

FEDERAL TRADE COMMISSION

**OIG**

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SEMIANNUAL REPORT TO CONGRESS



# Table of Contents

- Message From the Inspector General . . . . .1**
- About the FTC Office of Inspector General . . . . . 2**
- Introduction and Definitions . . . . . 3**
- Evaluations, Audits, and Related Activities . . . . . 5**
  - Completed Reports. . . . . 5
  - Ongoing Work . . . . . 7
  - Corrective Actions on OIG Recommendations . . . . . 8
- Investigative Activities. . . . . 9**
  - Investigative Summary . . . . . 9
  - Investigations Closed or Initiated. . . . . 9
- Other Activities . . . . .11**
  - Liaison with Other Agencies . . . . . 11
  - Activities within the Inspector General Community . . . . . 11
  - Significant Management Decisions . . . . . 11
  - Review of Legislation . . . . . 11
  - Access to Information . . . . . 12
  - Other Initiatives . . . . . 12
- Appendix I – Peer Reviews . . . . . 15**
- Appendix II – Significant OIG Recommendations Described in Previous Semiannual Reports with Corrective Actions Pending. . . . . 17**
- Appendix III – Inspector General Issued Reports with Questioned Costs . . . . . 21**
- Appendix IV – Inspector General Issued Reports with Recommendations That Funds be Put to Better Use . . . . . 22**
- Appendix V – Inspector General Act Reporting Requirements Index. . . . . 23**

## Message From the Inspector General

On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our Semiannual Report to the Congress. The report summarizes the OIG's activities and accomplishments from April 1, 2015, through September 30, 2015.

During this reporting period, the OIG issued an evaluation of the FTC's Bureau of Economics and the Fiscal Year (FY) 2014 Federal Information Security Management Act (FISMA) evaluation. We also closed four investigations, and initiated three new investigations. FTC Bureaus and Offices continued to make significant progress implementing open OIG recommendations identified in previous semiannual reports.

The OIG initiated three evaluations emerging from significant findings in our FY 2014 FISMA evaluation: an assessment of FTC efforts to manage and reduce its holdings of Personally Identifiable Information (PII) and assess risks associated with the collection, storage, sharing, retention, and disposal of various categories of nonpublic information held in FTC repositories that if disclosed, compromised, or misused pose significant risks to the FTC mission; whether the FTC's governance practices are continuing to show improvement in their ability to operate as a mature, risk-based decision support structure to effectively address investment and risk management challenges; and whether the FTC planning and monitoring practices are adequate to ensure that expanded mobile computing capabilities address the physical and logical risks that accompany these technological changes. There are other significant audits and reviews underway, including several mandatory audits as well as an evaluation of the Office of the Chief Information Officer.

During this reporting period, the OIG refreshed the objectives in its Strategic Plan, focusing on opportunities to incorporate enterprise risk management principles into OIG assessments of the FTC, in line with the expected revision of the Office of Management and Budget's Circular A-123, *Management's Responsibility for Risk Management and Internal Control*.

I would like to thank Kelly C. Tshibaka, former Acting FTC Inspector General, who served previously as FTC Counsel to the Inspector General and Chief Investigator, for her service to the FTC and the OIG. Ms. Tshibaka was promoted to a new position in the OIG community. Ms. Tshibaka rendered outstanding service to the FTC OIG and remains a much respected and admired colleague.



A handwritten signature in black ink, reading "Roslyn A. Mazer". The signature is written in a cursive style with a long, sweeping underline.

Roslyn A. Mazer  
Inspector General  
October 31, 2015

## About the FTC Office of Inspector General

### OIG mission

To promote economy, efficiency and effectiveness, and to detect and prevent waste, fraud, abuse, and mismanagement in the agency's operations and programs.

### OIG Vision

Optimize our value to stakeholders through high quality, independent, objective, and timely audits, investigations, and reviews.

### OIG Strategic Goals

1. Maximize the Value the OIG Adds to FTC Programs and Operations
2. Enhance the Integrity of the FTC
3. Continuously Improve OIG Operations and Services

## Introduction and Definitions

- ▶ **The mission of the Office of Inspector General is to promote economy, efficiency, and effectiveness and to detect and prevent waste, fraud, abuse, and mismanagement in the agency's operations and programs.**

In compliance with the Inspector General Act Amendments of 1988 (5 U.S.C. app.), the Office of Inspector General (OIG) was established in 1989 as an independent and objective organization within the FTC.

Under the Inspector General Act of 1978, as amended, the OIG is responsible for conducting audits, evaluations, and investigations relating to the programs and operations of the FTC. Audits are conducted for the purpose of detecting and preventing fraud, waste, abuse, and mismanagement, and to promote economy, efficiency, and effectiveness within the agency. Evaluations are systematic assessments of the FTC's operations, programs or policies. OIG investigations seek out facts related to allegations of fraud and other wrongdoing on the part of FTC employees and individuals or entities having contracts with or obtaining benefits from the agency.

Individuals who wish to file a complaint about the business practices of a particular company or entity, or allegations of identity theft, deceptive advertising practices or consumer fraud, should file a complaint with the FTC Consumer Response Center (CRC) at <https://www.ftccomplaintassistant.gov> or 1-877-382-4357.

Complaints to the OIG from the public or from an FTC employee can be made anonymously. The identity of an FTC employee who reports waste or wrongdoing to the OIG will be protected from disclosure consistent with provisions of the Inspector General Act. In addition, the Inspector General Act and the Whistleblower Protection Act prohibit reprisals against employees for filing complaints or cooperating with the OIG.

The OIG is required by law to prepare a semiannual report summarizing the activities of the Office during the immediately preceding six-month period. The report is sent to the FTC Chair and Commissioners, the President of the Senate, the Speaker of the House, and the FTC's appropriating and authorizing committees. The OIG had a budget of \$1,259,400 for Fiscal Year 2015.

## We perform the following services:

**Performance audits** address the efficiency, effectiveness, and economy of the FTC's programs, activities, and functions; provide information to responsible parties to improve public accountability; facilitate oversight and decision making; and initiate corrective actions as needed.

**Financial audits** provide an independent assessment of whether financial statements are presented fairly in accordance with generally accepted accounting principles. Reporting on financial audits in accordance with Government Auditing Standards also includes reports on internal control and compliance with provisions of laws, regulations, and contracts as they relate to financial transactions, systems, and processes.

**Inspections and evaluations** are systematic and independent assessments of the design, implementation, and/or results of the FTC's operations, programs, or policies. They provide information that is timely, credible, and useful for agency managers, policy makers, and others. Inspections or evaluations can be used to determine efficiency, effectiveness, impact, and/or sustainability of agency operations, programs, or policies.

**Investigations** are conducted based on alleged or suspected fraud, waste, abuse or gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on the FTC's programs and operations. The OIG refers matters to the U.S. Department of Justice whenever the OIG has reasonable grounds to believe there has been a violation of federal criminal law. The OIG also identifies fraud indicators and recommends measures to management to improve the agency's ability to protect itself against fraud and other wrongdoing.

**Management advisories** are used by the OIG to expeditiously report findings of systemic weaknesses or vulnerabilities, and recommendations to correct them, identified during the course of an audit, investigation or other IG activity.

## Evaluations, Audits, and Related Activities

### Completed Reports

During this period, the OIG issued an evaluation on the FTC's Bureau of Economics, the Independent Assessment of FTC's Information Security Program and Practices for Fiscal Year (FY) 2014, and the Review of FTC's compliance with the Improper Payments Information Act of 2002.

### Evaluation of the FTC's Bureau of Economics

The Bureau of Economics (BE) provides economic support to the Commission's antitrust and consumer protection activities, advises the Commission and other government entities about the impact of government regulation on competition, and analyzes economic phenomena in the nation's economy as they relate to antitrust and consumer protection. The integration of independent economic analysis into Commission decisions and activities is vital to the FTC's mission, reputation, and brand. The OIG performed an evaluation to [determine whether the BE optimizes its resources](#) to efficiently and effectively accomplish its core mission.

The evaluation identified opportunities for the BE to provide a greater understanding of its role within the FTC; better capture its input on certain aspects of its activities (e.g., studies and research; expert testimony; competition advocacy; inreach and outreach; and training); generate better records and more consistent treatment of consumer protection cases and other consumer protection matters; and identify training seminars and other opportunities to educate agency personnel on the components of economic analysis and the economist's role in evaluating the impact of transactions examined in both competition and consumer protection cases. If implemented, these efforts could improve the BE's planning and performance measurement efforts, resource justification requests, knowledge management processes, and communication with agency stakeholders:

- ▶ Develop a strategic plan that codifies BE's commonly understood goals and objectives to provide greater understanding of the BE's role within the FTC.
- ▶ Create and document bureau-level performance measures to track progress against strategic objectives and demonstrate achievement of objectives, identify opportunities for improvement, and justify resource requests.
- ▶ Memorialize formal roles and responsibilities of key management positions to ensure continuity of operations during leadership transitions.
- ▶ Strengthen bureau-wide executive efforts including strategic planning, policy development, hiring and staff alignment, project planning and tracking, and budget requests and reporting.



- ▶ Formulate a system for tracking how research by BE economists is used and cited by internal and external stakeholders and customers.
- ▶ Develop a portfolio-level view of all completed, current, and planned work products across BE to identify efficiencies, redundancies, and trends, and to create consolidated documentation of work produced by BE for reporting purposes.
- ▶ Define measures to capture the quality and effectiveness of BE's support to the Commission.
- ▶ Communicate the methodology and composition of economic analysis to agency stakeholders.
- ▶ Share BE's internal review process with attorney counterparts to manage expectations regarding the length and extent of internal management reviews.

The FTC considered all recommendations and has taken significant steps to implement corrective action that will improve BE programs and operations.

### **Independent Assessment of the FTC's Information Security Program and Practices for FY 2014**

The Federal Information Security Management Act of 2002 (FISMA) requires federal agencies, including the FTC, to develop, document, and implement agency-wide information security programs. FISMA also requires Inspector Generals to conduct independent evaluations of their agency's information security program and practices.

The OIG contracted with Allied Technology Group Inc. to perform the [independent FISMA evaluation](#). The objective was to provide an assessment of the effectiveness of the FTC's information assurance and privacy programs and compliance with Office of Management and Budget (OMB) and National Institute of Standards and Technology (NIST) guidance.

This evaluation is provided to senior management and others to enable them to determine the effectiveness of overall security programs, ensure the confidentiality and integrity of data entrusted to the FTC, and develop strategies and best practices for cost-effectively improving information security. The evaluation determined that the FTC has established an information security program that is in substantial compliance with applicable security and privacy requirements. We recommended that the FTC continue to evolve its governance practices, take appropriate action to ensure completion of an appropriate Configuration Management plan, and apply its revised governance process to PIV implementation so that compliance is not subject to continuing delay. The status of the FTC information assurance and privacy programs was summarized in the FISMA reporting metrics submitted through CyberScope, the platform for the FISMA reporting process. FTC management concurred in all recommendations.



## Review of the FTC's Compliance with the Improper Payments Information Act of 2002, as Amended

The OIG [assessed the FTC's compliance with improper payment reporting requirements](#) of the Improper Payments Information Act of 2002, as amended. The OIG determined that the FTC is compliant, in all material respects, for FY 2014. The FTC reported in its FY 2014 Agency Financial Report that it has not identified any program that constitutes a high risk for improper payments and considers all of its payments to be low risk.

## Ongoing Work

### FISMA Evaluation for FY 2015

The Federal Information Security Management Act of 2002 (FISMA) requires an annual evaluation of each agency's information security and privacy program and practices to determine their effectiveness. The evaluation is performed by an independent contractor. It includes evaluating the adequacy of the FTC's information security program and practices for its major systems. Objectives of the FY 2015 evaluation include an assessment of whether FTC governance processes continue to mature and to identify opportunities to increase the effectiveness of FTC information security, privacy, and risk management efforts.

### FTC Financial Statement for FY 2015

A financial statement audit is required annually by the Accountability of Tax Dollars Act of 2002. The purpose of the audit is to express an opinion on the financial statement of the FTC for the fiscal year ending September 30, 2015. The audit will also test the internal controls over financial reporting and assess compliance with selected laws and regulations. The audited financial statement will be included in the financial section of the FTC's 2015 Agency Financial Report.

### Other Ongoing Work

The OIG continues its work on the following evaluations:

- ▶ The OIG is conducting a review of the FTC Office of the Chief Information Officer (OCIO) to determine if the OCIO has the authority resources, structure, and organizational support to accomplish current priorities and successfully realize its mission.
- ▶ The OIG is assessing FTC efforts to manage and reduce its holdings of Personally Identifiable Information (PII), how the agency has integrated its Privacy Program into its Information Security Program, and how the agency monitors performance of its PII reduction program. The review will also assess risks associated with the collection, storage, sharing, retention, and disposal of various categories of nonpublic information held in FTC repositories that if disclosed, compromised, or misused pose significant risks to the FTC mission.

- ▶ The OIG is evaluating whether the FTC’s governance practices are continuing to show improvement in their ability to operate as a mature, risk-based decision support structure to effectively address investment and risk management challenges. The review will determine whether, in the face of increasing threats and greater public awareness that protecting information is a critical FTC role, the agency’s governance practices have sufficiently matured to address the challenges resulting from a workforce requesting rapid availability of new technologies.
- ▶ As the FTC moves rapidly to make expanded mobile computing capabilities (e.g., smart phones, tablets, and “bring your own device”) available to its workforce, new practices and procedures will be needed to identify and address the physical and logical risks that accompany the technological changes. The OIG is assessing whether the FTC planning and monitoring practices are adequate to ensure that mobile computing is implemented without incurring unnecessary risks.

## Corrective Actions on OIG Recommendations

During this semiannual reporting period, FTC bureaus and offices continued to make progress in implementing open OIG recommendations. The table in Appendix II identifies significant recommendations described in previous semiannual reports on which corrective action has not been completed. The OIG closed 6 of the 15 recommendations contained in the evaluation of the Bureau of Economics, issued in June 2015. In addition, the OIG closed the remaining 3 recommendations contained in the evaluation of the Bureau of Consumer Protection. All 15 recommendations from that evaluation are now closed.

Section 5(a)(11) of the Inspector General Act of 1978, as amended, requires a description and explanation of the reasons for any significant revised management decision made during the reporting period. For this reporting period, management did not change its response to any earlier decisions on OIG recommendations.

## Investigative Activities

The Inspector General is authorized by the Inspector General Act of 1978, as amended, to receive and investigate allegations of employee misconduct as well as fraud, waste, abuse, and mismanagement occurring within FTC programs and operations. Matters of possible wrongdoing are referred to the OIG in the form of allegations or complaints from a variety of sources including FTC employees, other government agencies, and the general public. Reported incidents of possible fraud, waste, abuse, or mismanagement can give rise to administrative, civil, or criminal investigations.

### Investigative Summary

The OIG maintains a toll-free Hotline number and a dedicated e-mail address to enable individuals to bring matters to the attention of the OIG on a confidential basis. The toll-free Hotline number, facsimile, e-mail address, and ground mail services are means by which FTC employees and contractors, and the general public, may communicate allegations of fraud, waste, abuse, and mismanagement concerning FTC programs and operations to the OIG.

During this reporting period, the OIG received a total 528 consumer complaints, inquiries, and reports of possible wrongdoing via the OIG Hotline, a 17% increase over the previous reporting period. Of these, the OIG referred 452 consumer complaints under the jurisdiction of FTC programs to the appropriate FTC component for disposition, which represented a 20% increase in consumer complaints over the previous reporting period. The remaining 76 complaints consisted of matters within the OIG's jurisdiction (22 complaints, an increase of 83% over the previous reporting period), and 54 complaints deemed outside the purview of the federal government.

### Investigations Closed or Initiated

The OIG closed four investigations during the reporting period, as highlighted below:

#### **Allegation of Inappropriate Use of FTC Information Systems**

The OIG investigated an allegation that an FTC employee attempted to access child pornography and adult pornography using a workplace computer. The OIG found that the employee repeatedly and deliberately accessed adult pornography, but not child pornography, on an FTC computer and a government-issued electronic device. Following declination by the Department of Justice, the OIG referred its investigative findings to management for appropriate action. The employee in question is no longer with the agency. The OIG is also preparing a Management Advisory that summarizes the agency's ongoing and additional efforts to prevent and deter improper Internet usage on FTC information systems.

### **Fake FTC Website**

According to the 2014 FTC Consumer Sentinel Network Data Book, the number of government impostor complaints that the FTC received has increased from over 44,000 in 2012 to 159,000 in 2014, including imposters who claim that they are with the FTC. The OIG received a complaint about an FTC website impostor who allegedly used FTC insignia and website links in an effort to defraud consumers. The website allegedly displayed a deceptive URL, phone number, centennial artwork, and headquarters address. The OIG found that at least 17 consumers purportedly lost a total of approximately \$388,000 from this and other related alleged sweepstakes scams. The OIG is working jointly with the United States Postal Service OIG to bring appropriate enforcement action against the impostor.

### **Allegation that the FTC Disseminated False Data**

The OIG received a letter from the chairman of the House of Representatives Committee on Oversight and Government Reform asking the OIG to investigate alleged collaboration between the FTC and a company suspected of disseminating false data about data security breaches. In particular, the Committee requested that the OIG investigate whether the FTC had used false data in an enforcement action against another company. The OIG did not substantiate the allegations and advised the Committee of its findings.

### **Allegation of Contractor Threat**

The OIG received allegations that 1) an FTC contractor had threatened to report an FTC employee to the OIG for fraudulent activity unless the contractor received a favorable performance rating on its contract with the FTC, and 2) another FTC employee had expressed concerns to management about possible retaliation if the employee reported the FTC contractor's alleged threat. The OIG did not substantiate either that the threat occurred or that there was any retaliation against the FTC employee who had reported the matter to management.

During this reporting period, the OIG initiated three new investigations into allegations of employee or contractor misconduct or wrongdoing.

## Other Activities

### Liaison with Other Agencies

During this reporting period, in conducting audits, investigations, and other activities, the OIG has sought assistance from and conferred with other federal agencies, including the following: the U.S. Department of Justice OIG, U.S. Postal Inspection Service OIG, Federal Reserve Board OIG, and the Department of Commerce OIG.

### Activities within the Inspector General Community

The FTC IG is an active participant in the Council of the Inspectors General on Integrity and Efficiency (CIGIE), a council of Inspectors General that promotes collaboration on integrity, economy, and efficiency issues that transcend individual agencies.

The IG's Counsel participates regularly in the Council of Counsels to Inspectors General (CCIG), and contributes to the legal discourse within the CCIG on matters that are germane to the entire OIG community.

The OIG's Audit Manager participates regularly in the monthly meeting of the Financial Statements Audit Network (FSAN), a CIGIE subcommittee. She also teaches the financial statement section of the CIGIE Peer Review training offered to the greater OIG community.

The Inspector General chaired the CIGIE Investigations Awards Selection committee that selected recipients of the CIGIE Awards for Excellence in Investigations presented at the CIGIE Annual Awards ceremony in October 2015.

### Significant Management Decisions

Section 5(a)(12) of the Inspector General Act of 1978, as amended, requires that if the IG disagrees with any significant management decision, such disagreement must be reported in the semiannual report to Congress. For this reporting period, there were no significant management decisions made with which the IG disagreed.

### Review of Legislation

Section 4(a)(2) of the Inspector General Act of 1978 (IG Act), as amended, authorizes the OIG to review and comment on proposed legislation or regulations relating to the agency or, upon request, affecting the operations of the OIG. In response to direct requests from Congress, the OIG also provides responsive information.

During this reporting period, the OIG provided comments to the CIGIE on S. 579 and H.R.2395 to address the Department of Justice (DOJ) Office of Legal Counsel's (OLC) July 20, 2015, opinion. The

OLC opinion stated that Section 6(a) of the IG Act does not give the DOJ OIG independent access to all records available to DOJ that the DOJ OIG needs to perform its oversight function. Recognizing that the OLC interpretation of the IG Act could have a profound negative impact on the entire OIG community, the OIG supported CIGIE efforts to urge Congress to immediately pass legislation affirming the authority of Inspectors General under the IG Act to access independently and without delay all information in an agency's possession that the Inspector General deems necessary to conduct its oversight functions.

During this reporting period, the OIG also reviewed the following legislative and regulatory proposals: H.R. 2395 and S. 579, Inspector General Empowerment Act of 2015; H.R. 3089 and S. 1115, Grants Oversight and New Efficiency Act ("GONE ACT"); S. 1990, Federal Computer Security Act of 2015; H.R. 1557, Federal Employee Antidiscrimination Act; H.R. 2532 and S. 1387, Easy Savings Act of 2015 and Bonuses for Cost-Cutters Act of 2015, respectively; S. 1536, Small Business Regulatory Flexibility Improvements Act of 2015; and the Office of Government Ethics' proposed revisions to 5 C.F.R. part 2638, Office of Government Ethics and Executive Agency Ethics Program Responsibilities.

## Access to Information

The Inspector General is to be provided with ready access to all agency records, information, or assistance when conducting an investigation or audit. Section 6(b)(2) of the Inspector General Act of 1978, as amended, requires the Inspector General to report to the agency head, without delay, if the Inspector General believes that access to required information, records, or assistance has been unreasonably refused, or otherwise has not been provided. A summary of each report submitted to the agency head in compliance with Section 6(b)(2) must be provided in the semiannual report in accordance with Section 5(a)(5) of the Act. During this reporting period, the OIG did not encounter problems or delays in obtaining assistance or access to agency records.

## Other Initiatives

The OIG continues to work with FTC management to improve the policy and practice for tracking OIG recommendations. This process includes quarterly meetings between the OIG and FTC management. These meetings facilitate regular communication between the OIG, the Executive Director, and FTC bureaus and offices about progress made or impediments encountered in implementing OIG recommendations.







## Appendix I – Peer Reviews

Peer Review Activity	Results
Peer Reviews conducted by another OIG	Government auditing standards require audit organizations to undergo external peer reviews by independent reviewers every three years, in accordance with the CIGIE Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General. In its report issued in June 2015, the U.S. Capitol Police Office of Inspector General determined that the FTC OIG’s policies and procedures for the audit function were current and consistent with applicable professional standards.
Outstanding recommendations from peer reviews of the FTC OIG	There are no outstanding recommendations from peer reviews of the FTC OIG.
Peer Review conducted by the FTC OIG	The FTC OIG did not conduct any peer reviews during this reporting period.
Outstanding recommendations from peer reviews conducted by FTC OIG	There are no outstanding recommendations from peer reviews conducted by the FTC OIG.



## Appendix II – Significant OIG Recommendations Described in Previous Semiannual Reports with Corrective Actions Pending

### Independent Assessment of Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2014 (Report Issued: 05/2015)

<b>Recommendations</b>	<b>Total</b>	6
	<b>Mgmt. concurs</b>	6
	<b>Mgmt. non-concurs</b>	--
<b>Status of Recommendations</b>	<b>Closed*</b>	3
	<b>Open*</b>	3

#### Recommendations

- ▶ **FY 2014 – 03: Infrastructure Documentation**  
FTC should take appropriate action to ensure completion of an appropriate Configuration Management (CM) plan and ensure that it is effectively applied to the FTC and across all FTC systems.
- ▶ **FY 2014 – 04: Certification and Accreditation**  
FTC should revise its process for determining Minor Applications and documenting security controls.
- ▶ **FY 2014 – 06: Contingency Plans**  
FTC should develop a disaster recovery strategy and implementation plan.

\* A recommendation is closed if the OIG determines that (1) the corrective action has been taken, or (2) the recommendation is no longer applicable. A recommendation is open if FTC management agrees with the recommendation and is in the process of taking corrective action. Some corrective actions may have been completed by management and are awaiting verification by the OIG.

**Financial Statement Audit for Fiscal Year 2014 Management Letter (Report Issued: 03/2015)**

<b>Recommendations</b>	<b>Total</b>	5
	<b>Mgmt. concurs</b>	5
	<b>Mgmt. non-concurs</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	0
	<b>Open</b>	5

**Recommendations**

- ▶ **ML-14-1 Timeliness of Delivery of Documents Requested**  
We recommend that FTC establish internal controls to ensure timely production of requested documentation.
- ▶ **ML-14-2 Expenditure Exceeded the Obligation**  
We recommend that FTC enhance its compliance with internal controls over contract management and monitoring by establishing processes to ensure that contract management is alerted of the need for contract modifications prior to FTC incurring cost.
- ▶ **ML-14-3 Lodging Costs Exceeded Federal Travel Regulation (FTR) Lodging Per Diem Allowance**  
We recommend:
  1. FTC provide training and improve internal controls to ensure that FTR per diem rates are being followed when approving vendor invoices for travel reimbursements.
  2. FTC bill the consultant for the overpayment amount.
- ▶ **ML-14-4 The Physical Access Plan is not Updated and Finalized**  
We recommend that FTC update and finalize the Physical Access Control Plan for management review and approval and dissemination to FTC employees and contractors. We also recommend the Plan clearly state the purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance.
- ▶ **ML-14-5 Accounts Receivable - Civil Monetary Penalties**  
We recommend the FTC implement internal controls to ensure that accounts receivable civil monetary penalties are recorded within the quarter that the case is signed by the judge.

**Independent Assessment of Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2013 (Report Issued: 03/2015)**

<b>Recommendations</b>	<b>Total</b>	5
	<b>Mgmt. concurs</b>	5
	<b>Mgmt. non-concurs</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	4
	<b>Open</b>	1

**Recommendations**

▶ **FY 2013 – 07: Identity and Access Management**

FTC should revise its infrastructure access procedure to restrict access until background screening is completed per FTC policy.

**Financial Statement Audit for Fiscal Year 2013 Management Letter (Report Issued: 05/2014)**

<b>Recommendations</b>	<b>Total</b>	5
	<b>Mgmt. concurs</b>	5
	<b>Mgmt. non-concurs</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	4
	<b>Open</b>	1

**Recommendations**

▶ **ML-13-2**

We recommend FTC perform the following:

1. Review and determine the validity of undelivered orders on a semi-annual basis;
2. Develop policy requiring certification for all open obligation balances that are inactive for more than 12 months.

**Financial Statement Audit for Fiscal Year 2012 Management Letter (Report Issued 03/2013)**

<b>Recommendations</b>	<b>Total</b>	10
	<b>Mgmt. concurs</b>	5
	<b>Mgmt. non-concurs</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	9
	<b>Open</b>	1

**Recommendations**

▶ **ML 12-1 Capitalization Procedures Need Improvement**

FMO review and strengthen its capitalization policies and procedures to ensure that:

1. Capitalization determinations are being made by individuals designated to do so;
2. They are versed in the capitalization standards;
3. They document their determinations.



## Appendix III – Inspector General Issued Reports with Questioned Costs

	Number	Questioned Costs (dollar value)	Unsupported Costs (dollar value)
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A+B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
i. dollar value of the disallowed costs	0	0	0
ii. dollar value of the cost not disallowed	0	0	0
D. For which no management decision was made by the end of the reporting period	0	0	0
E. Reports for which no management decision was made within six months of issuance	0	0	0

## Appendix IV – Inspector General Issued Reports with Recommendations That Funds be Put to Better Use

	Number	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a management decision was made during the reporting period	0	0
i. dollar value of recommendations that were agreed to by management	0	0
• based on proposed management actions	0	0
• based on proposed legislative action	0	0
ii. dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision was made by the end of the reporting period	0	0
E. Reports for which no management decision was made within six months of issuance	0	0

## Appendix V – Inspector General Act Reporting Requirements Index

IG Act Reference	Reporting Requirements	Pages(s)
Section 4(a)(2)	Review of legislation and regulations	11-12
Section 5(a)(1)	Significant problems, abuses and deficiencies	none
Section 5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	5-10
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been made	17-20
Section 5(a)(4)	Matters referred to prosecutive authorities	9-10
Section 5(a)(5)	Summary of instances where information was refused	none
Section 5(a)(6)	List of reports by subject matter, showing dollar value of questioned costs and funds put to better use	none
Section 5(a)(7)	Summary of each particularly significant report	5-7
Section 5(a)(8)	Statistical tables showing number of reports and dollar value of questioned costs	21
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	22
Section 5(a)(10)	Summary of each report issued before this reporting period for which no management decision was made by the end of the reporting period	none
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	none

<b>IG Act Reference</b>	<b>Reporting Requirements</b>	<b>Pages(s)</b>
Section 5(a)(14)	Peer reviews conducted by another OIG	15
Section 5(a)(15)	Outstanding recommendations from peer reviews of the OIG	none
Section 5(a)(16)	Outstanding recommendations from peer reviews conducted by the OIG	none

# Contact the OIG

Promote integrity, economy & efficiency.  
Report suspected fraud, waste,  
abuse or mismanagement.

**(202) 326-2800**

Fax (202) 326-2034

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**Complaints may be made anonymously.**

Any information you provide will be held in confidence. However, providing your name and means of communicating with you may enhance our ability to investigate.

