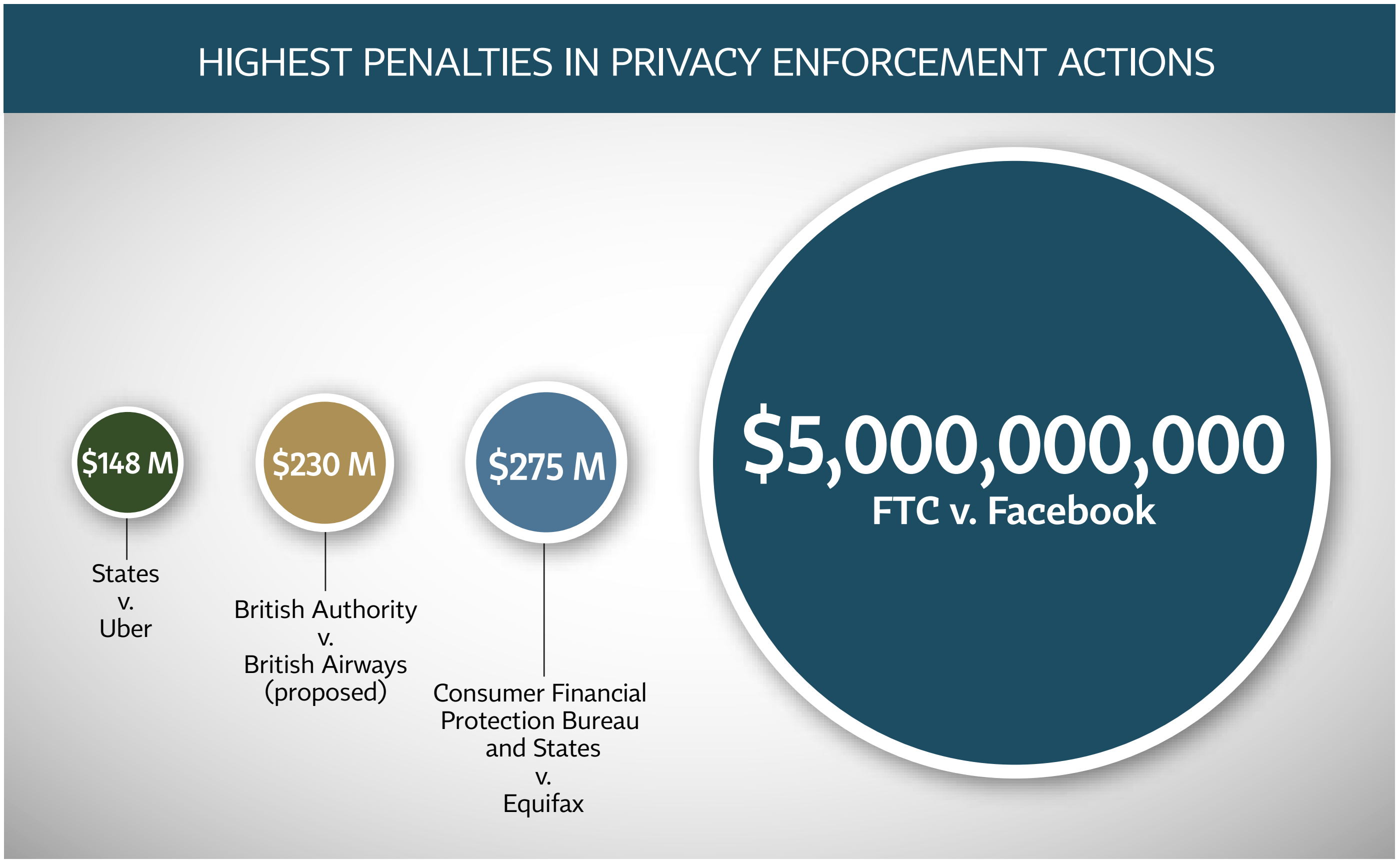
(Dollars in Millions)	FY 2020	FY 2019	% Change
Revenue Activity:			
Sources of collections:			
Premerger filing fees (net of refunds)	$ 101	$ 129	-22%
Civil penalties and fines	4854	147	3202%
Consumer redress	7	2	250%
Total cash collections	4,962	278	1685%
Total Custodial revenue	$ 4,962	$ 278	1685%
Disposition of Collections:			
Transferred to others:			
Treasury general fund	$ 4,861	$ 149	3162%
Department of Justice	101	129	-22%
Total Disposition of Collections	$ 4,962	$ 278	1685%
Net Custodial Activity	$ -	$ -	0%

The Statement of Custodial Activity displays the custodial revenue recognized during the fiscal year in comparison to the disposition or transfer out of cash held on behalf of other entities. Fees collected under the HSR premerger notification program are distributed equally to the FTC and the Antitrust Division of the DOJ. Premerger filing fees are determined by the value and size of parties contemplating a merger. The FTC's revenue of $101 million for premerger filing fees is reported on the Statement of Net Cost under the Maintain Competition strategic goal. Civil penalties and fines are collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases. At the end of each fiscal year, all civil penalties collected are transferred to the Treasury General Fund. Collections held for consumer redress will also be transferred, or disgorged, to the Treasury General Fund in the event redress is determined to be not practicable.

The significant increase in custodial revenues and transfers in FY 2020 is a result of the substantial civil penalty settlement that the FTC and the DOJ reached with Facebook in the amount of $5 billion.

The settlement with Facebook relates to allegations that the company violated its 2012 FTC privacy order by deceiving users about their ability to control the privacy of their personal information. In addition to the historic monetary penalty, the 2019 settlement includes unprecedented new restrictions on Facebook's business operations and requires Facebook to restructure its approach to privacy from the corporate board-level down. The order further establishes strong new mechanisms to ensure that Facebook executives are accountable for the decisions they make about privacy, and that those decisions are subject to meaningful oversight.

The $5 billion penalty against Facebook is the largest ever imposed on any company for violating consumers' privacy and one of the largest penalties ever assessed by the U.S. government for any violation. Of the $5 billion total, the DOJ retained 3 percent, or $150 million, of the total settlement amount as an offsetting collection in its working capital fund. All civil penalties collected by the FTC are transferred to the General Fund of the U.S. Government at the end of the fiscal year.



FTC BUDGETARY RESOURCES AND HOW THEY WERE USED

BUDGET AUTHORITY

The FTC receives an annual appropriation that is available until expended, subject to Office of Management and Budget (OMB) apportionment and Congressional restrictions on the expenditure of funds (see FTC's FY 2020 Congressional Budget Justification, pages 3-4, "Appropriations Language Provisions"). The FTC's budget authority is derived from a direct appropriation and offsetting collections.

In FY 2020, the FTC received $332 million in new budget authority, representing a $21 million increase from the FY 2019 amount. The FY 2020 budget authority comprised $217 million in general fund appropriations plus $115 million in spending authority from offsetting collections, consisting of $101 million from fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, $13 million from fees collected for the National Do Not Call Registry, and $1 million from reimbursable work on behalf of other Federal agencies.

Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 65 percent of the FTC's net budget authority comes from Treasury General Fund appropriations. This reduces the burden the FTC places on the federal budget to $217 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2020.

Historically, the FTC's budget authority has been relatively static. From FY 2010 through FY 2014, the FTC received an OMB category B apportionment for the relocation of staff to office space at the Constitution Center. Excluding the category B funding, the FTC had a 20 percent or $56 million change from FY 2010 ($276 million) to FY 2020 ($332 million).

NEW BUDGET AUTHORITY

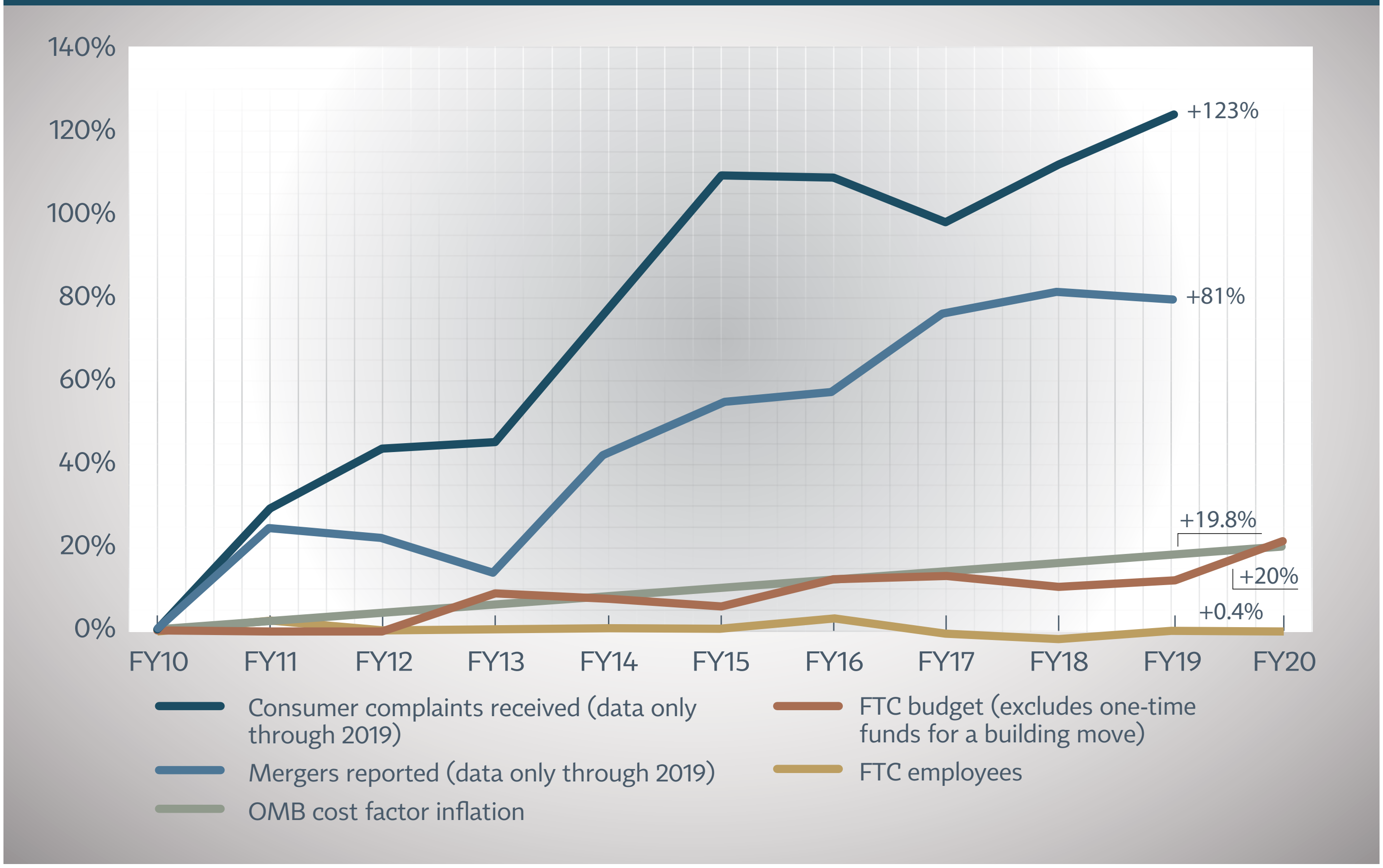
The constraints from stagnant financial resources are further magnified by increasing costs and rising expectations from the American public. During this same time period, for example, consumer complaints to the FTC rose by over 100 percent, and premerger filings rose by over 75 percent, among other measures of the FTC's increased workload.

The FTC's increasing costs are also reflected in expert witness costs. The agency is engaged in a larger number of complex investigations and litigation matters that require the services of expert witnesses. In particular, expert witnesses are critical to the successful investigation and litigation of merger cases, as experts provide insight on proper definition of product and geographic markets, assess the likelihood of entry by new competitors, and develop models to evaluate merger efficiencies as compared to potential competitive harm. Spending on expert witnesses rose in FY 2020 from the previous year. Costs for experts in litigation matters continue to pose significant challenges on the FTC's limited budgetary resources and those costs.

Visit the FTC's Consumer Sentinel Network Data and Visualization page to learn more about complaints received by the FTC and view interactive dashboards on data collected.

Visit the Do Not Call FY 2020 Data Book to learn more about the Do Not Call program.

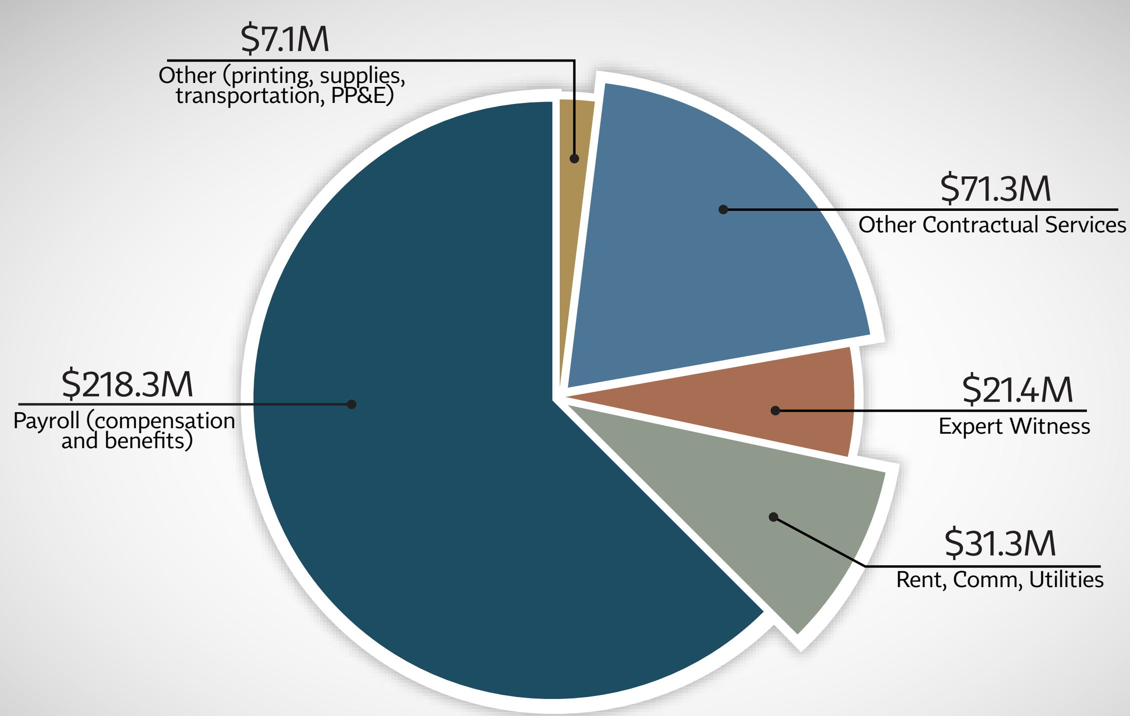
PERCENTAGE CHANGE IN CONSUMER COMPLAINTS, MERGERS, AND FTC RESOURCES SINCE 2010



THE FTC'S FY 2020 OBLIGATIONS:

In FY 2020, the FTC received $332 million in new budget authority and also authority to obligate $14.7 million in its unobligated balance brought forward in addition to $5 million in recoveries of prior-year obligations. Pursuant to these authorities, the FTC obligated $349 million in FY 2020. This was an increase of $18 million, or 5 percent, compared to new obligations in FY 2019. The increase in obligations incurred in FY 2020 was mainly attributable to higher payroll costs as well as higher spending for rent, communications, and utilities. Payroll spending has increased by 6.9 percent to $218 million in FY 2020 from $204 million in FY 2019. This is the result of the 2.6 percent pay raise for FY 2020, a rise in pension and post-retirement benefit expenses, and higher cost factors associated with employee benefits. Rent expenses paid to GSA have increased over the past few years due to inflation and a rise in property taxes on commercially-leased space. Higher obligations for communications and utilities are related to software licenses and wireless communications. Finally, the FTC incurred higher obligations in FY 2020 for expert witness support services.

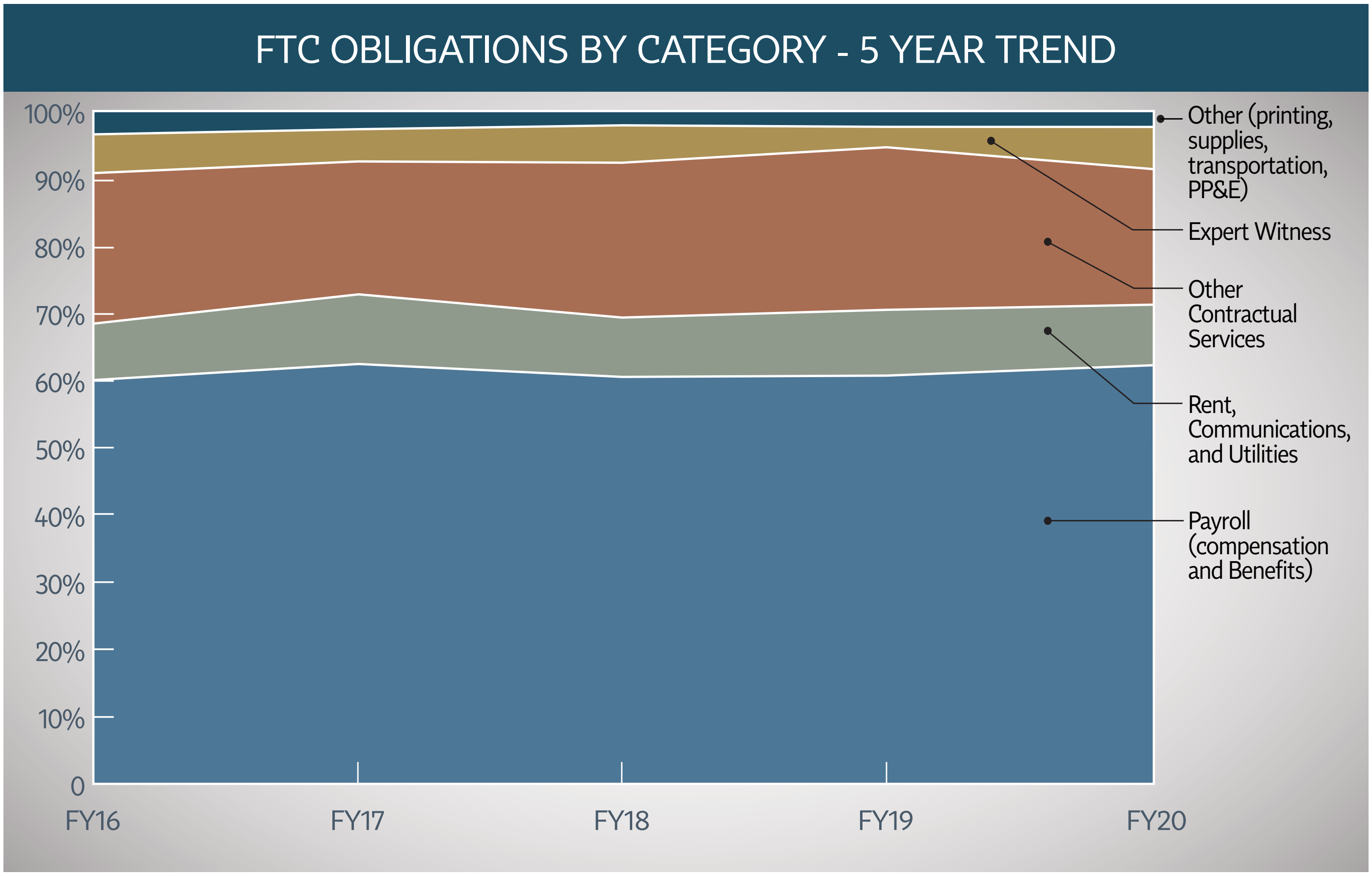
FY 2020 FTC OBLIGATIONS BY CATEGORY



Total obligations incurred during FY 2020: $349M

Historically the FTC's obligations by category have remained relatively steady when expressed as a percentage of all obligations incurred during a particular fiscal year. Between FY 2015 and FY 2020, there were several notable changes.

- Expert witness obligations increased from $14.2 million in FY 2015 to $18.4 million in FY 2018 before declining to $8.6 million in FY 2019 and subsequently rising in FY 2020 to $21.3 million. The services of these expert witnesses are critical to the successful investigation and litigation of merger cases. Expert witness obligations have increased most significantly and also fluctuate most dramatically; this directly results from the number and complexity of investigations and litigation matters in which the agency engages, including merger filings initiated by outside parties.
- Property, Plant, and Equipment obligations decreased from $11.1 million in FY 2015 to $2.58 million in FY 2020, or a decrease from 3.5 percent of total obligations in FY 2015 to 0.7 percent in FY 2020.
- Payroll costs have increased steadily each year over the past five years, starting at $188.1 million in FY 2015 and growing to $218.3 million in FY 2020, representing an increase of 16 percent over six years. The increase is mostly a result of pay raises and increases in benefits costs.



FTC PROFILE ON USA SPENDING:

Additional details of agency spending are captured on usaspending.gov where, beginning in FY 2017, federal agencies have certified to the accuracy of data. Federal spending is available for public consumption to ensure taxpayers can see how their money is being used in communities across America.

The below excerpt is taken from the FTC's Agency profile page on usaspending.gov.

Federal Trade Commission

Agency Mission

Protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

Website

https://www.ftc.gov/

Congressional Justification of Budget (CJ)

https://www.ftc.gov/cj

Budgetary Resources for FY 2020

FY 2020 data reported through September 30, 2020

$354.3 Million

This is **0.0%** of the total U.S. federal budgetary resources for FY 2020.

FINANCIAL MANAGEMENT INDICATORS FOR FY 2020

The following table shows standard indicators developed by the Chief Financial Officers Council and used by the OMB to monitor agencies' financial management practices.

DEBT MANAGEMENT	
Eligible debt transferred to Treasury	100%
FUNDS MANAGEMENT	
Fund balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger)	100% reconciled
PAYMENT MANAGEMENT	
Percentage invoices paid on time (per Prompt Payment Act)	97.2%
Percentage interest penalties paid to total dollars invoiced	.0024%
Percentage of total dollars outstanding in current status (good standing) for individually billed travel account holders	100%
Percentage of total dollars outstanding in current status (good standing) for centrally billed travel accounts	100%
Percentage of total dollars outstanding in current status (good standing) for purchase cards	100%

LIMITATIONS OF FINANCIAL STATEMENTS

The FY 2020 financial statements have been prepared from the books and records of the agency in accordance with OMB Circular A-136, financial reporting requirements, as amended. The financial statements represent the financial position and results of operations of the agency pursuant to the requirements of Title 31 of the U.S. Code Section 3515(b). While these statements have been prepared from the agency's books in accordance with GAAP for federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity.

FINANCIAL SECTION

David Rebich
Chief Financial Officer

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present the Agency Financial Report (AFR) for Fiscal Year 2020. The AFR provides financial and high-level program performance information to enable the FTC's stakeholders to understand and evaluate our achievements relative to our mission and resources. The financial statements and corresponding financial analysis, together with the Agency's Performance Highlights, demonstrate how the FTC optimizes its financial resources to protect American consumers and maintain competition in the marketplace.

In FY 2020, the FTC has achieved, for the twenty-fourth consecutive year, an unmodified audit opinion from the independent auditors. We are very proud of this accomplishment, and this is no simple task, especially in a year as challenging as FY 2020. This sustained achievement is due to the efforts of the Financial Management Office (FMO) staff, as supported by fund managers and a cadre of Contracting Officer Representatives throughout the agency. This past year, the FTC has demonstrated its commitment to continuous improvement with the following accomplishments:

- Implemented a new suite of financial systems that accompanied the change in financial shared service providers, from the Interior Business Center to the Administrative Resource Center (ARC),
- Updated the FTC risk profile to identify and monitor risk associated with operation during the COVID-19 pandemic,
- Maintained a high level of performance while having 100% staff telework,
- Closed six Corrective Action Plans (CAPs) in FMO, and collaborated within the agency to close an additional 15 CAPs, and
- Monitored Fraud Risk by collecting and analyzing related fraud control data from FTC program areas, and remediated two Fraud Risk areas previously identified.

One of the most significant improvements to the FTC's financial management capability is the successful migration of Shared Service Providers from the Department of the Interior's Business Center to the Department of the Treasury's ARC for the agency's financial, travel, and acquisition systems and services. In 2018, FMO leadership determined that the FTC had to become more efficient when implementing OMB and Treasury mandated reporting requirements and financial systems. The FTC initiated the conversion during FY 2019 and completed the conversion to start Fiscal Year 2020 with ARC as the FTC's shared service provider. The conversion was extremely successful, and we have already seen some of the expected efficiencies and cost savings. During 2020, we built upon the conversion efforts and began a systematic review of all FMO processes to ensure we are being both efficient and effective in our partnership with ARC.

The accomplishments outlined in this report are the result of the FTC employees' hard work and dedication. The unmodified audit opinion and financial accomplishments reflect an organizational commitment to sound financial management and accountability that the agency hopes earns the trust of the American public. This agency is steadfastly committed to its mission, returning substantial value to the American consumer, and being an exemplary steward of the funds entrusted to it.

David Rebich, *Chief Financial Officer*
November 13, 2020

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

Office of Inspector General

November 13, 2020

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Joseph J. Simons, Chairman
Commissioner Noah Joshua Phillips
Commissioner Rohit Chopra
Commissioner Rebecca Kelly Slaughter
Commissioner Christine S. Wilson

SUBJECT: Report on Audit of the FTC's FY 2020 and 2019 Financial Statements

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission's (FTC) financial statements for fiscal years 2020 and 2019. We commend the FTC for attaining an unmodified (clean) opinion for the 24th consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to audit the financial statements of the FTC as of and for the fiscal years ended September 30, 2020 and 2019, and to provide reports on internal control over financial reporting and compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's *Financial Audit Manual.*

In its audit, Brown & Company found:

- the FTC's financial statements as of and for the fiscal years ended September 30, 2020 and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures performed; and
- no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

Brown & Company is responsible for the attached auditor's report dated November 13, 2020, and the conclusions expressed in the report. We do not express opinions on FTC's financial statements

1

or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation given by management to Brown & Company and the Office of Inspector General during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Attachment

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

In our audits of the fiscal years 2020 and 2019 financial statements of the Federal Trade Commission (FTC), we found:

- FTC's financial statements as of and for the fiscal years ended September 30, 2020, and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FTC's financial statements. FTC's financial statements comprise the balance sheets as of September 30, 2020, and 2019; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

FTC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

6401 GOLDEN TRIANGLE DRIVE, SUITE 310 • GREENBELT, MD 20770
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FTC's financial statements present fairly, in all material respects, FTC's financial position as of September 30, 2020, and 2019, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FTC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of FTC's financial statements, we considered FTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of FTC's financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the FTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control over financial reporting. Accordingly, we do not express an opinion on FTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of FTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FTC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FTC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FTC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FTC that have a direct effect on the determination of material amounts and disclosures in FTC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FTC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2020 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FTC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

This report is intended solely for the information and use of the management of FTC, OMB, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown & Company

Greenbelt, Maryland
November 13, 2020

PRINCIPAL FINANCIAL STATEMENTS

FINANCIAL STATEMENT DESCRIPTIONS

A brief description of the five principal financial statements presented on the following pages is provided:

Balance Sheet – Presents the combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position).

Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less offsetting revenue is used to determine the net cost.

Statement of Changes in Net Position – Reports the accounting activities that caused the change in net position during the reporting period.

Statement of Budgetary Resources – Reports how budgetary resources were made available and the status of those resources at fiscal year-end.

Statement of Custodial Activity – Reports collections and their disposition by the agency on behalf of the Treasury General Fund and one other Federal agency. The FTC acts as custodian and does not have use of these funds.

The accompanying Notes to the Financial Statements describe significant accounting policies as well as detailed information on select statement lines.

BALANCE SHEET

AS OF SEPTEMBER 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 790,507	$ 387,310
Accounts receivable, Net (Note 4)	69	85
Advances and prepayments	153	205
Total intragovernmental assets	790,729	387,600
Accounts receivable, Net (Note 4)	628,049	616,549
General property, plant, and equipment, Net (Note 5)	25,604	30,053
Total Assets	$ 1,444,382	$ 1,034,202
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 830	$ 737
Other liabilities (Note 7)	2,708	2,395
Total intragovernmental liabilities	3,538	3,132
Accounts payable	11,724	12,529
Accrued redress due to claimants	628,026	616,306
Undisbursed redress collections (Note 14)	677,109	265,432
Other liabilities (Note 7)	27,272	23,087
Total Liabilities	1,347,669	920,486
Net Position (Note 1(p)):		
Unexpended appropriations	-	-
Cumulative results of operations	96,713	113,716
Total Net Position	96,713	113,716
Total Liabilities and Net Position	$ 1,444,382	$ 1,034,202

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
Strategic Goal 1: Protect Consumers:		
Intragovernmental costs	$ 50,640	$ 49,532
Public costs	144,239	144,606
Gross costs, protect consumers	194,879	194,138
Intragovernmental earned revenue	(5)	(2)
Public earned revenue	(12,470)	(12,029)
Earned revenue, protect consumers	(12,475)	(12,031)
Net Cost, Protect Consumers	182,404	182,107
Strategic Goal 2: Maintain Competition:		
Intragovernmental costs	43,486	38,447
Public costs	123,863	112,242
Gross costs, maintain competition	167,349	150,689
Intragovernmental earned revenue	(848)	(963)
Public earned revenue	(101,580)	(129,585)
Earned revenue, maintain competition	(102,428)	(130,548)
Net Cost, Maintain Competition	64,921	20,141
Net Cost of Operation	$ 247,325	$ 202,248

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
Unexpended Appropriations:		
Beginning balance	$ -	$ -
Budgetary Financing Sources:		
Appropriations received	216,966	168,228
Appropriations used	(216,966)	(168,228)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	$ 113,716	$ 135,361
Budgetary Financing Sources:		
Appropriations used	216,966	168,228
Other Financing Sources:		
Imputed financing and other	13,356	12,375
Total financing sources	230,322	180,603
Net cost of operations	(247,325)	(202,248)
Net change	(17,003)	(21,645)
Cumulative Results of Operations	96,713	113,716
Net Position (Note 1(p))	$ 96,713	$ 113,716

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	2020	2019
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 15,027	$ 22,817
Recoveries of unpaid prior year obligations	7,114	12,241
Other changes in unobligated balance	125	177
Unobligated balance from prior year budget authority, net	22,266	35,235
Appropriations	216,966	168,228
Spending authority from offsetting collections	115,117	142,566
Total Budgetary Resources	$ 354,349	$ 346,029
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	$ 349,380	$ 331,002
Unobligated balance, end of year:		
Apportioned, unexpired accounts	2,742	7,455
Unapportioned, unexpired accounts	2,227	7,572
Unexpired unobligated balance, end of year	4,969	15,027
Unobligated balance, end of year (total)	4,969	15,027
Total Budgetary Resources	$ 354,349	$ 346,029
Outlays, Net:		
Outlays, gross	$ 340,159	$ 318,179
Actual offsetting collections	(115,028)	(142,690)
Outlays, net	225,131	175,489
Distributed offsetting receipts	(6,705)	(2,283)
Agency outlays, net	$ 218,426	$ 173,206

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(DOLLARS IN THOUSANDS)

	Protect Consumers	Maintain Competition	2020	2019
Revenue Activity (Note 13):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 101,573	$ 101,573	$ 129,585
Civil penalties and fines	4,854,148	-	4,854,148	146,745
Consumer redress	6,969	-	6,969	1,778
Other miscellaneous receipts	34	-	34	190
Total cash collections	4,861,151	101,573	4,962,724	278,298
Accrual adjustments	(236)	-	(236)	(202)
Total Custodial Revenue	$ 4,860,915	$ 101,573	$ 4,962,488	$ 278,096
Disposition of Collections (Note 13):				
Transferred to others:				
Treasury general fund	$ 4,861,151	$ -	$ 4,861,151	$ 148,713
Department of Justice	-	101,573	101,573	129,585
Amounts yet to be transferred	(236)	-	(236)	(202)
Total Disposition of Collections	$ 4,860,915	$ 101,573	$ 4,962,488	$ 278,096
Net Custodial Activity	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the Federal Trade Commission (FTC) may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The accompanying financial statements and notes of the FTC include financial activity recorded in all funds under the FTC's control. The FTC maintains these funds including appropriations received for salaries and necessary expenses, as well as non-entity funds that are primarily collections derived from court ordered judgments and settlements held for subsequent distribution to approved claimants.

The FTC records and tracks financial activities using Treasury Account Symbols (TAS). Each TAS included in the agency's fund accounting structure is described below:

General Fund

Salaries and Expenses (TAS 29X0100): Each year, this account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, to fund necessary expenses of the agency. Offsetting collections include fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and fees collected for the National Do Not Call Registry, which operates under Section 5 of the FTC Act. Collections in excess of congressional limits are unavailable by law and are included in the FTC's unavailable – excess offsetting collections. (See Note 3, Fund Balance with Treasury.)

Deposit Fund

Consumer Redress Escrow (TAS 29X6013): This account consists of money collected as a result of court ordered judgments related to the consumer redress program and held temporarily by the FTC until distributed (either directly by the FTC or through a third-party agent) to consumers or harmed entities, or transferred to the General Fund of the U.S. Government. Judgments imposed but not yet collected are accrued as accounts receivable and recorded in this account. Accrued receivables and funds collected are considered non-entity assets under the FTC's custody or management. They do not affect the FTC's net position and are not reported on the agency's Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 14, Consumer Redress Activities.) Funds held by redress third party administrators outside of the U.S. Treasury on behalf of harmed consumers are not part of the FTC reporting entity.

Clearing/Suspense Account

Budget Clearing and Suspense (TAS 29F3875): Fees collected for premerger notification filings under the HSR Act are deposited, initially, into the Budget Clearing and Suspense account, then distributed equally to the FTC (as an offsetting collection in the general fund) and the Department of Justice (DOJ). (See Note 1(q), Revenues and Other Financing Sources.)

Receipt Accounts

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited into this account. Penalties imposed but not yet collected are accrued as accounts receivable and recorded in this account. The cash balance in the account is transferred to the General Fund of the U.S. Government at the end of each fiscal year.

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use and collections for the consumer redress program for which redress to consumers is not practicable are recorded in this account. The Department of the Treasury automatically transfers all cash balances in this receipt account to the General Fund of the U.S. Government at the end of each fiscal year.

(b) Basis of Presentation and Accounting

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC, and have been prepared from the accounting records of the FTC. These financial statements may differ from other financial reports submitted pursuant to the Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the FTC's budgetary resources.

The FTC's financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and with OMB Circular A-136, Financial Reporting Requirements (as revised in August 2020). Transactions are recorded on both an accrual and budgetary basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Accrual methods of accounting may differ from budgetary accounting principles, which are designed to facilitate compliance with legal requirements and controls over the use of Federal funds. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities.

As described in Note 1(a), Reporting Entity, the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are limited intra-entity transactions with any other fund (e.g., deposit fund) that would require eliminating entries to present consolidated statements. Accordingly, the statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined. FTC reconciles its intragovernmental activity and works with agency trading partners to reduce significant or material differences in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

Assets, liabilities, revenues, and costs are classified in these financial statements according to the type of entity associated with the transactions. Balances classified as intragovernmental arise from transactions with other federal entities. Balances not classified as intragovernmental arise from transactions with individuals or organizations outside of the Federal Government (i.e., with the public).

The FTC presents net cost of operations by its two major strategic goals: Protect Consumers and Maintain Competition. These goals are described in the agency's strategic and performance plan and align with the agency's major programs.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, estimates are used in computing accounts payable for vendor service contracts, the allowance for uncollectible accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts. The vendor accounts payable accrual is an estimate, and is accrued separately from the accounts payable accrual for travel and interagency agreements. The FTC uses statistical techniques to evaluate vendor accounts payable balances for previous fiscal years, averages the balances to obtain an accrual estimate, and then adjusts the estimate using a factor that represents the proportional change in obligations between the current and the previous fiscal year. Every year, the agency statistically validates that the year-end vendor accounts payable accrual was reasonable. The validated amount is subsequently used in calculating the following year's estimate, which also considers any changes to invoice payment timeframes that may affect the vendor accounts payable statistical assumptions.

(d) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out program activities. These funds are available until expended, subject to the OMB apportionment and to congressional restrictions on the expenditure of funds (see FTC's FY 2020 Congressional Budget Justification, pages 3-4, "Appropriations Language Provisions"). In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from a direct appropriation and offsetting collections. The FTC accounts for budget authority in its General Fund account (29X0100) as reflected in the Statement of Budgetary Resources.

(e) Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. For fiscal years 2020 and 2019, the FTC had no classified activities.

(f) Entity and Non-Entity Assets

The FTC reports on both entity and non-entity assets in the financial statements. Assets that the agency is authorized to use in its operations are entity assets. Assets that the agency holds on behalf of another federal agency or a third party and are not available for the FTC's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief, civil monetary penalties, and the portion of fees collected for premerger notification filings that are distributed to the DOJ in a subsequent period. These non-entity assets are included in the financial statements along with offsetting non-entity liabilities of equal amount. (See Note 2, Entity and Non-Entity Assets.)

(g) Fund Balance with Treasury

Fund Balance with Treasury (FBwT) is an asset of a reporting entity and a liability of the General Fund of the U.S. Government. Amounts reported for FBwT represent commitments by the federal government to provide resources to particular programs; however, they do not represent net assets to the government as a whole. When a reporting entity seeks to use FBwT to liquidate budgetary obligations, Treasury will finance the disbursements with current receipts or borrow from the public if a deficit exists. On the FTC's financial statements, FBwT represents the aggregate amount of undisbursed funds in the FTC's general fund, deposit fund, and clearing/suspense fund. The general fund cash balance includes a portion that is available to the FTC to make expenditures and pay liabilities and a portion that is unavailable. Deposit fund and clearing/suspense fund balances are non-entity funds that are temporarily held by the FTC until transferred to another federal agency (Treasury or DOJ), or distributed to a third party. Fund balances are carried forward into subsequent fiscal years until disbursements are made. (See Note 3, Fund Balance with Treasury.)

(h) Accounts Receivable, Net

Accounts receivable, net of allowances, reflect the FASAB standard for the recognition of losses using the collection criterion of "more likely than not" as prescribed in Statement of Federal Financial Accounting Standards (SFFAS) 1, Accounting for Selected Assets and Liabilities. This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. FASAB states that it is appropriate to recognize the nature of federal receivables, which, unlike trade accounts of private firms or loans made by banks, are not created through credit screening procedures. Rather, these receivables arise because of the assessment of fines from regulatory violations. In these circumstances, historical experience and economic realities indicate that these types of claims are frequently not fully collectible. Accounts receivable includes estimates of the net cash value from court appointed receivers for which the FTC anticipates the proceeds will be deposited in the Consumer Redress Escrow account (29X6013).

The method used to estimate the allowance for uncollectible accounts consists of individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment history, and the probable recovery amount including the value of assets. Based on the litigation and collection status, cases may be referred to the Treasury for collection action. (See Note 4, Accounts Receivable, Net.)

(i) General Property, Plant, and Equipment

The FTC's property, plant, and equipment (PP&E) consists of general-purpose equipment used by the agency and capital improvements made to buildings leased from the General Services Administration (GSA) by the FTC for office space, as well as software leased and purchased from vendors. The FTC's capitalization policy, *Accounting for Property, Plant, and Equipment*, was updated with an effective date on or after October 1, 2014. PP&E placed in service prior to October 1, 2014, will continue to be accounted for based on the capitalization policy in effect at the time acquired, until fully depreciated or removed from service.

Effective October 1, 2014, capitalization thresholds are as follows:

Asset Type	Capitalization Threshold
Furniture	$ 50,000
General Equipment	$ 50,000
IT Equipment	$ 150,000
Leasehold Improvements	$ 150,000
Internal Use Software	$ 200,000

The FTC reports property and equipment at historical cost and capitalizes acquisitions based on the above thresholds for items with a useful life of two or more years. Property and equipment that meet these criteria are depreciated or amortized using the straight-line method over the estimated useful life of the asset. An exception applies to leasehold improvements, which are amortized over the lesser of the useful life of the asset or the remaining lease term. Assets under development, such as internal use software and leasehold improvements with an estimated aggregate cost meeting the threshold criteria, are capitalized and then amortized once completed and placed into service. Normal repairs and maintenance, and PP&E that do not meet the capitalization criteria, are recognized as an expense in the current period. (See Note 5, General Property, Plant, and Equipment, Net.)

(j) Accrued Liabilities and Accounts Payable

Accrued liabilities and accounts payable represent a probable future outflow or other sacrifice of resources from past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. The FTC has both entity and non-entity liabilities. Entity liabilities cannot be liquidated without legislation that provides the resources to do so. In addition, the government, acting in its sovereign capacity, can abrogate the FTC's liabilities (other than contracts). Non-entity liabilities represent claims against non-entity assets and include: undisbursed consumer redress collections, accrued redress amounts due to claimants, and the custodial liability for amounts owed to the General Fund of the U.S. Government.

(k) Employee Health Benefits and Life Insurance

FTC employees are eligible to participate in the contributory Federal Employees' Health Benefit Program (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) administered by the Office of Personnel Management (OPM). The FTC contributes a percentage to each program to pay for current benefits. In accordance with FASAB SFFAS 5, Accounting for Liabilities of the Federal Government, the FTC recognizes the liability and associated expense for health and life insurance benefits at the time the employee's services are rendered.

(l) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by the OPM. Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 13.2 percent to the Federal Employees' Retirement Fund. New employees hired between January 1 and December 31, 2013, participate in FERS-RAE (Revised Annuity Employees). New employees hired on or after January 1, 2014, participate in FERS-FRAE (Further Revised Annuity Employees). The FTC contributes 11.1 percent for both FERS-RAE and FERS-FRAE. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act, which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar limit set by law. In calendar year 2020, the annual contribution limit is $19,500 and employees age 50 and over may contribute an additional $6,500 in catch-up contributions. For those employees participating in FERS, the FTC makes a mandatory 1 percent contribution to this plan and, in addition, matches 100 percent of the first 3 percent contributed by employees and 50 percent of the next 2 percent of employee contributions. CSRS-participating employees do not receive a matching contribution from the FTC. The FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. This information is reported by the OPM; however, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by the OPM that estimate the true service cost of providing the pension benefits. Contributions made by the FTC and its employees do not cover the full cost of retirement benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost to achieve compliance with SFFAS 5. This additional cost is financed by the OPM and has no impact on the budgetary resources of the FTC. Imputed costs are reported as expenses on the Statement of Net Cost with offsetting imputed financing sources reported on the Statement of Changes in Net Position (See Note 16, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(m) FECA and Other Post-Employment Benefits

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered Federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills the FTC annually for the claims paid and the FTC recognizes the FECA liability for future payment. Payment is deferred for two years to allow for funding through the budget. The FTC also recognizes a FECA actuarial liability, which is an estimate for the future workers compensation as a result of past events using procedures developed by the DOL to estimate the liability. FECA liabilities are reported as not covered by budgetary resources. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by the OPM that estimate the true cost of providing these benefits to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 16, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(n) Annual and Sick Leave

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of the FTC employees. Budget execution rules do not allow this liability to be funded as earned. The liability is funded when leave is taken or when paid out as a lump sum at the end of employment. As a result, accrued annual leave is reported as not covered by budgetary resources. Sick leave is non-vested and expensed as used. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

(o) Contingent Liabilities

Contingent liabilities are liabilities that may be incurred by the FTC depending on the outcome of an uncertain future event, such as pending or threatened litigation. Contingencies are classified into three categories: probable, reasonably possible, and remote. A contingency is considered probable when the future confirming events are likely to occur. Probable contingent liabilities are recognized in the financial statements provided the amount can reasonably be estimated. Contingencies are reasonably possible when the chance of the future confirming event occurring is more than remote but less than probable. Reasonably possible contingencies are disclosed in the notes to the financial statements, as well as probable contingencies that cannot reasonably be estimated. Remote contingencies are not recognized in the financial statements or disclosed in the notes to the financial statements. (See Note 9, Commitments and Contingencies.)

(p) Net Position

The portion of the FTC's budget authority funded by a direct appropriation is fully expended during the year. Therefore, there is no unexpended appropriation balance in net position at the end of the year. (See Statement of Changes in Net Position.)

Cumulative results of operations represent the net results of operations since the agency's inception, the cumulative amount of prior period adjustments, the remaining book value of capitalized assets, and future funding requirements.

(q) Revenues and Other Financing Sources

As a component of the Government-wide reporting entity, the FTC is subject to the federal budget process, which involves annual appropriations. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and Government-wide financial reports. In addition to an annual appropriation provided by the Congress, the FTC's activities are financed through exchange revenues it receives from others. Intragovernmental exchange revenues arise from reimbursable transactions with other federal entities. The FTC provides consulting and technical assistance aimed at developing sound competition policies under interagency agreements. Reimbursable revenue is recognized as expenses are incurred.

The majority of the FTC's exchange revenues are from the public, consisting of fees collected for premerger notification filings under the HSR Act and fees collected for the National Do Not Call (DNC) Registry. The HSR Act establishes a waiting period before mergers, acquisitions, or transfers of assets that meet or exceed certain thresholds may be completed. Entities must file premerger notifications with the FTC and the Antitrust Division of the DOJ. HSR fees are split equally between the FTC and the DOJ with fees determined by the values and sizes of involved parties. As mandated by an amendment to the Clayton Act, the FTC revises the jurisdictional threshold requirements annually based on the change in gross national product. The DNC Registry Fee Extension Act of 2007 established a permanent fee structure for the DNC registry and provides that fees be reviewed annually and adjusted for inflation, as appropriate. Telemarketers must pay an annual subscription fee and download a list of telephone numbers of consumers who do not wish to receive calls. Fees are based on the number of area codes downloaded. Revenues for both HSR and DNC fees are recognized upon collection. While HSR and DNC fees relate to the major strategic goals of the FTC, these fees are not related to specific costs incurred.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the federal government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, which, is to borrow from the public if there is a budget deficit.

(r) Methodology for Assigning Costs and Exchange Revenues

The FTC allocates costs and exchange revenues on the Statement of Net Cost to its two major strategic goals: Protect Consumers and Maintain Competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of dollars directly traceable to each of these two goals.

NOTE 2—ENTITY AND NON-ENTITY ASSETS

The FTC's entity assets are comprised of undisbursed general funds; accounts receivable; advances and prepayments; and property, plant, and equipment. Accounts receivable, net, represents amounts due from other Federal agencies, current and former employees, and vendors. Advances and prepayments include amounts paid to the Department of Transportation for transit subsidies on behalf of FTC employees.

The FTC's non-entity assets include fund balance with Treasury and accounts receivable. The fund balance with Treasury consist of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees held in clearing/suspense funds that will be transferred out in a subsequent period. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

Entity and non-entity assets consisted of the following as of September 30, 2020:

(Dollars in thousands)	2020 Entity	2020 Non-Entity	2020 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 113,398	$ -	$ 113,398
Deposit funds - consumer redress	-	677,109	677,109
Clearing funds - premerger filing fees	-	-	-
Accounts receivable, net	69	-	69
Advances and Prepayments	153	-	153
Total intragovernmental assets	113,620	677,109	790,729
Accounts receivable, net	23	628,026	628,049
Property, plant and equipment, net	25,604	-	25,604
Total Assets	$ 139,247	$ 1,305,135	$ 1,444,382

Entity and non-entity assets consisted of the following as of September 30, 2019:

(Dollars in thousands)	2019 Entity	2019 Non-Entity	2019 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 121,563	$ -	$ 121,563
Deposit funds - consumer redress	-	265,432	265,432
Clearing funds - premerger filing fees	-	315	315
Accounts receivable, net	85	-	85
Advances and Prepayments	205	-	205
Total intragovernmental assets	121,853	265,747	387,600
Accounts receivable, net	7	616,542	616,549
Property, plant and equipment, net	30,053	-	30,053
Total Assets	$ 151,913	$ 882,289	$ 1,034,202

NOTE 3—FUND BALANCE WITH TREASURY

There are no differences between amounts reported by the FTC and those reported to U.S. Treasury as of September 30, 2020, and 2019. In terms of the relationship to the budget, the FTC's Fund balance with Treasury (FBwT) consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as non-budgetary deposit funds arising from amounts collected for consumer redress and not yet disbursed to disbursing agents or directly to claimants. The unobligated balance includes both available and unavailable balances.

The unavailable-unapportioned balance is the result of recoveries of prior-year obligations that exceed apportioned amounts. The unavailable - excess offsetting collections balance of $26,004 thousand are HSR fees collected above the yearly congressional authorized amount to collect and spend. The unavailable - temporary reduction of $6,450 thousand consists of $5,418 thousand HSR Premerger and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013. The cash position of the Consumer Redress deposit fund has increased by more than $411 million as displayed on the line Non-Budgetary Fund Balance with Treasury.

Fund balance with Treasury consisted of the following as of September 30, 2020 and 2019:

(Dollars in thousands)	2020	2019
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 2,742	$ 7,455
Unavailable - unapportioned	2,227	7,572
Unavailable - excess offsetting collections	26,004	26,004
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	37,423	47,481
Obligated balance not yet disbursed	75,975	74,082
Non-budgetary fund balance with Treasury	677,109	265,747
Total Status of Fund Balance with Treasury	$ 790,507	$ 387,310

NOTE 4—ACCOUNTS RECEIVABLE, NET

The majority of the FTC's accounts receivable are non-entity accounts receivable arising from the settlement or litigation of administrative and federal court cases in connection with the consumer redress program, and from civil monetary penalties imposed for violation of an FTC order and/or antitrust acts. Because of the nature of these receivables, they are frequently not fully collectible and are offset with a significant allowance. The allowance for uncollectible accounts is based on an analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment history, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with offsetting non-entity liabilities. Agency accounts receivable balances for both FY 2020 and FY 2019 do not include any amounts associated with criminal restitution.

Non-entity redress gross accounts receivable is the court ordered judgment amount, usually a calculated amount of ill-gotten gains by the defendant(s). The related allowance for uncollectible accounts is the estimate the FTC will not collect from the defendant(s), which often is a large percentage of the judgment.

Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2020. Accumulated unrecognized interest on receivables deemed uncollectible totaled $27,110 thousand and $11,655 thousand as of September 30, 2020, and 2019.

Accounts receivable, net consisted of the following as of September 30, 2020:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2020 Net
Entity Accounts Receivable:			
Intragovernmental	$ 69	$ -	$ 69
With the public	23	-	23
Total entity accounts receivable	92	-	92
Non-Entity Accounts Receivable:			
Consumer redress	2,977,274	(2,349,248)	628,026
Civil penalties	151	(151)	-
Total non-entity accounts receivable	2,977,425	(2,349,399)	628,026
Total Accounts Receivable	$ 2,977,517	$ (2,349,399)	$ 628,118

Accounts receivable, net consisted of the following as of September 30, 2019:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2019 Net
Entity Accounts Receivable:			
Intragovernmental	$ 85	$ -	$ 85
With the public	9	(2)	7
Total entity accounts receivable	94	(2)	92
Non-Entity Accounts Receivable:			
Consumer redress	2,556,346	(1,940,040)	616,306
Civil penalties	1,029	(793)	236
Total non-entity accounts receivable	2,557,375	(1,940,833)	616,542
Total Accounts Receivable	$ 2,557,469	$ (1,940,835)	$ 616,634

NOTE 5—GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2020, and 2019. No asset impairments were recognized in either year. The accumulated depreciation has increased by $3,547 thousand while the current year depreciation and amortization expense is $5,587 thousand, as presented in Note 16 "Reconciliation of Net Operating Cost and Net Budgetary Outlays." Asset disposals account for the difference between the depreciation and amortization expense and the higher accumulated depreciation. Assets disposed of include laptops, software applications, chillers and condensers (leasehold improvements), and a web application delivery controller. Total net book value of assets written off during FY 2020 is $617 thousand. Asset purchases during the last 12 months total $1,755 thousand and include a physical access control system, perpetual software licenses, furniture, and an integrated closed circuit television system.

Property, plant, and equipment, net consisted of the following as of September 30, 2020

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 20,813	$ (19,439)	$ 1,374
Leasehold improvements	15 Years	46,542	(23,459)	23,083
Software	5 Years	20,709	(19,562)	1,147
Total Property, Plant, and Equipment		$ 88,064	$ (62,460)	$ 25,604

Property, plant, and equipment, net consisted of the following as of September 30, 2019:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 years	$ 21,298	$ (18,249)	$ 3,049
Leasehold improvements	15 years	46,301	(20,563)	25,738
Software	5 years	21,367	(20,101)	1,266
Total Property, Plant, and Equipment		$ 88,966	$ (58,913)	$ 30,053

NOTE 6—LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

The FTC recognizes two categories of liabilities not covered by budgetary resources described below:

Liabilities not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the Congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to use current receipts in the event of a budget surplus or borrow from the public in the event of a budget deficit. These liabilities include unfunded FECA liabilities, accrued annual leave, and contingencies.

Liabilities Not Requiring Budgetary Resources

Liabilities that do not require the use of budgetary resources are covered by monetary assets that are not budgetary resources to the entity (non-entity assets). These include:

Accrued Civil Penalties due to Treasury - offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the General Fund of the U.S. Government.

Undisbursed Redress Collections - offsetting liability to the non-entity deposit fund balance for consumer redress that is payable to approved claimants.

Accrued Redress due to Claimants - offsetting liability to the non-entity accounts receivable for consumer redress that upon collection will be payable to approved claimants.

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2020 and September 2019:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2020 Total
Intragovernmental Liabilities:			
FECA liability	$ 380	$ -	$ 380
Accrued Civil Penalties and Receipts Due to Treasury	-	-	-
Total Intragovernmental Liabilities	380	-	380
Non-Federal Liabilities:			
Accrued leave	16,278	-	16,278
Actuarial FECA	2,442	-	2,442
Undisbursed redress collections	-	677,109	677,109
Accrued redress due to claimants	-	628,026	628,026
Contingencies	-	-	-
Deposits in Clearing Funds	-	-	-
Total Non-Federal Liabilities	18,720	1,305,135	1,323,855
Total Unfunded Liabilities	19,100	1,305,135	1,324,235
Liabilities Covered by Budgetary Resources			23,434
Total Liabilities			$ 1,347,669

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2019 Total
Intragovernmental Liabilities:			
FECA liability	$ 449	$ -	$ 449
Accrued Civil Penalties and Receipts Due to Treasury	-	236	236
Total Intragovernmental Liabilities	449	236	685
Non-Federal Liabilities:			
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Undisbursed redress collections	-	265,432	265,432
Accrued redress due to claimants	-	616,306	616,306
Contingencies	843	-	843
Deposits in Clearing Funds	-	315	315
Total Non-Federal Liabilities	16,008	882,053	898,061
Total Unfunded Liabilities	16,457	882,289	898,746
Liabilities Covered by Budgetary Resources			21,740
Total Liabilities			$ 920,486

NOTE 7—OTHER LIABILITIES

As of September 30, 2020, and 2019, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus non-current are as follows:

Other liabilities consisted of the following as of September 30, 2020:

(Dollars in thousands)	2020 Non-Current	2020 Current	2020 Total
Other intragovernmental liabilities:			
Accrued employee benefits	$ -	$ 2,328	$ 2,328
FECA liability	380	-	380
Accrued Civil Penalties and Receipts Due to Treasury	-	-	-
Total Other Intragovernmental Liabilities:	380	2,328	2,708
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	8,552	8,552
Accrued leave	16,278	-	16,278
Actuarial FECA	2,442	-	2,442
Contingencies	-	-	-
Deposits in clearing funds	-	-	-
Total Other Non-Federal Liabilities	18,720	8,552	27,272
Total Other Liabilities	$ 19,100	$ 10,880	$ 29,980

Other liabilities consisted of the following as of September 30, 2019:

(Dollars in thousands)	2019 Non-Current	2019 Current	2019 Total
Other intragovernmental liabilities:			
Accrued employee benefits	$ -	$ 1,710	$ 1,710
FECA liability	449	-	449
Accrued Civil Penalties and Receipts Due to Treasury	-	236	236
Total Other Intragovernmental Liabilities:	449	1,946	2,395
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	6,764	6,764
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Contingencies	843	-	843
Deposits in clearing funds	-	315	315
Total Other Non-Federal Liabilities	16,008	7,079	23,087
Total Other Liabilities	$ 16,457	$ 9,025	$ 25,482

NOTE 8—LEASES

Leases of government-owned and commercial-owned property are made through and managed by the GSA. While leases with the GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements. The FTC currently leases spaces from four government-owned properties and seven commercial properties totaling approximately 591 thousand square feet for use as offices, storage, and parking. The FTC's government leases expire on various dates through 2029, while the commercial leases expire at various dates through 2031. In addition, the FTC is committed under short-term operating leases with commercial vendors for parking, warehouse storage, laptops, and software. Total short-term lease obligations are $1,688 thousand as of September 30, 2020. Future minimum lease payments on contracts with remaining terms in excess of one year are presented in the tables below.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2020:

Fiscal Year 2020 (Dollars in thousands)		
2021	$	8,274
2022		8,232
2023		8,084
2024		8,096
2025		8,108
Thereafter		31,434
Total Future Minimum Lease Payments	$	72,228

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2020:

Fiscal Year 2020 (Dollars in thousands)		
2021	$	15,054
2022		15,779
2023		15,769
2024		7,403
2025		1,905
Thereafter		7,191
Total Future Minimum Lease Payments	$	63,101

NOTE 9—COMMITMENTS AND CONTINGENCIES

The FTC is subject to potential liabilities in various administrative proceedings, legal actions, and claims brought against the agency. In the opinion of legal counsel and the FTC management, there are no "probable" or "reasonably possible" contingencies as of September 30, 2020 that will require funding through the FTC's budget. Furthermore, there are no pending probable or reasonably possible claims where the probable loss cannot be estimated. Accordingly, no obligations are recorded in the agency's financial statements in relation to contingent liabilities.

Tort claims against federal agencies are administered and resolved by the DOJ with amounts necessary for resolution funded through the U.S. Treasury Judgment Fund. The Judgment Fund was enacted by Congress in 1956 as a permanent, indefinite appropriation for the payment of claims that did not have another funding source. The recognition of claims to be funded through the Judgment Fund represents a claim against the federal government as a whole and should not be interpreted as claims against the assets of an agency. The FTC has no contingent liabilities where the risk of loss is either probable or reasonably possible as of September 30, 2020 that require funding through the U.S. Treasury Judgment Fund.

The following presents the FTC's probable and reasonably possible legal contingencies with an estimated range of loss for FY 2020 and FY 2019. The contingent liability of $843 thousand recognized in FY 2019 was closed out during FY 2020.

Contingent Liabilities as of September 30, 2020:

(Dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2020:			
Legal Contingencies:			
Probable	-	-	-
Reasonably Possible	-	-	-

Contingent Liabilities as of September 30, 2019:

(Dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2019:			
Legal Contingencies:			
Probable	843	843	1,700
Reasonably Possible	-	-	-

NOTE 10—APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

Obligations incurred consisted of the following for the fiscal years ended September 30, 2020 and 2019:

(Dollars in thousands)	2020	2019
Obligations Incurred:		
Category A - direct obligations	$ 348,513	$ 330,033
Category B - reimbursable obligations	867	969
Total Obligations Incurred	$ 349,380	$ 331,002

Category A – direct obligations represent amounts obligated in carrying out the FTC's normal on-going operations. The source of funding for these obligations is an annual appropriation, offsetting collections, and unobligated funds brought forward from previous years. These funds are made available by the OMB through quarterly (Category A) apportionments.

Category B – reimbursable obligations represent amounts obligated in fulfilling interagency agreements when the FTC is the provider of services. The source of funding for these obligations is reimbursements collected from other federal agencies to cover the FTC's costs in fulfilling the agreement.

The FTC does not have any activity exempt from apportionment or apportioned under Category AB.

NOTE 11—EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

The Budget of the United States Government (President's Budget) contains budget proposals for the upcoming fiscal year along with forecasted results for the current fiscal year and actual results for the previous fiscal year. The most current version of the President's Budget is the FY 2021 President's Budget, which contains FY 2019 actual results. Detailed information on the FTC is available in the Appendix to the President's Budget under Other Independent Agencies. There are no material differences between amounts reported in the FY 2019 Statement of Budgetary Resources and the FY 2019 actual amounts as reported in the FY 2021 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2022 Budget of the United States Government is not available to compare FY 2020 actual amounts to the FY 2020 Statement of Budgetary Resources. The expected availability for this report is February 2021 on the OMB's website.

NOTE 12—UNDELIVERED ORDERS AT THE END OF THE PERIOD

In addition to future lease commitments discussed in Note 8, the FTC is committed under obligations for goods and services that have been ordered but not yet received.

Undelivered obligations consisted of the following as of September 30, 2020 and 2019:

(Dollars in thousands)	2020	2019
Non-Federal Undelivered Orders Unpaid	$ 47,561	$ 46,393
Federal Undelivered Orders Unpaid	5,574	6,329
Federal Undelivered Orders Paid	153	205
Total Federal Undelivered Orders	5,727	6,534
Total Undelivered Orders	$ 53,288	$ 52,927

NOTE 13—CUSTODIAL ACTIVITIES

The primary custodial activities of the FTC are:

Premerger Filing Fees

Fees collected for premerger notification filings under the HSR Act are divided evenly between the FTC and the DOJ. The portion of collections designated for the DOJ is reported as a custodial activity. As of September 30, 2020 and 2019, the FTC collected $203,146 and $259,170 thousand in HSR premerger filing fees. One-half of the amounts collected in each year was distributed to the DOJ, as shown on the Statement of Custodial Activity.

Civil Penalties

Civil monetary penalties and antitrust violations collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the funds are deposited in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the cases. All civil penalties collected are transferred to the General Fund of the U.S. Government at the end of the fiscal year. In FY 2020, the FTC collected $4,850 million from Facebook as part of a settlement agreement related to allegations the company violated a 2012 privacy order by deceiving users about their ability to control personal information. The penalty against Facebook is the largest ever imposed on a company for violating consumers' privacy and ranks among the largest penalties ever assessed by the U.S. government for any violation.

Consumer Redress

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Net disgorgements to the Treasury were $6,969 thousand as of September 30, 2020 and $1,778 thousand as of September 30, 2019.

Other line items on the Statement of Custodial Activity include:

Accrual Adjustments

Accrual adjustments represent the change in accounts receivable, net of allowances for uncollectible accounts, for civil penalties assessed in court actions.

Amounts yet to be Transferred

Amounts yet to be transferred represent the change in the offsetting liability for civil penalties due to Treasury that is established at the time an accounts receivable for civil penalties is recorded.

NOTE 14—CONSUMER REDRESS ACTIVITIES

The FTC obtains funds for consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. The FTC attempts to distribute funds to injured parties whenever possible. If redress is determined to be practicable, funds are either directly disbursed by the FTC to claimants or are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to injured parties. Disbursements to claimants and third party administrators totaled $130,301 and $350,058 thousand as of September 30, 2020, and 2019.

In those cases where consumer redress is not practicable, funds are transferred (disgorged) to the Treasury, or on occasion, used for consumer education or another purpose as directed by the final order issued by the court. Major components of the redress program include eligibility determination, claimant notification, and administration of redress to claimants.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2020 and 2019:

(Dollars in thousands)	2020	2019
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 265,432	$ 358,776
Collections	548,947	258,492
Disbursements to claimants and third party administrators for redress, net	(130,301)	(350,058)
Disgorgements to Treasury, net	(6,969)	(1,778)
Total Fund Balance with Treasury, Ending	$ 677,109	$ 265,432
Accounts Receivable, Net		
Beginning balance	$ 616,306	$ 598,515
Net activity	11,720	17,791
Total Accounts Receivable, Ending	$ 628,026	$ 616,306

NOTE 15—INTER-ENTITY COSTS

Goods and services may be received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. In accordance with accounting standards, certain costs of the providing federal entity that are not fully reimbursed are recognized as imputed costs in the Statement of Net Cost and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and financing sources relate to employee benefits paid by the OPM. No other unreimbursed costs of goods and services are included in the FTC's financial statements as imputed costs and imputed financing sources.

NOTE 16—RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

The reconciliation schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal years ended September 30, 2020, and 2019.

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Years Ended September 30, 2020 and 2019:

	FY 2020		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 93,273	$ 154,052	$ 247,325
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(5,587)	(5,587)
Losses on Asset Dispositions	-	(617)	(617)
Increase/(Decrease) in Assets	(68)	16	(52)
(Increase)/Decrease in Liabilities	(642)	(3,695)	(4,337)
Imputed Costs	(13,373)	-	(13,373)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(14,083)	(9,883)	(23,966)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	17	1,738	1,755
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	315	315
Miscellaneous Receipts	-	(7,003)	(7,003)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	17	(4,950)	(4,933)
Net Outlays (Calculated)	$ 79,207	$ 139,219	$ 218,426
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 340,159
Actual Offsetting Collections			(115,028)
Outlays, Net (SBR)			$ 225,131
Distributed Offsetting Receipts			(6,705)
Agency Outlays, Net (SBR)			$ 218,426

	FY 2019		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 87,014	$ 115,234	$ 202,248
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(8,435)	(8,435)
Losses on Asset Dispositions	-	(509)	(509)
Increase/(Decrease) in Assets	40	(11)	29
(Increase)/Decrease in Liabilities	(881)	(5,056)	(5,937)
Imputed Costs	(12,375)	-	(12,375)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(13,216)	(14,011)	(27,227)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	468	468
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	(315)	(315)
Miscellaneous Receipts	-	(1,968)	(1,968)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(1,815)	(1,815)
Net Outlays (Calculated)	$ 73,798	$ 99,408	$ 173,206
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,179
Actual Offsetting Collections			(142,690)
Outlays, Net (SBR)			$ 175,489
Distributed Offsetting Receipts			(2,283)
Agency Outlays, Net (SBR)			$ 173,206

OTHER INFORMATION

Summary of the Top Management Challenges Identified by the Office of Inspector General

As required by the *Reports Consolidation Act of 2000*, the Federal Trade Commission (FTC) Office of Inspector General (OIG) has identified the following issues as the most serious management and performance challenges facing the FTC.[1]

1. Securing Information Systems and Networks from Destruction, Data Loss, or Compromise

The OIG made six recommendations in its FY 2019 FISMA report to assist the FTC in improving its security program in the areas of Risk Management, Configuration Management, Identity and Access Management, and Contingency Planning. Closing these recommendations and positioning the FTC to detect advanced persistent threats to its systems will help ensure that the FTC's data and information are properly protected.

2. Maintaining Mission Success During the COVID-19 Pandemic

The FTC's ability to continue to deliver on its dual missions of protecting consumers and promoting competition will be tested in new and challenging ways throughout the duration of this COVID-19 pandemic.

3. Understanding Fraudulent Identity Theft Complaints

The FTC faces a significant challenge in addressing the number of potentially fraudulent complaints submitted to IdentityTheft.gov. An FTC analysis of the complaints received since January 2020 revealed significant patterns that strongly suggest the fraudulent use of the service.

4. Costs of Expert Witness Services

The escalating costs of expert witness services represents a significant and continuing risk to the FTC. Between FY 2015 and 2018, the cost of expert witness services rose from $9.3 million to $14.9 million, far outpacing the FTC appropriation increases in the same period. Aware of this rapid increase in costs, the FTC has designated its expert witness services as a "top risk" on the agency's risk register.

Watch List Item

Acquisition Planning and Contract Management

Although the FTC's Acquisitions Branch has recently addressed some of its most pressing issues, it must remain vigilant in maintaining the proper level of staff and resources and in following established processes to ensure proper oversight and management of contracts.

[1]The entire FY 2020 report is available at https://www.ftc.gov/system/files/documents/reports/fy-2020-oig-report-ftcs-top-management-challenges/oig_fy_2020_ftc_top_management_challenges_report_final_09282020.pdf

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control Over Financial Reporting (Federal Managers' Financial Integrity Act (FMFIA) Para. 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control Over Operations (FMFIA Para. 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA Para. 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Federal Trade Commission	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

PAYMENT INTEGRITY

The Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 requires agencies to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. In accordance with the OMB A-123 Appendix C guidance, the FTC performed a FY 2018 risk assessment for nine payment processes including payroll, procurement, redress payments to consumers, travel, purchase card, premerger filing fee refunds, training, and two miscellaneous payment processes. Each payment program was defined by its own internal control framework. The FTC evaluated each payment program over $1 million using the following qualitative risk factors identified in OMB Circular A-123 Appendix C:

- The relative complexity of the program or activity operation
- The extent and significance of recent changes in the program that may be reason for improper payment in funding, authorities, practices and procedure
- The level, experience, and quality of training for personnel responsible for program eligibility determination or certifying that payments are accurate
- The inherent risks of improper payments due to the nature of programs or operation
- Known control deficiencies (i.e., reported by OIG, or GAO) that might hinder accurate payment certification

The FTC also performed a quantitative risk assessment and assessed risks related to the amounts of payments processed relative to the OMB specified threshold amounts that define payment programs susceptible to improper payments. As a result of the risk assessment, the FTC determined that the agency's programs and activities presented low risk of improper payments and that none of the agency's programs or activities were determined to be susceptible to significant improper payments.

The FTC also reviews potential matches on an on-going basis and incorporates a pre-award check on potential contractors against the Do Not Pay databases to prevent improper payments. In 2015, the FTC performed and documented testing of statistical samples from larger payment processes to verify that the FTC payment programs are not susceptible to significant improper payments. Per OMB guidance and the result of FY 2018 IPERIA risk assessments, no assessment was conducted during FY 2020 and the next is scheduled for FY 2021. In addition, the FTC regularly conducts assessments over the internal controls over payment processes. In 2020, the FTC conducted a full assessment of controls over HR Payroll and Benefits, and limited assessments over Procure to Pay, Travel, and Purchase Card payment programs. Each of these assessments identified and tested controls over the proper authorization, approval, and processing of payments.

For programs with more than $1 million of expenditures, the FTC determined and documented that performing recapture audits were not cost effective. The FTC's analysis had two parts; first the error rates determined during the FY 2015 quantitative risk assessment, and second the documented management assessments of the effective operation of controls within the payment processes. The 2015 test work used statistical methods to project error rates to the population of payments for the larger payment processes. These larger payment amounts could have produced errors classifying the process as 'Significant'. This test work did not detect errors within the population of payments and, therefore, did not identify payments subject to recapture. As a result, the Office of the Chief Financial Officer determined and documented that projected amounts subject to recapture audits are "de minimis" and recapture audits are not cost-effective.

FRAUD REDUCTION REPORT

During 2020, the FTC directed several efforts to implement the Fraud Reduction Data Analytics Act (FRDAA) of 2015 and made progress in implementing effective controls in financial and administrative processes, in implementing GAO's principles for addressing fraud risk, and in implementing OMB's Circular A123 leading practices for agencies.

This year, the FTC implemented several strategies and procedures, and took steps to prevent and detect fraud within the agency. These actions included:

- Implementing OMB's best practice to integrate fraud risk reduction activities within the agency's Enterprise Risk Management (ERM) Program.

This included the CFO's written designation of the ERM program manager as the agency official Fraud Risk Coordinator. Responsibilities of the Fraud Risk Coordinator include: 1) coordinating agency-wide efforts to identify, assess and respond to fraud risks; 2) implementing the collection and analysis of available data to support managers' efforts to prevent, detect and respond to fraud risks; 3) conducting ongoing monitoring, audit and evaluations over fraud prevention, detection and response activities; and 4) incorporating fraud risk management into the broader ERM framework.

- As a follow up to the work of the Fraud Risk Register Work Group in 2019, the Fraud Risk Coordinator performed data analyses of the internal controls over fraud in two fraud prone areas within the federal government.
    - Monitoring of controls over the GSA Purchase Card Program, for high-risk purchases including those with items or merchant category codes normally prohibited, and purchases which require special authorizations/approvals.
    - Monitoring of controls over payment of reimbursable travel benefits for indirect travel, where the federal traveler is either not traveling from or returning to their permanent duty station.
- The ERM program's annual financial process assessment also confirmed the remediation of previously documented control weaknesses presenting vulnerabilities to fraud. These included:
    - The successful implementation of new cash management policies/procedures eliminating programs annually handling of more than $2 million of cash instruments during the collections process. Cash collections are now delivered directly to the point of deposit.
    - The successful strengthening of time and attendance approval processes to assure supervisor's reliable certification of employee timesheets. This has eliminated frequent overrides of that control.

During 2020, the ERM Program financial process assessments identified and tested controls that prevent and detect fraud in the following processes: Financial Reporting, Court Ordered Collections, Pre Merger Revenue, and Procure to Pay. Additionally, the ERM Program conducted an assessment of controls over the Hart-Scott-Rodino Report to Congress (ICOR Assessment) which identified and tested controls that would prevent or detect improper external performance and compliance reporting.

Due to constraints on administrative capacity related to the global pandemic, the Fraud Risk Register Work Group did not meet in 2020. During 2021, FTC plans to strengthen and extend agency level fraud risk management and monitoring by leveraging its cross-programmatic Fraud Risk Register Work Group, increasing data collection and analysis, conducting additional audit and evaluations to identify vulnerabilities, and coordinating all of these activities within the overall ERM framework.

REAL PROPERTY

The FTC's Office of the Chief Administrative Services Officer (OCASO) is responsible for managing the agency's real property, which primarily consists of leased space and leasehold improvements. OCASO ensures that the agency optimizes its space in order to cost efficiently achieve the agency's mission. The General Services Administration publishes real property data annually in the Federal Real Property Profile Management System. Government-wide real property data are available to the public on the GSA's website.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect. The 2015 Act requires agencies to: (1) adjust the level of civil monetary penalties with an initial "catch-up" adjustment; and (2) make subsequent annual adjustments for inflation. Accordingly, the Federal Trade Commission increased its maximum civil penalty amounts to address inflation since the initial catch-up adjustment.

The following table are the civil monetary penalties that the FTC may impose, the authority for imposing the penalty, penalty description, year enacted, latest year of adjustment, current penalty level, the Bureau that administers the penalty, and location for penalty update details. Additional information about these penalties and the latest adjustment is available in the Federal Register.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
The Clayton Act Section 7A(g)(1) 15 U.S.C 18a(g)(1)	premerger filing notification violations	1976	January 14, 2020	$ 43,280	BC	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Clayton Act Section 11(l) 15 U.S.C. 21(l)	Violations of cease and desist orders	1959	January 14, 2020	$ 22,994	BC	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The FTC Act Section 5(l) 15 U.S.C. 45(l)	unfair or deceptive acts or practices	1973	January 14, 2020	$ 43,280	BC and BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The FTC Act Section 5(m)(1)(A) 15 U.S.C. 45(m)(1)(A)	unfair or deceptive acts or practices	1975	January 14, 2020	$ 43,280	BC and BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The FTC Act Section 5(m)(1)(B) 15 U.S.C. 45(m)(1)(B)	unfair or deceptive acts or practices	1975	January 14, 2020	$ 43,280	BC and BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The FTC Act Section 10 15 U.S.C. 50	Failure to file required reports	1914	January 14, 2020	$ 569	BC and BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Webb-Pomerene (Export Trade) Act Section 5 15 U.S.C. 65	Failure to file required statements	1918	January 14, 2020	$ 569	BC	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Wool Products Labeling Act Section 6(b) 15 U.S.C. 68d(b)	Failure to maintain required records	1940	January 14, 2020	$ 569	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Fur Products Labeling Act Section 3(e) 15 U.S.C. 69a(e)	Failure to maintain required records	1951	January 14, 2020	$ 569	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
The Fur Products Labeling Act Section 8(d)(2) 15 U.S.C. 69f(d)(2)	Failure to maintain required records	1951	January 14, 2020	$ 569	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Energy Policy and Conservation Act Section 333(a) 42 U.S.C. 6303(a)	Knowing violations	1975	January 14, 2020	$ 468	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Energy Policy and Conservation Act Section 525(a) 42 U.S.C. 6395(a)	Recycled oil labeling violations	1975	January 14, 2020	$ 22,994	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Energy Policy and Conservation Act Section 525(b) 42 U.S.C. 6395(b)	Willful violations	1975	January 14, 2020	$ 43,280	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Fair Credit Reporting Act Section 621(a)(2) 15 U.S.C. 1681s(a)(2)	Knowing violations	1996	January 14, 2020	$ 4,063	BCP	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Medicare Prescription Drug Improvement and Modernization Act of 2003 Public Law 108-173 Section 1115(a) 21 U.S.C. 355 note	Non-compliance with filing requirements	2003	January 14, 2020	$ 15,301	BC	Federal Register Vol.85, January 14, 2020, pages 2014-2016
The Energy Independence and Security Act of 2007 Section 814(a) 42 U.S.C. 17304	Market manipulation or provision of false information to federal agencies	2007	January 14, 2020	$ 1,231,690	BC	Federal Register Vol.85, January 14, 2020, pages 2014-2016

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APPENDICES

APPENDIX A: ACRONYMS

Because many of the acronyms in this document are not commonly used, or have multiple meanings, this Appendix is provided as a reference. This is not all-inclusive, and only meant to show how these acronyms are used in the context of this AFR.

Acronym	Definition
ACT	Alimentation Couche-Tard Inc.
AFR	Agency Financial Report
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
ATO	Authorized To Operate
ATU	Authorization to Use
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
CAPL	CrossAmerica Partners LP
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
COPA	Certificates of Public Advantage
COPPA	Children’s Online Privacy Protection Act
CSRS	Civil Service Retirement System
DNC	Do Not Call
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
DQA	Data Quality Appendix
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees’ Compensation Act
FEVS	Federal Employee Viewpoint Survey
FedRAMP	Federal Risk and Authorization Management Program
FEGLIP	Federal Employees’ Group Life Insurance Program
FEHBP	Federal Employees’ Health Benefit Program
FERS	Federal Employees’ Retirement System
FERS-FRAE	Federal Employees’ Retirement System – Further Revised Annuity Employees
FERS-RAE	Federal Employees’ Retirement System – Revised Annuity Employees
FFMIA	Federal Financial Management Improvement Act of 1996
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers’ Financial Integrity Act
FMO	Financial Management Office
FRDAA	Fraud Reduction Data Analytics Act
FTC	Federal Trade Commission
FTE	Full-Time Equivalent

Acronym	Definition
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GSA	General Services Administration
HSR	Hart-Scott-Rodino Act
IBC	Department of the Interior Business Center
ICN	International Competition Network
ICOR	Internal Control Over Reporting
IG	Inspector General
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IRS	Internal Revenue Service
ISP	Internet Service Provider
IT	Information Technology
NIST	National Institute of Standards and Technology
OBI	Oracle Business Intelligence
OCASO	Office of the Chief Administrative Services Officer
OFF	Oracle Federal Financials
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTA	Online Trading Academy
PIO	Performance Improvement Officer
PMRO	Performance Measure Reporting Official
PP&E	Property, Plant, and Equipment
PPE	Personal Protective Equipment
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SMC	Senior Management Council
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Service Provider
TAS	Treasury Account Symbol
TED	Technology Enforcement Division
TSP	Thrift Savings Plan
VOIP	Voice Over Internet Protocol

APPENDIX B: CONTACT INFORMATION AND ACKNOWLEDGEMENTS

FEDERAL TRADE COMMISSION

600 Pennsylvania Avenue, NW
Washington, D.C. 20580

General Information Number	202-326-2222
Internet Home Page	www.ftc.gov
FTC Spanish Home Page	www.ftc.gov/espanol
Strategic Plan Internet Site	www.ftc.gov/about-ftc/performance
FTC Press Releases	www.ftc.gov/news-events/press-releases

AGENCY FINANCIAL REPORT (AFR) SPECIFIC

The FTC welcomes comments or suggestions for improvement of its AFR. Please contact the agency to provide feedback or to request additional copies.

AFR Internet Site	www.ftc.gov/about-ftc/performance
AFR Contact	Randall Salzer
AFR Telephone	202-326-2028
AFR Email Address	gpra@ftc.gov
AFR Mailing Address	Federal Trade Commission Attn: AFR, M/D H-701 600 Pennsylvania Avenue, NW Washington, D.C. 20580

CONSUMER RESPONSE CENTER

General Complaints	877-FTC-HELP (877-382-4357)
Identity Theft Complaints	877-ID-THEFT (877-438-4338)
TTY (Teletype Consumer Response Center)	866-653-4261
FTC Complaint Assistant	www.ftc.gov/complaint
Identity Theft Education, Complaints, and Recovery Plan	www.identitytheft.gov
National Do Not Call Registry	www.donotcall.gov

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