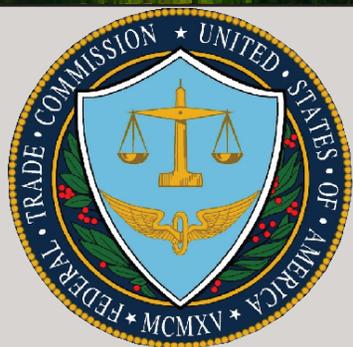


# Semiannual Report to Congress



Federal Trade Commission  
Office of Inspector General  
October 1, 2020 - March 31, 2021

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## Message from the Inspector General

On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our latest Semiannual Report to Congress. This report summarizes the activities and accomplishments of our team from October 1, 2020 through March 31, 2021.

Our six-member team has risen to every challenge encountered in the past year and maintained its high level of productivity, issuing four reports and completing one investigation and one inquiry. We also assumed new leadership roles and continued in our existing leadership roles within the greater Inspector General community.

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

I further personally thank our talented team, whose resilience and flexibility throughout the last year has allowed the OIG to maintain its effectiveness in promoting economy, efficiency, and effectiveness at the FTC and detecting and preventing waste, fraud, abuse, and misconduct in the agency's operations and programs.

During this new administration, we look forward to continuing to provide independent and effective oversight of the FTC and working with our stakeholders and the larger Inspector General community on important issues that cut across our government.

Andrew Katsaros



# FTC OIG Snapshot

## FY 2021 Budget at a Glance

	<b>Budget (in thousands)</b>	<b>Authorized Positions</b>
<b>FTC</b>	\$ 351,000.0 <sup>1</sup>	1,140
<b>FTC OIG</b>	\$ 1,794.1	7
<b>FTC OIG %</b>	0.5%	0.6%

<sup>1</sup>This amount does not include an additional \$30.4 million for COVID-19 related work authorized on March 11, 2021 via the American Rescue Plan Act of 2021 and available through fiscal year 2026.

## Employees by Position

Inspector General  
 Counsel to the Inspector General  
 Chief Investigator  
 Auditor/Team Lead  
 Auditor/Team Lead  
 Program Analyst/Auditor (vacant)  
 Administrative Assistant

## Contact Information

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# Audits, Evaluations, and Related Oversight

## Completed Products

During this period, the OIG issued the following four audit, evaluation, and related oversight products: (1) the fiscal year 2020 financial statement audit; (2) an audit of the FTC's compliance with Federal Information Security Management Act (FISMA) requirements; (3) a risk assessment of the agency's purchase card and travel card programs; and (4) a review of the FTC's compliance with Executive Order 13950.

### **Audit of the FTC's Fiscal Year 2020 Financial Statements**

Under a contract with the OIG, an independent public accounting firm (IPA) audited the FTC's Fiscal Year 2020 financial statements in accordance with generally accepted government auditing standards. In its audit, the IPA found: (1) that the FTC's financial statements as of and for the fiscal years ending September 30, 2020 and 2019, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) no material weaknesses in internal control over financial reporting based on the limited procedures performed; and (3) no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements tested. The OIG monitored the contractor's progress throughout the audit.

### **Audit of FTC's Compliance with the Federal Information Security Modernization Act (FISMA)**

The Federal Information Security Modernization Act of 2014 (FISMA) requires each OIG, on an annual basis, to evaluate its agency's information security and privacy program and practices to determine their effectiveness. Under a contract with the OIG, an IPA performed the FY 2020 evaluation in accordance with generally accepted government auditing standards. The contractor found that the FTC's information security program and practices were effective for the period October 1, 2019 to September 30, 2020, and had no recommendations to improve the FTC's security posture. The OIG monitored the contractor's progress throughout the audit.

### **Risk Assessment of the FTC's Charge Card Program**

We completed our annual risk assessment of the FTC's charge card program pursuant to the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194), as implemented by OMB Circular No. A-123, Appendix B. Our objective was to analyze the risks of improper purchases in the FTC's fiscal year 2020 purchase and travel card programs. Based on the results of our overall assessment, as well as additional tests of transactions, we identified the risk level of the FTC's purchase card and travel card programs as low. The OIG made no recommendations. We will use the results of our assessment to determine the scope and frequency of future audits or reviews of charge card programs.

### **Review of FTC's Compliance with Executive Order 13950**

In response to a request made by former FTC Chairman Joe Simons pursuant to Executive Order (EO) 13950, *Combating Race and Sex Stereotyping* (September 22, 2020), the OIG reviewed the FTC's compliance with EO 13950 as of January 14, 2021. The OIG found that, of the EO's seven requirements that applied to the FTC, the FTC was fully compliant with six and was in the process of becoming fully compliant with the seventh.

On January 20, 2021, President Biden issued EO 13985, *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, which rescinded EO 13950. As such, the OIG will not be doing any further work related to EO 13950 going forward.

## **Ongoing Audit, Evaluation, and Related Oversight Work**

Our office is continuing work on three audit and related oversight products.

### **Audit of the FTC's Personal Identity Verification (PIV) Badge Program**

Homeland Security Presidential Directive-12 (HSPD-12) establishes the requirements for a common identification standard for identity credentials issued by federal departments and agencies to federal employees and contractors (including contractor employees) for (1) gaining physical access to federally controlled facilities and (2) logical access to federally controlled information systems. The Personal Identity Verification (PIV) badge authenticates the individual and authorizes entry into an area relative to the access rights of the individual.

The objective of this performance audit is to determine whether the FTC's PIV Badge access system meets federal requirements, and to assess the coordination among offices that have a role in securing FTC's physical access.

### **Audit of the FTC Contracting Officer's Representative (COR) Program**

The COR plays a vital role in the successful administration of federal contracts and, in coordination with the contracting officer (CO), monitors contractor performance for potential or actual problems. COs are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships

The objective of this performance audit is to determine whether the FTC's COR program complies with Federal requirements and FTC policies and procedures and whether the FTC properly maintains closed-out contracts.

### **FTC Compliance with Fiscal Year 2020 Improper Payments Requirements**

The objective of this review is to determine whether the FTC is compliant with the Payment Integrity Information Act of 2019 (PIIA) (Public Law 116-117).

# Investigations

## Investigations Summary

Category of Data	Number
Indictments and Informations	0
Referrals to State Authorities for Prosecution	0
Referrals to the Department of Justice for Prosecution	1
Preliminary Inquiries Opened	2
Open Investigations	1
Reports Issued	0
Investigations Closed	1

## Significant Matters and Activities

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

### Violation of Financial Conflicts Statute

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

### Investigation Update

In the OIG’s Semiannual Report dated October 31, 2020, the OIG reported closing an investigation that found that the employee had used government resources to engage in outside employment activities in violation of 5 C.F.R. § 2635.704, refused to obtain the required outside employment approval in violation of 5 C.F.R. § 5701.101, and did not cooperate with the OIG during the investigation.

Following the OIG’s investigation, the OIG issued a Report of Investigation to the FTC. On October 9, 2020, FTC staff recommended the employee’s removal. Effective January 2, 2021, the employee resigned from her position at the FTC.

## Hotline Information

Category of Data	Number
Inquiries and Complaints Received	285
Complaints Addressed	9
Complaints Referred to Other FTC Offices	276

# Engagement, Review of Legislation, and Peer Reviews

## Inspector General and Federal Community Engagement

The OIG continued to actively participate in community-wide activities, particularly those involving the Council of the Inspectors General on Integrity and Efficiency (CIGIE), an independent entity within the Executive Branch comprised of Federal inspectors general. We coordinated with and assisted various OIGs during the period on activities that include investigations, planning, and audit support.

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

## Review of Legislation

Pursuant to IG Act Section 4(a)(2), during this period, the OIG reviewed legislation and/or regulations both individually and in coordination with CIGIE's Legislation Committee.

## Peer Reviews

The FTC OIG was not peer reviewed by another OIG during this reporting period. The last peer review of the FTC OIG, which reviewed audit operations, was issued on July 2, 2018 and the next peer review of audit operations will be completed this year. There are no outstanding recommendations from peer reviews conducted by other OIGs of the FTC OIG.

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

## Appendix I - Significant Recommendations in Previous Semiannual Reports on which Corrective Action Has not Been Completed

Report	Issue Date	Recommendation #	Open Recommendations <sup>1</sup>
<b>Audit of Federal Trade Commission Interagency Agreement Processes</b>	9/30/2020	1	Develop a mitigation practice for acquiring updated information on all interagency agreements when this information is not available from the Department of Treasury’s Administrative Resource Center
		2	Identify the universe of open assisted acquisitions and, if needed, prepare the required documentation, including the Determination and Finding
		3	Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions
<b>Audit of the FTC’s Personnel Security and Suitability Program</b>	9/29/2020	1	Migrate all PSSP suitability investigation information into a single system
		2	Finalize standard operating procedures for employee pre-screenings, background investigations, suitability determinations, adjudications, and documentation requirements for background case files
<b>Management Advisory on Travel and Purchase Card Processes</b>	6/24/2020	1	Develop a process for tracking trends on the timeliness of travel authorization approvals
		2	Ensure that FTC travelers obtain and use a government issued travel card for official travel
		3	Monitor and document exceptions to monthly purchase card limits

<sup>1</sup> The OIG does not have anything to report pursuant to IG Act Sections 5(a)(10)(A) & (B), which require the OIG to summarize reports issued before the commencement of the reporting period for which either no management decision has been made by the end of the reporting period or establishment comment was not returned within 60 days of providing the report to the establishment. Additionally, the OIG does not have any costs savings to report in accordance with IG Act Section 5(a)(10)(C).

## Appendix I - Significant Recommendations in Previous Semiannual Reports on which Corrective Action Has not Been Completed (continued)

Report	Issue Date	Recommendation #	Open Recommendations
		4	Identify and mitigate instances of unallowable reimbursements of professional membership fees
<b>Audit of Federal Trade Commission’s Compliance with the DATA Act</b>	11/8/2019	1	Revise internal control procedures and processes to ensure that reconciliation differences are resolved timely and prior to DATA Act submission
		2	Revise internal control procedures and processes to ensure award level data is accurately entered into FPDS-NG and any DATA Act reporting errors are identified and corrected timely
		3	Revise control procedures and processes to ensure contract awards are recorded into FPDS-NG timely
<b>Management Advisory on Accountable Personal Property</b>	10/21/2019	2	The FTC Executive Director should update Chapter 4, Section 200 of the FTC Administrative Manual to reflect current positions and those duties that should be performed by separate individuals
<b>Audit of Federal Trade Commission Acquisition Planning Activities<sup>2</sup></b>	9/28/2018	2	The FTC Executive Director should develop requirements for a systematic legal review process for acquisitions that meet identified conditions

<sup>2</sup> This open recommendation was not identified as such in our Semiannual Report to Congress for the period ended September 30, 2020.

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

Category	Number	Questioned Costs	Unsupported Costs	Funds to be Put to Better Use
Audit, inspection, and evaluation reports for which no management decision has been made by the commencement of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports which were issued during the reporting period	2	0	0	0
Audit, inspection, and evaluation reports for which a management decision was made during the reporting period <sup>3</sup>	2	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made by the end of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made within six months of issuance	0	0	0	0

<sup>3</sup>The OIG does not have any disallowed costs or costs not disallowed to report pursuant to IG Act Section (5)(a)(8)(C). Likewise, the OIG does not have anything to report, pursuant to IG Act Section (5)(a)(9)(C), related to dollar values of recommendations for which there was a management decision agreed to during this reporting period.

# Appendix III - IG Act Reporting Requirements Index

IG Act Section	Reporting Requirement	Page No./Comment
4(a)(2)	Review of legislation and regulations	None to Report
5(a)(1)	Significant problems, abuses and deficiencies	None to Report
5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None to Report
5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	Appendix I
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Page 6
5(a)(5)	Reports made to the head of the establishment under IG Act Section 6(c)(2) during the reporting period	Page 4
5(a)(6)	List of reports issued during the reporting period	Appendix II
5(a)(7)	Summary of each particularly significant report	Page 4
5(a)(8) & 5(a)(9)	Statistical tables showing the total number of reports and dollar value of questioned costs and funds to be put to better use	Appendix II
5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period	5(a)(10)(A) - None to report
	(A) for which no management decision has been made by the end of the reporting period;	5(a)(10)(B) - None to report
	(B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and	5(a)(10)(C) - Appendix I
	(C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations	
5(a)(11)	Significant revised management decisions during the reporting period	None to report
5(a)(12)	Significant management decision with which the Inspector General is in disagreement	None to report