

**FEDERAL TRADE COMMISSION**

**OIG**

**04.01.2018**

**09.30.2018**

**SEMIANNUAL REPORT TO CONGRESS**



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## Message from the Acting Inspector General

On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our Semiannual Report to Congress. This report summarizes the OIG's activities and accomplishments from April 1, 2018 through September 30, 2018.

Over the course of these 6 months, the FTC has continued to move forward with its dual missions of protecting consumers and promoting competition. All five commissioners assumed their roles during this semiannual reporting period, starting with the appointment of Chairman Simons on May 1, and continuing with Commissioners Phillips, Chopra, and Slaughter on May 2, and Commissioner Wilson on September 25. The numerous enforcement and consumer redress announcements and multiple testimonies provided by the Commission demonstrates a continued tradition of effective leadership.

Alongside the aforementioned, a number of positive things have also been happening at the FTC OIG. Our office delivered two investigative reports, a management referral, an audit covering acquisition processes, a review of improper payments, a management challenges report with a new "watch list" section, and a peer review report. Our audit operations also underwent a peer review, and received the highest possible rating of pass. In addition, we worked with FTC managers to close 21 of 30 open recommendations this reporting period, marking a period of unprecedented activity in this area. Our collaboration with the FTC Bureau of Consumer Protection and the larger OIG community to boost investigations of consumer fraud also continued to deliver results. Our efforts in promoting widespread use of the Consumer Sentinel Network—a secure online database available to law enforcement that currently houses more than 13 million consumer complaints—has resulted in a 46 percent increase in use by other federal OIG investigators since our initiative began less than 2 years ago.

Further, there has been visible excitement in the larger federal OIG community throughout 2018. In October 1978, President Jimmy Carter signed the Inspector General Act, which established the original twelve presidentially appointed inspectors general in federal departments and agencies. Seventy-three inspectors general are now authorized to preside in independent oversight roles within their respective organizations, demonstrating the Act's enduring legacy. The FTC OIG joins the entire federal OIG community in celebrating the 40th anniversary of the original Act, as well as the lasting impact and legacy it has had on U.S. citizens since its enactment.

I express my sincere appreciation for the professionalism and dedication of the OIG team, whose outstanding work is reflected in this report. It is an honor to be a part of such a talented team whose commitment to service on behalf of the FTC, the larger OIG community, and the American people continuously provides a source of inspiration. I thank former Inspector General Roslyn A. Mazer—under whom much of the work cited in this report was initiated—for her commitment to the missions of the OIG, FTC, and federal government during her impressive career. I also thank Chairman Simons, agency leadership and their staff, and Congress for the sustained support of the OIG's mission. Lastly, I offer my gratitude to the Council of the Inspectors General on Integrity and Efficiency, its dedicated leadership and staff, and all of its members for their deep commitment to the unique and vital role in which OIGs serve.

A handwritten signature in black ink, appearing to read "Andrew Katsaros".

Andrew Katsaros

## Introduction

This year marks the 40<sup>th</sup> anniversary of the Inspector General Act of 1978 and the creation of the original 12 Offices of Inspector General. The FTC OIG was established in 1989 as an independent and objective organization within the Commission pursuant to the Inspector General Act Amendments of 1988 (H.R. 4054). Our mission is to promote economy, efficiency, and effectiveness, and to detect and prevent waste, fraud, abuse, and misconduct in the agency's operations and programs. Since our inception, we have been part of a community that has grown to include 73 statutory Inspectors General who collectively oversee the operations of nearly every aspect of the federal government. In FY 2018, the FTC OIG had an operating budget of \$1,674,100.

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 by calling 1-877-382-4357. Individuals who wish to file a complaint with the FTC OIG about internal wrongdoing can file a complaint on the OIG website via a specialized link to the [FTC Consumer Response Center](#) or by calling 202-326-2800. 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, fraud, or other wrongdoing to the OIG will be protected from disclosure consistent with provisions of the Inspector General Act and privacy laws. In addition, the Inspector General Act and the Whistleblower Protection Act prohibit retaliation against employees for filing complaints or cooperating with the OIG.

Every 6 months we provide Congress with a report detailing our independent oversight of the FTC during the reporting period. The report is sent to the FTC Chair, the President of the Senate, the Speaker of the House, and the FTC's appropriating and authorizing committees. This report is our 60th semiannual report. In the years to come, we look forward to continuing our efforts to provide independent and effective oversight of the FTC and working with the Council of Inspectors General on Integrity and Efficiency on important issues that cut across our government.

### We perform the following services:

**AUDITS AND EVALUATIONS.** To assess the efficiency and effectiveness of FTC programs and operations; quality of information security and privacy efforts; and adherence to federal requirements for annual financial statements

**INVESTIGATIONS.** To detect and deter fraud, waste, abuse and misconduct involving FTC employees and individuals or entities having contracts with or obtaining benefits from the agency

**MANAGEMENT ADVISORIES.** To guide management and staff on process improvements and ways to avoid recurring patterns of fraud or misconduct identified in our audits and investigations

**INFORM STAKEHOLDERS.** To keep FTC leadership, Congress, and the public informed of OIG oversight activities

# Audits, Evaluations, and Related Oversight Activities

## Completed Reports

During this period, the OIG issued three products – a report on FTC compliance with the Improper Payments Elimination and Recovery Act; a report on the FTC’s top management challenges; and a report on an audit of acquisition planning activities.

### FY 2018 Report on Top Management Challenges

The *Reports Consolidation Act of 2000* requires that each agency’s Inspector General provide an annual summary perspective on the most serious management and performance challenges facing the agency, and a brief assessment of the agency’s progress in addressing those challenges. The challenges summarized in our *FY 2018 Report on the FTC’s Most Serious Management Challenges* are based on work conducted by the our office along with observations and discussions with FTC senior leaders.

The OIG identified the following issues as the most serious management challenges facing the FTC.

1. Securing Information Systems and Networks from Destruction, Data Loss, or Compromise
2. Addressing the Escalating Costs of Expert Witnesses

The OIG also included a “watch list” of the following issue areas that do not rise to the level of serious management and performance challenges, but nonetheless require management’s continued attention.

1. Development of a Risk Management Framework in Support of the Federal Information Security Modernization Act (FISMA)
2. Acquisition Planning and Contract Management
3. Improper Influences by Former Officials and Employees

### Audit of the Federal Trade Commission’s Acquisition Planning Activities

The objective of our audit was to determine if the FTC properly plans and awards contracts in accordance with applicable laws, regulations, and policies. We found that the FTC’s Financial Management Office (FMO), Acquisitions Division, made improvements to the acquisition process during the course of our audit. Still, several opportunities exist to further develop processes and enhance the administration of contracts, including: (1) improving controls over contract file documentation; and (2) strengthening legal review processes embedded into the acquisition process. We recommended that the FTC: (1) Develop a policy that clearly identifies the documents required to be in contract files to constitute a complete history of the transaction, including records normally contained in the contract file as identified in section 4.803 of the Federal Acquisition Regulation; and (2) Develop requirements for a systematic legal review process for acquisitions that meet identified conditions.

### Fiscal Year 2017 Compliance with the Improper Payments Elimination and Recovery Act of 2010

Under the requirements of the Improper Payments Elimination and Recovery Act of 2010 (IPERA), OIGs must annually review agency improper payment reporting and determine whether agencies have complied

with IPERA requirements. The OIG determined that the FTC is compliant with the IPERA and applicable guidance. The agency published audited financial statements for FY 2017 and posted that report and accompanying materials required under Office of Management and Budget guidance on its website. The agency also reviewed its programs and determined that none are susceptible to significant improper payment under its risk assessment. The agency is not required to publish improper payment estimates, corrective action plans, or reduction targets. Nothing came to the OIG's attention that would indicate that the agency is susceptible to significant improper payments.

## Ongoing Audit and Evaluation Work

### Review of Federal Information Security Modernization Act Compliance

The Federal Information Security Modernization Act of 2014 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 under a contract with the OIG. The OIG is providing contractor oversight and monitoring over the entire process. The objective of the FY 2018 evaluation is to assess the effectiveness of the agency's information security program and practices.

### Audit of the FTC's FY 2018 Consolidated Financial Statements

Under a contract with the OIG, the FTC's Fiscal Year 2018 financial statements are being audited by an independent public accounting firm in accordance with generally accepted government auditing standards. The OIG is providing contractor oversight and monitoring over the entire process. The FY 2018 financial statement audit report will be included in the FTC's FY 2018 Agency Financial Report, to be issued in November 2018.

## Corrective Actions on OIG Recommendations

During this 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 21 recommendations during this reporting period. FTC leadership has devoted significant time, effort, and resources to address legacy FISMA recommendations. These efforts have proven to be valuable, as the FTC has closed 21 of the 30 recommendations that had been open at the end of the prior semiannual reporting period.

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 Act of 1978, as amended, authorizes the Inspector General to receive and investigate allegations of employee misconduct as well as fraud, waste, abuse, and misconduct 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 and contractors, other government agencies, Congress, and the general public. Reported incidents of possible fraud, waste, abuse, or misconduct can give rise to criminal, civil, or administrative investigations.

The OIG maintains a toll-free Hotline number and a dedicated email address to enable individuals to bring matters to the attention of the OIG on a confidential basis. The toll-free Hotline number, facsimile, email address, and ground mail services all serve as means for individuals and entities to communicate allegations of fraud, waste, abuse, and misconduct concerning FTC programs and operations to the OIG.

### Investigations Closed or Initiated

The OIG closed one investigation initiated in a prior period and both initiated and closed another investigation during this period.

#### Alleged False Statements by an FTC Contractor

The OIG received a referral evidencing that an FTC contractor knowingly and willfully made a false statement to the FTC pursuant to the contractor's onboarding regarding the unfavorable circumstances surrounding the departure from a previous federal agency in violation of section 18 U.S.C. § 1001(a)(2). We initiated a criminal investigation and determined that the contractor did in fact have a documented history of unfavorable conduct at the former agency, and that the contractor failed to disclose this information to the FTC on a Standard Form 85P, *Supplemental Questionnaire for Public Trust Positions*.

We further identified evidence that the truthful disclosure of this documented history of misconduct could have potentially impacted the contractor's ability to be deemed "fit to perform work for or on behalf of the Government as a contractor employee" per Executive Order 13467, *Reforming Processes Related to Suitability for Government Employment, Fitness for Contractor Employees, and Eligibility for Access to Classified National Security Information*. We note that FTC management, in consultation with the OIG, previously determined through an independent assessment that the contractor did not pose a significant risk to the agency.

We consulted with the Department of Justice's Public Integrity Section, which opined that this case does not constitute a criminal matter. Following the consultation, we provided a report of investigation to management and the matter is now closed.

#### Alleged Violation of Financial Conflicts Statute

The OIG received a referral from the Office of the General Counsel (OGC) regarding a possible violation of 18 U.S.C. § 208(a), *Acts Affecting a Personal Financial Interest*, by an FTC employee. In its referral, OGC determined that all the elements of a section 208(a) violation were established, and that, while no exemption or waiver was applicable under this statute, several mitigating factors were present. The OIG conducted an independent investigation and concurred with OGC's determination that this employee violated section 208(a). The OIG consulted with the Department of Justice's Public Integrity Section on this matter, which

opined that this case does not constitute a criminal matter. Following the consultation, the OIG provided a report of investigation to management, and this matter is now closed.

## Preliminary Inquiries

During the reporting period, the OIG closed six preliminary inquiries, including four opened in prior periods and two opened and closed this period. We initiated two other preliminary inquiries during this period that remain open. Preliminary inquiries can involve OIG requests for records or other information prior to opening a formal investigation. Investigators conducting preliminary inquiries will use many of the lawful methods allowed in full investigations, with the exception of activities like electronic surveillance, physical searches, or the acquisition of foreign intelligence.

## Management Advisories and Referrals

During this reporting period, the OIG issued one management referral stemming from investigative activity, as highlighted below.

### Management Referral

In April 2018, the OIG received a complaint that an FTC employee was improperly claiming compensatory time in connection with official travel that never occurred. A review of the relevant records establish that the former employee claimed up to 18.5 hours of compensatory time for scheduled business travel that was later cancelled, and that compensatory time earned in question was subsequently certified by the employee's then supervisor. The OIG referred these allegations to management, which, in response, conducted a mandatory time and attendance training for relevant employees that included the proper use of compensatory time and overtime while on business travel. The FTC is also seeking full restitution of the benefits inappropriately gained by the employee, whom we note departed from the agency prior to the conclusion of our review.

## OIG Hotline Complaints

From April 1, 2018 to September 30, 2018, the OIG received 97 consumer complaints, inquiries, and reports of possible wrongdoing. Of these complaints, the OIG addressed 12, as compared to 18 in the prior reporting period and 7 during the same period in FY 2017. The OIG redirected or referred the remaining 85 complaints to either the FTC's Consumer Response Center (CRC) or other FTC offices. No complaints were forwarded to the FTC's Freedom of Information Act office during this reporting period.

The 97 complaints/inquires/reports of wrongdoing received by the OIG this reporting period represents a 32% decrease from the previous reporting period. This reflects a more efficient handling of complaints through an online tool that directs consumers from the OIG's homepage to the CRC, rather than through the OIG Hotline. Consumers may now quickly access the direct channel for filing consumer complaints with the FTC, thereby improving OIG office efficiency by reducing the number of consumer complaints the OIG receives via voicemail and email.

## Other OIG Activities

### Collaboration with Other Agencies

During this reporting period, in conducting audits, investigations, and other activities, the OIG either assisted, sought assistance from, or conferred with various federal agencies and OIGs, including the: Federal Bureau of Investigation; Department of Justice's Public Integrity Section; Department of Agriculture OIG; Federal Election Commission OIG; Federal Labor Relations Authority OIG; Equal Employment Opportunity Commission OIG; Election Assistance Commission OIG; Pension Benefit Guaranty Corporation OIG; Small Business Administration OIG; and Treasury Inspector General for Tax Administration.

### Engagement with the Inspector General Community

The Inspector General is an active participant in the Council of the Inspectors General on Integrity and Efficiency (CIGIE), an independent entity within the Executive Branch comprised of federal Inspectors General. CIGIE's mission is to address integrity, economy, and effectiveness issues that transcend individual government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of the Inspectors General. The FTC Acting Inspector General serves on the CIGIE Audit Committee.

Under the Acting Inspector General's leadership, the entire OIG team plays an active role in the OIG community. The Counsel to the Inspector General serves on the CIGIE Council of Counsels to the Inspectors General working group, Small OIG Counsels working group, and the Investigations Committee, and he contributes to the legal and investigative discourse on matters germane to the entire OIG community. The IG's Counsel also served on a panelist for the 2018 CIGIE Awards Program during this reporting period, which was tasked with identifying distinguished individuals and groups within the OIG community deserving of recognition for their achievements. The Program Analyst participates in the bimonthly meetings of the Inspection and Evaluation Roundtable, a subcommittee of the CIGIE Inspections and Evaluations Committee, and contributes to the discourse involving evaluation developments and best practices. The Program Analyst is also a member of the CIGIE workgroup for the central OIG community electronic work papers contract. The Audit Manager is an adjunct trainer for the CIGIE Peer Review training offered to the greater OIG community.

Moreover, the OIG participated in an OIG community-wide effort to commemorate the 40th anniversary of the Inspector General Act, which was signed into law in October 1978. The commemoration, entitled *Building on 40 Years of Excellence in Independent Oversight*, celebrated significant contributions the IG community has made towards better government and will highlight major contributions from across the OIG community.

### Significant Management Decisions

Section 5(a)(12) of the Inspector General Act of 1978, as amended, requires that if the Inspector General 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 Inspector General disagreed.

## Review of Legislation

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

## Access to Information

Inspectors General must have ready access to all agency records, information, or assistance when conducting an investigation or audit. Section 6(c)(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(c)(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

### Whistleblower Protection

In furtherance of our efforts to educate the FTC workforce on the whistleblower protection laws, the OIG collaborated with management on the implementation of the Office of Special Counsel's (OSC) Section 2302(c) certification program. This program assists agencies in meeting their statutory requirements to inform employees of their rights and remedies under 5 U.S.C. § 2302. Management continues to take the necessary steps towards becoming "OSC certified," including educating employees on their whistleblower protections and providing FTC supervisors with interactive whistleblower training. During this reporting period, the OIG participated in the FTC's supervisory development program for new supervisors to educate them on their whistleblower protection responsibilities, and we will participate in additional trainings in the coming months.

### Cross-Community OIG Consumer Fraud Initiative

During this reporting period, the OIG continued its collaboration with the FTC Bureau of Consumer Protection and various OIGs to identify opportunities to increase and enhance consumer fraud investigations. The initiative focuses on extending the use and value of the FTC's Consumer Sentinel Network (CSN) – a secure online database currently housing over 16 million consumer complaints largely dating from calendar year (CY) 2014 through CY 2018. CSN has observed a 46 percent increase in usage by individuals within the OIG community since the initiative began in December 2016. There are currently 24 OIGs actively utilizing CSN, which have contributed over 3,500 CSN complaints to date.



CSN is a unique investigative cyber tool that provides law enforcement members with access to millions of consumer complaints. Based on the premise that sharing complaint information can make law enforcement even more effective, CSN allows members to access consumer complaints submitted directly to the FTC, as

well as complaints shared by 40 data contributors, including the Consumer Financial Protection Bureau, 20 State Attorneys General, and all North American Better Business Bureaus. Over 2,600 federal, state, local, and international law enforcement users have access to CSN, and hundreds of individual members access the system each week. The top identifiable trends in these complaints during the last reporting period were debt collection, imposter scams, and identity theft. During this reporting period, the FTC and OIG provided a CSN tutorial to the Pension Benefit Guaranty Corporation OIG.

Additionally, OIGs are utilizing the vast resources of CSN to successfully investigate consumer fraud cases including impersonation scams. To illustrate, on September 6, 2018, 20 individuals and entities were indicted by the United States Attorney's Office, Northern District of Georgia, for their involvement in a fraudulent India-based call-center scheme that victimized over 2,000 U.S. citizens resulting in over \$5.5 million in losses. In its investigation, the Treasury Inspector General for Tax Administration used CSN searches to identify defendants, victims, and the victims' financial losses.

## Oversight.gov

[Oversight.gov](https://www.oversight.gov) contains a single database of the completed work of all Inspectors General that publicly post reports. Users can sort, search, and filter the database of products from CIGIE's member OIGs, including by geographic location using the map feature. Contact information for each OIG's whistleblower hotline is also available. Users can further receive notifications when new reports are added to the site by following CIGIE's Twitter account [@OversightGov](https://twitter.com/OversightGov).

## Appendix I – Peer Reviews

Peer Review Activity	Results
Peer Reviews conducted by another OIG	The most recent peer review of the FTC OIG audit organization for the period ended March 31, 2018, was completed by the Office of Inspector General for the Federal Labor Relations Authority (FLRA OIG). FLRA OIG’s System Review Report, dated July 2, 2018, is available on FTC OIG’s website. FTC OIG received a rating of <i>pass</i> —the highest possible rating. There were no peer reviews conducted by another OIG during this reporting period.
Outstanding recommendations from peer reviews of the FTC OIG	There are no outstanding recommendations from peer reviews of the FTC OIG.
Peer Reviews conducted by the FTC OIG	The FTC OIG completed a peer review, dated September 7, 2018, of the Election Assistance Commission’s audit operations for the three-year period ending March 31, 2018.
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 Recommendations in Previous Semiannual Reports on which Corrective Action has not Been Completed

### Independent Evaluation of the Federal Trade Commission’s Information Security Program and Practices for Fiscal Year 2017 (Issued 02/27/2018)

Recommendations	Total	9
	Management concurrences	9
	Management non-concurrences	--
Status of Recommendations	Closed	5
	Open	4

#### Open Recommendations

**Recommendation FY 2017 – 02, Authority to Operate (ATO) Process:** FTC should institute configuration management of its Cyber Security Assessment and Management (CSAM) process; produce security artifacts that support effective analysis of CSAM security controls and granting of an FTC ATO; and validate the CSAM database.

**Recommendation FY 2017 – 07, Information Resource Management (IRM) Strategy:** FTC should develop an IRM Plan that addresses the topics the Office of Management and Budget identified for inclusion. The FTC should incorporate metrics into its IRM Plan that allow the performance and cost to be monitored. The FTC should monitor IRM Plan status and costs at least on an annual basis.

**Recommendation FY 2017 – 08, Configuration Management:** FTC should develop an agency-wide configuration management policy that applies to any information systems supporting the FTC. The policy should require development of procedures that are specific to individual systems. The FTC configuration management policy should also require configuration control for all system and information security artifacts.

**Recommendation FY 2017 – 09, Contingency Planning:** FTC should revise its incident response and information system contingency plans to ensure they provide viable procedures for responding to system outages and potential sensitive information compromises. The revised plans should include policies and protocols for US-CERT reporting, maintaining activity logs, communications with stakeholders, and After-Action reporting that includes root cause analyses, activity log analyses, and timely reporting. Plans should be tested at least annually.

### Management Letter for the Fiscal Year 2017 Financial Statement Audit (Issued 12/21/2017)

<b>Recommendations</b>	<b>Total</b>	1
	<b>Management concurrences</b>	1
	<b>Management non-concurrences</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	0
	<b>Open</b>	1

#### Open Recommendation

**Recommendation FY 2017 – 01, Employee Debt Receivables Over 120 Days For Which FTC Financial Management Operations Had Taken No Recent Follow-Up Action:** We recommend that the Chief Financial Officer:

- a. Ensure the FTC finalizes Agency policies and procedures regarding employee debt receivables
- b. Evaluate the outstanding employee debt receivables and make a decision to collect or refer to Treasury for collections.
- c. Generate demand letters for Agency identified collection initiatives.
- d. Make a decision on how to compute and record additional charges.

### Independent Evaluation of the Federal Trade Commission’s Compliance with Provisions of the Digital Accountability and Transparency Act of 2014 (Issued 11/08/2017)

<b>Recommendations</b>	<b>Total</b>	1
	<b>Management concurrences</b>	1
	<b>Management non-concurrences</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	0
	<b>Open</b>	1

#### Open Recommendation

**Recommendation 1:** We recommend that the Chief Financial Officer implement procedures to ensure that the Federal Trade Commission Financial Management Office evaluates “Period of Performance Start Date,” “Period of Performance Current End Date,” “Period of Performance Potential End Date,” and “Action Date” data elements for accuracy on a consistent basis.

### Independent Evaluation of the Federal Trade Commission’s Information Security Program and Practices for Fiscal Year 2016 (Issued 03/01/2017)

Recommendations	Total	8
	Management concurrences	8
	Management non-concurrences	--
Status of Recommendations	Closed	7
	Open	1

#### Open Recommendation

**Recommendation FY 2016 – 06, Implement Information Security Continuous Monitoring (ISCM):** The FTC should implement a fully compliant ISCM as described in its ISCM Plan in FY 2013 and its ISCM Strategy, dated November 2014.

### Opportunities Exist to Accelerate Maturation of the FTC's Information Technology Governance Practices (Issued 09/30/2016)

Recommendations	Total	15
	Management concurrences	15
	Management non-concurrences	--
Status of Recommendations	Closed	14
	Open	1

#### Open Recommendation

**Recommendation 13, System Security Plan:** Develop a System Security Plan for the mobile device project based on National Institute of Standards and Technology Special Publication 800-53, Revision 4, *Security and Privacy Controls for Federal Information Systems and Organizations*. The plan should leverage the existing Data Center ATO and Maas360 PATO as appropriate.

**Independent Evaluation of the Federal Trade Commission’s Information Security Program and Practices for Fiscal Year 2015 (Issued 02/29/2016)**

<b>Recommendations</b>	<b>Total</b>	7
	<b>Management concurrences</b>	7
	<b>Management non-concurrences</b>	--
<b>Status of Recommendations</b>	<b>Closed</b>	6
	<b>Open</b>	1

**Open Recommendation**

**Recommendation FY 2015 – 07, Contractor Systems:** FTC should implement user-focused metrics for the FTC Datacenter and determine whether the monitoring approach or similar approach should be expanded to other FTC systems.

## Appendix III – OIG 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 costs 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
<ul style="list-style-type: none"> <li>based on proposed management actions</li> </ul>		
<ul style="list-style-type: none"> <li>based on proposed legislative actions</li> </ul>		
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
Reports for which no management decision was made within six months of issuance	0	0

## Appendix V – Summary of each Audit, Inspection, and Evaluation Report Issued before Commencement of the Reporting Period<sup>1</sup>

Fiscal Year	Number of Reports with Unimplemented Recommendations	Number of Unimplemented Recommendations	Dollar Value of Aggregate Potential Cost Savings
FY 2018	3	6	0
FY 2017	1	1	0
FY 2016	2	2	0
<b>TOTAL for All Fiscal Years</b>	<b>6</b>	<b>9</b>	<b>0</b>

<sup>1</sup> In accordance with section 5(a)(10) of the Inspector General Act of 1978, as amended, there are no reports for which a management decision had not been made, no reports for which establishment comment was not returned within 60 days of providing the report to the establishment, and no reports containing significant revised management decisions or with which the OIG is in disagreement. Additionally, there are no cost savings associated with the recommendations in this table.

## Appendix VI – OIG Investigative Activity During this Reporting Period<sup>2</sup>

	Number
A. Number of Investigative reports issued	2
B. Number of persons referred to DOJ for criminal prosecution	2 <sup>3</sup>
C. Number of persons referred to State and Local authorities for criminal prosecution	0
D. Number of criminal indictments and criminal information resulting from any prior referrals to prosecutive authorities	0

<sup>2</sup> These statistics are based on the number of investigative reports issued during this semiannual reporting period; the number of persons referred to federal, state, or local authorities for criminal prosecution during this semiannual reporting period; and the number of criminal indictments/informations that occurred during this semiannual reporting period resulting from referrals made during the current and previous reporting periods.

<sup>3</sup> The referenced referrals involve consultations the OIG had with DOJ’s Public Integrity Section (PIN). Per PIN’s internal policy, the office does not accept formal referrals or offer formal criminal declinations. However, PIN coordinates with various U.S. Attorney’s Offices on these matters as appropriate.

## Appendix VII – Completed OIG Investigations Involving a Senior Government Employee Where Allegations of Misconduct Were Substantiated<sup>4</sup>

Number of Investigations Involving a Senior Government Employee where Allegations of Misconduct were Substantiated	
There was one investigation involving a GS-15 career employee where allegations of misconduct were substantiated.	
	Detailed Description
A. Facts and Circumstances of the investigation	A GS-15 career employee violated 18 U.S.C. § 208(a), <i>Acts Affecting a Personal Financial Interest</i>
B. Status and disposition of the matter, including, if referred to DOJ, the date of referral; and, if declined by DOJ, the date of declination	Referred to DOJ Public Integrity Section on July 2, 2018, which informally declined prosecution on July 3, 2018. The OIG subsequently referred the matter to management, which closed it with an informal consultation with the employee.

<sup>4</sup> The Inspector General Empowerment Act of 2016 defines “senior government employee” as – “(A) an officer or employee in the executive branch (including a special Government employee as defined in section 202 of title 18, United States Code) who occupies a position classified at or above GS–15 of the General Schedule or, in the case of positions not under the General Schedule, for which the rate of basic pay is equal to or greater than 120 percent of the minimum rate of basic pay payable for GS–15 of the General Schedule; and (B) any commissioned officer in the Armed Forces in pay grades O–6 and above.”

## Appendix VIII – Substantiated Instances of Whistleblower Retaliation

Number of Substantiated Instances of Whistleblower Retaliation	
There were no substantiated instances of whistleblower retaliation.	
	Detailed Description
A. Information about the official found to have engaged in retaliation	N/A
B. Any consequences the agency imposed to hold the official accountable	N/A

## Appendix IX – Attempts by the Agency to Interfere with the Independence of the OIG

Number of Attempts by the Agency to Interfere with the Independence of the OIG	
The FTC OIG encountered no attempts to interfere with OIG independence.	
	Detailed Description
A. Attempts to interfere with budget constraints designed to limit OIG capabilities	N/A
B. Incidents where the agency has resisted or objected to OIG oversight or restricted or significantly delayed OIG access to information, including the justification of the agency for such action	N/A

## Appendix X – Closed OIG Matters Not Disclosed to the Public

	Detailed Description
<p>A. Inspections, evaluations, and audits conducted by the OIG that are closed and were not publicly disclosed</p>	<p>N/A</p>
<p>B. Investigations conducted by the OIG involving a senior government employee that are closed and were not publicly disclosed</p>	<p>N/A</p>

## Appendix XI – Inspector General Act Reporting Requirements Index

IG Act Reference	Reporting Requirements	Pages(s)
Section 4(a)(2)	Review of legislation and regulations	8
Section 5(a)(1)	Significant problems, abuses and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	11-14
Section 5(a)(4)	Matters referred to prosecutive authorities	18
Section 5(a)(5)	Summary of instances where information or assistance was unreasonably refused or not provided	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	3-4
Section 5(a)(8)	Statistical tables showing number of reports and dollar value of questioned costs	15
Section 5(a)(9)	Statistical tables showing number of reports and dollar value of recommendations that funds be put to better use	16
Section 5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period (A) for which no management decision has been made by the end of the reporting period; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C ) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations	17
Section 5(a)(11)	Significant revised management decisions	None

Section 5(a)(12)	Significant revised management decisions with which the Inspector General disagrees	None
Section 5(a)(14)	Peer reviews conducted by another OIG	10
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
Section 5(a)(17) and (18)	OIG Investigative Activity during this Reporting Period	18
Section 5(a)(19)	OIG Investigations involving Senior Government Employees Where Allegations of Misconduct Were Substantiated	19
Section 5(a)(20)	Substantiated Instances of Whistleblower Retaliation	None
Section 5(a)(21)	Attempts by the Agency to Interfere with OIG Independence	None
Section 5(a)(22)	Closed OIG Matters Not Disclosed to the Public	None

# Contact the OIG

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Fax (202) 326-2034

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