FISCAL YEAR 2022

AGENCY FINANCIAL REPORT

FEDERAL TRADE COMMISSION

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INTRODUCTION

ABOUT THIS REPORT

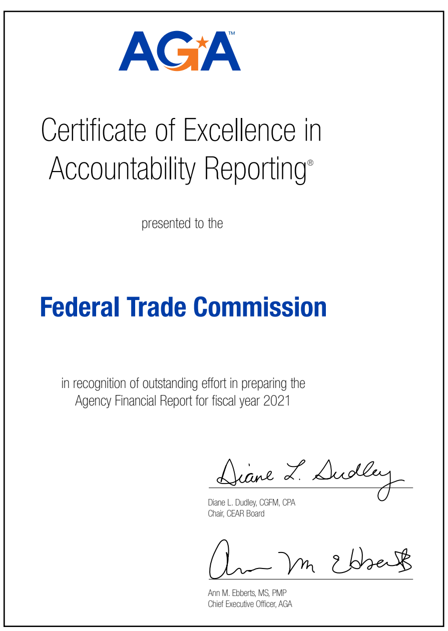
The Federal Trade Commission's (FTC) fiscal year (FY) 2022 Agency Financial Report (AFR) provides financial and high-level performance results and demonstrates to the Congress, the President, and the public the FTC's commitment to its mission and accountability over the resources entrusted to it.

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

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

The FTC publishes both an AFR and an Annual Performance Report (APR). The FY 2022 APR will be combined with the FY 2024 Annual Performance Plan (APP) and included in the FY 2024 Congressional Budget Justification. The combined APP and APR will be available at https://www.ftc.gov/about-ftc/budget-strategy/budget-performance-financial-reporting along with other performance documents.

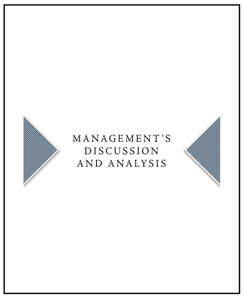
CERTIFICATE OF EXCELLENCE



The FTC received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for its FY 2021 AFR. The FTC also received a Special Recognition "Best-in-Class" Award for discussion that highlights the agency's value. The FY 2021 AFR demonstrated the value provided by the FTC, while quantifying the benefits the agency brought to the American public by highlighting examples of cases and investigations the agency pursued.

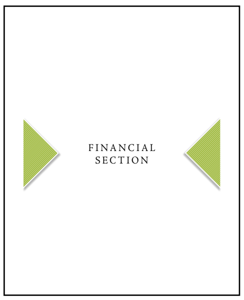
HOW THIS REPORT IS ORGANIZED

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



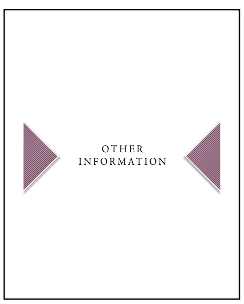
1. MANAGEMENT'S DISCUSSION AND ANALYSIS

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



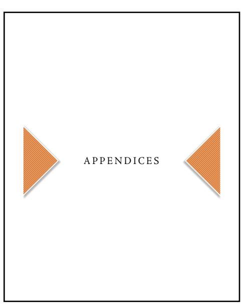
2. FINANCIAL SECTION

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



3. OTHER INFORMATION

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



4. APPENDICES

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

THE FTC AT-A-GLANCE

HISTORY

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

LAWS ENFORCED

The FTC is an independent law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws and regulations. Examples include the Federal Trade Commission Act, Clayton Act, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act, and Equal Credit Opportunity Act. In total, the commission has enforcement or administrative responsibilities under more than 80 other laws.

PROFILE

- The agency is headquartered in Washington, D.C. and operates in seven regions across the United States.
- The agency's estimated full-time equivalent utilization in FY 2022 was 1,119.
- Total new budget authority for FY 2022 is $379 million, which includes $224 million in general fund appropriations and $155 million in spending authority from offsetting collections.

HEADQUARTERS

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

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

Lina M. Khan, *Chair*

Congress created the FTC to foster a vibrant economy fueled by fair competition and an empowered, informed public by rooting out unlawful business practices that harm Americans. In fiscal year 2022, the FTC continued prioritizing vigorous enforcement while also pushing to find efficiencies to help us stretch our scarce resources.

On the consumer protection side, the agency brought its first cases pursuant to the Opioid Addiction Recovery Fraud Prevention Act and the Military Lending Act. In total, the agency filed 33 complaints in federal district court and obtained 41 permanent injunctions and orders requiring defendants to pay more than $162.7 million in consumer redress and disgorgement of ill-gotten gains. That amount is especially significant given that the FTC can no longer use Section 13(b) of the FTC Act to obtain monetary redress and disgorgement, and this legal authority had previously been the primary tool that the Commission used to return money to consumers. Furthermore, the FTC issued 14 new administrative complaints, entered 12 final administrative orders, and reviewed compliance in over 300 matters, which included nearly 2,000 defendants.

On the competition side we have moved to challenge major unlawful deals in critical sectors of the economy, including semiconductors, defense, energy, healthcare, and digital markets. The FTC brought 23 competition enforcement actions during the year. In seven of those matters the agency initiated federal court or administrative litigation. In the other 16 matters the Commission issued consent orders (12) to remedy prospective harm to competition, or the parties abandoned and restructured their transactions (4) in response to the Commission's investigation.

Cognizant that consumer complaints and merger filings have been rising much faster than the agency budget, we are reestablishing deterrence as a key goal. We have worked to establish more effective remedies, reorient our enforcement efforts towards root causes of competitive harm, and provide clarity about how we will execute the law through both individual actions and broader guidance. These actions, along with our continued work on rulemakings, consumer education, advocacy, and research, will ensure the most effective use of our funding.

FINANCIAL MANAGEMENT

The FTC takes very seriously our commitment of responsible stewardship of the public resources entrusted to us by the American taxpayers and Congress. The agency's FY 2022 independent financial audit yielded our 26th consecutive unmodified opinion, the highest audit opinion available. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with internal controls, financial systems, or laws and regulations. I am pleased to report that management's assessment of risks and review of controls and financial systems disclosed no material weaknesses, and that the financial and performance data presented here is reliable and complete (see Statement of Assurance, p. 29).

MANAGEMENT AND PERFORMANCE CHALLENGES

The Office of Inspector General (OIG) identified five management and performance challenges this year: (1) securing information systems and networks from destruction, data loss, or compromise; (2) seeking monetary relief for consumers; (3) successfully managing the volume of merger transactions; (4) controlling expert witness costs; (5) managing records and sensitive agency information. In addition, the OIG highlighted managing consumer misuse of the consumer sentinel network as a "watch list" item that, while not a serious management challenge, still requires attention. Agency management agrees that these are important challenges and concurs with the IG's assessment of our progress in addressing these challenges (see p. 83).

The Commission is committed to vigorously enforcing the law to protect all Americans and to working with federal and state government partners to achieve our mission.

Lina M. Khan, *Chair*
November 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

AGENCY AND MISSION INFORMATION

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

VISION

A vibrant economy fueled by fair competition and empowered, informed public.

MISSION

Protecting the public from deceptive or unfair business practices and from unfair methods of competition through law enforcement, advocacy, research, and education.

WHAT WE DO

Our work to protect consumers and promote competition touches the economic life of every American. We are the only federal agency that deals with consumer protection and competition issues in broad sectors of the economy.

Every day we:

- Pursue strong and effective law enforcement against deceptive, unfair and anticompetitive business practices;
- Create and share practical, plain-language educational programs for consumers and businesses;
- Advance consumers' interests by sharing our expertise with federal and state legislatures and U.S. and international government agencies;
- Develop policy and research tools through workshops, conferences, and hearings.

OUR ORGANIZATION

The FTC is headed by a Commission composed of five Commissioners, nominated by the President and confirmed by the Senate, each serving a staggered seven-year term. No more than three Commissioners may be from the same political party. The President designates one Commissioner to act as Chair who is given the responsibility for the administration of the Commission. Lina M. Khan was sworn in as Chair on June 15th, 2021. The four commissioners who served in FY22 are Noah Phillips, Rebecca Slaughter, Christine Wilson and Alvaro Bedoya. Commissioner Phillips resigned on October 14, 2022.

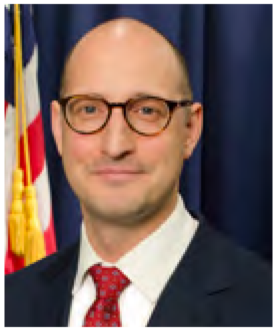
The FTC's mission is carried out by three bureaus:

The Bureau of Competition (BC) seeks to prevent anticompetitive mergers and other anticompetitive business practices in the marketplace. By enforcing the antitrust laws, the Bureau promotes competition and protects consumers' freedom to choose goods and services in an open marketplace at a price and quality that fit their needs.

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

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

Lina M. Khan
Chair
Sworn in: June 15, 2021



Noah Joshua Phillips
Commissioner
Sworn in: May 2, 2018

Rebecca Kelly Slaughter
Commissioner
Sworn in: May 2, 2018

Christine S. Wilson
Commissioner
Sworn in: September 26, 2018

Alvaro Bedoya
Commissioner
Sworn in: May 16, 2022

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

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

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

The Office of Public Affairs mission is to reach, inform, educate, and engage consumers and businesses through media and digital technologies and in collaboration with our internal partners to advance consumer protection and competition. The office is the primary point of contact for all news media inquiries.

The Office of the Chief Privacy Officer manages the FTC's internal privacy program and is responsible for ensuring that the Commission complies with all applicable privacy laws and guidance. The Office of the Chief Privacy Officer identifies the privacy risks, controls, and mitigating solutions when making decisions involving the collection, use, sharing, retention, disclosure and destruction of personally identifiable information. It is also responsible for investigating and mitigating privacy incidents, supporting the FTC mission with an evolving privacy program, and promoting a culture of privacy among FTC staff, contractors, and third parties.

The Office of Policy Planning assists the Commission to develop and implement long-range competition and consumer protection policy initiatives and advises staff on cases raising new or complex policy and legal issues. One of the Office of Policy Planning's primary roles involves advocacy, submitting filings supporting competition and consumer protection principles to state legislatures, regulatory boards, and officials; state and federal courts; other federal agencies; and professional organizations. The Office also organizes public workshops and issues reports on cutting-edge competition and consumer protection topics, addressing questions of substantive antitrust law, industry-specific practices, and significant national and international policy debates.

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

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

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

The Office of the Executive Director is responsible for the administration and management of the Commission through four organizations, which manage the Commission's human capital, information technology, financial management, administrative services, and legal document processing and records management activities.

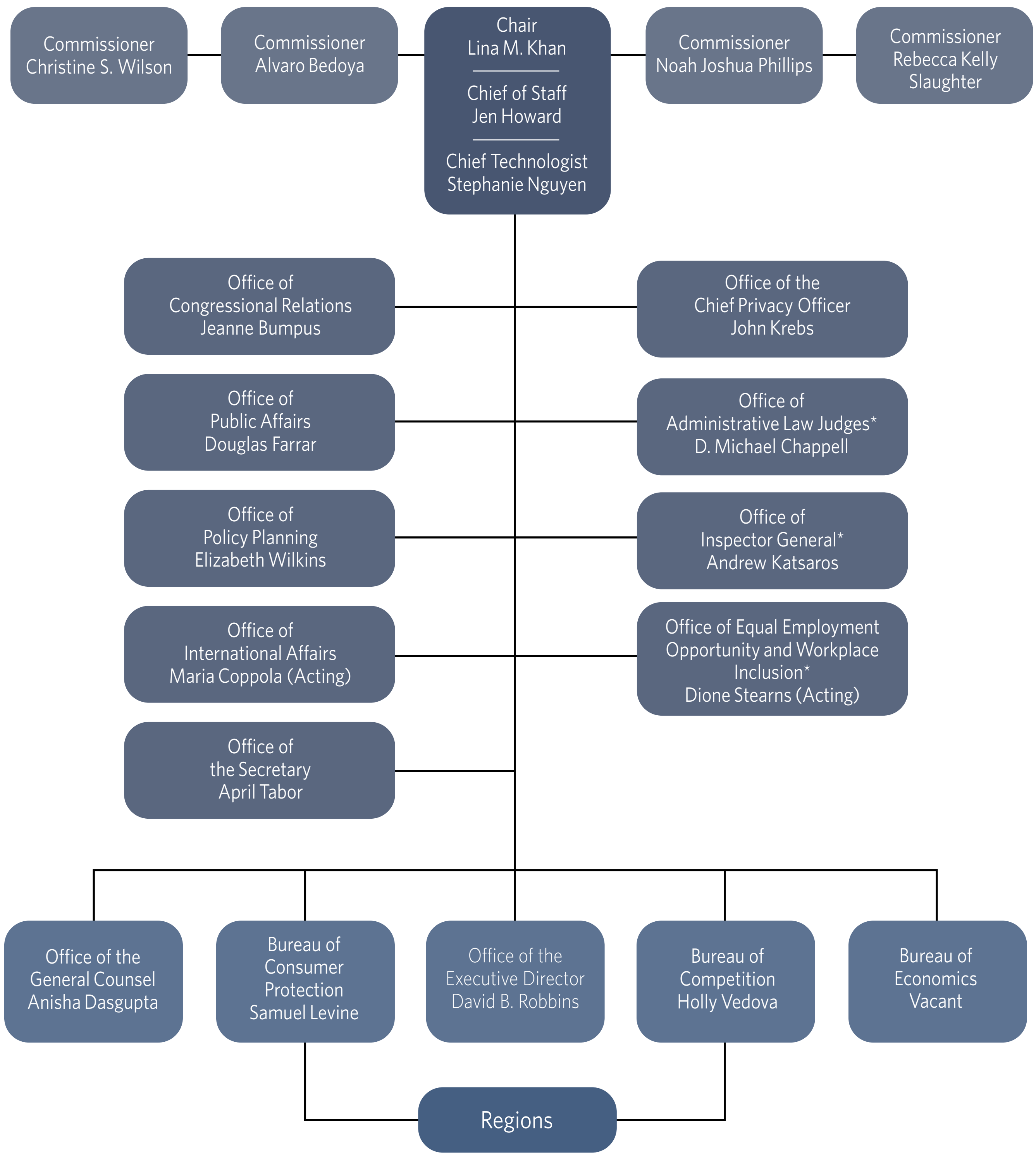
The Office of Administrative Law Judges performs the initial adjudicative fact-finding in Commission administrative complaint proceedings, guided by the FTC Act, the Administrative Procedure Act, relevant case law interpreting these statutes, and the FTC's Rules of Practice. Administrative Law Judges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

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

The Office of Equal Employment Opportunity and Workplace Inclusion ensures that the FTC maintains a work environment that is free from all forms of illegal discrimination, including reprisal and harassment.

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

FEDERAL TRADE COMMISSION ORGANIZATIONAL CHART



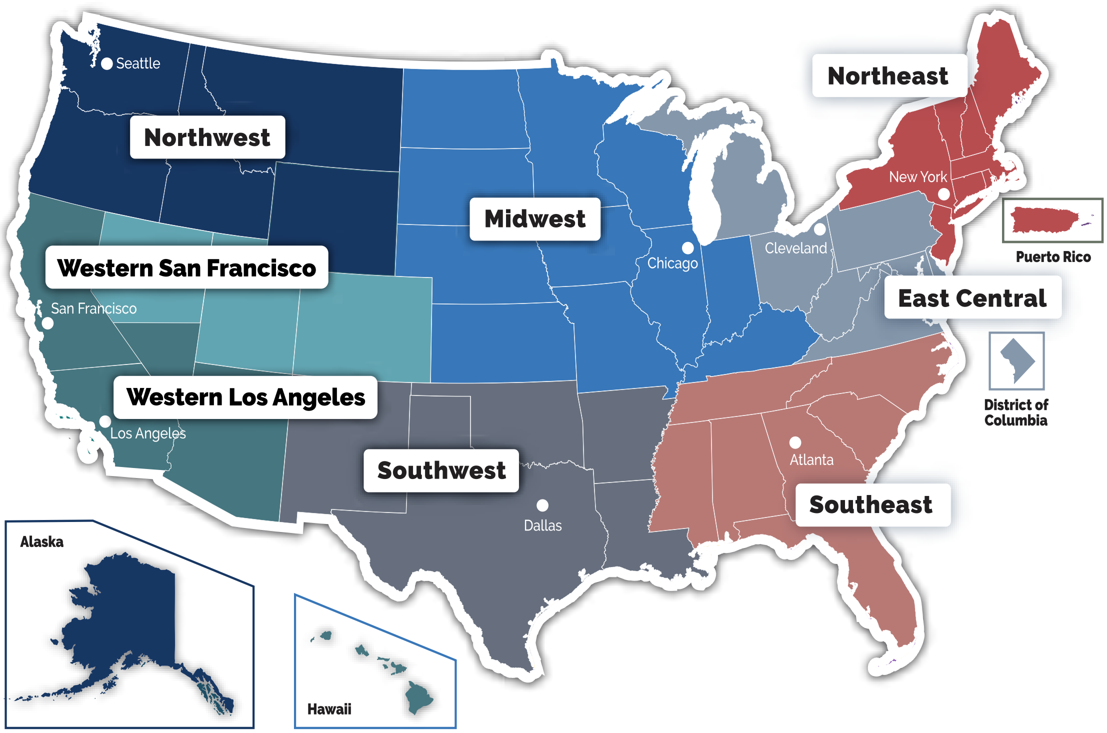
* An independent organization within the FTC

REGIONAL OFFICES

Protecting America's consumers

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

The agency is headquartered in Washington, DC, and operates with seven regions across the US, with two offices located in the Western Region. The graphic below illustrates the locations of the FTC regions.



PERFORMANCE HIGHLIGHTS

The FTC has chosen to produce an AFR and a separate Annual Performance Report (APR) for FY 2022. The APR will be included as part of the FTC's Congressional Budget Justification and will also be available on the FTC's website.

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

STRATEGIC AND PERFORMANCE PLANNING FRAMEWORK

The FTC's Annual Performance Report is structured around three strategic goals and their supporting objectives as established in the FTC Strategic Plan FY 2022-2026. The FTC's strategic goals, objectives, and performance metrics articulate what the agency intends to accomplish to meet its mission, demonstrate the highest standards of stewardship, and improve the management functions vital to core mission success.

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

STRATEGIC GOALS	OBJECTIVES
GOAL 1: Protect the public from unfair or deceptive acts or practices in the marketplace. Net Costs: $179 million* *$193 million in costs - $14 million in revenue $179 million	1.1 Identify, investigate, take actions against, and deter unfair or deceptive acts or practices that harm the public.
	1.2 Connect with individuals, communities, and businesses to provide practical knowledge, guidance, and tools, and to learn about key challenges and opportunities for future FTC engagement.
	1.3 Collaborate with domestic and international partners to enhance consumer protection.
	1.4 Support equity for historically underserved communities through the FTC's consumer protection mission.
GOAL 2: Protect the public from unfair methods of competition in the marketplace and promote fair competition. Net Costs: ($26 million)* *$166 million in costs - $192 million in revenue ($26 million)	2.1 Identify, investigate, and take actions against anticompetitive mergers and business practices.
	2.2 Engage in research, advocacy, and outreach to promote public awareness and understanding of fair competition and its benefits.
	2.3 Collaborate with domestic and international partners to check unfair methods of competition.
	2.4 Support equity for historically underserved communities through the FTC's competition mission.
GOAL 3: Advance the FTC's effectiveness and performance. Goal 3's net costs are distributed to Goal 1 and Goal 2 predominately by Goal 1 and Goal 2's Full-Time Equivalent (FTE) usage, except for those non-pay costs that are clearly attributable to a specific goal.	3.1 Optimize resource management, space, and administrative programs.
	3.2 Cultivate a high-performing, diverse, inclusive, and engaged workforce.
	3.3 Optimize information management.

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

PERFORMANCE MEASUREMENT REPORTING PROCESS

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

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

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

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

PERFORMANCE GOALS OVERVIEW

In the Strategic Plan FY 2022-2026 , the FTC has established 43 performance metrics for assessing program performance against agency strategic goals and objectives. This report documents the performance of seven of those metrics, which may be considered key performance metrics because they best indicate whether agency activities are achieving the desired outcome associated with the related objective.

The following tables summarize actual performance during FY 2022 against established targets for the FTC's seven key performance metrics. The tables also include results from the prior four fiscal years as well as a description of how performance results are calculated for that performance goal. The FTC met or exceeded FY 2022 targets on four of five key performance metrics, did not meet the target on one metric, and did not have targets on two new metrics.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target was met or exceeded

X Signifies that the target was not met

STOPPING DECEPTIVE ADVERTISING BY TURBOTAX

The FTC took action against Intuit, the maker of the popular TurboTax tax filing software, for deceiving consumers with bogus advertisements pitching "free" tax filing. The Commission alleges that the company's ubiquitous advertisements touting their supposedly "free" products, some of which consisted almost entirely of the word "free" spoken repeatedly, mislead consumers into believing that they can file their taxes for free with TurboTax when, in reality, the company's "free" service is not available to millions of taxpayers.

STRATEGIC GOAL 1: PROTECT THE PUBLIC FROM UNFAIR OR DECEPTIVE ACTS OR PRACTICES IN THE MARKETPLACE.

The FTC uses a multi-pronged interdisciplinary approach to protect the public from unfair and deceptive practices in the marketplace. The FTC conducts investigations, sues companies and people that violate the law, develops rules to protect the public, and educates consumers and businesses about their rights and responsibilities. The agency also collects reports about a host of consumer issues, including fraud, identity theft, financial matters, and Do Not Call violations. The FTC makes these reports available to law enforcement agencies worldwide.

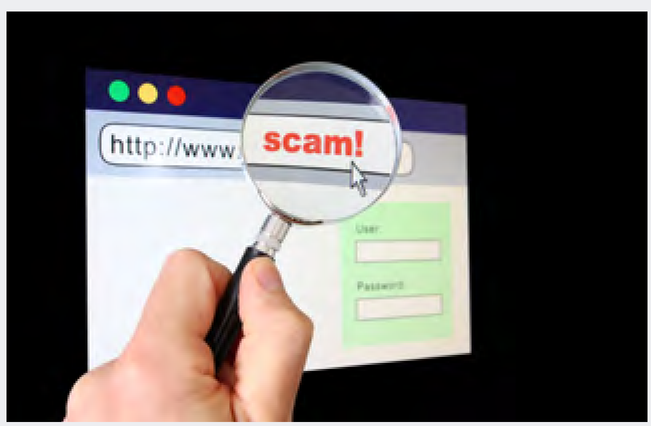
METRIC 1.1.1: Amount of money returned to the public or forwarded to the U.S. Treasury resulting from FTC enforcement actions.

Description: This metric tracks the FTC's effectiveness in returning money to consumers who were defrauded and forwarding money to the U.S. Treasury (e.g., if sending money to individuals is impracticable, or if funds were paid as a civil penalty). The FTC targets law enforcement efforts on violations that cause the greatest amount of consumer harm. The amount of money returned to consumers or forwarded to the U.S. Treasury is a useful indicator that the FTC is targeting the right defendants. The number reported is a three-year rolling average (average of the current year and two prior year totals).[1]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
$3.25 billion	$3.52 billion	$2.79 billion	$2.39 billion	$2.28 billion	$65 million	✔

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

FTC WINS REFUNDS FOR AMERICANS SCAMMED BY FAKE GOVERNMENT WEBSITES



The FTC's trial win against On Point Global made $102 million in refunds available to consumers who were harmed by a wide-ranging scheme that led them to pay money or hand over personal information to fake government websites. The scammers ran hundreds of deceptive websites that promised a quick and easy government service, such as renewing a driver's license or receiving eligibility determinations for public benefits like Section 8 housing or food stamps. The money being refunded to consumers is a result of a contempt motion filed by the FTC against one of the defendants in the case, Burton Katz. Katz was previously sued by the FTC for placing millions of dollars in unwanted charges on consumers' mobile phone bills by using spam text messages pitching "free" gift cards. As a result of that suit, Katz was placed under a court order prohibiting him from any further violations of the FTC Act. Because of his involvement in this new fake government websites scam, the FTC filed the motion alleging that Katz and other defendants were in contempt of that order. The court ruled in the FTC's favor on the motion and awarded the monetary relief.

METRIC 1.1.2: Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement.

Description: This metric tracks the efficiency of the FTC's consumer protection law enforcement spending. We compare how much money the FTC saves consumers each year through law enforcement to the amount the FTC spends on consumer protection law enforcement. Consumer savings are comprised of: (a) the amount of money returned to consumers; and (b) an estimate of the amount of harm that would have occurred but for the FTC's law enforcement action. To calculate this latter figure, the FTC assumes that the unlawful conduct would have continued for one year but for our action. The FTC also assumes that the amount of harm that would have occurred in that year is the same as what consumers lost in the past. The amount reported is a three-year rolling average (average of the current year and two prior year totals).[2]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
$39.50 in consumer savings per $1 spent.	$39.40 in consumer savings per $1 spent.	$14.80 in consumer savings per $1 spent.	$12.80 in consumer savings per $1 spent.	$11.60 in consumer savings per $1 spent.	$7.00 in consumer savings per $1 spent.	✔

[2] Calculation/Formula: (Amount of money returned to consumers + the sum of the estimated consumer savings generated by law enforcement actions) / Annual expenditures on consumer protection law enforcement. The amount reported is a three-year rolling average (average of the current year and two prior year totals). The amount of money returned to consumers is the sum of refund checks cashed by consumers as the result of FTC consumer protection enforcement actions plus the amount of redress distributed to consumers without FTC contractors (if refund check cashed information is not available).

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

The annual expenditures on consumer protection law enforcement are the FTC budget dollars spent on consumer protection law enforcement. Dollars spent on the Consumer and Business Education and Economics and Consumer Policy work are excluded from this calculation. The amount reported is a three-year rolling average (average of the current year and two prior year totals).

FTC PROTECTS SENSITIVE GEOLOCATION DATA

Protecting sensitive consumer data, including geolocation and health data, is a top priority for the FTC. The FTC filed a lawsuit against data broker Kochava for selling geolocation data from hundreds of millions of mobile devices that can be used to trace the movements of individuals to and from sensitive locations, such as visits to reproductive health clinics, places of worship, homeless and domestic violence shelters, and addiction recovery facilities. The FTC alleges that by selling this kind of data, Kochava is enabling others to identify individuals and possibly expose them to threats of stigma, stalking, discrimination, job loss, and even physical violence. The FTC's lawsuit seeks to halt Kochava's sale of sensitive geolocation data and require the company to delete the sensitive geolocation information it has collected.

METRIC 1.2.1: Rate of consumer satisfaction with FTC consumer education websites. (a) Mobile; (b) Desktop.

Description: Consumer and business education serves as an important and vital resource in fighting against deception and unfair practices. Well-informed consumers are better able to recognize and report fraud, and well-informed business owners know where the FTC draws the line. This metric gauges the effectiveness, helpfulness, and usability of the FTC's consumer education website and includes the customer satisfaction scores for consumer.ftc.gov.[3]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
(b) 76.5	(b) 77.7	(b) 76.2	(b) 72.9	(a) 73.5 (b) 73.4	Average satisfaction rate from ACSI's E-Government Satisfaction Index = (a) 72.6 (b) 72.8	✔

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

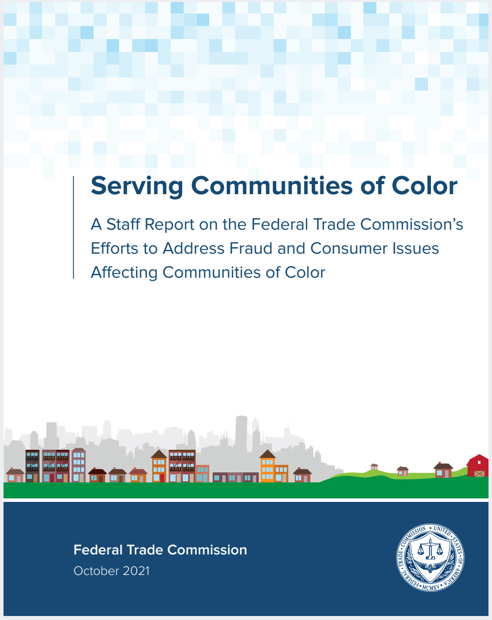
FTC AND 18 STATES SUE TO STOP HARRIS JEWELRY FROM CHEATING MILITARY FAMILIES

The FTC and a group of 18 states sued national jewelry retailer Harris Jewelry, alleging that it deceptively claimed that financing jewelry purchases through Harris would raise servicemembers' credit scores, misrepresented that its protection plans for things like ring and watch sizing and battery replacement were required, and added protection plans to purchases without consumers' consent. In addition, the FTC charged that the defendants failed to include certain written disclosures in their retail installment contracts as required by the Truth in Lending Act and Military Lending Act, failed to meet the Electronic Fund Transfer Act's authorization requirements, and failed to include required Truth in Lending Act disclosures in online and print ads. Under a proposed order with the FTC and multistate group, the company must stop collection of millions of dollars in debt, provide approximately $10.9 million in refunds for purchased protection plans, provide refunds for overpayments, and assist with the deletion of any negative credit entries pertaining to debt in consumers' credit reporting file. In addition, Harris Jewelry must directly contact consumers entitled to protection plan refunds and must post a notice on its website about how customers can get their refunds.

FIRST ACTION UNDER THE OPIOID ADDICTION RECOVERY FRAUD PREVENTION ACT

The FTC took action against R360 and its owner, Steven Doumar, for deceiving people seeking help for addiction about the evaluation and selection criteria for the treatment centers in their network. The case is the FTC's first under the Opioid Addiction Recovery Fraud Prevention Act of 2018. The agency secured a $3.8 million civil penalty judgment against the defendants and an order prohibiting them from continuing to make the same kinds of misrepresentations. The FTC alleged that R360 misrepresented to consumers seeking help through its "R360 Network" that it would connect them with treatment centers that met their individualized needs and were selected through a rigorous evaluation process conducted by an expert in substance use disorders and addiction treatment. In reality, Doumar was responsible for assessing the quality of the treatment centers and deciding which would join the network, and he had no educational or professional experience that qualified him to make these decisions.

REPORT OUTLINES IMPACT OF FRAUD ON COMMUNITIES OF COLOR



Recognizing that deceptive or unfair practices may target and affect people from different communities in unique ways, in October 2021 the Commission issued the Serving Communities of Color staff report providing updates on its efforts to serve communities of color through aggressive law enforcement, outreach, and education.

New research in the report shows a number of key differences in the way that fraud and other consumer problems affect communities of color, from the types of problems reported to the methods used to pay scammers. One of the studies in the report examined differences in reports received by the FTC from consumers who live in majority Black and Latino communities compared to those who live in majority White communities. It found that when people reported losing money, those living in majority Black and Latino communities more often reported paying in ways that have few, if any, fraud protections — for example, cash, cryptocurrency, money orders, and debit cards. Those living in majority White communities, by contrast, filed the largest share of their reports about paying with credit cards, which offer more robust fraud protection.

The research also found that there were notable differences in the types of problems people living in majority Black and Latino communities reported to the FTC, with larger shares of reports about issues with car buying, banks and lenders, credit issues, and debt collection than were found in majority White communities.

In addition to the new research, the report also provides a summary of more than 25 cases brought by the FTC in the last five years where the unlawful conduct either targeted or disproportionately affected communities of color.

STRATEGIG GOAL 2: PROTECT THE PUBLIC FROM UNFAIR METHODS OF COMPETITION IN THE MARKETPLACE AND PROMOTE FAIR COMPETITION.

The FTC's efforts to prevent and police unfair methods of competition focus on preventing anticompetitive mergers and business practices through enforcement. The FTC also engages in policy research and development, advocacy, and education to deter anticompetitive practices and encourage federal, state, and local governments to evaluate the effects of their policies on fair competition. The FTC advances these goals internationally by fostering enforcement and policy convergence and through case cooperation with counterpart foreign enforcement authorities. This work is critical to protect and strengthen free and open markets – the cornerstone of a vibrant economy.

METRIC 2.1.1: Total consumer savings and other measurable benefits generated by antitrust enforcement.

Description: This metric reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive mergers and business conduct. The number reported is a five-year "rolling average" (average of the current year and four prior year totals).[4]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
$3.76 billion	$4.87 billion	$2.68 billion	$2.77 billion	$3.11 billion	$2.4 billion	✔

[4] Calculation/Formula: When available, staff uses case-specific data to generate the estimate of consumer savings. Otherwise, staff uses a formula of three percent of the volume of commerce in the relevant geographic/product market(s) for two years. In order to create a balanced performance profile, performance is reported as a "rolling average" over five years, compensating for highly variable results in any individual year due to the influence of a few significant cases or the level of merger and nonmerger activity in that year.

PREVENTING A METAVERSE MERGER

In July 2022, the Commission authorized staff to seek injunctive relief to prevent the combination of two leading virtual reality (VR) firms, Meta and Within Unlimited. According to the complaint, Meta, which owns a top-selling VR device, a leading app store, seven of the leading VR developers, and one of the best-selling apps of all time, plans to illegally acquire Within's popular VR fitness app, Supernatural, in furtherance of its quest to conquer the VR landscape. The VR industry offers a unique immersive experience and gives users the perception of being completely surrounded as they move in a fully rendered, three-dimensional environment. The burgeoning VR industry is characterized by a high degree of growth and innovation. The FTC alleges that Meta is a potential entrant in the virtual reality dedicated fitness app market with the required resources and a reasonable probability of building its own virtual reality app to compete in the space. But instead of entering, it chose to try buying Supernatural. Meta's independent entry would increase consumer choice, increase innovation, spur additional competition to attract the best employees, and yield other competitive benefits. Meta's acquisition of Within, on the other hand, would eliminate the prospect of such entry, dampening future innovation and competitive rivalry. This matter is currently pending in federal district court.

METRIC 2.1.2: Total consumer savings and other measurable benefits generated by antitrust enforcement compared to resources spent.

Description: This metric reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive mergers and business conduct compared to the amount spent on the merger program. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[5]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
$52.30 in consumer savings per $1 spent	$66.00 in consumer savings per $1 spent	$34.40 in consumer savings per $1 spent	$34.70 in consumer savings per $1 spent	$37.20 in consumer savings per $1 spent	$35.00 in consumer savings per $1 spent	✔

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

FTC PREVENTS FURTHER CONSOLIDATION IN MARKETS CRITICAL TO NATIONAL SECURITY AND DEFENSE

In January 2022, in its first litigated defense merger challenge in decades, the FTC authorized staff to seek injunctive relief blocking Lockheed Martin's $4.4 billion proposed vertical acquisition of Aerojet Rocketdyne. Aerojet supplies advanced power, propulsion, and armament systems, which are critical components for the missiles made by Lockheed and other defense prime contractors. The agency's complaint alleged that Lockheed's proposed acquisition of Aerojet would have given Lockheed control over critical propulsion inputs that its rivals require to compete against Lockheed. Specifically, the complaint alleged that the proposed acquisition would give Lockheed the ability and incentive to deny, limit, or otherwise disadvantage competitors' access to critical propulsion inputs for various weapons systems. The U.S. Department of Defense (DoD) reviewed the acquisition and considered the potential impacts of the transaction on national security, the nation's industrial and technological base, competition, and innovation. As part of this assessment, DoD facilitated a series of FTC-led interviews with DoD-impacted stakeholders. DoD's assessment was provided to the FTC for its deliberations and final decision-making. The complaint further alleged that as a subcontractor, Aerojet has had access to prime contractors' sensitive information about technological advancements, cost, schedule, and business strategies and that, post-acquisition, Lockheed would have an incentive to exploit this knowledge to gain an advantage in competitions against these parties. The U.S. government in turn would be harmed because the cost of missile systems, missile defense kill vehicles, and hypersonic cruise missiles would likely increase, innovation would be lessened, and quality would be reduced, hindering national security and defense interests. Shortly after the complaint was issued, the parties abandoned their proposed transaction.

FTC BLOCKS MERGER OF RHODE ISLAND'S TWO LARGEST HEALTHCARE PROVIDERS

In February 2022, the FTC authorized staff to seek injunctive relief blocking the proposed merger of Rhode Island's two largest healthcare providers, alleging the deal would lead to higher prices and lower quality care. The FTC, jointly with the Rhode Island Office of the Attorney General, filed a complaint in federal district court seeking a temporary restraining order and preliminary injunction to block Lifespan's proposed acquisition of Care New England Health System. According to the complaint, both Lifespan and Care New England offer a broad range of essential medical and surgical diagnostic and treatment services that require an overnight hospital stay, known as inpatient general acute care services. They also operate the only two standalone inpatient behavioral health facilities in Rhode Island. The complaint alleged that the proposed merger would likely reduce competition in the state of Rhode Island and 19 nearby Massachusetts communities for inpatient general acute care hospital services and inpatient behavioral health services by increasing the combined firm's ability to raise hospital rates, leading to higher individual premiums, co-pays, and deductibles. The complaint further alleged that the combined healthcare system would have reduced incentives to invest in vital non-price dimensions of competition, such as quality of care, access to services, and technology. The parties abandoned the proposed acquisition shortly after the Commission filed its complaint.

FTC SUES TO BLOCK MERGER BETWEEN UTAH HEALTHCARE RIVALS

The Commission authorized an administrative complaint and a lawsuit in federal court to block the proposed merger between Utah healthcare competitors HCA Healthcare and Steward Health Care System. The complaint alleged that the deal would eliminate the second and fourth largest healthcare systems in the Wasatch Front region, where approximately 80 percent of Utah's residents live. The companies provide inpatient general acute care services and compete for inclusion in insurer networks, as well as for health care quality, service lines, and nurse and physician recruitment. The complaint further alleged that the transaction would significantly increase market concentration levels in an already highly concentrated geographic market, enabling HCA to command even higher reimbursement rates from commercial insurers that likely would pass on at least a portion of those higher healthcare costs to employers and health plan members in the form of increased premiums, deductibles, co-pays, and other out-of-pocket expenses. After the Commission filed its complaint, the parties abandoned their proposed acquisition.

FTC SUES TO BLOCK MERGER BETWEEN NEW JERSEY HEALTHCARE RIVALS

The FTC authorized an administrative complaint and sought injunctive relief in federal court to block the acquisition by RWJBarnabas (RWJ) of Saint Peter's Healthcare System, one of the largest hospital systems in New Jersey. The complaint alleged that in Middlesex County, NJ, the acquisition would have harmed competition for inpatient general acute care services by giving the combined healthcare system a market share of approximately 50 percent, easily resulting in a presumption of harm under the antitrust laws. RWJ and St. Peter's are direct competitors and both systems routinely identify the other as the most significant competitor when assessing competition and strategizing on providing general acute care services in Middlesex County. Absent this head-to-head competition, the combined system would have reduced incentives to improve quality, technology, amenities, equipment, access to care, and service offerings. The parties abandoned their proposed transaction shortly after the Commission issued its complaint.

METRIC 2.2.2: Number of cases for which BE economists prepared to testify as expert witnesses in FTC antitrust enforcement actions.

Description: The performance metric is the number of cases for which BE economists (including economists, financial analysts, research analysts, statisticians, and other BE staff) prepared to testify as expert witnesses in FTC antitrust enforcement actions. This number is a measure of BE expertise developed through economic research related to competition analysis and represents not only the expertise of the testifying expert, but also the expertise of the BE economists and other staff that are supporting that expert.[6]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
N/A	N/A	N/A	N/A	5	Baseline	N/A

6 Calculation/Formula: The metric will be calculated as the number of cases during the fiscal year for which a BE economist prepared to be a testifying expert for an antitrust enforcement action. The term "BE economist" refers to all BE staff members, including economists, financial analysts, research analysts, and statisticians.

FTC CLARIFIES ENFORCEMENT PRIORITIES THROUGH POLICY STATEMENTS

In an effort to increase clarity for businesses, the FTC has issued a series of policy statements and other guidance this fiscal year to provide clear notice of FTC enforcement practices and priorities. Some of the policy statements include:

Tricking Consumers into Subscriptions: In October 2021, the FTC issued a policy statement warning companies against using deceptive practices to trick or trap consumers into subscription services. Companies must provide clear information during the sign-up process, obtain consumers' informed consent, and make cancellation easy, or face legal action from the FTC.

Surveillance in Children's Apps: In May 2022, the FTC issued a policy statement warning education technology not to surveil children when they go online to learn. The Commission made it clear that under the Children's Online Privacy Protection Act it is against the law for companies to force parents and schools to surrender their children's privacy rights in order to do schoolwork online or attend class remotely.

Stopping Tactics that Block Cheap Drugs: In June 2022, the FTC issued a policy statement putting drug companies and prescription drug middlemen on notice that paying rebates and fees to exclude competitors offering lower-cost drug alternatives can violate competition and consumer protection laws.

Protecting Gig Workers: In September 2022, the FTC issued a policy statement making clear that the FTC's enforcement authority is not affected by how companies choose to classify the consumers who perform gig work. The FTC plans to hold companies accountable for claims about costs and benefits, combat unlawful practices and constraints imposed on workers, and investigate evidence of gig companies illegally fixing wages, benefits, or fees.

STRATEGIC GOAL 3: ADVANCE THE FTC'S EFFECTIVENESS AND PERFORMANCE.

The FTC believes that advancing organizational effectiveness and performance at all levels creates a strong foundation for overall mission success. The agency's work in Strategic Goal 3 highlights ongoing efforts to improve the management of agency staffing, finances, information, and physical assets, in order to create a more efficient and more agile agency.

METRIC 3.2.1: Annual score on the FEVS Employee Engagement Index

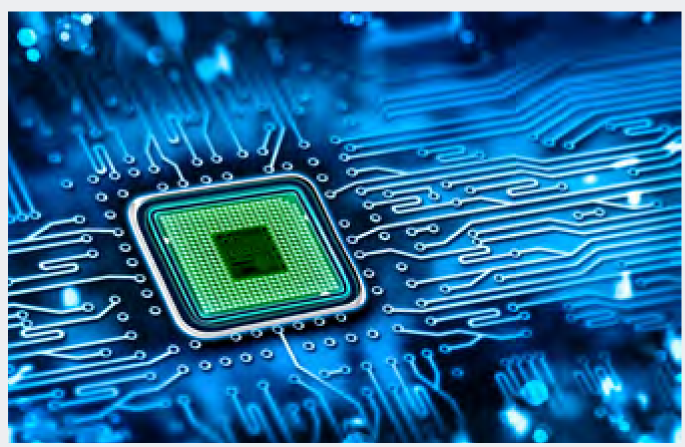
Description: The Employee Engagement Index of the Federal Employee Viewpoint Survey (FEVS) determines this metric. The Index gauges the extent to which employees believe that management listens and provides meaningful support and feedback in various areas that assist staff in supporting the overall mission of the agency. The index is based on FEVS questions that assess three sub-factors: perceptions of agency leadership, relationships between workers and supervisors, and feelings of motivation and competency.[7]

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2022 Target	FY 2022 Status
83%	84%	87%	74%	74%	77%	X

[7] Calculation/Formula: The FEVS Employee Engagement Index measures conditions important to supporting employee engagement through responses to 20 questions across the three sub factors. The Office of Personnel Management, which manages the FEVS, calculates an agency Index score based on responses to these 20 questions.

Note on Missed Target: While the FTC did not achieve the gain it had hoped for in the Employee Engagement Index, the agency still finished ahead of the government-wide average score of 71%.

MAINTAINING COMPETITION IN SEMICONDUCTOR CHIPS



In December 2021, the FTC initiated administrative adjudication to block U.S. chip supplier Nvidia's $40 billion acquisition of U.K. chip design provider Arm. Semiconductor chips power computers and technologies that are essential to our modern economy and society. The proposed vertical integration of Nvidia and Arm would have given one of the largest chip companies control over licensed computing technology and designs that rival firms rely on to develop their own competing chips. The FTC's complaint alleged that the combined firm could stifle innovative next-generation technologies, including chips that power a wide range of modern computing devices from smartphones to tablets to driver-assistance systems to computers in large datacenters. Because Arm's technology is a critical input that enables competition between Nvidia and other chipmakers in several markets, the complaint alleged that the proposed merger would give Nvidia the ability and incentive to use its control of this technology to undermine its competitors, reducing competition and ultimately resulting in reduced product quality, reduced innovation, higher prices, and less choice, harming the millions of Americans who benefit from Arm-based products. The parties abandoned this transaction shortly after the Commission issued its complaint.

MANAGEMENT ASSURANCES

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

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

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

SAT activities in FY 2022 included planning the annual internal controls assessments; identifying key processes and related control activities; documenting the scope, design, and methodology of risk and internal control assessments; testing of internal controls; and monitoring corrective action plans and the remediation progress. In addition, the SMC updated the agency risk profile, including fraud and other risks related to successful mission performance. Specifically, the FTC's profile identified risk associated with last year's Supreme Court decision in AMG Capital Management, LLC v. FTC, 593 U.S.__, 141 S. Ct. 1341 (2021), removing the FTC's authority to award monetary relief for consumers when the FTC obtains a permanent injunction in federal court pursuant to FTC Act Section 13(b), 15 U.S.C. § 53(b). In addition, the profile listed risks of escalating expert witness costs in cases involving market competition, impacts of budget constraints as they influence litigation options for the consumer protection mission, and the schedule risk and cost risk associated with the FTC's technology initiatives to include improving and positioning the agency to detect advanced persistent threats to its systems. Risks related to managing record and sensitive information along with the volume of merger transactions have also been noted. FTC leadership uses the risk profile to monitor agency operations, to make budget and resource decisions, and to assess mitigation strategies and activities.

This year, the FTC continued with the implementation of an ERM program plan and strategy. Activities for FY 2022 included executing an annual segment of the multi-year internal control assessment plan, monitoring existing risk registers, identifying and analyzing risk, assessing entity level controls, and monitoring corrective actions, as well as performing Digital Accountability and Transparency Act of 2014 (DATA Act) control assessments and OMB-directed Internal Control Over Reporting (ICOR) assessments. In determining if there were any management control deficiencies or nonconformances that must be disclosed in the annual assurance statement, the SAT and the FTC Chair evaluated several sources of information. These included results of ERM activities, other information from independent audits or reviews performed by the Office of Inspector General (OIG), the Government Accountability Office (GAO) (e.g., Federal Information Security Management Act review), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on Standards for Attestation Engagements (SSAE No. 18)), and other relevant evaluations and control assessments.

The Chair's assurance statement below is supported by the processes and reviews described above, which were performed in FY 2022. Management assurance tables appear in the Other Information section.

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

Office of the Chair

CHAIR'S FMFIA STATEMENT OF ASSURANCE

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

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

Based on the results of this assessment, the FTC provides an unmodified assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2022, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls. Some reporting officials identified areas for improvement in their individual assessments, which are being addressed internally and are not of a material nature.

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

Signed Lina Khan

Lina M. Khan
Chair
October 31, 2022

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SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chair's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2022. No material weaknesses or significant nonconformances have been identified, nor any existing unresolved weaknesses requiring corrective action.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

As mandated by FISMA, the agency continues to maintain an effective information security program to manage information technology in accordance with OMB Circular A-130 requirements and National Institute of Standards and Technology (NIST) guidance. During FY 2022, FTC decommissioned one system and performed four assessments and authorization efforts. The FTC currently has five systems authorized to operate (ATO). The FTC leverages twenty-one Federal Risk and Authorization Management Program (FedRAMP) cloud service providers.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014 (DATA ACT)

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

DEBT COLLECTION IMPROVEMENT ACT

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

PROMPT PAYMENT ACT

The Prompt Payment Act requires Federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2022, the FTC processed 2,275 invoices totaling $77.8 million that were subject to prompt payment. Of these invoices, 99.8 percent were paid on time. During FY 2022, the FTC paid a total of $6.37 in interest penalties, or 0.000008 percent of the total dollar amount invoiced.

AGENCY FINANCIAL MANAGEMENT SYSTEMS STRATEGY

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

Through FY 2019, the Department of the Interior's Interior Business Center (IBC) provided financial management system services for the FTC. Beginning in FY 2020, the FTC moved its needs for financial management systems and support services to the Department of the Treasury's Administrative Resource Center (ARC) to improve operational efficiencies and effectiveness. The IBC continues to provide personnel and payroll support services for the FTC, which it has been providing for the agency since 1998.

The FTC uses the Oracle Federal Financials (OFF) system as its core financial management system and the Oracle Business Intelligence (OBI) reporting capabilities to produce timely reports that support agency requirements. The FTC also uses several systems that integrate with OFF to support agency operations, including the Invoice Processing Platform (IPP) for efficient and secure processing of invoices, the Concur Government Edition (CGE) to manage travel transactions, and the Procurement Information System for Management (PRISM) for contract actions.

Since migrating to the new shared services provider, the agency continued its efforts to maintain and enhance financial management systems to promote operational effectiveness, efficiency, reliability, and timeliness of data to support the agency's strategic goals. The FTC redesigned and improved several financial management business processes and procedures and developed new tools and reports to assess its financial management operations that ultimately contribute to its mission success.

The FTC recognizes the importance of financial management systems and oversight as part of serving as a good steward of taxpayer dollars entrusted to it. Accordingly, in FY 2022, the FTC continued to work to refine its financial management processes and procedures to optimize the performance of operations and reporting.

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT OF 1990

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

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

FRAUD REDUCTION DATA ANALYTICS ACT

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

During FY 2021, the FTC expanded its fraud risk program, strengthened the agency's processes, and improved internal controls to prevent, detect, and mitigate fraud risks. The FTC continued to expand its fraud program in FY 2022 and consistently monitors how it assesses fraud risk.

ANTIDEFICIENCY ACT

The Antideficiency Act prohibits federal agencies from spending or obligating funds in excess of amounts and purposes approved by Congress, and from accepting voluntary services. The FTC's funds controls and continuing reviews of funds usage and availability ensure it complies with requirements of the Antideficiency Act.

FORWARD LOOKING INFORMATION

The Federal Trade Commission's (FTC) mission is to protect consumers and competition by preventing anticompetitive, deceptive, and unfair business processes through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

The FTC recognizes the five Management Challenges identified by the Inspector General (IG) and agrees that these are critically important areas to focus on and to improve in FY 2023. These include: securing information systems and networks from destruction, data loss, or compromise; seeking monetary relief for consumers; successfully managing the volume of merger transactions; controlling expert witness costs; and managing records and sensitive agency information.

In FY 2022 the FTC took numerous steps to address the challenges and will continue going forward into FY 2023. Regarding the securing of our information systems, the FTC will continue to manage essential supporting IT activities by taking a risk-based, cost-effective approach. To continue controlling expert witness costs the FTC will continue to leverage in-house resources when possible, and in our FY 2023 Congressional Budget Justification, the Commission has requested an increase of $15 million to meet projected increases in expert witness costs.

FY 2022 was the third year the FTC received financial management services from the Department of the Treasury's Administrative Resource Center (ARC). Since migrating to the new shared services provider, the agency is continuing its efforts to maintain and enhance financial management systems to promote operational effectiveness, efficiency, reliability, and timeliness of data to support the agency's strategic goals. In FY 2022, the FTC leveraged reporting tools to automate several financial management business processes. In FY 2023, we will continue efforts to document end-to-end business processes and identify opportunities to improve.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The FTC's accounting practices continue to be accurate and transparent, directly supporting the agency's mission to protect the public from deceptive or unfair business practices and from unfair methods of competition through law enforcement, advocacy, research and education. For the 26th straight year, the FTC received a "clean" or unmodified opinion on its audited financial statements. Independent auditors issue an unmodified opinion when an entity's financial statements are presented fairly, in all material aspects, in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

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

BALANCE SHEET

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

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

CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2022 AND 2021

(Dollars in Millions)	FY 2022	FY 2021	% Change
Entity Assets			
Fund balance with Treasury	$ 312	$ 233	34%
General property, plant, and equipment	20	22	-9%
Total Entity Assets	332	255	30%
Non-Entity Assets			
Fund balance with Treasury	205	385	-47%
Accounts receivable	45	51	-12%
Total Non-Entity Assets	250	436	-43%
Total Assets	$ 582	$ 691	-16%
Entity Liabilities			
Employee related liabilities	23	31	-26%
Accounts payable and other	13	11	18%
Total Entity Liabilities	36	42	-14%
Non-Entity Liabilities			
Redress collections not yet disbursed	205	385	-47%
Liability for amounts to be collected	45	51	-12%
Total Non-Entity Liabilities	250	436	-43%
Total Liabilities	$ 286	$ 478	-40%
Unexpended Appropriations	21	27	-22%
Cumulative results of operations	275	186	48%
Total Net Position	296	213	39%
Total Liabilities and Net Position	$ 582	$ 691	-16%

BALANCE SHEET – ENTITY

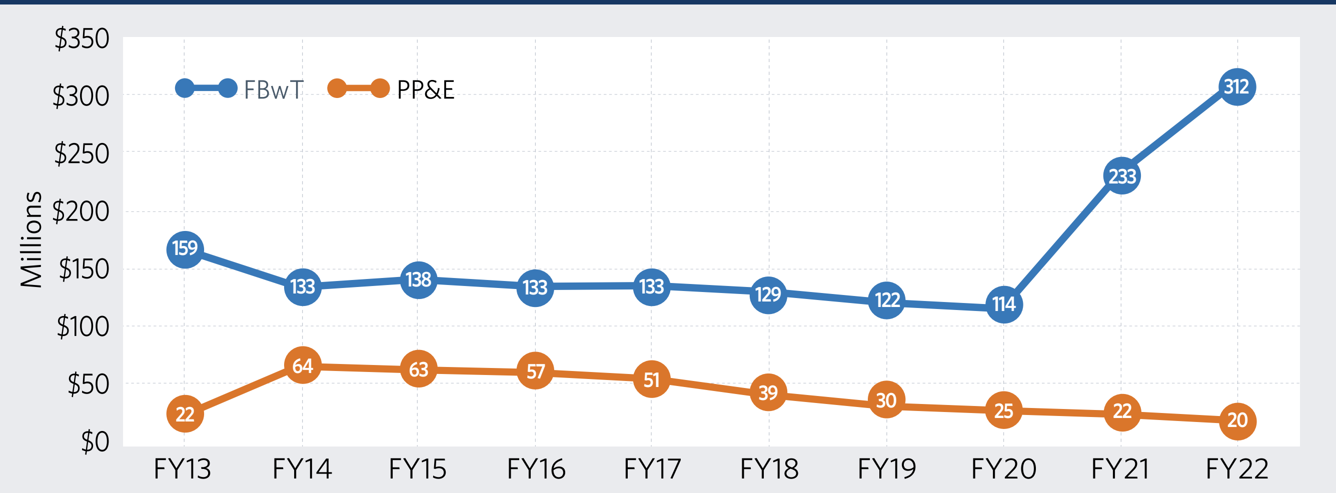
Entity assets totaled $332 million, or 57 percent of all FTC assets, as of September 30, 2022, an increase of $77 million, or 30 percent, from the FY 2021 total of $255 million.

The Fund Balance with Treasury (FBwT) of $312 million comprises $175 million that is temporarily unavailable for expenditure and $137 million available to the FTC to make expenditures and pay liabilities. FBwT has increased by $79 million, or 34 percent, from the FY 2021 total of $233 million. At the end of FY 2022, the FTC's FBwT contained $172 million in temporarily unavailable offsetting collections (fees from the FTC's National Do Not Call Registry and Premerger notification filings) that exceed the amount authorized to offset the FTC's appropriation.

General property, plant, and equipment (PP&E), net of accumulated depreciation/amortization, is $20 million, which consists of $18 million in leasehold improvements, $1 million in equipment, and $1 million in software. Of the total PP&E, $15 million in leasehold improvements is associated with the FY 2014 relocation of staff to office space at the Constitution Center. Total PP&E has decreased by $2 million in comparison to FY 2021. This decrease is primarily due to asset disposals and the continued depreciation/amortization of assets related to the FY 2014 staff relocation.

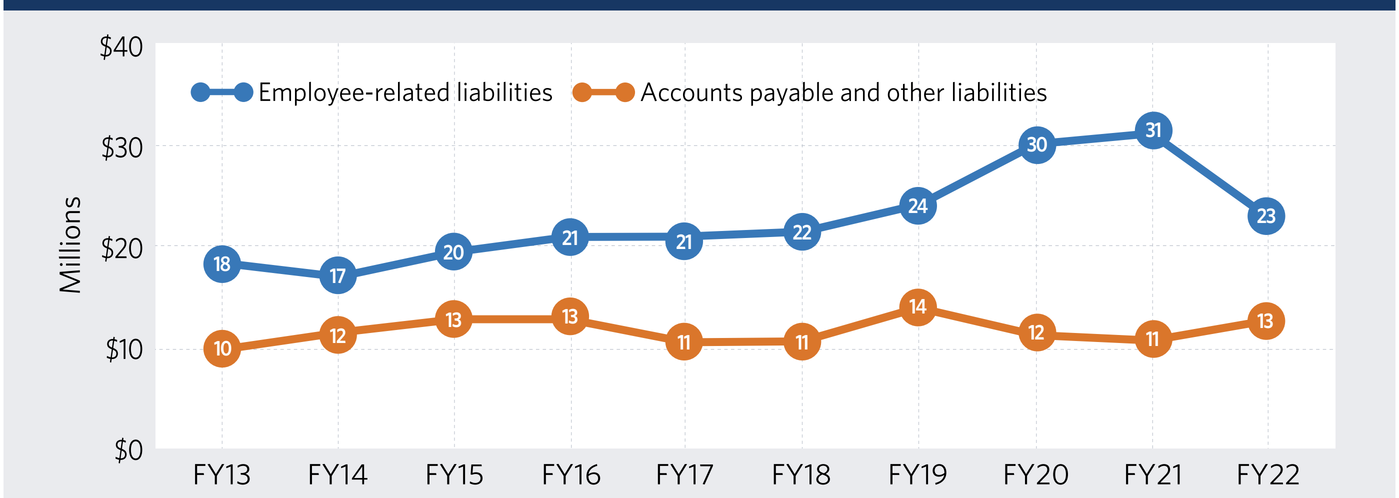
The annual trend in the FTC's entity assets reflects a spike in the amount of PP&E during FY 2014 for the relocation of staff to office space at Constitution Center. Upon completion, over $46 million had been spent on capitalized assets. Since these assets were placed in service, the FTC's PP&E balance has decreased, primarily due to continual depreciation and amortization. FBwT has increased significantly over the past two fiscal years due to large increases in the volume of Premerger filings. Premerger fee collections totaled $237 million and $191 million in fiscal years 2021 and 2022. Higher Premerger fee collections have resulted in offsetting collections above the amounts authorized by Congress to retain and use for necessary expenses of the agency. Excess collections are precluded from obligation and totaled $87 million in FY 2021 and $53 million in FY 2022.

ENTITY ASSETS

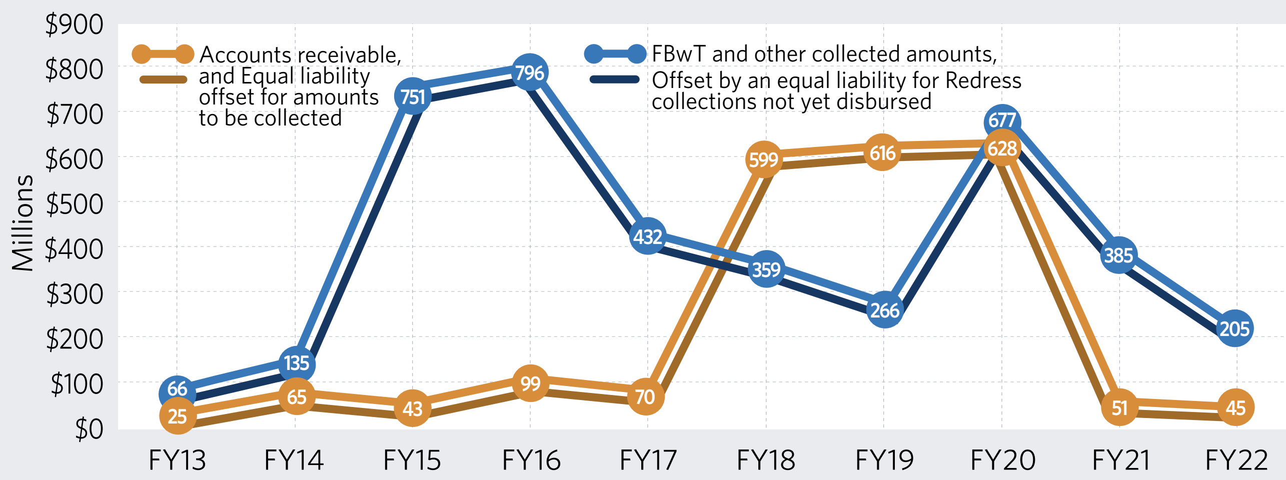


Entity liabilities totaled $36 million, or 13 percent of all FTC liabilities, as of September 30, 2022, which represents a decrease of $6 million from FY 2021. Entity liabilities normally have a smaller range of fluctuation in comparison to entity assets. Accounts payable balances fluctuate based on the dollar amount and volume of capitalized purchases as well as the timing between the receipt of goods and the disbursement to the vendors. Accounts payable have increased by $2 million in FY 2022 from the prior year due to a higher expense accrual for unbilled activity at the end of the fiscal year. Employee-related liabilities fluctuate based on the FTE count and the timing of the payroll disbursement cycle. These liabilities consist of accrued payroll and benefits, accrued annual leave wages earned by employees but not yet paid, and workers compensation liabilities under the Federal Employees Compensation Act (FECA). At the end of FY 2021, the payroll and benefit liability included 14 days of unpaid wages, while the FY 2022 year-end payroll accrual included 5 days of unpaid wages. The uptick in employee-related liabilities in FY 2020 and FY 2021 is attributable to a higher number of days of unpaid wages in the payroll accrual.

ENTITY LIABILITIES



NON-ENTITY ASSETS & LIABILITIES



BALANCE SHEET - NON-ENTITY

Non-entity assets totaled $250 million, or 43 percent of all FTC assets, as of September 30, 2022. This represents a decrease of $186 million, or 43 percent, from the FY 2021 total of $436 million.

Non-entity assets are equal to, and offset by, non-entity liabilities. The $45 million net accounts receivable balance is offset by the $45 million liability for amounts to be collected, while the $205 million FBwT is offset by the $205 million liability for redress collections.

The FY 2022 ending net accounts receivable balance of $45 million reflects amounts to be paid to the FTC from court-ordered judgments in the consumer redress program. This represents a $6 million decrease in net accounts receivable from the FY 2021 total of $51 million.

The remaining ending net accounts receivable balance of $45 million primarily consists of amounts to be paid to the FTC from the following cases: Sanctuary Belize Litigation for involvement in the allegedly deceptive sale of real estate properties in Belize to U.S. consumers; Zurixx, LLC for operating a real estate investment coaching scheme; QYK Brands LLC for failing to deliver on orders of personal protective equipment in the early stages of the COVID-19 pandemic and Elegant Solutions, Inc. (Mission Hills Federal) for operating a student loan debt relief scheme. Nine additional matters account for the remainder of the balance.

NON-ENTITY ASSETS - FUND BALANCE WITH TREASURY FY 2022 ACTIVITY

FY 2022 Non-Entity Fund Balance with Treasury Timeline Activity

	$384.8M	**Beginning Balance - FY 2022 Non-Entity Fund Balance with Treasury**	
A	($25.6M)	Apply Knowledge, LLC	Disbursed $25.6M (10,749 payments) to consumers who lost money to a business coaching scheme that used the names Coaching Department and Apply Knowledge, among others. These refunds are the result of the FTC's settlements with the scheme's ringleaders, the companies through which the scheme operated, and a payment processor who helped facilitate the scheme.
B	($10.2)M	Lending Club Corporation	Disbursed $10.2M (15,748 payments) to consumers who were charged undisclosed fees by online lender LendingClub Corporation. Refunds are a result of a 2021 Settlement.
C	$2.9M	I Works, Inc., et al.	Collected $2.9M from a settlement stemming from 2010 charges against I Works, Inc. et al., which operated deceptive "trial" memberships and bogus government-grant and money-making schemes.
D	($3.8M)	Avant, LLC	Disbursed $3.8M (17,367 payments) to consumers who were harmed by the lending practices of Avant, LLC. Refunds are a result of a 2019 settlement.
E	($13.0M)	Cephalon, Inc.	Disbursed $13.0M as a part of a 2015 settlement resolving antitrust charges that Cephalon engaged in "pay for delay" conduct to illegally block generic competition of the drug Provigil.
F	$4.7M	AH Media Group, LLC	Collected $4.7M from a 2020 settlement alleging that the defendants duped consumers by luring them with supposedly "free trial" offers for cosmetics and dietary supplements, then enrolling them in subscriptions and billing them without their consent.
G	($24.7M)	Next-Gen, Inc.	Disbursed $24.7M (244,745 payments) to consumers who were defrauded by the Next-Gen sweepstakes scheme. Refunds are a result of a 2019 settlement.
H	$4.7M	Zurixx, LLC	Collected $4.7M from a 2022 settlement with Zurixx, LLC and its owners. The FTC and Utah Department of Commerce Division of Consumer Protection alleged that Zurixx, LLC, its owners, and a number of associated companies operated a real estate investment coaching scheme that sold live seminars and telephone coaching using false earnings claims that convinced tens of thousands of consumers to pay them thousands or tens of thousands of dollars.

FY 2022 Non-Entity Fund Balance with Treasury Timeline Activity

I	$4.2M	Fashion Nova, LLC	Collected $4.2M from a 2022 settlement with online fashion retailer Fashion Nova, LLC to settle charges of blocking negative reviews on its products from being posted to its website.
J	($23.7M)	MOBE Ltd., et al.	Disbursed $23.7M (more than 37,000 payments) to consumers who paid for My Online Business Education, or MOBE, a business coaching scheme that made bogus promises about how much money participants could make. The refunds to consumers included money received as the result of FTC's settlements against one of MOBE's largest affiliates and two payment processors.
K	$9.9M	Napleton Auto	Collected $9.9M from a 2022 settlement with Napleton Auto to settle charges of sneaking illegal junk fees for unwanted "add-ons" onto customers' bills and for discriminating against Black consumers by charging them more for financing.
L	($149.5M)	AdvoCare International, L.P.	Disbursed $149.5M to AdvoCare distributors who lost money as a result of the AdvoCare pyramid scheme. Refunds are a result of a 2019 settlement.
M	($9.7M)	Yellowstone Capital, LLC	Disbursed $9.7M (7,731 payments) to small businesses who were harmed by Yellowstone Capital, a merchant cash advance company that withdrew money from customer bank accounts without permission. Refunds are a result of a 2021 settlement.
N	($5.4M)	AH Media Group, LLC	Disbursed $5.4M (176,028 payments) to consumers who were charged for "free trial" offers for cosmetics and weight loss supplements. Refunds result from a 2020 settlement.
O	($7.4M)	Lending Club Corporation	Disbursed $7.4M as part of a $9.7M payment (61,990 payments) to consumers who were charged undisclosed fees by online lender LendingClub Corporation. Refunds are a result of a 2021 Settlement.
P	$100M	Benefytt Technologies, et al.	Collected $100M from a 2022 settlement with healthcare company Benefytt Technologies for lying to consumers about their sham health insurance plans and using deceptive lead generation websites to lure them in.
Q	($5.7)M	Lights of America, Inc.	Disgorged to U.S. Treasury $5.7M from a 2014 judgment for violating federal law by overstating the light output and life expectancy of their LED bulbs, and falsely comparing the brightness of their LED bulbs with that of other light bulbs.
	($27.8M)	Net of other collections $42.2 disbursing ($70M) activities, related to over 172 additional matters.	
	$204.7M	**Ending Balances – FY 2022 Non-Entity Fund Balance with Treasury**	

STATEMENT OF NET COST

STATEMENT OF NET COST SUMMARY
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Millions)	FY 2022	FY 2021	% Change
Protecting Consumers:			
Gross costs	$ 193	$ 193	0%
Less: earned revenue	(14)	(13)	8%
Protecting Consumers	179	180	-1%
Maintain Competition:			
Gross costs	$ 166	$ 170	-2%
Less: earned revenue	(192)	(238)	19%
Maintaining Competition	(26)	(68)	62%
Net Cost of Operations	$ 153	$ 112	37%

The Statement of Net Cost presents the FTC's gross costs less earned revenue for the agency's two primary strategic goals: Protect the public from unfair or deceptive acts or practices in the marketplace (Protect Consumers), and protect the public from unfair methods of competition in the marketplace and promote fair competition (Maintain Competition). A third goal, advance the FTC's effectiveness and performance, has its costs distributed to the other two strategic goals based on the percentage of dollars directly traceable to each of these two goals. The FTC's net cost of operations was $153 million in FY 2022, which consists of $359 million in gross costs offset by $206 million in earned revenue.

The FY 2022 net cost of operations for the Protect Consumers strategic goal is $179 million, consisting of $193 million in gross costs offset by $14 million in earned revenue, the majority of which is attributable to fees collected for the National Do Not Call (DNC) Registry. The FTC receives fees from telemarketers who pay an annual subscription fee to download telephone numbers of consumers who do not wish to receive calls. The DNC fees are based on the number of area codes that a telemarketer downloads.

The FY 2022 net cost of operations for the Maintain Competition strategic goal is ($26) million, consisting of $166 million in gross costs offset by $192 million in earned revenue, which is primarily revenue from fees collected for premerger notification filings, with a small portion (approximately $1 million) from reimbursable agreements with other Federal agencies. Premerger notification filings are made under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, which gives the federal government the opportunity to investigate and challenge certain mergers that are likely to harm consumers before injury occurs. The HSR Act requires the filing of premerger notifications with the FTC and the Department of Justice (DOJ) Antitrust Division. The filing fees are determined by the size of the merging parties and the value of the proposed transaction. By law, the premerger filing fees are split evenly between the FTC and the DOJ upon collection.

The $41 million increase in overall net cost of operations from FY 2021 to FY 2022 is primarily due to lower revenues from premerger filing fees. Revenues from Premerger filing fees have decreased from $237 million in FY 2021 to $191 million in FY 2022.

FTC NET COST OF OPERATIONS VS. BENEFIT TO CONSUMERS

The FTC had gross costs of $359 million in FY 2022, offset by $206 million in earned revenue, resulting in a total net cost of operations of $153 million. However, a large portion of the FTC's operations result in activity whose benefits are not reflected on the Statement of Net Cost. These important benefits to the public should be considered in determining the overall impact of the agency's strategic goals.

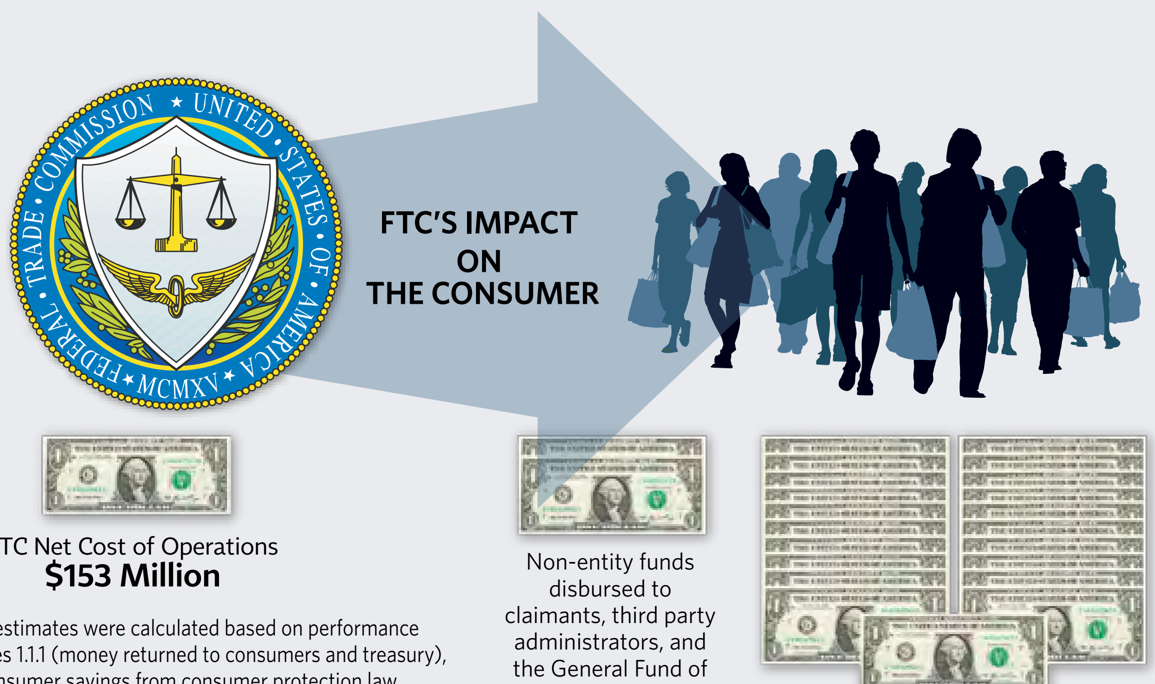
The Statement of Net Cost includes only entity activity. During FY 2022, the FTC returned $497 million in non-entity collections to consumers and the U.S. Treasury General Fund.

Additionally, the FTC saved consumers an estimated $4.1 billion through its merger and non-merger competition law enforcement actions and its consumer protection law enforcement actions.

The FTC's cost to protect consumers and maintain competition is a small fraction of the amount the FTC has saved consumers. For FY 2022, the FTC provided an estimated total of $4.6 billion in benefits to consumers. When this benefit is compared to the $153 million in net costs, it equates to every $1 of the FTC's cost returning an estimated $30 in FTC-provided benefits to consumers.

COST vs BENEFIT

For every $1 of the FTC's cost there is an estimated $30 in benefits provided to the consumer



FTC Net Cost of Operations
$153 Million

*These estimates were calculated based on performance measures 1.1.1 (money returned to consumers and treasury), 1.1.2 (consumer savings from consumer protection law enforcement), and 2.1.2 (consumer savings from antitrust enforcement). For more details on measurement and data quality, see the FTC Data Quality Appendix.

Non-entity funds disbursed to claimants, third party administrators, and the General Fund of the U.S. Government
$497 Million

Other benefits to consumers*
$4.1 Billion

STATEMENT OF CUSTODIAL ACTIVITY

CONDENSED STATEMENT OF CUSTODIAL ACTIVITY FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

(Dollars in Millions)	FY 2022	FY 2021	% Change
Revenue Activity:			
Sources of collections:			
Premerger filing fees (net of refunds)	$ -	$ 16	-100%
Civil penalties and fines	158	146	8%
Consumer redress	14	8	75%
Total cash collections	172	170	1%
Accrual adjustments	-	-	0%
Total Custodial revenue	$ 172	$ 170	1%
Disposition of Collections:			
Transferred to others:			
Treasury general fund	$ 172	$ 154	12%
Department of Justice	-	16	-100%
Amounts yet to be transferred	-	-	0%
Total Disposition of Collections	$ 172	$ 170	1%
Net Custodial Activity	$ -	$ -	0%

The Statement of Custodial Activity displays the custodial revenue recognized during the fiscal year in comparison to the disposition or transfer out of cash held on behalf of other entities. The FY 2022 total custodial revenue is $172 million which is on par with the FY 2021 custodial revenue of $170 million. Premerger filing fees collected on behalf of the DOJ have decreased by $16 million. In FY 2021, the FTC implemented a new collection process for the Premerger filing fees to split collections evenly between the FTC and the DOJ upon receipt. Prior to FY 2021, the FTC collected the full amount of fees under the HSR premerger notification program and remitted half to the DOJ, which resulted in a custodial liability. A total of $16 million in Premerger fees were processed on behalf of the DOJ at the start of fiscal year 2021 before the process change was implemented.

Civil penalties and fines are collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases. At the end of each fiscal year, all civil penalties collected are transferred to the Treasury General Fund. In FY 2022, the FTC collected a penalty of $146 million from Twitter for deceptively using account security data for targeted advertising. This violated a 2011 FTC order prohibiting the company from misrepresenting its privacy and security practices. FY 2021 civil penalties returned to the Treasury General Fund include $122 million from DISH Network for violations of the Telemarketing Sales Rule and Telephone Consumer Protection Act. Collections held for consumer redress will also be transferred, or disgorged, to the Treasury General Fund in the event redress is determined to be not practicable.

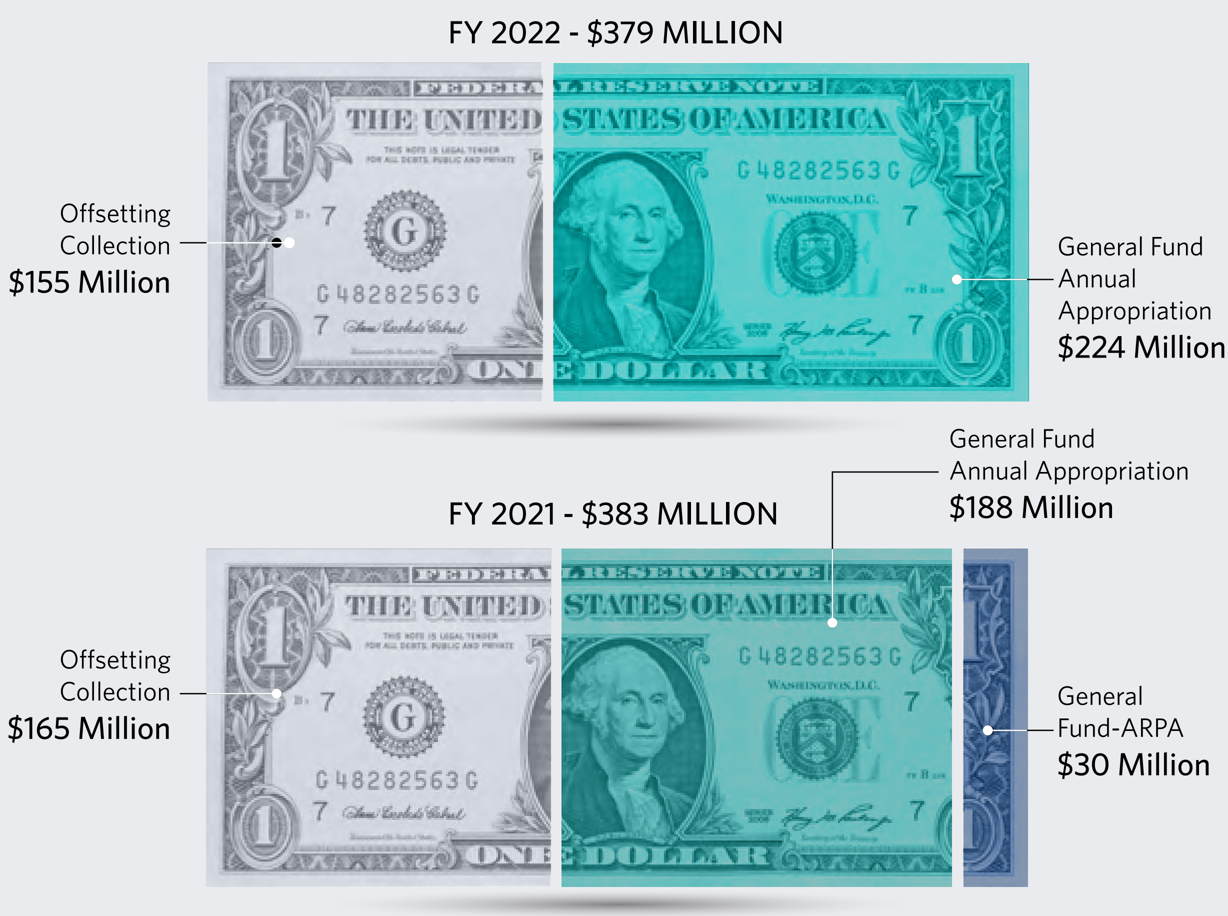
FTC BUDGETARY RESOURCES AND HOW THEY WERE USED

BUDGET AUTHORITY

The FTC receives an annual appropriation that is available until expended, subject to Office of Management and Budget (OMB) apportionment and Congressional restrictions on the expenditure of funds (see FTC's FY 2022 Congressional Budget Justification, pages 5 to 6, "Appropriations Language Provisions"). The FTC's budget authority is derived from a direct appropriation and offsetting collections.

New budget authority for FY 2022 is $379 million which includes $224 million in a direct appropriation and $155 million in spending authority from offsetting collections. Offsetting collections consist of $138 million from fees collected for premerger notification filings under the HSR Antitrust Improvements Act of 1976, $14 million from fees collected for the National Do Not Call Registry, and $3 million from reimbursable work on behalf of other Federal agencies. In FY 2021, the FTC received an additional appropriation of $30.4 million under the American Rescue Plan Act of 2021 (ARPA), to remain available through FY 2026. This appropriation authorizes funding for the FTC to cover higher costs associated with the COVID-19 pandemic to include: $24 million for payroll expenses, $4.4 million for processing and monitoring of consumer complaints received through the Consumer Sentinel Network, and $2 million for consumer-related education. The FTC's FY 2021 new budget authority totaled $383 million, or $218 million in general fund appropriations and $165 million in offsetting collections.

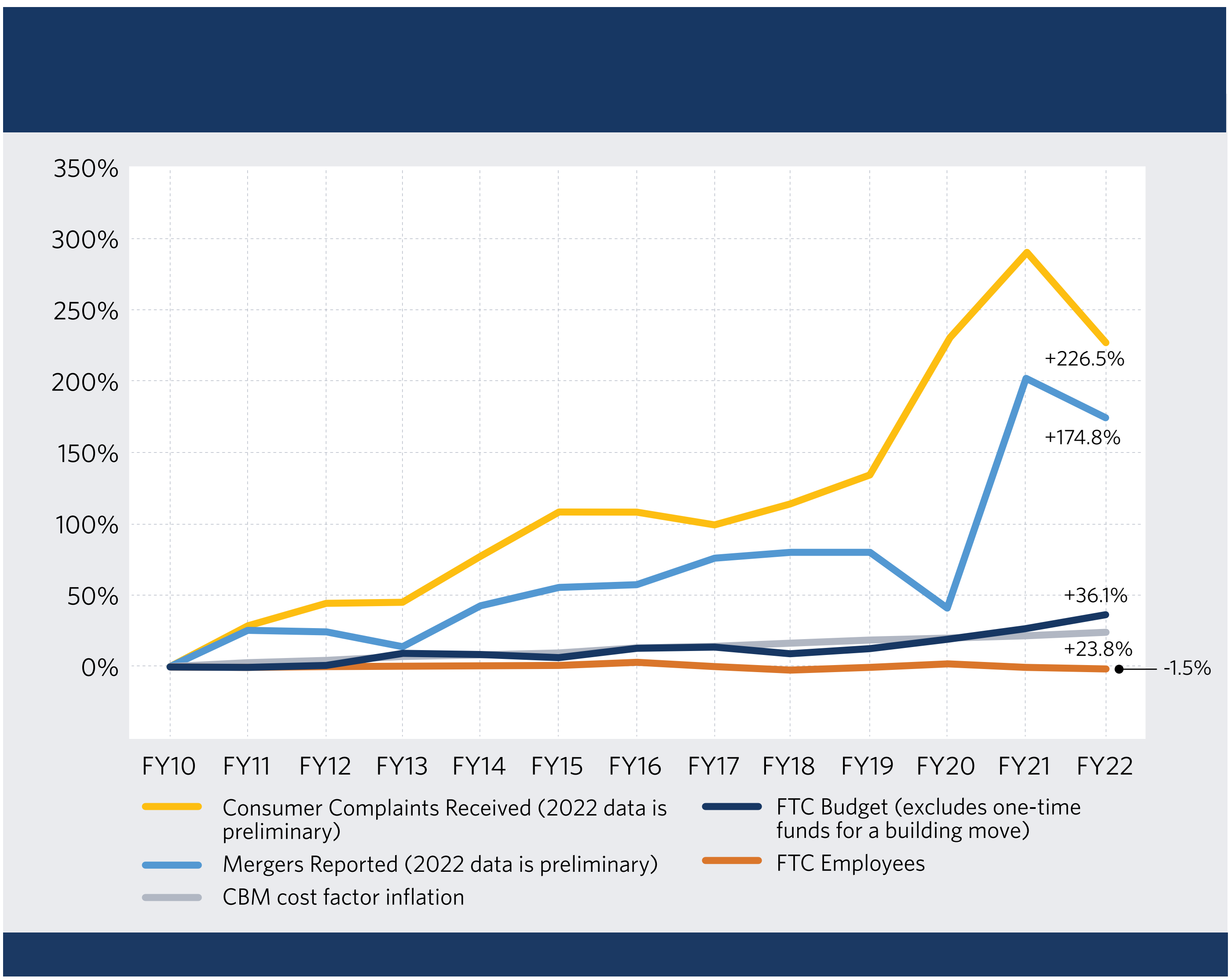
NEW BUDGET AUTHORITY



Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 59 percent of the FTC's net budget authority comes from Treasury General Fund appropriations. This reduces the burden the FTC places on the federal budget to $224 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2022.

Historically, the FTC's budget authority has been relatively static. From FY 2010 through FY 2014, the FTC received an OMB category B apportionment for the relocation of staff to office space at the Constitution Center. Excluding the category B funding, the FTC had a 37 percent or $103 million change from FY 2010 ($276 million) to FY 2022 ($379 million).The modest increase in the FTC's budget authority over the last decade significantly lags behind the agency's increased responsibilities that result from rising expectations of the American public. For example, consumer complaints to the FTC rose by over 200 percent, and premerger filings rose by over 150 percent, among other measures of the FTC's increased workload in the past decade. In addition, the FTC continues facing profound impacts from the COVID-19 pandemic and resulting challenges during FY 2021 and FY 2022.

The FTC's increasing costs are also reflected in expert witness costs. The agency is engaged in a larger number of complex investigations and litigation matters that require the services of expert witnesses. In particular, expert witnesses are critical to the successful investigation and litigation of merger cases, as experts provide insight on proper definition of product



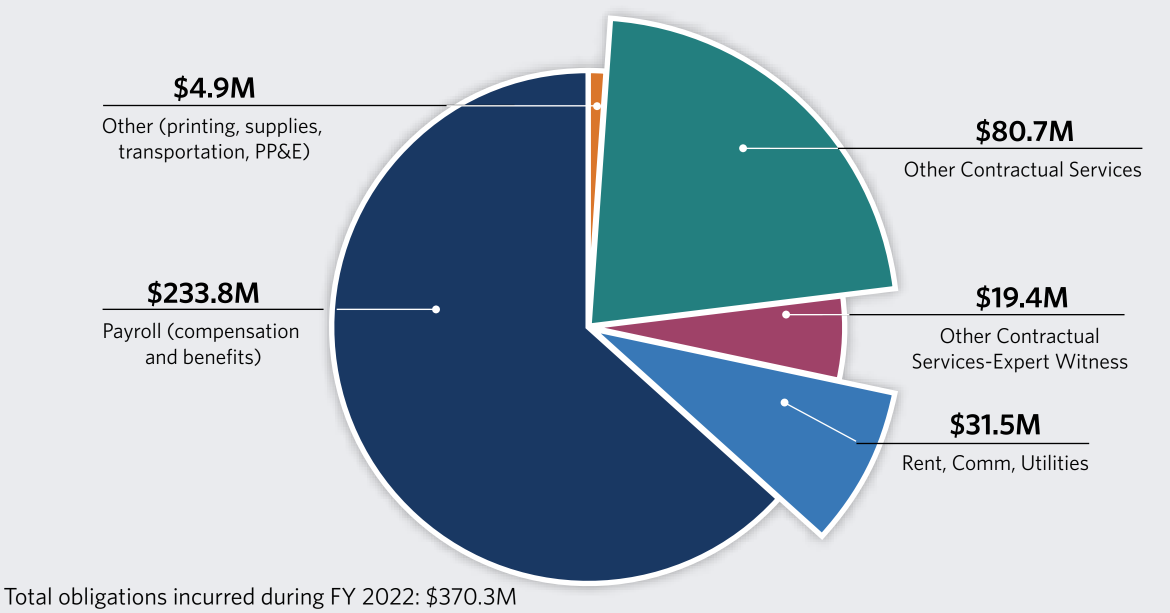
and geographic markets, assess the likelihood of entry by new competitors, and develop models to evaluate merger efficiencies as compared to potential competitive harm. Rising costs for critical expert services in litigation matters continue to pose significant challenges on the FTC's limited budgetary resources and the FTC is currently exploring ways to reduce those costs.

Visit the FTC's Data and Visualizations page to view interactive dashboards on data collected from consumer complaints, and the Do Not Call program. Visit the Premerger Notification page to learn more about the Premerger Notification Program.

THE FTC'S FY 2022 OBLIGATIONS:

In FY 2022, the FTC received $379 million in new budget authority and authority to obligate $45 million in its unobligated balance brought forward in addition to $5 million in recoveries of prior-year obligations and $2 million in non-expenditure transfers. Pursuant to these authorities, the FTC obligated $370.3 million in FY 2022. This was an increase of $18.8 million, or 5.3 percent, compared to new obligations in FY 2021. The increase in obligations incurred in FY 2022 was mainly attributable to higher costs for payroll (personnel salaries and benefits) and expert witnesses. Payroll spending has increased by 3.1 percent to $234 million in FY 2022 from $227 million in FY 2021. This is the result of the 2.2 percent pay raise for FY 2022, and higher cost factors associated with employee benefits. Obligations related to expert witness support services have increased by $3.3 million (20.4 percent) in FY 2022 compared to FY 2021. While the FTC is committed to limiting costs on expert witness services, the agency continues to face pressure from resource constraints as it performs mission-critical work and maintains fair competition in increasingly complex and pervasive technology markets that raise unique antitrust considerations. Obligations for other contractual services have increased by $5.2 million (6.9 percent) while spending on rent, communications, and utilities has increased by $1.5 million (5.1 percent) from the previous fiscal year.

FY 2022 FTC OBLIGATIONS BY CATEGORY



FTC PROFILE ON USA SPENDING:

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

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

Federal Trade Commission

Agency Mission

Protecting the public from deceptive or unfair business practices and from unfair methods of competition through law enforcement, advocacy, research, and education.

Website
https://www.ftc.gov/

Congressional Justification of Budget (CJ)
https://www.ftc.gov/cj

FINANCIAL MANAGEMENT INDICATORS FOR FY 2022

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

DEBT MANAGEMENT	
Eligible debt transferred to Treasury	100%
FUNDS MANAGEMENT	
Fund balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger)	100% reconciled
PAYMENT MANAGEMENT	
Percentage invoices paid on time (per Prompt Payment Act)	99.96%
Percentage interest penalties paid to total dollars invoiced	.000008%
Percentage of total dollars outstanding in current status (good standing) for individually billed travel account holders	100%
Percentage of total dollars outstanding in current status (good standing) for centrally billed travel accounts	100%
Percentage of total dollars outstanding in current status (good standing) for purchase cards	100%

LIMITATIONS OF FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FINANCIAL SECTION

I am pleased to present the Agency Financial Report (AFR) for Fiscal Year 2022. The AFR provides a comprehensive view of the FTC's financial activities and demonstrates the FTC's stewardship and management of public funds. The financial statements and corresponding financial analysis, together with the Agency's Performance Highlights, demonstrate how the FTC optimizes its financial resources to protect American consumers and maintain competition in the marketplace.

In FY 2022, the FTC has achieved, for the twenty-sixth consecutive year, an unmodified audit opinion from independent auditors. We are very proud of this accomplishment. This sustained achievement is due to the efforts of the Financial Management Office (FMO) staff, as supported by senior leadership, fund managers, and FTC personnel throughout the agency. This past year, the FTC has demonstrated its commitment to continuous improvement with the following accomplishments:

- No material weaknesses or significant deficiencies in Internal Controls Over Financial Reporting;
- No instances of noncompliance with laws and regulations that are required to be reported under Government Auditing Standards;
- Closed eight internal control Corrective Action Plans (CAPs) through close collaboration within FMO and throughout the agency, and no open internal control findings at fiscal year-end were considered material or high risk;
- Continued monitoring Fraud Risk by collecting and analyzing related fraud control data from FTC program areas;
- Continued work to streamline our internal processes to leverage efficiencies with our Shared Service Provider (ARC) ;
- Leveraged reporting tools to gain process efficiencies ensuring month-end close within two business days, as compared to the previous five-day close process;
- Updated the FTC risk profile to identify and monitor agency risk including the Supreme Court ruling that removed the authority to return money to consumers per Section 13(b) of the FTC Act; and
- Completed and released a new agency strategic plan with many new and revised performance metrics.

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

Randy Salzer, Acting Chief Financial Officer
November 14, 2022

Office of Inspector General

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

November 14, 2022

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Lina M. Khan, Chair

SUBJECT: Report on Audit of the FTC's Fiscal Year 2022 and 2021 Financial Statements

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission's (FTC) financial statements for fiscal years 2022 and 2021. We commend the FTC for attaining an unmodified (clean) opinion for the 26th consecutive year.

We contracted with the independent public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company), to audit the financial statements of the FTC as of and for the fiscal years ended September 30, 2022, and 2021, and to provide a report on internal control over financial reporting and on compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the GAO/CIGIE *Financial Audit Manual.*

In its audit of the agency, Brown & Company reported

- the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting;[1] and
- no reportable noncompliance with provisions of laws tested or other matters.

Brown & Company is responsible for the attached auditor's report dated November 14, 2022, and the conclusions expressed in the report. We do not express opinions on FTC's financial statements or internal control over financial reporting, or conclusions on compliance and other matters.

[1] A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

In our audits of the fiscal years 2022 and 2021 financial statements of the Federal Trade Commission (FTC), we found:

- FTC's financial statements as of and for the fiscal years ended September 30, 2022, and 2021, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements for fiscal year 2022.

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

Report on the Financial Statements

Opinion

In accordance with the provisions of the Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FTC's financial statements. FTC's financial statements comprise the balance sheets as of September 30, 2022, and 2021; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, FTC's financial statements present fairly, in all material respects, FTC's financial position as of September 30, 2022, and 2021, and its net costs of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

[1] The RSI consists of Management's Discussion and Analysis and the Statement of Budgetary Resources, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI, Financial section, and the auditor's report.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Financial Statements

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the financial statement audit.

Required Supplementary Information

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

Other Information

FTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in FTC's agency financial report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audits of FTC's financial statements, we considered FTC's internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

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

During our FY 2022 audit, we identified deficiencies in FTC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FTC's management's attention. We communicated these matters to FTC management and, where appropriate, will report on them separately.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of FTC's financial statements as of and for the fiscal year ended September 30, 2022, in accordance with U.S. generally accepted government auditing standards, we considered FTC's internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control over financial reporting. Accordingly, we do not express an opinion on FTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Intended Purpose of Report on Internal Control over Financial Reporting

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

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

In connection with our audits of FTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2022 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FTC. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for Tests of Compliance section below.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

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

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

Brown & Company

Greenbelt, Maryland
November 14, 2022

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BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

PRINCIPAL FINANCIAL STATEMENTS

FINANCIAL STATEMENT DESCRIPTIONS

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

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

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

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

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

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

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

BALANCE SHEET

AS OF SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN THOUSANDS)

	2022	2021
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 516,745	$ 617,499
Accounts receivable, Net (Note 4)	6	32
Advances and prepayments	7	6
Total intragovernmental assets	516,758	617,537
Other than intragovernmental:		
Accounts receivable, Net (Note 4)	45,175	51,166
General property, plant, and equipment, Net (Note 5)	19,643	22,262
Total other than intragovernmental assets	64,818	73,428
Total Assets	$ 581,576	$ 690,965
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 1,251	$ 1,270
Other liabilities (Note 7)	1,504	2,753
Total intragovernmental liabilities	2,755	4,023
Other than intragovernmental:		
Accounts payable	12,085	9,610
Other liabilities:		
Accrued redress due to claimants	44,976	51,116
Undisbursed redress collections (Note 12)	204,704	384,821
Other (Note 7)	21,030	28,351
Total other than Intragovernmental liabilities	282,795	473,898
Total Liabilities	285,550	477,921
Net position (Note 1(o)):		
Total unexpended appropriations	20,821	27,000
Total cumulative results of operations	275,205	186,044
Total Net Position	296,026	213,044
Total Liabilities and Net Position	$ 581,576	$ 690,965

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021 (DOLLARS IN THOUSANDS)

	2022	2021
Strategic Goal 1: Protect Consumers:		
Intragovernmental costs	$ 51,731	$ 48,723
Public costs	141,644	144,410
Gross costs, protect consumers	193,375	193,133
Intragovernmental earned revenue	(88)	(268)
Public earned revenue	(14,310)	(12,936)
Earned revenue, protect consumers	(14,398)	(13,204)
Net Cost, Protect Consumers	178,977	179,929
Strategic Goal 2: Maintain Competition:		
Intragovernmental costs	44,603	42,861
Public costs	122,125	127,038
Gross costs, maintain competition	166,728	169,899
Intragovernmental earned revenue	(796)	(918)
Public earned revenue	(191,427)	(236,655)
Earned revenue, maintain competition	(192,223)	(237,573)
Net Cost, Maintain Competition	(25,495)	(67,674)
Net Cost of Operation	$ 153,482	$ 112,255

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN THOUSANDS)

	2022	2021
Unexpended Appropriations:		
Beginning balance	$ 27,000	$ -
Appropriations received	224,228	218,472
Appropriations transferred in	1,615	-
Appropriations used	(232,022)	(191,472)
Change in unexpended appropriations	(6,179)	27,000
Total Unexpended Appropriations	20,821	27,000
Cumulative Results of Operations:		
Beginning balance	$ 186,044	$ 96,713
Appropriations used	232,022	191,472
Transfers in	1	-
Imputed financing	10,634	10,131
Other	(14)	(17)
Net cost of operations	(153,482)	(112,255)
Change in Cumulative Results of Operations	89,161	89,331
Cumulative Results of Operations	275,205	186,044
Net Position (Note 1(o))	$ 296,026	$ 213,044

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN THOUSANDS)

	2022	2021
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 45,375	$ 4,969
Recoveries of unpaid prior year obligations	7,710	8,607
Other changes in unobligated balance	2,009	92
Unobligated balance from prior year budget authority, net	55,094	13,668
Appropriations	224,228	218,472
Spending authority from offsetting collections	154,479	164,761
Total Budgetary Resources	$ 433,801	$ 396,901
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	$ 370,346	$ 351,526
Unobligated balance, end of year:		
Apportioned, unexpired accounts	60,666	41,695
Unapportioned, unexpired accounts	2,789	3,680
Unexpired unobligated balance, end of year	63,455	45,375
Unobligated balance, end of year (total)	63,455	45,375
Total Budgetary Resources	$ 433,801	$ 396,901
Outlays, Net:		
Outlays, gross	$ 353,507	$ 350,082
Actual offsetting collections	(206,742)	(250,891)
Outlays, net	146,765	99,191
Distributed offsetting receipts	(14,376)	(8,143)
Agency outlays, net	$ 132,389	$ 91,048

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(DOLLARS IN THOUSANDS)

	Protect Consumers	Maintain Competition	2022	2021
Revenue Activity (Note 11):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ -	$ -	$ 16,460
Civil penalties and fines	158,019	-	158,019	146,197
Consumer redress	14,348	-	14,348	7,993
Other miscellaneous receipts	13	-	13	134
Total cash collections	172,380	-	172,380	170,784
Accrual adjustments	158	-	158	-
Total Custodial Revenue	$ 172,538	$ -	$ 172,538	$ 170,784
Disposition of Collections (Note 11):				
Transferred to others:				
Treasury general fund	$ 172,380	$ -	$ 172,380	$ 154,324
Department of Justice	-	-	-	16,460
Amounts yet to be transferred	158	-	158	-
Total Disposition of Collections	$ 172,538	$ -	$ 172,538	$ 170,784
Net Custodial Activity	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

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

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

General Funds

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

Salaries and Expenses (TAS 29 0100): In FY 2021, the FTC received an appropriation under the American Rescue Plan Act (ARPA). ARPA provides funding to cover cost increases as a result of the COVID-19 pandemic of 2020-2022. Funding for the FTC under ARPA includes payroll costs, consumer education, and monitoring of consumer complaints received into the Consumer Sentinel Network. ARPA funds will remain available until the end of fiscal year 2026.

Deposit Fund

Consumer Redress Escrow (TAS 29X6013): This account consists of money collected as a result of court ordered judgments related to the consumer redress program and held temporarily by the FTC until distributed (either directly by the FTC or through a third-party agent) to consumers or harmed entities, or transferred to the General Fund of the U.S. Government. Judgments imposed but not yet collected are accrued as accounts receivable and recorded in this account. Accrued receivables and funds collected are considered non-entity assets under the FTC's custody or management. They do not affect the FTC's net position and are not reported on the agency's Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 12, Consumer Redress Activities.) For reporting purposes, funds held by redress third party administrators outside of the U.S. Treasury on behalf of harmed consumers are not part of the FTC reporting entity.

Receipt Accounts

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

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use are recorded in this account. An example is fees collected under the Freedom of Information Act (FOIA). Furthermore, collections for the consumer redress program for which redress to consumers is not practicable are also recorded in this account. These funds are ultimately disgorged to the U.S. Treasury. The Department of the Treasury automatically transfers all cash balances in this receipt account to the General Fund of the U.S. Government at the end of each fiscal year.

Clearing/Suspense Account

Budget Clearing and Suspense (TAS 29F3875): Prior to a systems process change in the first quarter of FY 2021, fees collected for premerger notification filings under the HSR Act were deposited, initially, into the Budget Clearing and Suspense account, then distributed equally to the FTC (as an offsetting collection in the general fund) and the Department of Justice (DOJ). Premerger receipts are now split evenly upon collection between the FTC and the DOJ, eliminating the custodial activity transactions. The Budget Clearing and Suspense account is still used to process refund payments to vendors. (See Note 1(p), Revenues and Other Financing Sources.)

(b) Basis of Presentation and Accounting

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

The FTC's financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and with OMB Circular A-136, Financial Reporting Requirements (as revised in June 2022). Transactions are recorded on both an accrual and a budgetary basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Accrual methods of accounting may differ from budgetary accounting principles, primarily in the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities. The purpose of federal budgetary accounting is to control, monitor, and report on funds made available to federal agencies by law and help ensure compliance with the law. Budget terms commonly used are defined in OMB Circular A-11, Section 20.3. Further information about budget terms and concepts is available in the "Budget Concepts" chapter of the Analytical Perspectives volume of the President's Budget.

As described in Note 1(a), Reporting Entity, the FTC maintains a primary fund to account for salaries and operating expenses. There are limited intra-entity transactions with any other fund (e.g., deposit fund) that require eliminating entries to present consolidated statements. Furthermore, the FTC does not currently have any funds classified as dedicated collections which require separate reporting under FASAB Statement of Federal Financial Accounting Standards (SFFAS) 43, Funds from Dedicated Collections. Accordingly, the proprietary financial statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined. FTC reconciles its intragovernmental activity and works with agency trading partners to reduce significant or material differences in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

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

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

(c) Use of Estimates

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

(d) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out program activities. These funds are available until expended, subject to the OMB apportionment and to congressional restrictions on the expenditure of funds (see FTC's FY 2022 Congressional Budget Justification, pages 5-6, "Appropriations Language Provisions"). In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from direct appropriations and offsetting collections. The FTC accounts for budget authority in its General Fund accounts (29X0100 and 29 0100) as reflected in the Statement of Budgetary Resources.

(e) Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

(f) Entity and Non-Entity Assets

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

(g) Fund Balance with Treasury

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

(h) Accounts Receivable, Net

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

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

(i) General Property, Plant, and Equipment

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

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

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

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

(j) Accrued Liabilities and Accounts Payable

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

(k) Employee Health Benefits and Life Insurance

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

(l) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by the OPM. Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 13.2 percent to the Federal Employees' Retirement Fund. New employees hired between January 1 and December 31, 2013, participate in FERS-RAE (Revised Annuity Employees). New employees hired on or after January 1, 2014, participate in FERS-FRAE (Further Revised Annuity Employees).

The FTC contributes 11.1 percent for both FERS-RAE and FERS-FRAE. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act (FICA), which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar limit set by law. In calendar year 2022, the annual contribution limit is $20,500 and employees aged 50 and over may contribute an additional $6,500 in catch-up contributions. For those employees participating in FERS, the FTC makes a mandatory 1 percent contribution to this plan and, in addition, matches 100 percent of the first 3 percent contributed by employees and 50 percent of the next 2 percent of employee contributions. CSRS-participating employees do not receive a matching contribution from the FTC. The FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. This information is reported by the OPM; however, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by the OPM that estimate the true service cost of providing the pension benefits. Contributions made by the FTC and its employees do not cover the full cost of retirement benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost to achieve compliance with SFFAS 5. This additional cost is financed by the OPM and has no impact on the budgetary resources of the FTC. Imputed costs are reported as expenses on the Statement of Net Cost with offsetting imputed financing sources reported on the Statement of Changes in Net Position. (See Note 13, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(m) FECA and Other Post-Employment Benefits

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

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by the OPM that estimate the true cost of providing these benefits to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 13, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(n) Annual and Sick Leave

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

(o) Net Position

The portion of the FTC's budget authority funded by its no-year direct appropriation is fully expended during the year. Therefore, the remaining unexpended appropriation balance in net position at the end of the fiscal year reflects the unspent ARPA funds.

Cumulative results of operations represent the net results of operations since the agency's inception, the cumulative amount of prior period adjustments, the remaining net book value of capitalized assets, and future funding requirements. (See Statement of Changes in Net Position.)

(p) Revenues and Other Financing Sources

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

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

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

(q) Methodology for Assigning Costs and Exchange Revenues

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

NOTE 2—ENTITY AND NON-ENTITY ASSETS

The FTC's entity assets are comprised of undisbursed general funds; accounts receivable; advances and prepayments; and property, plant, and equipment. Accounts receivable, net, represents amounts due from other Federal agencies, current and former employees, and vendors. Advances and prepayments include amounts paid to the Department of Transportation for transit subsidies on behalf of FTC employees as well as amounts paid to the Department of Defense for employee background investigations. The FTC's non-entity assets include fund balance with Treasury and accounts receivable. The fund balance with Treasury consists of amounts held temporarily in a deposit fund pending disbursement to harmed consumers for redress. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

Entity and non-entity assets consisted of the following as of September 30, 2022:

(Dollars in thousands)	2022 Entity	2022 Non-Entity	2022 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 312,041	$ -	$ 312,041
Deposit funds - consumer redress	-	204,704	204,704
Accounts receivable, net	6	-	6
Advances and Prepayments	7	-	7
Total intragovernmental assets	312,054	204,704	516,758
Accounts receivable, net	41	45,134	45,175
Property, plant and equipment, net	19,643	-	19,643
Total Assets	$ 331,738	$ 249,838	$ 581,576

Entity and non-entity assets consisted of the following as of September 30, 2021:

(Dollars in thousands)	2021 Entity	2021 Non-Entity	2021 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 232,678	$ -	$ 232,678
Deposit funds - consumer redress	-	384,821	384,821
Accounts receivable, net	32	-	3
Advances and Prepayments	6	-	6
Total intragovernmental assets	232,716	384,821	617,537
Accounts receivable, net	50	51,116	51,166
Property, plant and equipment, net	22,262	-	22,262
Total Assets	$ 255,028	$ 435,937	$ 690,965

NOTE 3—FUND BALANCE WITH TREASURY

There are no material differences between amounts reported by the FTC and those reported to U.S. Treasury as of September 30, 2022, and 2021. In terms of the relationship to the budget, the FTC's Fund balance with Treasury (FBwT) consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as non-budgetary deposit funds arising from amounts collected for consumer redress and not yet disbursed to disbursing agents or directly to claimants. The unobligated balance includes both available and unavailable balances. The higher unobligated balance available is primarily attributable to an increase in the agency's direct appropriation, from $351 million in FY 2021 to $376.5 million in FY 2022. The FY 2021 unobligated balance available consists primarily of the ARPA appropriation of $30.4 million, of which $17.4 million remains unobligated at the end of FY 2022.

The large increase in Unavailable – Excess Offsetting Collections is due to HSR Premerger fees collected during FY 2022 in excess of the congressional authorized amount. Under the FTC statutory authorities, the agency is permitted to retain a specified amount of offsetting collections to use for the necessary expenses of its direct appropriation. For FY 2022, the maximum amount is $138 million, and the agency collected $191.4 million in HSR Premerger filing fees. Excess HSR collections are reported as offsetting collections temporarily precluded from obligation as the funds may not be spent without approval from the OMB. The volume of Premerger filings has declined by 12 percent from the prior year but remains above historical averages. The unavailable-unapportioned balance is the result of recoveries of prior-year obligations that exceed apportioned amounts. The unavailable - temporary reduction of $6,450 thousand consists of $5,418 thousand HSR Premerger and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013.

Fund balance with Treasury consisted of the following as of September 30, 2022 and 2021:

(Dollars in thousands)	2022	2021
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 60,666	$ 41,695
Unavailable - unapportioned	2,789	3,680
Unavailable - excess offsetting collections	166,072	112,651
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	235,977	164,476
Obligated balance not yet disbursed	76,064	68,202
Non-budgetary fund balance with Treasury	204,704	384,821
Total Status of Fund Balance with Treasury	$ 516,745	$ 617,499

NOTE 4—ACCOUNTS RECEIVABLE, NET

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

Non-entity redress gross accounts receivable is the court ordered judgment amount, usually a calculated amount of ill-gotten gains by the defendant(s). The large decline in the gross accounts receivable balance is primarily due to a vacated judgment of $805 million against payday lender AMG Services, Inc. Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2022. Accumulated unrecognized interest on receivables deemed uncollectible totaled $44,526 thousand and $41,886 thousand as of September 30, 2022, and 2021.

Accounts receivable, net consisted of the following as of September 30, 2022:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2022 Net
Entity Accounts Receivable:			
Intragovernmental	$ 6	$ -	$ 6
With the public	41	-	41
Total entity accounts receivable	47	-	47
Non-Entity Accounts Receivable:			
Consumer redress	1,347,604	(1,302,628)	44,976
Civil penalties	158	-	158
Total non-entity accounts receivable	1,347,762	(1,302,628)	45,134
Total Accounts Receivable	$ 1,347,809	$ (1,302,628)	$ 45,181

Accounts receivable, net consisted of the following as of September 30, 2021:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2021 Net
Entity Accounts Receivable:			
Intragovernmental	$ 32	$ -	$ 32
With the public	50	-	50
Total entity accounts receivable	82	-	82
Non-Entity Accounts Receivable:			
Consumer redress	2,403,071	(2,351,955)	51,116
Civil penalties	-	-	-
Total non-entity accounts receivable	2,403,071	(2,351,955)	51,116
Total Accounts Receivable	$ 2,403,153	$ (2,351,955)	$ 51,198

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

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2022, and 2021. No asset impairments were recognized in either year. The net book value of capitalized assets has declined from the previous fiscal year as a result of continual depreciation and amortization expenses. Current year depreciation and amortization expense is $3,742 thousand, as presented in Note 13 "Reconciliation of Net Operating Cost and Net Budgetary Outlays." Asset purchases have increased from $461 thousand in FY 2021 to $1,189 thousand in FY 2022, as reflected in the higher balance for acquisition value. The majority of capitalized purchases for FY 2022 consists of leasehold improvements associated with the relocation of the San Francisco field office.

Property, plant, and equipment, net consisted of the following as of September 30, 2022:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 20,620	$ (19,658)	$ 962
Leasehold improvements	15 Years	47,317	(29,191)	18,126
Software	5 Years	18,064	(17,509)	555
Total Property, Plant, and Equipment		$ 86,001	$ (66,358)	$ 19,643

Property, plant, and equipment, net consisted of the following as of September 30, 2021:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 20,361	$ (19,515)	$ 846
Leasehold improvements	15 Years	46,959	(26,360)	20,599
Software	5 Years	18,064	(17,247)	817
Total Property, Plant, and Equipment		$ 85,384	$ (63,122)	$ 22,262

NOTE 6—LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

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

Liabilities not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the Congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to use current receipts in the event of a budget surplus or borrow from the public in the event of a budget deficit. These liabilities include unfunded FECA liabilities, accrued annual leave, and fees owed to other federal agencies. In FY 2022, the FTC received funding for information technology enhancements through GSA's Technology Modernization Fund (TMF) with a requirement to repay a portion of the monies back to GSA in fiscal years 2023 and 2024.

Liabilities Not Requiring Budgetary Resources

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

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

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

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

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2022

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2022 Total
Intragovernmental Liabilities:			
FECA liability	$ 49	$ -	$ 49
Fees owed under Interagency agreements	285	-	285
Accrued civil penalties and receipts due to treasury	-	158	158
Total Intragovernmental Liabilities	334	158	492
Non-Federal Liabilities:			
Accrued leave	16,774	-	16,774
Actuarial FECA	810	-	810
Undisbursed redress collections	-	204,704	204,704
Accrued redress due to claimants	-	44,976	44,976
Total Non-Federal Liabilities	17,584	249,680	267,264
Total Unfunded Liabilities	17,918	249,838	267,756
Liabilities Covered by Budgetary Resources			17,794
Total Liabilities			$ 285,550

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2021:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2021 Total
Intragovernmental Liabilities:			
FECA liability	$ 170	$ -	$ 170
Fees owed under Interagency agreements	-	-	-
Accrued civil penalties and receipts due to treasury	-	-	-
Total Intragovernmental Liabilities	170	-	170
Non-Federal Liabilities:			
Accrued leave	17,294	-	17,294
Actuarial FECA	1,966	-	1,966
Undisbursed redress collections	-	384,821	384,821
Accrued redress due to claimants	-	51,116	51,116
Total Non-Federal Liabilities	19,260	435,937	455,197
Total Unfunded Liabilities	19,430	435,937	455,367
Liabilities Covered by Budgetary Resources			22,554
Total Liabilities			$ 477,921

NOTE 7 – OTHER LIABILITIES

As of September 30, 2022, and 2021, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities (Other Than Intragovernmental) are presented below. FECA liabilities are long-term in nature and are not funded with budgetary resources while accrued employee benefits and accrued funded payroll and leave are covered by budgetary resources. For Government-wide reporting, the liabilities for Accrued Redress Due to Claimants and Undisbursed Redress Collections are reported as Other Liabilities in the Financial Report of the U.S. Government. Because these liabilities are material to the FTC, they are displayed as separate line-items on the agency's Balance Sheet. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

Other Liabilities consisted of the following as of September 30, 2022 and 2021:

(Dollars in thousands)	2022	2021
Intragovernmental liabilities:		
Accrued employee benefits	$ 1,012	$ 2,583
FECA liability	49	170
Fees owed under interagency agreements	285	-
Accrued civil penalties and receipts due to treasury	158	-
Total intragovernmental liabilities	1,504	2,753
Other than intragovernmental liabilities:		
Accrued funded payroll and leave	3,446	9,092
Unfunded accrued annual leave	16,774	17,293
Actuarial FECA	810	1,966
Total other than intragovernmental liabilities	21,030	28,351
Total Other Liabilities	$ 22,534	$ 31,104

NOTE 8—LEASES

Leases of government-owned and commercial-owned property are made through and managed by the GSA. While leases with the GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the amounts that will be paid in the future to the GSA undersigned lease agreements. The FTC currently leases spaces from four government-owned properties and seven commercial properties totaling approximately 590 thousand square feet for use as offices, storage, and parking. The FTC's government leases expire on various dates through 2029, while the commercial leases expire at various dates through 2033. Future minimum lease payments owed to GSA on contracts for space with remaining terms in excess of one year are presented in the tables below.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2022:

Fiscal Year 2022 (Dollars in thousands)		
2023	$	8,084
2024		8,096
2025		8,108
2026		8,121
2027		8,093
Thereafter		15,220
Total Future Minimum Lease Payments	$	55,722

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2022:

Fiscal Year 2022 (Dollars in thousands)		
2023	$	14,860
2024		7,460
2025		2,164
2026		1,821
2027		1,746
Thereafter		4,292
Total Future Minimum Lease Payments	$	32,343

In addition, the FTC is committed under short-term lease agreements with commercial vendors for parking and telecommunications equipment. Total short-term lease obligations are $2,609 thousand as of September 30, 2022, and these contracts expire in fiscal years 2023 through 2027 with options to renew.

NOTE 9—INTER-ENTITY COSTS

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

NOTE 10—STATEMENT OF BUDGETARY RESOURCES

In addition to future minimum lease payments discussed in Note 8, the FTC is committed under obligations for goods and services that have been ordered but not yet received. Aggregate undelivered orders are presented in the table below.

Undelivered obligations consisted of the following as of September 30, 2022 and 2021:

(Dollars in thousands)	2022	2021
Non-Federal Undelivered Orders Unpaid	$ 53,326	$ 40,374
Non-Federal Undelivered Orders Paid	-	-
Total Non-Federal Undelivered Orders	53,326	40,374
Federal Undelivered Orders Unpaid	7,413	6,478
Federal Undelivered Orders Paid	7	6
Total Federal Undelivered Orders	7,420	6,484
Total Undelivered Orders	$ 60,746	$ 46,858

The Budget of the United States Government (President's Budget) contains budget proposals for the upcoming fiscal year along with forecasted results for the current fiscal year and actual results for the previous fiscal year. The most current version of the President's Budget is the FY 2023 President's Budget, which contains FY 2021 actual results. Detailed information on the FTC is available in the Appendix to the President's Budget under Other Independent Agencies. There are no material differences between amounts reported in the FY 2021 Statement of Budgetary Resources and the FY 2021 actual amounts as reported in the FY 2023 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2024 Budget of the United States Government is not available to compare FY 2022 actual amounts to the FY 2022 Statement of Budgetary Resources. The expected availability for this report is February 2023 on the OMB's website.

NOTE 11—CUSTODIAL ACTIVITIES

The primary custodial activities of the FTC are:

Premerger Filing Fees

Fees collected for premerger notification filings under the HSR Act are divided evenly between the FTC and the DOJ. In FY 2021, the FTC implemented a new collection process for the Premerger filing fees. Collections are now split evenly between the FTC and the DOJ upon receipt. Under the previous method, the FTC collected the full amount and remitted half to the DOJ, which resulted in a custodial liability and custodial transfers. A total of $16 million in Premerger fees were processed on behalf of the DOJ at the start of fiscal year 2021 before the process change was implemented. As of September 30, 2022 and 2021, the FTC collected $191,420 and $236,648 thousand in HSR premerger filing fees. The volume of premerger filings has been above average in both FY 2022 and FY 2021 following a slowdown in FY 2020 that resulted from the COVID-19 pandemic.

Civil Penalties

Civil monetary penalties and antitrust violations collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the funds are deposited in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the cases. All civil penalties collected are transferred to the General Fund of the U.S. Government at the end of the fiscal year. In FY 2022, the FTC collected $145 million from Twitter for deceptively using account security data to sell targeted ads to its users. In FY 2021, DISH Network paid a penalty of $122 million for violations of the Telemarketing Sales Rule and Telephone Consumer Protection Act. Also in FY 2021, Vivint Smart Home, Inc. paid a $15 million penalty for misusing credit reports to allow unqualified customers to obtain financing in order to purchase its products and services.

Consumer Redress

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Net disgorgements to the Treasury were $14,348 thousand as of September 30, 2022 and $7,993 thousand as of September 30, 2021.

Other line items on the Statement of Custodial Activity include:

Accrual Adjustments and Amounts Yet to Be Transferred

Accrual adjustments represent the change in accounts receivable, net of allowances for uncollectible accounts, for civil penalties assessed in court actions. Amounts yet to be transferred represent the change in the offsetting liability for civil penalties due to Treasury that is established at the time an accounts receivable for civil penalties is recorded.

NOTE 12—CONSUMER REDRESS ACTIVITIES

The FTC obtains funds for consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. The FTC attempts to distribute funds to injured parties whenever possible. If redress is determined to be practicable, funds are either directly disbursed by the FTC to claimants or are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to injured parties. Disbursements to claimants and third-party administrators totaled $325,056 and $453,345 thousand as of September 30, 2022, and 2021.

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

Redress fund activities consisted of the following for the fiscal years ended September 30, 2022 and 2021:

(Dollars in thousands)	2022	2021
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 384,821	$ 677,109
Collections	159,287	169,050
Disbursements to claimants and third party administrators for redress, net	(325,056)	(453,345)
Disgorgements to Treasury, net	(14,348)	(7,993)
Total Fund Balance with Treasury, Ending	$ 204,704	$ 384,821
Accounts Receivable, Net		
Beginning balance	$ 51,116	$ 628,026
Net activity	(6,140)	(576,910)
Total Accounts Receivable, Ending	$ 44,976	$ 51,116

NOTE 13 — RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

In accordance with the requirements of SFFAS 7, Accounting for Revenue and Other Financing Sources, as amended by SFFAS 53, Budget and Accrual Reconciliation, the schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal years ended September 30, 2022, and 2021. Net cost is calculated on an accrual basis while net outlays consist of the receipt and use of cash from a budgetary basis. This reconciliation assures the integrity of relationships between proprietary and budgetary accounting.

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Year Ended September 30, 2022:

(Dollars in thousands)	FY 2022		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 95,450	$ 58,032	$ 153,482
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(3,742)	(3,742)
Losses on Asset Dispositions	-	(66)	(66)
Increase/(Decrease) in Assets	(25)	(9)	(34)
(Increase)/Decrease in Liabilities	1,710	4,846	6,556
Imputed Costs	(10,634)	-	(10,634)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(8,949)	1,029	(7,920)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	1,189	1,189
Transfers Out (in) Without Reimbursement	(1)	-	(1)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	(1)	1,189	1,188
Other Reconciling Items			
Miscellaneous Receipts	-	(14,361)	(14,361)
Total Other Reconciling Items	-	(14,361)	(14,361)
Net Outlays (Calculated)	$ 86,500	$ 45,889	$ 132,389
Budgetary Agency Outlays, Net - Statement of Budgetary Resources			$ 132,389

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Year Ended September 30, 2021:

(Dollars in thousands)	FY 2021		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 90,398	$ 21,857	$ 112,255
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(3,803)	(3,803)
Losses on Asset Dispositions	-	-	-
Increase/(Decrease) in Assets	(185)	28	(157)
(Increase)/Decrease in Liabilities	(485)	1,035	550
Imputed Costs	(10,131)	-	(10,131)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(10,801)	(2,740)	(13,541)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	417	44	461
Transfers Out (in) Without Reimbursement	-	-	-
Total Components of Budgetary Outlays Not Part of Net Operating Cost	417	44	461
Other Reconciling Items			
Miscellaneous Receipts	-	(8,127)	(8,127)
Total Other Reconciling Items	-	(8,127)	(8,127)
Net Outlays (Calculated)	$ 80,014	$ 11,034	$ 91,048
Budgetary Agency Outlays, Net - Statement of Budgetary Resources			$ 91,048

NOTE 14 — COVID-19 ACTIVITY

In FY 2021, the FTC received an appropriation of $30,400 thousand through the American Rescue Plan Act (ARPA), signed into law by President Biden on March 11, 2021. This appropriation authorizes funding for the FTC to cover higher costs associated with the COVID-19 pandemic to include: $24,000 thousand for payroll expenses, $4,400 thousand for processing and monitoring of consumer complaints received through the Consumer Sentinel Network, and $2,000 thousand for consumer-related education. From the second half of fiscal year 2021 through the end of fiscal year 2022, the FTC has incurred $13,040 thousand of obligations for payroll expenses and management and professional support services in support of these initiatives to combat the rising costs of the agency due to COVID-19. ARPA funds are available through the end of FY 2026. Summarized financial information is provided below.

Summarized COVID-19 financial activity for the fiscal years ended September 30, 2022 and 2021:

(Dollars in thousands)	2022	2021
Total Assets	$ 19,206	$ 27,000
Total Liabilities	-	-
Net Operating Results	(7,794)	(3,400)
Appropriations Used	7,794	3,400
Unexpended Appropriations	19,206	27,000
Budgetary Resources	$ 26,010	$ 30,400
Obligations Incurred	8,650	4,390
Unobligated Balance	17,360	26,010
Net Outlays	$ 7,794	$ 3,400

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

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

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

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

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

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

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

As required by the *Reports Consolidation Act of 2000*, the OIG has identified the following issues as the most serious management and performance challenges facing the FTC.[1]

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

Guarding information technology (IT) systems remains a priority for the FTC. In response to increased reports of cybersecurity incidents in the federal government, the FY 2021 IG Federal Information Security Modernization Act of 2014 (FISMA) reporting metrics included a new domain on supply chain risk management. Additionally, a January 2022 Office of Management and Budget memorandum sets forth a federal zero trust architecture strategy, requiring agencies to meet specific cybersecurity standards and objectives by the end of FY 2024. Addressing these new challenges—as well as areas for improvement that we identified in the FY 2021 FISMA report— will help the FTC better ensure that its data and information are properly protected.

FTC Progress in Addressing the Challenge. FTC management reported executing corrective actions for the four areas of improvement identified in the FY 2021 FISMA audit report. In addition, agency management informed the OIG that it executed other corrective actions addressing four penetration testing observations cited in the report.

2. Seeking Monetary Relief for Consumers

The FTC continues to grapple with how to obtain relief effectively for consumers following last year's Supreme Court decision in *AMG Capital Management, LLC v. FTC*, 593 U.S. __, 141 S. Ct. 1341 (2021). The decision stripped federal courts of the authority—which they had been exercising for more than 4 decades—to award equitable monetary relief to consumers when the FTC obtains a permanent injunction in federal court pursuant to FTC Act Section 13(b), 15 U.S.C. § 53(b). The inability to seek equitable monetary relief via Section 13(b) is expected to impact the FTC's ability to secure monetary relief for consumers. In 2022, legal challenges to agency administrative processes have further complicated the agency's ability to rely on its administrative process to obtain refunds for harmed consumers.

FTC Progress in Addressing the Challenge. Since we first raised this challenge in our FY 2021 TMC, several bills have been introduced to restore the FTC's ability to secure equitable monetary relief via Section 13(b). The FTC also indicates that it has turned to using alternative remedial authorities, such as the Penalty Offense Authority, as well as pursued rulemaking, including proposing a major expansion of the Telemarketing Sales Rule and finalizing the Made in the USA Rule. In addition, the Commission reports initiating rulemakings around auto sales, impersonator fraud, and false earnings claims.

3. Successfully Managing the Volume of Merger Transactions

How the FTC can most efficiently and effectively manage its workload related to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR Act)—and the difficulties encountered by Bureau of Competition (BC) attorneys charged with reviewing reported HSR transactions—has grown into one of the agency's top management challenges. Despite the agency's efforts in fielding an increased volume of submissions—whose growth seems to have stabilized after last year's increases, but whose size represents a substantially greater workload than pre-pandemic years—the FTC faces challenges in strategizing the most efficient and effective response.

FTC Progress in Addressing the Challenge. To address the volume of merger work and the significant staff challenges that it poses, BC has described to the OIG how it closely tracks all incoming HSR filings and commits weekly triage efforts to ensure that resources are allocated to the most troublesome transactions—and accommodate strict HSR statutory deadlines. In addition, management has reported engaging in lateral hiring to the greatest extent allowed, given the agency's current budget constraints, as well as utilizing and reprioritizing available resources across the agency to support BC's competition investigations and litigation.

4. Controlling Expert Witness Costs

Since 2017, the FTC has included expensive expert witness contracts as a "top risk" on its risk register. A major component of the agency's litigation costs, these contracts will likely remain a top risk in FY 2023 and beyond. The complexity of its cases, which necessitates expert witness services, contributes significantly to the challenge. Through FY 2022, the FTC's litigation activity required spending on expert witness costs that exceeded available budgeted resources—potentially threatening the agency's ability to challenge meritorious cases. And the unpredictable nature of agency investigations, Commission decisions, and the response of parties to FTC matters continue to challenge the agency's ability to anticipate expert witness costs accurately.

FTC Progress in Addressing the Challenge. One way the agency addresses its expert witness challenge is by leveraging internal expertise when possible. In addition, the FTC's FY 2023 Congressional Budget Justification included a requested increase of $15 million to meet the projected costs of BC expert witness contracts. Lastly, by increasing the frequency of its expert witness cost projections to twice monthly, BC management has gained greater insight into how to prioritize resources.

5. Managing Records and Sensitive Agency Information

In last year's *TMC* report, we highlighted on our "Agency Watch List" concerns about the FTC's data controls. Two of our FY 2020 audit reports on agency programs—the Bureau of Consumer Protection's redress program and the Personnel Security Office's Personnel Security and Suitability Program—conveyed findings concerning the collection, organization, and standardization of data. In addition, an FY 2021 OIG management advisory on controls over the agency's sensitive data discussed FTC employees' access to, and lack of effective training about, nonpublic information. As a result, we have elevated the issue to the level of a management and performance challenge.

FTC Progress in Addressing the Challenge. The agency has reported taking several actions to address concerns regarding employee training about sensitive information and staff access to nonpublic information—including updates of trainings, Rules of Behavior regarding devices, and restrictions on forwarding weekly email reports. Notably, the Chair issued communication stressing the importance of protecting nonpublic information and reinforcing the renewed training efforts. The agency also reported completing several initiatives in its efforts to modernize recordkeeping and make records management progressively more integral to agency operations.

Watch List Item

The OIG also maintains a "watch list," currently with one issue that does not meet the threshold of a serious management or performance challenge—but nevertheless warrants the vigilant attention of agency officials.

Managing Consumer Misuse of the Consumer Sentinel Network

The FTC's Consumer Sentinel Network (CSN) is a unique investigative cyber tool that provides its members (typically federal, state, and local law enforcement) with free access to millions of reports filed by consumers, member entities, and other data contributors. In addition to consumer fraud scams, CSN includes reports about Identity Theft, and Do Not Call (DNC) Registry violations. Misuse of CSN related to the latter two types of reports have become a growing concern—which can dilute both the accuracy of the data and consumer confidence in it.

Agency Status. The FTC has reported taking several measures, and continuing to explore options, to prevent and mitigate misuse of CSN in an effort to maintain the integrity of the system. To help minimize the number of fraudulent reports submitted through the IdentifyTheft.gov website, management has described how it has implemented several back-end security measures and enhancements. In its effort to prevent the removal of someone's telephone number from the Do Not Call Registry without their consent, the FTC recently reported it has implemented a callback feature to confirm that person actually requested the deletion.

[1]The entire FY 2022 report is available at https://www.ftc.gov/system/files/ftc_gov/pdf/2022-09-30_OIG_FY_2022_FTC_Top_Management_Challenges.pdf

PAYMENT INTEGRITY

The Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 requires agencies to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities.

In accordance with the OMB A-123 Appendix C guidance, the FTC performed a FY 2021 risk assessment for all major payment programs including payroll, procurement, redress payments to consumers, travel, purchase card, premerger filing fee refunds, training, and two miscellaneous payment processes. The FTC evaluated each payment program over $1 million using the following qualitative risk factors identified in OMB Circular A-123 Appendix C:

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

The FTC also performed a quantitative risk assessment which assessed risks related to the amounts of payments processed relative to the OMB specified threshold amounts that define payment programs susceptible to improper payments. As a result of the FY 2021 risk assessment, the FTC determined that the agency's programs and activities presented low risk of improper payments and that none of the agency's programs or activities were determined to be susceptible to significant improper payments.

The FTC also reviews potential matches on an on-going basis and incorporates a pre-award check on potential contractors against the Do Not Pay databases to prevent improper payments. In 2015, the FTC performed and documented testing of statistical samples from larger payment processes to verify that the FTC payment programs are not susceptible to significant improper payments which served as the baseline for the FY 2021 risk assessment. Per OMB guidance and the result of the FY 2021 IPERIA risk assessment, no assessment was conducted during FY 2022 and the next assessment is scheduled for FY 2024. In addition, the FTC regularly conducts assessments over the internal controls over payment processes. In 2022, the FTC performed an assessment of miscellaneous and intragovernmental payments to assess the effectiveness of controls over the proper authorization, approval, and processing of payments.

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

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

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

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

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
Section 7A(g)(1) of the Clayton Act, 15 U.S.C. 18a(g)(1)	Premerger filing notification violations under the Hart-Scott-Rodino Improvements Act	1976	January 10, 2022	$ 46,517	BC	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 11(l) of the Clayton Act, 15 U.S.C. 21(l)	Violations of cease and desist orders issued under Clayton Act section 11(b)	1959	January 10, 2022	$ 24,714	BC	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 5(l) of the FTC Act, 15 U.S.C. 45(l)	Unfair or deceptive acts or practices	1973	January 10, 2022	$ 46,517	BC and BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 5(m)(1)(A) of the FTC Act, 15 U.S.C. 45(m)(1)(A)	Unfair or deceptive acts or practices	1975	January 10, 2022	$ 46,517	BC and BCP	Federal Register Vol.87, January 10, 2022, pages 1070-10721
Section 5(m)(1)(B) of the FTC Act, 15 U.S.C. 45(m)(1)(B)	Unfair or deceptive acts or practices	1975	January 10, 2022	$ 46,517	BC and BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 10 of the FTC Act, 15 U.S.C. 50	Failure to file required reports	1914	January 10, 2022	$ 612	BC and BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 5 of the Webb-Pomerene (Export Trade) Act, 15 U.S.C. 65	Failure by associations engaged solely in export trade to file required statements	1918	January 10, 2022	$ 612	BC	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 6(b) of the Wool Products Labeling Act, 15 U.S.C. 68d(b)	Failure by wool manufacturers to maintain required records	1940	January 10, 2022	$ 612	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
Section 3(e) of the Fur Products Labeling Act, 15 U.S.C. 69a(e)	Failure to maintain required records regarding fur products	1951	January 10, 2022	$ 612	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 8(d)(2) of the Fur Products Labeling Act, 15 U.S.C. 69f(d)(2)	Failure to maintain required records regarding fur products	1951	January 10, 2022	$ 612	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 333(a) of the Energy Policy and Conservation Act, 42 U.S.C. 6303(a)	Knowing violations of EPCA § 332, including labeling violations	1975	January 10, 2022	$ 503	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 525(a) of the Energy Policy and Conservation Act, 42 U.S.C. 6395(a)	Recycled oil labeling violations	1975	January 10, 2022	$ 24,714	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 525(b) of the Energy Policy and Conservation Act, 42 U.S.C. 6395(b)	Willful violations of recycled oil labeling requirements	1975	January 10, 2022	$ 46,517	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 621(a)(2) of the Fair Credit Reporting Act, 15 U.S.C. 1681s(a)(2)	Knowing violations of the Fair Credit Reporting Act	1996	January 10, 2022	$ 4,367	BCP	Federal Register Vol.87, January 10, 2022, pages 1070-1072
Section 1115(a) of the Medicare Prescription Drug Improvement and Modernization Act of 2003, Public Law 108–173, as amended by Public Law 115–263, 21 U.S.C. 355	Failure to comply with filing requirements	2003	January 10, 2022	$ 16,445	BC	Federal Register Vol.87, January 10, 2022, pages 1070-10721
Section 814(a) of the Energy Independence and Security Act of 2007, 42 U.S.C. 17304	Violations of prohibitions on market manipulation and provision of false information to federal agencies	2007	January 10, 2022	$ 1,323,791	BC	Federal Register Vol.87, January 10, 2022, pages 1070-1072

APPENDICES

APPENDIX A: ACRONYMS

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

Acronym	Definition
AFR	Agency Financial Report
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act of 2021
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
CGE	Concur Government Edition
CSN	Consumer Sentinel Network
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DNC	Do Not Call
DOD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
DQA	Data Quality Appendix
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FEGLIP	Federal Employees' Group Life Insurance Program
FEHBP	Federal Employees' Health Benefit Program
FERS	Federal Employees' Retirement System
FERS-FRAE	Federal Employees' Retirement System – Further Revised Annuity Employees
FERS-RAE	Federal Employees' Retirement System – Revised Annuity Employees
FEVS	Federal Employee Viewpoint Survey
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Office
FTC	Federal Trade Commission
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GSA	General Services Administration
HSR	Hart-Scott-Rodino Act
IBC	Department of the Interior Business Center
ICOR	Internal Control Over Reporting
IG	Inspector General

Acronym	Definition
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPP	Invoice Processing Platform
IT	Information Technology
MOBE	My Online Business Education
NIST	National Institute of Standards and Technology
OFF	Oracle Federal Financials
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PIO	Performance Improvement Officer
PMRO	Performance Measure Reporting Official
PP&E	Property, Plant, and Equipment
PRISM	Procurement Information System for Management
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SMC	Senior Management Council
TAS	Treasury Account Symbol
TSP	Thrift Savings Plan

APPENDIX B: CONTACT INFORMATION AND ACKNOWLEDGEMENTS

FEDERAL TRADE COMMISSION

	600 Pennsylvania Avenue, NW Washington, D.C. 20580
General Information Number	202-326-2222
Internet Home Page	www.ftc.gov
FTC Spanish Home Page	www.ftc.gov/espanol
Strategic Plan Internet Site	https://www.ftc.gov/about-ftc/budget-strategy/strategic-plan
FTC Press Releases	https://www.ftc.gov/news-events/news/press-releases

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

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

CONSUMER RESPONSE CENTER

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

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