FEDERAL TRADE COMMISSION

FISCAL YEAR 2023

AGENCY FINANCIAL REPORT

FEDERAL TRADE COMMISSION

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FEDERAL TRADE COMMISSION

INTRODUCTION

FISCAL YEAR 2023

FEDERAL TRADE COMMISSION

ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2023 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 2023 APR will be combined with the FY 2025 Annual Performance Plan (APP) and included in the FY 2025 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.


AGA
Certificate of Excellence in Accountability Reporting®
presented to the
Federal Trade Commission
in recognition of outstanding effort in preparing the Agency Financial Report for fiscal year 2022
Andrew Lewis, CGFM, CPA
Chair, CEAR Board
Ann M. Ebberts, MS, PMP
Chief Executive Officer, AGA


AGA
Certificate of Excellence in Accountability Reporting®
BEST-IN-CLASS AWARD
presented to the
Federal Trade Commission
in recognition of
understandable financial statement footnotes
in the Agency Financial Report for fiscal year 2022
Andrew Lewis, CGFM, CPA
Chair, CEAR Board
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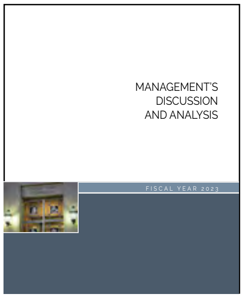
Chief Executive Officer, AGA

CERTIFICATE OF EXCELLENCE

The FTC received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for its FY 2022 AFR. The FY 2022 AFR demonstrates the value provided by the FTC, while quantifying the benefits the agency brought to the American public by highlighting examples of cases and investigations the agency pursued.

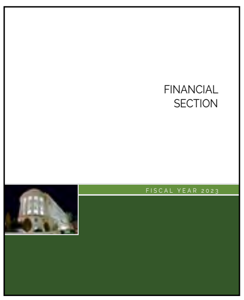
HOW THIS REPORT IS ORGANIZED

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



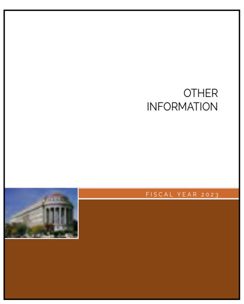
1. MANAGEMENT'S DISCUSSION AND ANALYSIS

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



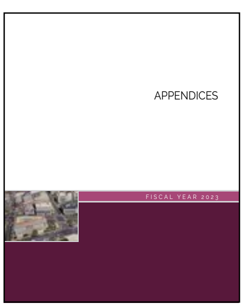
2. FINANCIAL SECTION

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 the 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 2023 was 1,217.
- Total new budget authority for FY 2023 was $430 million, which included $70 million in general fund appropriations and $360 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 protect Americans from unlawful business practices and to foster a vibrant economy fueled by fair competition and an empowered, informed public. In fiscal year 2023, the FTC continued prioritizing vigorous enforcement while also finding efficiencies to help us stretch our scarce resources.

On the consumer protection side, the agency continued to fight fraud and deception in the marketplace. This year, the FTC joined more than 100 federal and state law enforcement partners in Operation Stop Scam Calls, which included five new FTC actions against illegal telemarketing calls, as well as 180 enforcement actions brought by our partners. The FTC also secured its largest penalty ever awarded for violation of an FTC rule against Epic Games. In total, the agency filed 43 complaints in federal district court, obtained 61 permanent injunctions, and returned $285.4 million in redress from defendants to consumers. That amount of redress is especially significant given that the FTC can no longer use Section 13(b) of the FTC Act to obtain monetary redress and disgorgement. This legal authority had previously been the primary tool that the Commission used to return money to consumers.

On the competition side, we have moved to challenge major unlawful deals and anticompetitive conduct in critical sectors of the economy, including pharmaceuticals, healthcare, energy, mortgage technology, industrial goods, and payment networks. The Commission also took a series of actions challenging noncompete provisions in employment contracts, which harm workers, consumers, and competition. In addition, the FTC brought 23 competition enforcement actions during the year. In six of those matters, the agency initiated federal court or administrative litigation. In the other 17 matters, the Commission issued consent orders to remedy harm to consumers, or the parties abandoned or restructured their transactions in response to the Commission's investigation.

Outside of law enforcement, the agency proposed a rule in January that would eliminate noncompete clauses from employment contracts. Our proposal follows extensive research showing that noncompete clauses harm competition in labor markets, creating mismatches between workers and firms and depressing wages even for those workers not directly covered by noncompete clauses. In July, we published a draft revision of the merger guidelines, the enforcement manual that the FTC and Justice Department use to analyze deals. Informed by over 5,000 public comments and several listening sessions with market participants across the country, the updates are designed to reflect the realities of how businesses grow and compete in today's economy.

FINANCIAL MANAGEMENT

The FTC takes very seriously its commitment to responsibly stewarding public resources entrusted to the agency by American taxpayers and Congress. The agency's FY 2023 independent financial audit yielded our 27th 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. 33).

MANAGEMENT AND PERFORMANCE CHALLENGES

The Office of Inspector General (OIG) identified four management and performance challenges this year: (1) securing information systems and networks from destruction, data loss, or compromise; (2) addressing challenges to FTC litigation; (3) successfully managing merger transactions; and (4) combatting increasingly sophisticated imposter scams and enhancing the public's awareness of them. In addition, the OIG highlighted the FTC's oversight of the Horseracing Integrity and Safety Authority 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. 88).

The Commission is committed to vigorously enforcing the law to protect all Americans and to working with federal and state government partners to deliver on the FTC's mandate.

Lina Khan

Lina M. Khan, Chair
November 15, 2023

FEDERAL TRADE COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2023

FEDERAL TRADE COMMISSION

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 using 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 an 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 two current Commissioners are Rebecca Slaughter and Alvaro Bedoya.

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

Rebecca Kelly
Slaughter
Commissioner
Sworn in: May 2, 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 Technology assists the Commission by strengthening and supporting law enforcement investigations and actions, advising and engaging with FTC staff and the Commission on policy and research initiatives, and engaging with the public and relevant experts to understand trends and to advance the Commission's work.

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, and administrative services.

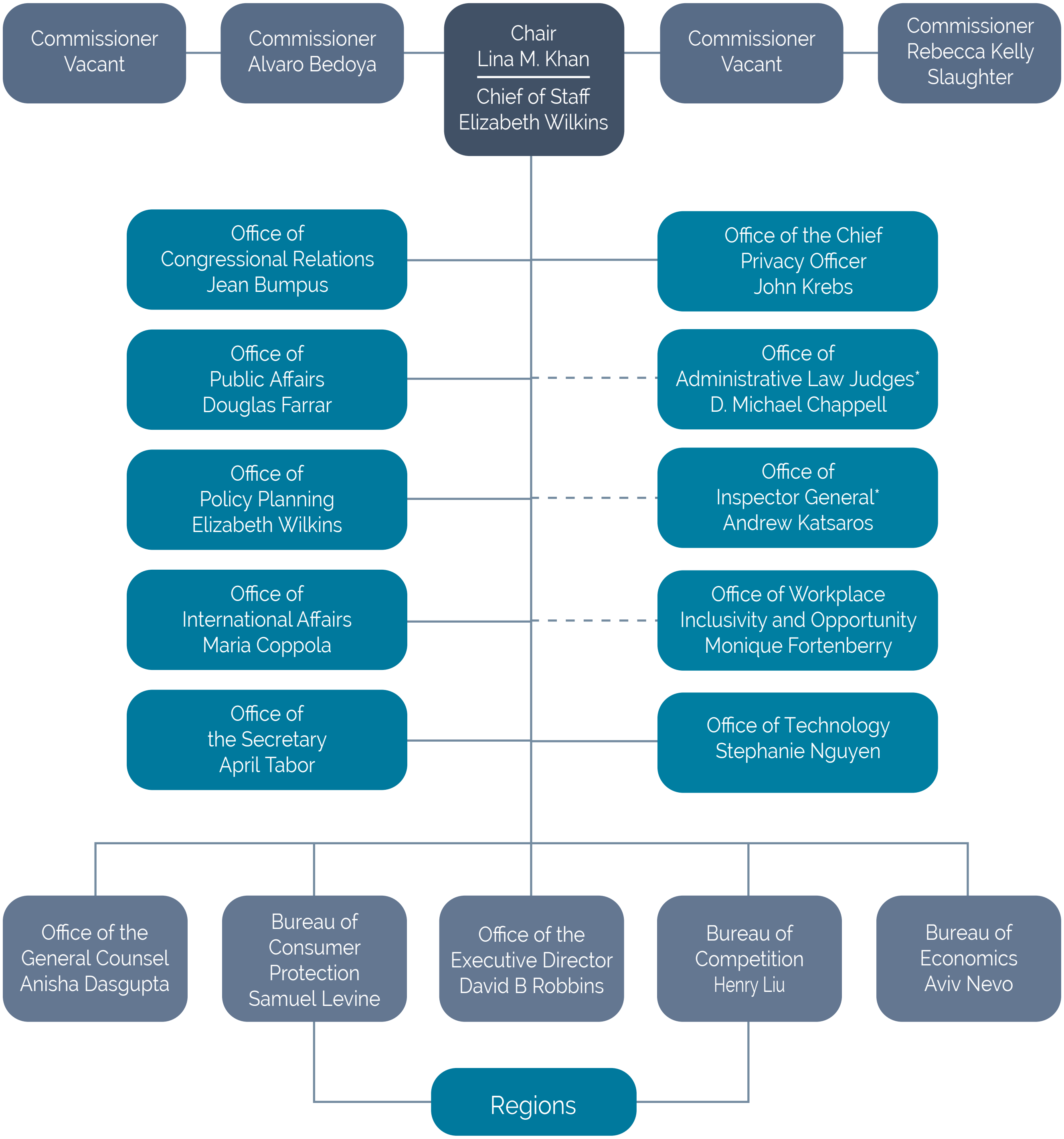
The Office of Administrative Law Judges performs the initial adjudicative fact-finding in Commission administrative complaint proceedings, guided by the FTC Act, the Administrative Procedure Act, relevant case law interpreting these statutes, and the FTC's Rules of Practice. Administrative Law Judges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

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

The Office of Workplace Inclusivity and Opportunity ensures that the Federal Trade Commission maintains a work environment that is free from all forms of illegal discrimination, including reprisal and harassment, and processes complaints of discrimination.

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

FEDERAL TRADE COMMISSION ORGANIZATIONAL CHART



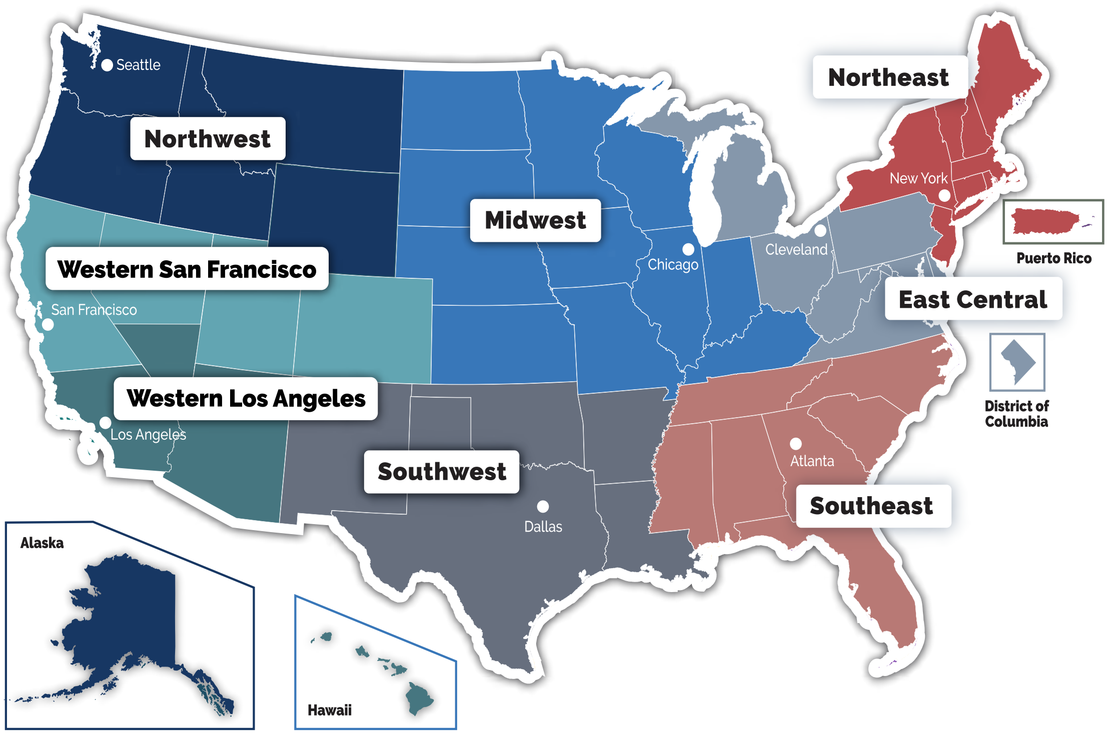
* An independent organization within the FTC.

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 2023. 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 supporting objectives as established in the FTC Strategic Plan FY 2022-2026. The FTC's strategic goals, objectives, strategies, 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: $203 million* *$218 million in costs - $15 million in revenue $203 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: $27 million* *$200 million in costs - $173 million in revenue $27 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 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 (PIO) 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 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 reporting 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 and details 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 and targets for assessing program performance against agency strategic goals and objectives. This report documents the performance of six 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 2023 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 2023 targets on five key performance metrics, did not meet the target on one metric, and did not have a target on one metric.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target was met or exceeded

X Signifies that the target was not met

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.[1]

FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
$971.1 million	$5.65 billion	$562.1 million	$639.8 million	$342.1 million	$65 million	✔

Note on Metric 1.1.1: The FTC formerly reported these numbers as a three-year rolling average. The results for each fiscal year are now being reported without averaging. The amount of money returned to the public and the U.S. Treasury has declined in recent years in part due to the Supreme Court's 2021 decision in *AMG Capital Management v. FTC,* which held that the FTC does not have the ability to obtain monetary relief pursuant to Section 13(b) of the FTC Act. For further discussion, see the OIG's second management challenge on page 88.

[1] Calculation/Formula: Sum of refund payments issued by the FTC and cashed by consumers, plus the amount of redress payments issued to consumers by defendants and third parties, 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.

OPERATION STOP SCAM CALLS

The FTC and more than 100 federal and state law enforcement partners nationwide, including the attorneys general from all 50 states and the District of Columbia, announced a new crackdown on illegal telemarketing calls involving more than 180 actions targeting operations responsible for billions of calls to U.S. consumers. The joint federal and state initiative, "Operation Stop Scam Calls," is part of the Commission's ongoing efforts to combat the scourge of illegal telemarketing, including robocalls. The initiative not only targets telemarketers and the companies that hire them but also takes action against lead generators who deceptively collect and provide consumers' telephone numbers to robocallers and others, falsely representing that these consumers have consented to receive calls. The effort also targets Voice over Internet Protocol (VoIP) service providers who facilitate illegal robocalls, which often originate overseas.

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.[2]

FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
$13.00 in consumer savings per $1 spent	$12.70 in consumer savings per $1 spent	$12.90 in consumer savings per $1 spent	$9.40 in consumer savings per $1 spent	$7.10 in consumer savings per $1 spent	$7.00 in consumer savings per $1 spent	✔

Note on Metric 1.1.2: The FTC formerly reported these numbers as a three-year rolling average. The results for each fiscal year are now being reported without averaging. The amount of consumer savings has declined in recent years in part due to the Supreme Court's 2021 decision in *AMG Capital Management v. FTC*, which held that the FTC does not have the ability to obtain monetary relief pursuant to Section 13(b) of the FTC Act. For further discussion, see the OIG's second management challenge on page 88.

[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 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 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.

PROTECTING CONSUMERS FROM NON-CONSENSUAL SUBSCRIPTIONS AND FROM VIOLATIONS OF THE CHILDREN'S ONLINE PRIVACY PROTECTION ACT RULE

The FTC filed a complaint charging Amazon.com with engaging in a years-long effort to enroll consumers into its Prime program without their consent while knowingly making it difficult for consumers to cancel their subscriptions to Prime. The FTC alleges that Amazon has knowingly duped millions of consumers into unknowingly enrolling in automatically-renewing Amazon Prime subscriptions by using manipulative, coercive, or deceptive user-interface designs known as "dark patterns." The FTC also alleges that consumers who attempted to cancel Prime were faced with multiple obstacles to actually accomplish the task of cancelling.

In another law enforcement action against Amazon.com, the company has agreed to pay a $25 million civil penalty, overhaul its deletion practices, and implement stringent privacy safeguards in order to settle charges that the company violated the Children's Online Privacy Protection Act Rule (COPPA Rule) and deceived parents and users of the Alexa voice assistant service about its data deletion practices. According to the complaint filed by the DOJ on behalf of the FTC, Amazon prevented parents from exercising their deletion rights under the COPPA Rule, kept sensitive voice and geolocation data for years, and used it for its own purposes, while putting data at risk of harm from unnecessary access.

FORTNITE VIDEO GAME MAKER EPIC GAMES TO PAY MORE THAN HALF A BILLION DOLLARS

The FTC secured agreements requiring Epic Games, creator of the popular video game Fortnite, to pay a total of $520 million in relief over allegations the company violated the Children's Online Privacy Protection Act (COPPA) and deployed design tricks, known as dark patterns, to dupe millions of players into making unintentional purchases. The FTC's action against Epic involves two separate record-breaking settlements. As part of a proposed federal court order filed by DOJ on behalf of the FTC, Epic will pay a $275 million monetary penalty for violating the COPPA Rule, which is the largest penalty ever obtained for violating an FTC rule. Additionally, in a first-of-its-kind provision, Epic will be required to adopt strong privacy default settings for children and teens, ensuring that voice and text communications are turned off by default. Under a separate administrative order, Epic will pay $245 million to refund consumers for its dark pattern and billing practices, which is the FTC's largest refund amount in a gaming case.

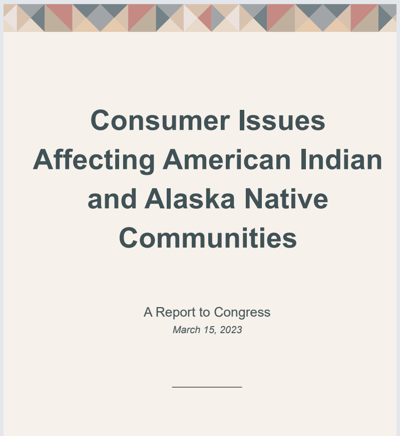
METRIC 1.2.1: Rate of consumer satisfaction with FTC consumer education websites. (a) Mobile; (b) Desktop.

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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
(a) N/A (b) 77.7	(a) N/A (b) 76.2	(a) N/A (b) 72.9	(a) 73.5 (b) 73.4	(a) 73.4 (b) 74.9	Average satisfaction rate = (a) 72.1 (b) 69.7	✔

[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.

REPORT ON CONSUMER ISSUES AFFECTING AMERICAN INDIAN AND ALASKA NATIVE COMMUNITIES


Consumer Issues Affecting American Indian and Alaska Native Communities

A Report to Congress
March 15, 2023

The FTC engaged in national outreach and education efforts to gain a broader understanding of the particular consumer protection challenges American Indian and Alaska Native (AI/AN) communities experience and how the FTC may work to further support these communities. This effort included listening to and collaborating with sources trusted in AI/AN communities as well as analyzing consumer reports from AI/AN individuals to the FTC. The Consumer Issues Affecting American Indian and Alaska Native Communities Report, submitted to Congress in March 2023, provides details on the consumer issues identified through these efforts. The report includes a summary of some of the numerous law enforcement actions and recent notices of proposed rulemaking relating to consumer abuses identified as impacting AI/AN communities. The report also describes the FTC's actions to better reach and respond to the needs of AI/AN populations, including launching ftc.gov/NativeAmerican, a website that serves a landing page for consumer and business education resources related to the topics identified in the report.

STRATEGIC 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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
$4.87 billion	$2.68 billion	$2.84 billion	$3.19 billion	$3.14 billion	$2.40 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.

FTC SETTLES WITH SURESCRIPTS IN ILLEGAL MONOPOLIZATION CASE

In July 2023, the FTC filed a stipulated order to settle charges that health information technology company Surescripts engaged in exclusionary conduct to maintain a monopoly in violation of the antitrust laws. The proposed order, filed with the federal court, resolves the FTC's pending action against Surescripts, after the district court granted the FTC's motion for partial summary judgment and encouraged the parties to engage in settlement discussions. According to the FTC's April 2019 complaint, Surescripts employed illegal vertical and horizontal restraints in order to maintain its monopoly of the routing and eligibility of e-prescribing markets. These markets involve technology used by physicians to route electronic prescriptions and health care providers to electronically determine patient eligibility and insurance coverage, respectively. The order prohibits Surescripts from imposing loyalty or exclusivity requirements on its routing and eligibility customers, including through all-unit discounting, and bars the company from using non-compete agreements with employees that would prevent them from working for a competitor.

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 consumer savings and other measurable benefits that the Commission saved consumers by taking action against potentially anticompetitive mergers and business conduct compared to the amount spent on the merger and nonmerger programs. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[5]

FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
$66.00 in consumer savings per $1 spent	$34.40 in consumer savings per $1 spent	$35.50 in consumer savings per $1 spent	$38.20 in consumer savings per $1 spentt	$34.10 in consumer savings per $1 spent	$35.00 in consumer savings per $1 spent	X

[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.

ENSURING COMPETITION IN MORTGAGE TECHNOLOGY MARKETS

The FTC approved a settlement to resolve antitrust concerns surrounding Intercontinental Exchange's (ICE) proposed $13.1 billion acquisition of Black Knight. ICE and Black Knight are the nation's two largest providers of home mortgage loan origination systems (LOS) and product pricing and eligibility engines (PPE). The Commission alleged that the original merger would drive up costs, reduce innovation, and reduce lenders' choices. LOS software is used to manage the documents and workflow required to generate a mortgage, and PPE systems are used by lenders to obtain the best interest rates for prospective homebuyers. ICE's Encompass LOS competes head-to-head with Black Knight's Empower platforms, and the firms also compete for the sale of a host of related services, including PPE. The proposed settlement ensures Black Knight's divestiture of Empower and Optimal Blue, two businesses that provide critical services in the mortgage origination process, and secures other concessions to promote the success of the divested businesses.

FTC MOVES TO PROTECT WORKERS FROM HARMFUL NONCOMPETE RESTRICTIONS

The Commission issued a series of three orders to Ardagh Group, O-I Glass and Anchor Glass Container Corp., and a fourth to security services firms Prudential Security and Prudential Command, forcing each firm to drop noncompete restrictions in their employment contracts. According to the complaints, the companies illegally imposed noncompete restrictions on workers in positions ranging from security services to manufacturing to engineering that barred them from seeking or accepting work with another employer or operating a competing business after leaving the companies. According to the FTC's complaints, these provisions harm workers through lower wages, reduced benefits, and less favorable working conditions, and harm businesses by limiting available labor, preventing competitors from entering or expanding their businesses. Combined, these noncompete provisions inhibited the employment opportunities of thousands of workers.

FTC REQUIRES MASTERCARD TO STOP BLOCKING THE USE OF COMPETING DEBIT PAYMENT NETWORKS

In May 2023, the FTC approved a final order ending the illegal business tactics Mastercard employed to force merchants to route debit card payments through its payment network and requiring Mastercard to stop blocking the use of competing debit payment networks. Debit card payment networks are used by more than 80 percent of American adults and process $4 trillion in purchases each year and continue to grow via new payment media such as Apple Pay, Google Pay, and Samsung Wallet. These networks transmit payment information between points-of-sale and banking institutions, transferring approvals or denials back to the merchant. Networks compete for the business of banks that issue debit cards and for the business of merchants who accept debit card payments, and charge processing fees for the service. In an effort to increase competition among these networks, Congress enacted the Durbin Amendment to the Dodd-Frank Act in 2010, requiring banks to enable at least two unaffiliated networks on every debit card, giving merchants a choice in which network to use for each transaction, and barring payment networks from restricting the use of other networks. According to the complaint, Mastercard set policies that blocked merchants from routing ecommerce transactions using Mastercard-branded debit cards saved in e-wallets to alternative payment networks.

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

Description: This 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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
N/A	N/A	N/A	5	5	Baseline	N/A

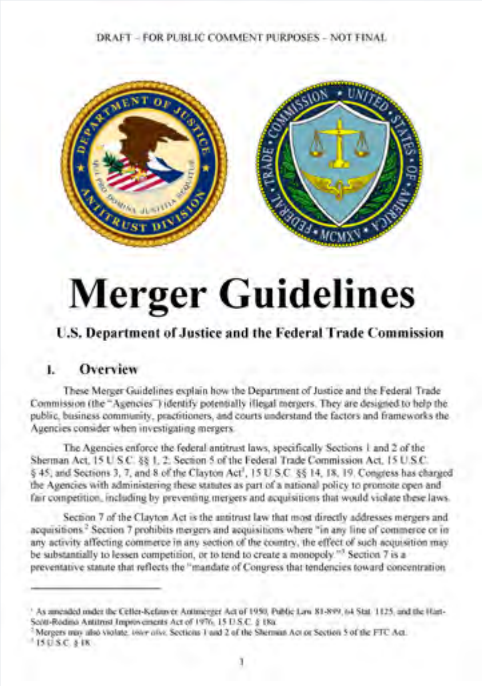
[6] Calculation/Formula: The metric will be calculated as the number of cases during the fiscal year for which a BE economist prepared to be a testifying expert for an antitrust enforcement action. The term "BE economist" refers to all BE staff members, including economists, financial analysts, research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

ENSURING COMPETITION IN PHARMACEUTICAL MARKETS

The FTC approved a settlement with Amgen to address the potential competitive harm that would result from Amgen's $27.8 billion acquisition of Horizon Therapeutics. In moving to block the deal, the FTC alleged that the deal would allow Amgen to leverage its portfolio of blockbuster drugs to entrench the monopoly position of Horizon drugs Tepezza and Krystexxa, used in the treatment of thyroid eye disease and chronic refractory gout, respectively. The complaint alleges that Amgen has a history of using rebates on its high-volume drugs through cross-market bundling which may make it impossible for smaller rivals developing competing drugs to compete, discouraging market entry. Under the proposed settlement, Amgen is prohibited from bundling an Amgen product with either Tepezza or Krystexxa. In addition, Amgen may not condition any product rebate or contract terms related to an Amgen product on the sale or positioning either one of these drugs. Amgen also is barred from using any product rebate or contract term to exclude or disadvantage any product that would compete with Tepezza or Krystexxa.

UPDATING THE MERGER GUIDELINES

Since first releasing merger guidelines in 1968, the DOJ and the FTC have updated the merger guidelines a number of times. The merger guidelines document describes and guides the agencies' review of mergers and acquisitions to determine compliance with federal antitrust laws. This year saw the release of a new draft update of the merger guidelines. The goal of the update is to better reflect how the agencies determine a merger's effect on competition in the modern economy and evaluate proposed mergers under the law. Following the release, a 60-day public comment period was held, as well as three public workshops. The agencies are currently reviewing the public feedback.



DRAFT – FOR PUBLIC COMMENT PURPOSES – NOT FINAL

Merger Guidelines

U.S. Department of Justice and the Federal Trade Commission

I. Overview

These Merger Guidelines explain how the Department of Justice and the Federal Trade Commission (the "Agencies") identify potentially illegal mergers. They are designed to help the public, business community, practitioners, and courts understand the factors and frameworks the Agencies consider when investigating mergers.

The Agencies enforce the federal antitrust laws, specifically Sections 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1, 2; Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45; and Sections 3, 7, and 8 of the Clayton Act[1], 15 U.S.C. §§ 14, 18, 19. Congress has charged the Agencies with administering these statutes as part of a national policy to promote open and fair competition, including by preventing mergers and acquisitions that would violate these laws.

Section 7 of the Clayton Act is the antitrust law that most directly addresses mergers and acquisitions.[2] Section 7 prohibits mergers and acquisitions where "in any line of commerce or in any activity affecting commerce in any section of the country, the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly."[3] Section 7 is a preventative statute that reflects the "mandate of Congress that tendencies toward concentration

[1] As amended under the Celler-Kefauver Antimerger Act of 1950, Public Law 81-899, 64 Stat. 1125, and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, 15 U.S.C. § 18a.
[2] Mergers may also violate, *inter alia*, Sections 1 and 2 of the Sherman Act or Section 5 of the FTC Act.
[3] 15 U.S.C. § 18.

1

The following thirteen guidelines form the foundation of the draft document:

- Mergers should not significantly increase concentration in highly concentrated markets.
- Mergers should not eliminate substantial competition between firms.
- Mergers should not increase the risk of coordination.
- Mergers should not eliminate a potential entrant in a concentrated market.
- Mergers should not substantially lessen competition by creating a firm that controls products or services that its rivals may use to compete.
- Vertical mergers should not create market structures that foreclose competition.
- Mergers should not entrench or extend a dominant position.
- Mergers should not further a trend toward concentration.
- When a merger is part of a series of multiple acquisitions, the agencies may examine the whole series.
- When a merger involves a multi-sided platform, the agencies examine competition between platforms, on a platform, or to displace a platform.
- When a merger involves competing buyers, the agencies examine whether it may substantially lessen competition for workers or other sellers.
- When an acquisition involves partial ownership or minority interests, the agencies examine its impact on competition.
- Mergers should not otherwise substantially lessen competition or tend to create a monopoly.

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: This metric tracks the Employee Engagement Index of the Federal Employee Viewpoint Survey (FEVS), an annual survey of federal employees conducted by the Office of Personnel Management. 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 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2023 Target	FY 2023 Status
84%	87%	74%	74%	79%	Government-wide Average = 72%	✔

[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.

FTC SUES TO BLOCK MERGER BETWEEN HEALTHCARE ADVERTISING RIVALS

In July 2023, the FTC issued a complaint seeking to block the world's largest health care data provider, IQVIA Holdings, from acquiring Propel Media. According to the complaint, the proposed acquisition would give IQVIA a leading position in the market for programmatic advertising for health care products (namely prescription drugs) to doctors and other health care professions and would incentivize IQVIA to withhold key information to discourage entry into the market by potential rival companies. IQVIA and Propel are two of the top three providers of these services, known as demand-side platforms, which specifically target health care professionals with advertising for pharmaceutical drugs and other products. The complaint alleges that the proposed deal would eliminate head-to-head competition between the two firms, driving up prices and reducing quality and choice. This matter is pending in federal court.

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 Control), 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 2023 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. The profile listed risks regarding the FTC's ability to address increasingly sophisticated scam tactics against consumers, challenges to FTC litigation which reduces the agency's ability to obtain monetary relief for those harmed by deceptive or unfair business practices, or unfair methods of competition. In addition, the profile includes the complexity and unpredictable nature of market competition investigations requiring expert witnesses, 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 and data. 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 2023 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 OMB-directed Internal Control Over Reporting (ICOR) assessments. In determining if there were any management control deficiencies or nonconformance that must be disclosed in the annual assurance statement, the SAT and the FTC Chair evaluated several sources of information. These included results of ERM activities, information from independent audits or reviews performed by the Office of Inspector General (OIG), (e.g., Federal Information Security Management Act review), the Government Accountability Office (GAO), 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 2023. 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, 2023, 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, 2023

SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chair's FMFIA Statement of Assurance, the FTC had no material weaknesses in internal control, material noncompliance with applicable laws and regulations, nor substantial nonconformance with federal financial management system requirements to report for FY 2023. 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. The FTC currently has six systems authorized to operate (ATO). The FTC leverages twenty-five Federal Risk and Authorization Management Program (FedRAMP) cloud service providers.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014 (DATA ACT)

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

DEBT COLLECTION IMPROVEMENT ACT

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

PROMPT PAYMENT ACT

The Prompt Payment Act requires that federal agencies automatically pay interest to vendors when a payment is not timely and report how much interest was paid each year because of late payments. In FY 2023, the FTC processed 3,254 invoices totaling $103.0 million that were subject to prompt payment. Of these invoices, 99.5 percent were paid on time. During FY 2023, the FTC paid a total of $732 in interest penalties, or 0.000711 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 2023, 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 2023 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.

FTC CONTINUES TO CRACK DOWN ON JUNK FEES AND DISCRIMINATORY PRACTICES

The FTC took action against auto dealer Passport Automotive Group for deceiving consumers by tacking hundreds to thousands of dollars in illegal junk fees onto car prices and for discriminating against Black and Latino consumers with higher financing costs and fees. The FTC's complaint alleges that Black and Latino consumers paid on average about $291 and $235, respectively, more in interest than non-Latino White consumers did. It further alleges that Black and Latino consumers paid on average an extra fee 24 percent and 42 percent more often, respectively, than non-Latino White consumers. Passport, its president, and its vice president paid more than $3.3 million to settle the FTC's lawsuit, which was used to refund consumers harmed by Passport's conduct.

FORWARD LOOKING INFORMATION

The Federal Trade Commission's (FTC) mission is to protect the public from deceptive or unfair business practices and from unfair methods of competition through law enforcement, advocacy, research, and education.

The FTC recognizes the four Management Challenges identified by the Inspector General (IG) and agrees that these are critically important areas to focus on and to improve in FY 2024. These challenges are Securing Information Systems and Networks from Destruction, Data Loss, or Compromise; Addressing Challenges to FTC Litigation; Successfully Managing Merger Transactions; and Combating Increasingly Sophisticated Imposter Scams and Enhancing the Public's Awareness of Them.

In FY 2023 the FTC took numerous steps to address these challenges and will continue to do so going forward into FY 2024. Regarding the securing of our information systems, the agency continues to prioritize zero-trust architecture implementation, however, given potential resource constraints, anticipates that this work may extend beyond FY 2024.

To continue addressing challenges to FTC litigation from the loss of 13(b) authority after the Supreme Court decision in *AMG Capital Management v. FTC*, the agency has focused enforcement efforts on cases that involve rule violations for which they can obtain monetary relief directly in federal court under Section 19(a)(1) and cases involving order violations for which the FTC can obtain monetary relief in the form of a compensatory contempt sanction. This strategy has led to hundreds of millions of dollars in judgements obtained, but overall amounts returned to consumers each year are still lower than those obtained by agency law enforcement prior to the *AMG* case.

FY 2023 was the fourth 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 2023, the FTC leveraged reporting tools to automate several financial management business processes. In FY 2024, we will continue efforts to document end-to-end business processes and identify opportunities to improve.

FTC OBTAINS JUDGMENT AGAINST PRINCIPALS AND CELEBRITY ENDORSERS OF REAL ESTATE INVESTMENT TRAINING PROGRAM

As a result of a lawsuit filed by the FTC and the Utah Division of Consumer Protection, the principals of a Utah-based real estate investment training company, Response Marketing Group, will pay $15 million and be banned from selling money-making opportunities under a court order they have agreed to. The settlement comes on the heels of a federal district court judge in Utah granting partial summary judgment to the FTC and Utah's Division of Consumer Protection on many of the deceptive claims alleged in the complaint. The settlement includes two of Response Marketing's affiliates, Nudge and BuyPD, along with the four individuals who the complaint alleges were the actual owners of Response Marketing and Response Marketing's President. In addition, two real estate celebrities, Scott Yancey and Dean R. Graziosi, who endorsed the training have agreed to separate settlements that require them to pay $1.7 million. The settlements with Graziosi and Yancey are the FTC's first monetary settlements with celebrity endorsers.

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 27th 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, 2023 AND 2022

(Dollars in Millions)	FY 2023	FY 2022	% Change
Entity Assets			
Fund balance with Treasury	$ 162	$ 312	-48%
General property, plant, and equipment,net	16	20	-20%
Total Entity Assets	178	332	-46%
Non-Entity Assets			
Fund balance with Treasury	649	205	217%
Accounts receivable	40	45	-11%
Total Non-Entity Assets	689	250	176%
Total Assets	$ 867	$ 582	49%
Entity Liabilities			
Employee related liabilities	23	23	0%
Accounts payable and other	14	13	8%
Total Entity Liabilities	37	36	3%
Non-Entity Liabilities			
Redress collections not yet disbursed	649	205	217%
Liability for amounts to be collected	40	45	-11%
Total Non-Entity Liabilities	689	250	176%
Total Liabilities	$ 726	$ 286	154%
Total unexpended appropriations	3	21	-86%
Total cumulative results of operations	138	275	-50%
Total Net Position	141	296	-52%
Total Liabilities and Net Position	$ 867	$ 582	49%

BALANCE SHEET – ENTITY

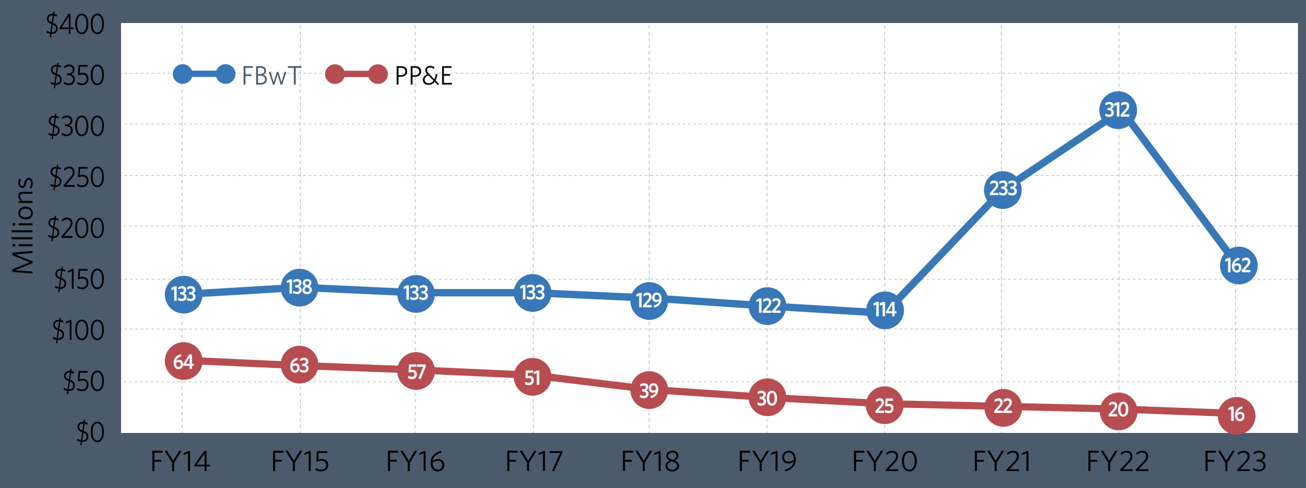
Entity assets totaled $178 million, or 20 percent of all FTC assets, as of September 30, 2023, a decrease of $154 million, or 46 percent, from the FY 2022 total of $332 million.

The Fund Balance with Treasury (FBwT) of $162 million decreased by $150 million, or 48 percent, from the FY 2022 total of $312 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. In FY 2023 the FTC received authority to return the $172 million in temporarily unavailable offsetting collections to Treasury.

General property, plant, and equipment (PP&E), net of accumulated depreciation/amortization, is $16 million, which consists of $15 million in leasehold improvements, and $1 million in equipment and software. Total PP&E has decreased by $4 million, compared to FY 2022. This decrease is primarily due to asset disposals and the continued depreciation/amortization of assets.

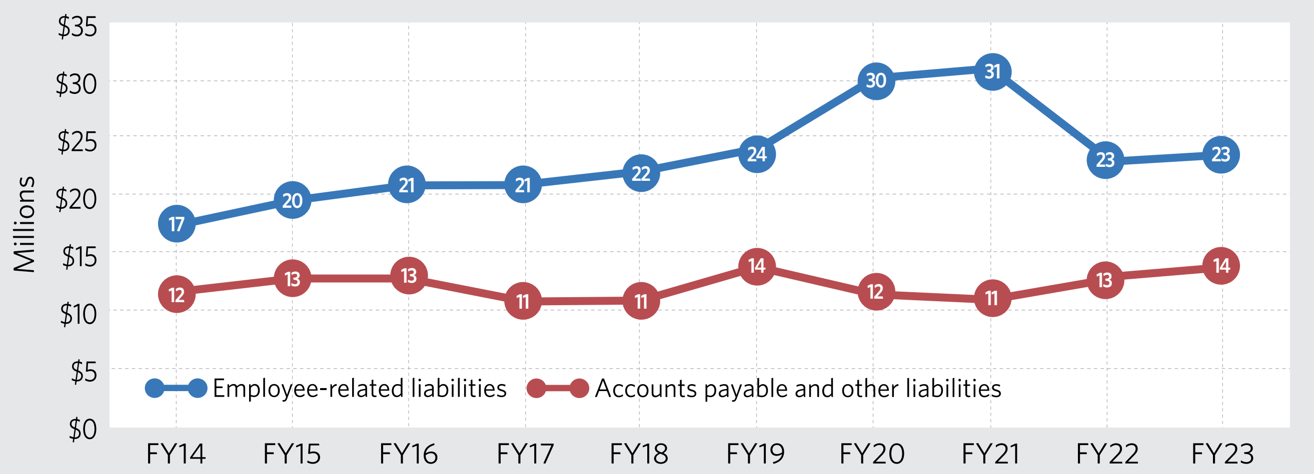
The annual trend in the FTC's entity assets reflects a short-term increase in the amount of PP&E during FY 2014 for the relocation of staff to office space at Constitution Center. Upon completion, over $46 million had been spent on capitalized assets. Since these assets were placed in service, the FTC's PP&E balance has decreased, primarily due to depreciation and amortization. FBwT increased significantly between FY 2020 and FY 2022 due to large increases in the volume of Premerger fee collections. These increased fee collections resulted in offsetting collections amounts above what Congress authorized for retention and use to pay for necessary expenses of the agency. These amounts were precluded from obligation and in FY 2023, the FTC received authority and returned $172 million in prior excess collections to Treasury.

ENTITY ASSETS

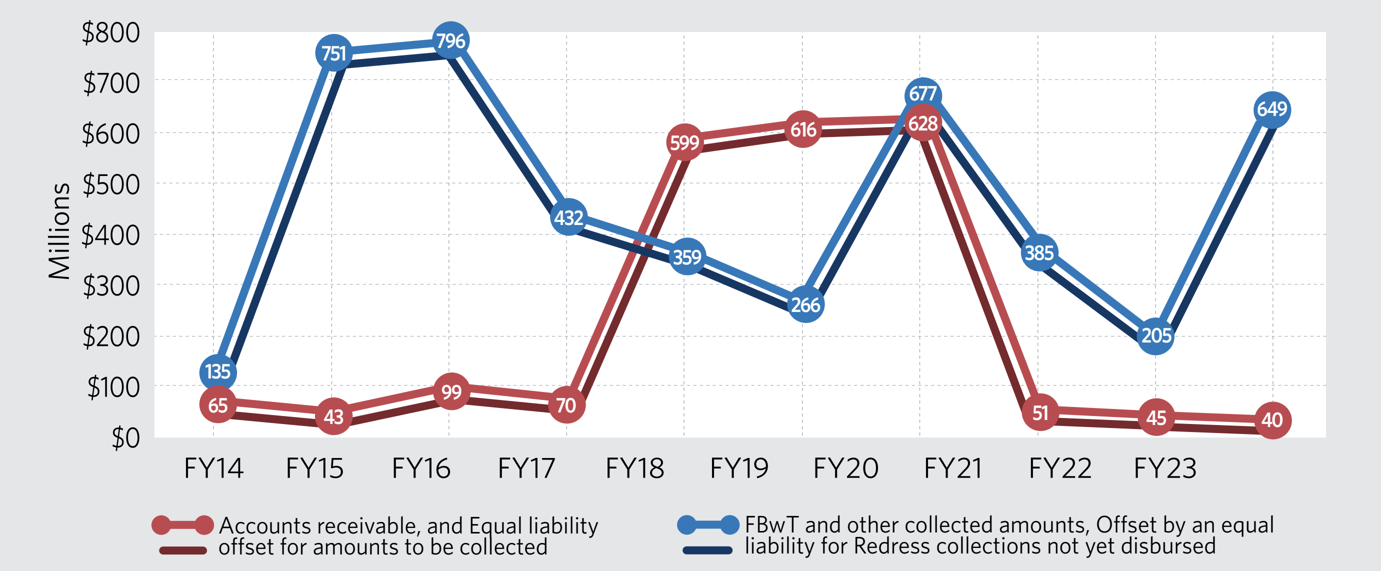


Entity liabilities totaled $37 million, or 5 percent of all FTC liabilities, as of September 30, 2023, which represents an increase of $1 million from FY 2022. Entity liabilities normally have a smaller range of fluctuation in comparison to entity assets. Accounts payable balances fluctuate based on 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 $1 million in FY 2023 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 full-time employee count and the timing of the payroll disbursement cycle. In FY 2020 and FY 2021 the FTC had 13 and 14 days of unpaid wages accrued. While in FY 2022 and 2023 the FTC had 6 and 7 days of unpaid wages accrued, resulting in a significant decrease in employee-related liabilities. 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).

ENTITY LIABILITIES



NON-ENTITY ASSETS & LIABILITIES



BALANCE SHEET - NON-ENTITY

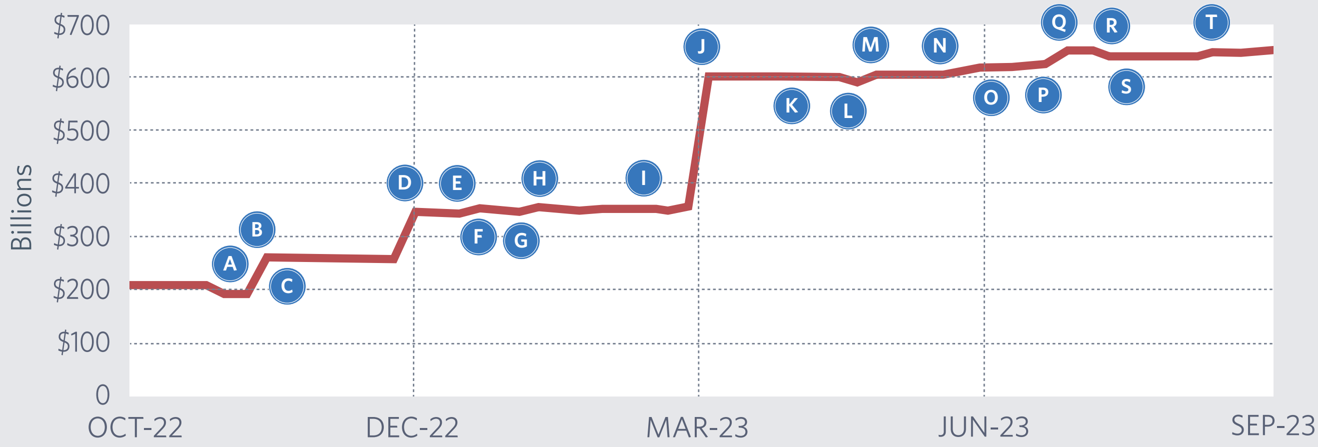
Non-entity assets totaled $689 million, or 80 percent of all FTC assets, as of September 30, 2023. This represents an increase of $439 million, or 176 percent, from the FY 2022 total of $250 million. This increase is primarily attributed to an increase in non-entity fund balance with treasury, shown in further detail in the charts on the next page.

Non-entity assets are equal to, and offset by, non-entity liabilities. The $40 million net accounts receivable balance is offset by the $40 million liability for amounts to be collected, while the $649 million FBwT is offset by the $649 million liability for redress collections.

The FY 2023 ending net accounts receivable balance of $40 million reflects amounts to be paid to the FTC from court-ordered judgments in the consumer redress program. This represents a $5 million decrease in net accounts receivable from the FY 2022 total of $45 million.

The remaining ending net accounts receivable balance of $40 million consists of amounts to be paid to the FTC from the twenty four cases in the consumer redress program. One case is the Sanctuary Belize Litigation for involvement in the allegedly deceptive sale of real estate properties in Belize to U.S. consumers.

FY 2023 NON-ENTITY ASSETS - FUND BALANCE WITH TREASURY TIMELINE ACTIVITY



FY 2023 Non-Entity Fund Balance with Treasury Timeline Activity

	$204.7M	**Beginning Balance - FY 2022 Non-Entity Fund Balance with Treasury**	
A	$3.3M	Passport Automotive Group, Inc.	Collected $3.3M from a 2022 settlement with auto dealer Passport Automotive Group. The FTC alleged that Passport Automotive Group deceived consumers by tacking hundreds to thousands of dollars in illegal junk fees onto car prices and for discriminating against Black and Latino consumers with higher financing costs and fees.
B	$62.0M	Opendoor Labs, Inc.	Collected $62.0M from a 2022 settlement with Opendoor Labs, Inc. The FTC alleged that Opendoor cheated potential home sellers by tricking them into thinking that they could make more money selling their home to Opendoor than on the open market using the traditional sales process.
C	($2.9M)	Warrior Trading, Inc.	Disbursing $2.9M (20,402 payments) to consumers who paid thousands of dollars for Warrior Trading's investment programs for misleading and unrealistic claims to sell a day trading "system" that would show consumers "how to make a profit in the markets but the system failed to pay off and the vast majority of customers lost money trading—in some cases thousands of dollars—on top of the thousands they paid Warrior Trading. Refunds are a result of a 2022 order.
D	$100.0M	Vonage	Collected $100M from a 2022 settlement that stopped internet phone service provider Vonage from imposing junk fees and creating obstacles to those who try to cancel their service and often continued to illegally charge them even after they spoke to an agent directly and requested cancellation.
E	$2.8M	DK Automation	Collected $2.8M from a 2022 order against DK Automation and its owners, for using unfounded claims of big returns to entice consumers into moneymaking schemes involving Amazon business packages, business coaching, and cryptocurrency to "generate passive income on autopilot" but few consumers ever made money from these schemes.
F	$3.0M	Credit Karma, LLC	Collected $3.0M from a 2023 settlement with Credit Karma that settled charges that the credit services company deployed dark patterns to misrepresent that consumers were "pre-approved" for credit card offers when in many instances, the consumer did not qualify for these credit cards.
G	($2.4M)	RagingBull.com	Disbursing $2.4M (9,862 PayPal payments) back to consumers who paid subscription fees to the online stock trading site RagingBull.com, who used bogus earnings claims to trick people into paying for investment strategies and then trapped them into hard-to-cancel subscription plans with costly fees. Refunds are a result of a 2022 settlement.

FY 2023 Non-Entity Fund Balance with Treasury Timeline Activity			
H	$3.1M	Elegant Solutions, Inc.	Collected $3.1M from a 2020 order against Elegant Solutions, Inc for falsely claiming that consumers' loans would be forgiven or their payments reduced to a specific amount, and that defendants would take over servicing of consumers loans and apply most or all of consumers' monthly payments to pay down their student loans.
I	$4.9M	First American Payment Systems, LP	Collected $4.9M from a 2022 order against First American Payment Systems and two of its sales affiliates for making false claims about fees and cost savings to lure merchants, many of whom had limited English proficiency. Once merchants were enrolled, the defendants withdrew funds from their accounts without their consent and made it difficult and expensive for them to cancel the service.
J	$245.0M	Epic Games, Inc.	Collected $245M from a 2023 settlement with Epic Games, the maker of the Fortnite video game to settle charges that the company used dark patterns to trick players into making unwanted purchases and let children rack up unauthorized charges without any parental involvement.
K	($3.3M)	Passport Automotive Group, Inc.	Disbursing $3.3M (18,000 payments) to customers of Passport Auto, a Washington D.C.-area auto dealer that deceived consumers by tacking hundreds to thousands of dollars in illegal junk fees onto car prices and for discriminating against Black and Latino consumers with higher financing costs and fees. Refunds are a result of a 2022 settlement.
L	($3.3M)	Arete Financial Group	Disbursed $3.3M (37,800 payments) to consumers who were harmed by Arete Financial Group, a student loan debt relief operation that tricked consumers into making illegal upfront payments by pretending to be affiliated with the U.S. Department of Education and falsely promising student loan debt relief; but instead pocketed the customer payments and never provided the promised relief. Refunds are a result of a 2022 settlement.
M	$8.5M	Nudge, LLC	Collected $8.5M from a 2023 settlement with Nudge, LLC a Utah-based real estate investment training company as well as two of the primary real estate celebrities who also endorsed the training which the FTC alleged used false promises to sell consumers a series of expensive real estate investment training programs.
N	$9.0M	American Financial Benefits Center, et al.	Collected $9M from a 2020 settlement with Ameritech Financial. The FTC alleged Ameritech Financial misled consumers about lowering their student loan debt by falsely claiming that consumers were eligible for federal programs that would permanently reduce their monthly debt payments to a fixed low amount or result in total loan forgiveness.
O	$5.8M	Ring, LLC	Collected $5.8M from a 2023 settlement with home security camera company Ring. The FTC alleged that Ring compromised its customers' privacy by allowing any employee or contractor to access consumers' private videos and by failing to implement basic privacy and security protections, enabling hackers to take control of consumers' accounts, cameras, and videos.
P	$4.4M	HomeAdvisor, Inc.	Collected $4.4M from a 2023 order against Denver-based HomeAdvisor, Inc. a company affiliated with Angi, formerly known as "Angie's List" to resolve allegations that they company used a wide range of deceptive and misleading tactics in selling home improvement project leads to service providers, including small businesses operating in the "gig" economy.
Q	$7.8M	BetterHelp, Inc.	Collected $7.8M from a 2023 order against the online counseling service BetterHelp resolving allegations the firm shared consumers' sensitive health data with third parties such as Facebook and Snapchat after promising to keep such data private.
R	$18.5M	Publishers Clearing House, LLC	Collected $18.5M from a 2023 settlement with Publishers Clearing House (PCH). The FTC alleged that Publishers Clearing House uses "dark patterns" to mislead consumers about how to enter the company's well-known sweepstakes drawings and made them believe that a purchase is necessary to win or would increase their chances of winning, and that their sweepstakes entries are incomplete even when they are not. The FTC also charges that the company has added surprise shipping and handling fees to the costs of products, misrepresented that ordering is "risk free," used deceptive emails as part of its marketing campaign, and misrepresented its policies on selling users' personal data to third parties prior to January 2019.
S	($9.1M)	American Financial Benefits Center, et al.	Disbursed $9.1M (22,562 payments) in refunds to consumers who lost money to Ameritech Financial, a student loan debt relief scheme. Refunds are a result of a 2020 settlement.
T	$7.8M	ZURIXX, LLC	Collected $7.8M 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.
	($20.6M)	Net of other activities: $107.4M collections - $128.0 disbursement, related to over 145 additional matters.	
	$649.0M	**Ending Balances – FY 2023 Non-Entity Fund Balance with Treasury**	

STATEMENT OF NET COST

STATEMENT OF NET COST SUMMARY
FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

(Dollars in Millions)	FY 2023	FY 2022	% Change
Protecting Consumers:			
Gross costs	$ 218	$ 193	13%
Earned revenue	(15)	(14)	7%
Net Cost, Protect Consumers	203	179	13%
Maintain Competition:			
Gross costs	$ 200	$ 166	20%
Earned revenue	(173)	(192)	10%
Net Cost, Maintain Competition	27	(26)	204%
Net Cost of Operations	$ 230	$ 153	50%

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 goal. The FTC's net cost of operations was $230 million in FY 2023, which consists of $418 million in gross costs offset by $188 million in earned revenue.

The FY 2023 net cost of operations for the Protect Consumers strategic goal is $203 million, consisting of $218 million in gross costs offset by $15 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 2023 net cost of operations for the Maintain Competition strategic goal is $27 million, consisting of $200 million in gross costs offset by $173 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 $77 million increase in overall net cost of operations from FY 2022 to FY 2023 is primarily due to increases in year over year appropriations, coupled with reduced revenues from premerger filing fees.

FTC NET COST OF OPERATIONS VS. BENEFIT TO CONSUMERS

The FTC had gross costs of $418 million in FY 2023, offset by $188 million in earned revenue, resulting in a total net cost of operations of $230 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.

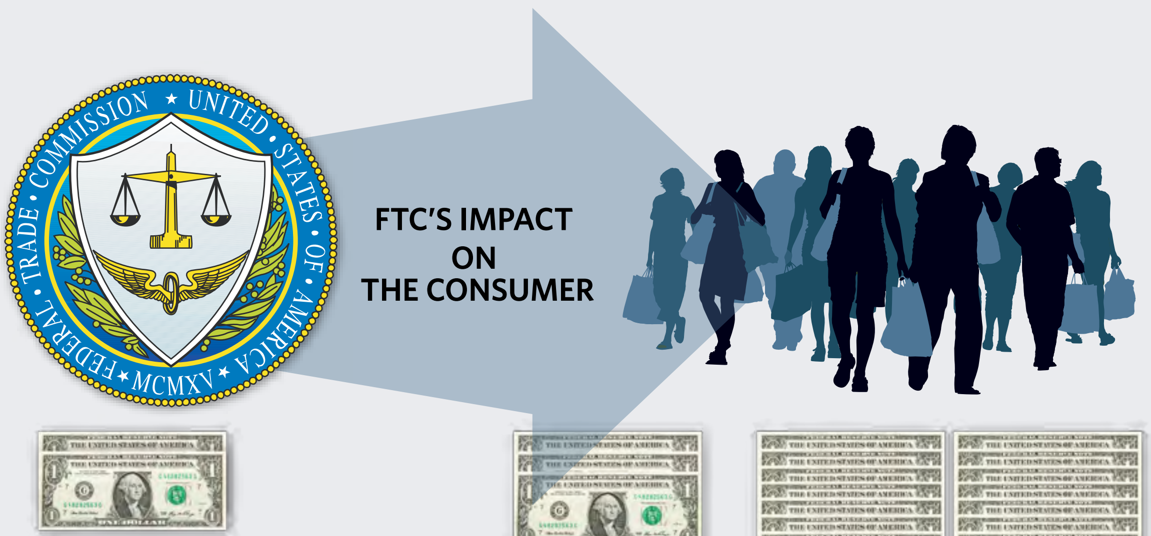
The Statement of Net Cost includes only entity activity. During FY 2023, the FTC returned $364 million in non-entity collections to consumers and the U.S. Treasury General Fund.

Additionally, the FTC saved consumers an estimated $3.6 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 2023, the FTC provided an estimated total of $4.0 billion in benefits to consumers. When this benefit is compared to the $230 million in net costs, it equates to an estimated $17 in FTC-provided benefits to consumers for every $1 of the FTC's cost.

COST vs BENEFIT

For every $1 of the FTC's cost there is an estimated $17 in benefits provided to the consumer



FTC Net Cost of Operations
$230 Million

Non-entity funds disbursed to claimants, third party administrators, and the General Fund of the U.S. Government
$364 Million

Other benefits to consumers*
$3.6 Billion

*These estimates were calculated based on performance measures 1.1.2 (consumer savings from consumer protection law enforcement), 2.1.1 (consumer savings and other measurable benefits generated by antitrust enforcement). For more details on measurement and data quality, see the FTC Data Quality Appendix.

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. The FTC's budget authority is derived from a direct appropriation and offsetting collections.

New budget authority for FY 2023 is $430 million, which includes $70 million in a direct appropriation and $360 million in spending authority from offsetting collections. Offsetting collections consist of FY 2023 collections of $172 million from fees collected for premerger notification filings under the HSR Antitrust Improvements Act of 1976, $15 million from fees collected for the National Do Not Call Registry, and $1 million from reimbursable work on behalf of other Federal agencies. Additionally, in FY2023 the FTC received authority and returned $172 million in prior year collections in excess of previously established congressional limits.

Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 16 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 $70 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2023.

NEW BUDGET AUTHORITY

FY 2023 - $430 MILLION

Offsetting Collection
$360 Million

General Fund Annual Appropriation
$70 Million

FY 2022 - $379 MILLION

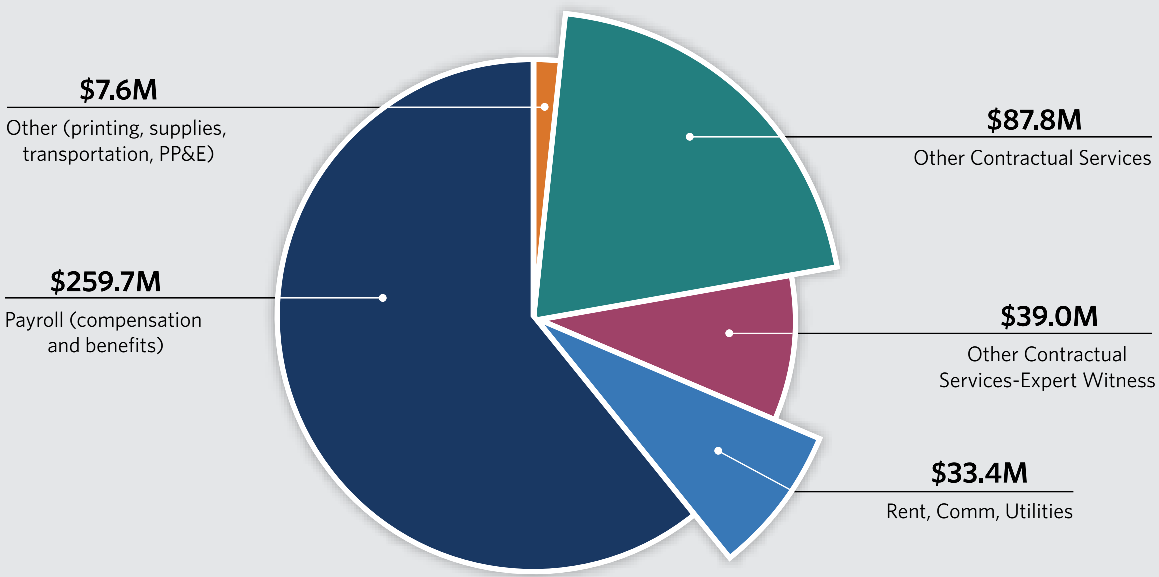
Offsetting Collection
$155 Million

General Fund Annual Appropriation
$224 Million

THE FTC'S FY 2023 OBLIGATIONS:

In FY 2023, the FTC received $430 million in new budget authority and authority to obligate $42 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 $427.5 million in FY 2023. This was an increase of $57.2 million, or 15 percent, compared to new obligations in FY 2022. The increase in obligations incurred in FY 2023 was primarily attributable to higher costs for payroll (personnel salaries and benefits) and expert witnesses. Payroll spending has increased by 11 percent to $260 million in FY 2023 from $234 million in FY 2022. This is the result of increasing FTEs as a result of our increased appropriation and the 4.6 percent pay raise for FY 2023. Obligations related to expert witness support services have increased by 101% to $39 million in FY2023 from $19.4 million in 2022. While the FTC is committed to limiting costs for 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 8% to 88 million in FY 2023 from 81 million in FY 2022. Spending on rent, communications, and utilities has increased by 6% to $33 million in FY 2023 from 31.5 million in FY 2022.

FY 2023 FTC OBLIGATIONS BY CATEGORY



Total obligations incurred during FY 2023: $427.5M

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 2023

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)	99.5%
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.

FEDERAL TRADE COMMISSION

FINANCIAL SECTION

FISCAL YEAR 2023

FEDERAL TRADE COMMISSION

I am pleased to present the Agency Financial Report (AFR) for Fiscal Year 2023. 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 2023, the FTC has achieved, for the twenty-seventh 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.

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, Deputy Chief Financial Officer

November 15, 2023

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

Office of Inspector General

November 15, 2023

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Lina M. Khan, Chair

SUBJECT: Report on Audit of the FTC's Fiscal Year 2023 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's) fiscal year 2023 financial statements. We commend the FTC for attaining an unmodified (clean) opinion for the 27th consecutive year.

We contracted with the independent public accounting firm of Allmond & Company, LLC, to audit the financial statements of the FTC as of and for the fiscal year ended September 30, 2023,[1] and to provide a report on internal control over financial reporting and on compliance with laws and other matters. The audit was performed in accordance with U.S. generally accepted auditing standards, the Government Accountability Office's *Government Auditing Standards*, and Office of Management and Budget guidance.

In its audit of the agency, Allmond & Company reported

- that 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;[2] and
- no reportable noncompliance with provisions of laws tested or other matters.

Allmond & Company is responsible for the attached auditor's report dated November 15, 2023, 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.

We appreciate the cooperation given by management to Allmond & 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.

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[1] The financial statements of the FTC as of and for the fiscal year ended September 30, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on November 14, 2022.

[2] 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.

FEDERAL TRADE COMMISSION

AUDIT REPORT
SEPTEMBER 30, 2023

ALLMOND & COMPANY, LLC
Certified Public Accountants
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Lanham, Maryland 20706
(301) 918-8200

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Independent Auditor's Report

Chair, Federal Trade Commission
Inspector General, Federal Trade Commission

Report on the Financial Statements

Opinion

Pursuant to the Accountability of Tax Dollars Act of 2002, we have audited the accompanying financial statements of the Federal Trade Commission (FTC), which comprise the balance sheet as of September 30, 2023; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended; and the related notes to the financial statements (hereinafter referred to as the financial statements).

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Federal Trade Commission as of September 30, 2023 and its net costs, changes in net position, budgetary resources, and custodial activity for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 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 the FTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of FTC as of and for the fiscal year ended September 30, 2022 were audited by another auditor, who expressed an unmodified opinion on those statements on November 14, 2022. These statements were not audited, reviewed, or compiled by us; accordingly, we do not express an opinion or provide any other form of assurance on them.

Responsibilities of Management for the Financial Statements

Management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) the preparation, measurement, and presentation of Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles; (3) the preparation and presentation of 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) the design, implementation, and maintenance of 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) 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 GAAS, generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-01 will always detect a material misstatement or 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 GAAS, GAGAS, and OMB Bulletin No. 24-01, we exercise professional judgment and maintain professional skepticism throughout the audit; identify and assess risks of material misstatement of the financial statements, whether due to fraud or error; and design and perform audit procedures that are responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. In addition, in making those risk assessments, we obtain an understanding of internal control relevant to an 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, we express no such opinion.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements, and performing 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 (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in 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. These procedures consisted of (1) inquiring of management about the methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of FTC's 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 *Message from the Chair*, *Performance Highlights*, and *Other Information* sections, as listed in the Table of Contents of FTC's Agency Financial 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 audit 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 [1] or to express an opinion on the effectiveness of FTC's internal control over financial reporting. Given these limitations, during our 2023 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.

[1] A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

During our audit, we identified deficiencies in FTC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies that, nonetheless, warrant management's attention. We have 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 and OMB audit guidance.

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, 2023, 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 internal control over financial reporting 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 audit 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 2023 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.

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 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 provisions of laws, regulations, contracts, and grant agreements applicable to FTC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose for 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 provision 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.

Allmond & Company, LLC

Lanham, Maryland
November 15, 2023

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 a 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, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	2023	2022
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 810,370	$ 516,745
Accounts receivable, Net (Note 4)	84	6
Advances and prepayments	845	7
Total intragovernmental assets	811,299	516,758
Other than intragovernmental:		
Accounts receivable, Net (Note 4)	39,914	45,175
General property, plant, and equipment, Net (Note 5)	16,348	19,643
Total other than intragovernmental assets	56,262	64,818
Total Assets	$ 867,561	$ 581,576
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 873	$ 1,251
Other liabilities (Note 7)	1,724	1,504
Total intragovernmental liabilities	2,597	2,755
Other than intragovernmental:		
Accounts payable	12,846	12,085
Other liabilities:		
Accrued redress due to claimants	39,427	44,976
Undisbursed redress collections (Note 12)	649,018	204,704
Other (Note 7)	22,445	21,030
Total other than Intragovernmental liabilities	723,736	282,795
Total Liabilities	726,333	285,550
Net position (Note 1(o)):		
Total unexpended appropriations	3,372	20,821
Total cumulative results of operations	137,856	275,205
Total Net Position	141,228	296,026
Total Liabilities and Net Position	$ 867,561	$ 581,576

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	2023	2022
Strategic Goal 1: Protect Consumers:		
Intragovernmental costs	$ 56,302	$ 51,731
Public costs	162,129	141,644
Gross costs, protect consumers	218,431	193,375
Intragovernmental earned revenue	-	(88)
Public earned revenue	(14,952)	(14,310)
Earned revenue, protect consumers	(14,952)	(14,398)
Net Cost, Protect Consumers	203,479	178,977
Strategic Goal 2: Maintain Competition:		
Intragovernmental costs	51,556	44,603
Public costs	148,463	122,125
Gross costs, maintain competition	200,019	166,728
Intragovernmental earned revenue	(1,183)	(796)
Public earned revenue	(171,824)	(191,427)
Earned revenue, maintain competition	(173,007)	(192,223)
Net Cost, Maintain Competition	27,012	(25,495)
Net Cost of Operation	$ 230,491	$ 153,482

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	2023	2022
Unexpended Appropriations:		
Beginning balance	$ 20,821	$ 27,000
Appropriations received	70,724	224,228
Appropriations transferred in	-	1,615
Other adjustments	(11,072)	-
Appropriations used	(77,101)	(232,022)
Net change in unexpended appropriations	(17,449)	(6,179)
Total Unexpended Appropriations	3,372	20,821
Cumulative Results of Operations:		
Beginning balance	$ 275,205	$ 186,044
Appropriations used	77,101	232,022
Transfers in	-	1
Imputed financing	16,063	10,634
Other	(21)	(14)
Net cost of operations	(230,491)	(153,482)
Net change in cumulative results of operations	(137,348)	89,161
Cumulative Results of Operations	137,857	275,205
Net Position (Note 1(o))	$ 141,229	$ 296,026

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	2023	2022
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 63,455	$ 45,375
Recoveries of unpaid prior year obligations	10,609	7,710
Other changes in unobligated balance	341	2,009
Unobligated balance from prior year budget authority, net	74,405	55,094
Appropriations	59,652	224,228
Spending authority from offsetting collections	360,260	154,479
Total Budgetary Resources	$ 494,317	$ 433,801
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	$ 427,449	$ 370,346
Unobligated balance, end of year:		
Apportioned, unexpired accounts	60,921	60,666
Unapportioned, unexpired accounts	5,947	2,789
Unexpired unobligated balance, end of year	66,868	63,455
Unobligated balance, end of year (total)	66,868	63,455
Total Budgetary Resources	$ 494,317	$ 433,801
Outlays, Net:		
Outlays, gross	$ 398,543	$ 353,507
Actual offsetting collections	(188,202)	(206,742)
Outlays, net	210,341	146,765
Distributed offsetting receipts	(4,442)	(14,376)
Agency outlays, net	$ 205,899	$ 132,389

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022
(DOLLARS IN THOUSANDS)

	2023	2022
Revenue Activity (Note 11):		
Civil penalties and fines	317,525	158,019
Consumer redress	4,406	14,348
Other miscellaneous receipts	15	13
Total cash collections	321,946	172,380
Accrual adjustments	280	158
Total Custodial Revenue	$ 322,226	$ 172,538
Disposition of Custodial Collections (Note 11):		
Transferred to treasury general fund	$ 321,946	$ 172,380
Non-cash accural adjustment	280	158
Total Disposition of Collections	$ 322,226	$ 172,538
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, 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. In the FY2023 the FTC received authority to return all prior year collections in excess of previously established congressional limits that were unavailable by law and had been 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. In May 2023, the Fiscal Responsibility Act of 2023 rescinded all unobligated funds at the time, leaving only funds to cover current obligations.

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.)

Horseracing Integrity and Safety Authority (HISA)

The FTC reporting entity does not include the Horseracing Integrity and Safety Authority (HISA), a private self-regulatory organization that has been setup to develop rules related to horseracing, including anti-doping, medication control and racetrack safety. The FTC is given broad oversight over the Authority. The FTC, after providing an opportunity for public comment, must approve or disapprove any rule, standard or procedure proposed by HISA. Civil sanctions imposed by the Authority for violations of its rules or standards may be appealed to the Commission.

(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 May 2023). 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 goal: 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 2023 Congressional Budget Justification, pages 14-15, "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.

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 2023, the annual contribution limit is $22,500 and employees aged 50 and over may contribute an additional $7,500 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, 2023:

(Dollars in thousands)	2023 Entity	2023 Non-Entity	2023 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 161,352	$ -	$ 161,352
Deposit funds - consumer redress	-	649,018	649,018
Accounts receivable, net	84	-	84
Advances and Prepayments	845	-	845
Total intragovernmental assets	162,281	649,018	811,299
Accounts receivable, net	49	39,865	39,914
Property, plant and equipment, net	16,348	-	16,348
Total Assets	$ 178,678	$ 688,883	$ 867,561

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

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, 2023, and 2022. 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 large decrease or zeroing out of Unavailable – Excess Offsetting Collections is the result of the FY2023 appropriation instructing the FTC to offset the general fund appropriation with all HSR Premerger fees collected prior to FY 2023 in excess of the congressional authorized amount.

The decrease or zeroing out of unavailable - temporary reduction of $6,450 thousand is the result of the FY 2023 appropriation instructing the FTC to offset the general fund appropriation which consisted of $5,418 thousand HSR Premerger and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013.

The higher Non-Budgetary Fund Balance with Treasury is due to the large increase in Undisbursed Redress Collections of $444 million. Two cases that make up most of the increase are collections from Epic Games, Inc., the Fortnite video game maker, for $245 million for tricking users into unwanted purchases and $100 million from Vonage Holdings Corp, the internet phone provider who imposed illegal charges and thwarted consumers and small businesses efforts from canceling their service.

Fund balance with Treasury consisted of the following as of September 30, 2023 and 2022:

(Dollars in thousands)	2023	2022
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 60,921	$ 60,666
Unavailable - unapportioned	5,947	2,789
Unavailable - excess offsetting collections	-	166,072
Unavailable - temporary reduction	-	6,450
Total unobligated balance:	66,868	235,977
Obligated balance not yet disbursed	94,484	76,064
Non-budgetary fund balance with Treasury	649,018	204,704
Total Status of Fund Balance with Treasury	$ 810,370	$ 516,745

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).

Accounts receivable, net consisted of the following as of September 30, 2023:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2023 Net
Entity Accounts Receivable:			
Intragovernmental	$ 84	$ -	$ 84
With the public	49	-	49
Total entity accounts receivable	133	-	133
Non-Entity Accounts Receivable:			
Consumer redress	846,322	(806,895)	39,427
Civil penalties	938	(500)	438
Total non-entity accounts receivable	847,260	(807,395)	39,865
Total Accounts Receivable	$ 847,393	$ (807,395)	$ 39,998

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

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

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2023, and 2022. 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 $3,406 thousand. Asset retirements equaled $3,830 thousand but had no impact to the Net Book Value as the assets were fully depreciated.

Property, plant, and equipment, net consisted of the following as of September 30, 2023:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 18,962	$ (18,218)	$ 744
Leasehold improvements	15 Years	47,085	(31,849)	15,236
Software	5 Years	16,235	(15,867)	368
Total Property, Plant, and Equipment		$ 82,282	$ (65,934)	$ 16,348

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

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, 2023:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2023 Total
Intragovernmental Liabilities:			
FECA liability	$ -	$ -	$ -
Employment-Related Liability	10	-	10
Fees owed under interagency agreements	135	-	135
Accrued civil penalties and receipts due to treasury	-	438	438
Total Intragovernmental Liabilities	145	438	583
Non-Federal Liabilities:			
Accrued leave	17,749	-	17,749
Actuarial FECA	791	-	791
Undisbursed redress collections	-	649,018	649,018
Accrued redress due to claimants	-	39,427	39,427
Total Non-Federal Liabilities	18,540	688,445	706,985
Total Unfunded Liabilities	18,685	688,883	707,568
Liabilities Covered by Budgetary Resources			18,765
Total Liabilities			$ 726,333

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
Employment-Related Liability			
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

NOTE 7—OTHER LIABILITIES

As of September 30, 2023, and 2022, 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, 2023 and 2022:

(Dollars in thousands)	2023	2022
Intragovernmental liabilities:		
Accrued employee benefits	$ 1,151	$ 1,012
FECA liability	-	49
Fees owed under interagency agreements	135	285
Accrued civil penalties and receipts due to treasury	438	158
Total intragovernmental liabilities	1,724	1,504
Other than intragovernmental liabilities:		
Accrued funded payroll and leave	3,905	3,446
Unfunded accrued annual leave	17,749	16,774
Actuarial FECA	791	810
Total other than intragovernmental liabilities	22,445	21,030
Total Other Liabilities	$ 24,169	$ 22,534

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, 2023:

Fiscal Year 2023 (Dollars in thousands)		
2024	$	8,096
2025		8,108
2026		8,121
2027		8,093
2028		7,902
Thereafter		7,318
Total Future Minimum Lease Payments	$	47,638

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2023:

Fiscal Year 2023 (Dollars in thousands)		
2024	$	7,401
2025		2,166
2026		1,824
2027		1,748
2028		1,035
Thereafter		3,267
Total Future Minimum Lease Payments	$	17,441

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 $2,084 thousand as of September 30, 2023, 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 lease commitments 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, 2023 and 2022:

(Dollars in thousands)	2023	2022
Non-Federal Undelivered Orders Unpaid	$ 68,138	$ 53,326
Non-Federal Undelivered Orders Paid	-	-
Total Non-Federal Undelivered Orders	68,138	53,326
Federal Undelivered Orders Unpaid	9,929	7,413
Federal Undelivered Orders Paid	845	7
Total Federal Undelivered Orders	10,774	7,420
Total Undelivered Orders	$ 78,912	$ 60,746

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 2024 President's Budget, which contains FY 2022 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 2022 Statement of Budgetary Resources and the FY 2022 actual amounts as reported in the FY 2024 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2025 Budget of the United States Government is not available to compare FY 2023 actual amounts to the FY 2023 Statement of Budgetary Resources. The expected availability for this report is February 2024 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. As of September 30, 2023 and 2022, the FTC collected $171,814 and $191,420 thousand in HSR premerger filing fees.

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 FY2023, the FTC collected $266.75 million from Epic Games, Inc., creator of the popular video game Fortnite for violating the Children's Online Privacy Protection

Act (COPPA) – the largest penalty ever obtained for violating an FTC rule. Additionally, in a first-of-its-kind provision, Epic will be required to adopt strong privacy default settings for children and teens, ensuring that voice and text communications are turned off by default. In FY 2022, the FTC collected $146 million from Twitter for deceptively using account security data to sell targeted ads to its users.

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 $4,406 thousand as of September 30, 2023 and $14,348 thousand as of September 30, 2022.

Other line items on the Statement of Custodial Activity include:

Accrual Adjustment

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

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 $41,841and $325,056 thousand as of September 30, 2023, and 2022.

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, 2023 and 2022:

(Dollars in thousands)	2023	2022
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 204,704	$ 384,821
Collections	490,561	159,287
Disbursements to claimants and third party administrators for redress, net	(41,841)	(325,056)
Disgorgements to Treasury, net	(4,406)	(14,348)
Total Fund Balance with Treasury, Ending	$ 649,018	$ 204,704
Accounts Receivable, Net		
Beginning balance	$ 44,976	$ 51,116
Net activity	(5,549)	(6,140)
Total Accounts Receivable, Ending	$ 39,427	$ 44,976

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, 2023, and 2022. 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, 2023:

(Dollars in thousands)	FY 2023		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 106,675	$ 123,816	$ 230,491
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(3,405)	(3,405)
Losses on Asset Dispositions	-	-	-
Increase/(Decrease) in Assets	916	8	924
(Increase)/Decrease in Liabilities	288	(2,176)	(1,888)
Imputed Costs	(16,063)	-	(16,063)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(14,859)	(5,573)	(20,432)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	261	261
Transfers Out (in) Without Reimbursement	-	-	-
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	261	261
Other Reconciling Items			
Miscellaneous Receipts	-	(4,421)	(4,421)
Total Other Reconciling Items	-	(4,421)	(4,421)
Net Outlays (Calculated)	$ 91,816	$ 114,083	$ 205,899
Budgetary Agency Outlays, Net - Statement of Budgetary Resources			$ 205,899

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

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. ARPA funds were made available through the end of FY 2026. This appropriation authorized funding for the FTC to cover higher costs associated with 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.

In May 2023, the Fiscal Responsibility Act of 2023 rescinded $11,072 thousand of the ARPA funds, the amount of unobligated funds at the time, leaving only funds to cover current obligations. As of September 30, 2023, $2,544 thousand remains.

Summarized financial information is provided below.

Summarized COVID-19 financial activity for the fiscal years ended September 30, 2023 and 2022:

(Dollars in thousands)	2023	2022
Total Assets	$ 2,544	$ 19,206
Total Liabilities	(320)	-
Net Operating Results	(5,911)	(7,794)
Appropriations Used	5,911	7,794
Unexpended Appropriations	2,224	19,206
Budgetary Resources	$ 6,288	$ 26,010
Obligations Incurred	6,288	8,650
Unobligated Balance	-	17,360
Net Outlays	$ 5,591	$ 7,794

FEDERAL TRADE COMMISSION

OTHER INFORMATION

FISCAL YEAR 2023

FEDERAL TRADE COMMISSION

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

As with any other federal government agency, the FTC must remain vigilant in securing its networks and systems against ever-changing IT security threats. As we noted in last year's Top Management and Performance Challenges (TMC) report, our most recent Federal Information Security Modernization Act of 2014 (FISMA) audit has concluded that the FTC's information security program and practices were effective. Nonetheless, there will be significant tasks that lie ahead for (a) elevating the agency's supply chain risk management (SCRM) maturity level and (b) aligning the agency's security posture with the federal government's evolving requirements for establishing zero trust architecture (ZTA).

FTC Progress in Addressing the Challenge. FTC management reports having taken steps to finish implementing controls that comprise its SCRM. The FTC also reports having made steady progress on its ZTA implementation. The FTC communicated to the OIG that its ongoing ZTA implementation continues to be a priority for the Commission; however, given potential resource constraints, the agency anticipates that this work may extend beyond FY 2024.

2. Addressing Challenges to FTC Litigation

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) *("AMG") and Axon Enterprise, Inc. v. FTC*, 598 U.S. __, 143 S. Ct. 890 (Apr. 14, 2023) (Axon). In 2021, *AMG* 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). Since the decision, the FTC's primary means of obtaining monetary relief is through FTC Act Section 19. For cases post-*AMG* that involve deceptive or unfair conduct that does not violate an existing FTC rule, the process is time-consuming and resource-intensive, because it requires agency staff to litigate the case twice—once through the administrative process, and then in federal court. And, after *AMG* and *Axon*, the FTC's use of Section 19 to obtain monetary relief for consumers is vulnerable to further limitations and easier delays through constitutional challenges in federal court.

FTC Progress in Addressing the Challenge. The FTC reports having taken several steps to maximize its ability to bring successful cases and obtain monetary relief for consumers in this new legal landscape. First, the FTC asserts that its Bureau of Consumer Protection (BCP) continues to focus its enforcement efforts on cases that involve rule violations for which they can obtain monetary relief directly in federal court under Section 19(a)(1). In addition, BCP reports that it has turned to using alternative remedial authorities, such as the Penalty Offense Authority—which allows it to seek civil penalties if an entity engages in conduct that the FTC has previously found unfair or deceptive in an administrative order other than a consent. The FTC also asserts that it has initiated several rulemakings to increase the number of cases it could bring directly in federal court pursuant to Section 19(a)(1). Finally, the FTC reports its continued support and technical assistance to Congress on proposed legislation that would restore its authority to obtain monetary relief in federal court under 13(b).

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 persisted as one of the agency's top management and performance challenges. The shift that the FTC may be experiencing in oversight relationship with merger-proposing entities, along with approaches that entities more often deploy in disputes with the agency, present an evolving merger landscape. On June 29, 2023, the FTC issued a proposed rulemaking with the stated intent of expanding the information available to the agency, thereby improving the efficiency and effectiveness of premerger reviews—including thorough changes to its Premerger Notification and Report Form to expand the information available to the agency, to improve the efficiency and effectiveness of premerger reviews.

FTC Progress in Addressing the Challenge. Regarding its June 29, 2023, proposed rulemaking, the FTC reports that receiving additional information up-front will allow the agency to more effectively use the initial 30-day waiting period before issuing a second request. On the heels of the FTC's proposed amendments to the premerger notification rules, in a separate July 19, 2023, draft proposal for public comment, the FTC and the DOJ issued joint merger guidelines with a similar update rationale to "reflect the collected experience of the Agencies over many years of merger review in a changing economy."

4. Combating Increasingly Sophisticated Imposter Scams and Enhancing the Public's Awareness of Them

Given the FTC's role as the nation's primary consumer protection agency, the OIG considers the FTC's ability to stay on top of increasingly sophisticated scam tactics against consumers and educating them about these tactics to be a top management and performance challenge. Imposter scams have become a significant fraud type reported to the FTC, resulting in reported losses of $2.6 billion. Further, the perpetrators of these scams can conduct their schemes from overseas locations, while masking their identities and locations, making it difficult for the agency to locate and pursue fraud perpetrators. The fight against consumer scams remains an uphill battle. Scammers continue to evolve, using increasingly sophisticated methods in their illegal operations. As scammers increase the sophistication of their methods and regularly adapt tactics to exploit vulnerabilities and evade detection, the FTC must also continue to innovate to keep pace.

FTC Progress in Addressing the Challenge. Consistent with its consumer protection mission, the FTC has taken a multi-pronged approach in its attempts to combat increasingly sophisticated scams and enhance public awareness: through public awareness and education (via its website and blogs); the proposed Rule on Impersonation of Government and Business from December 2021; disruption through court cases and Point of No Entry technology; and collaboration with other agencies via its Consumer Sentinel Network cyber tool for federal, state, and local law enforcement agencies investigating scams.

Through these measures, the FTC has demonstrated that combating and preventing fraud, including imposter scams, remains a priority. Nonetheless, increasingly sophisticated measures to combat scam tactics must be developed to protect consumers.

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.

The FTC's Oversight of the Horseracing Integrity and Safety Authority

The Horseracing Integrity and Safety Act of 2020 (the Act) requires the FTC to oversee the newly established Horseracing Integrity and Safety Authority (HISA)—whose purpose is to develop and implement a horseracing anti-doping and medication control program, as well as a racetrack safety program. The agency does not currently have the expertise in the horseracing industry—or in such narrower fields as racetrack safety and anti-doping and medication control—that is necessary to provide effective oversight.

Agency Comments. The FTC reports having taken several measures to exercise its statutory obligation to enforce this Act. Most significantly, the agency asserts that it has focused on transparency in HISA's operations, rules, and budget. The FTC reports exploring other possible ways in which the agency, consistent with the Act, can ensure HISA's adoption of best practices for effective governance. In addition, the FTC reports that it has designated a matrixed cross-agency group of staff to work on HISA-related issues—and engaged in benchmarking discussions with multiple federal agencies that oversee independent self-regulatory organizations.

[1]The entire FY 2023 report is available at https://www.ftc.gov/system/files/ftc_gov/pdf/OIG-FY-2023-Top-Management-Challenges-Report-09-29-2023.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 2023 and the next assessment is scheduled for FY 2024. In addition, the FTC regularly conducts assessments over the internal controls over payment processes. In 2023, the FTC performed an assessment of the Human Resources payroll and benefit process including the Student Loan Repayment Program 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, 2023	$ 50,120	BC	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 26,628	BC	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
Section 5(l) of the FTC Act, 15 U.S.C. 45(l)	Unfair or deceptive acts or practices	1973	January 10, 2023	$ 50,120	BC and BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 50,120	BC and BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 50,120	BC and BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
Section 10 of the FTC Act, 15 U.S.C. 50	Failure to file required reports	1914	January 10, 2023	$ 659	BC and BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 659	BC	Federal Register Vol. 88, January 11, 2023, pages 1499-1500

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 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, 2023	$ 659	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 659	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 659	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 542	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
Section 525(a) of the Energy Policy and Conservation Act, 42 U.S.C. 6395(a)	Recycled oil labeling violations	1975	January 10, 2023	$ 26,628	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 50,120	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 4,705	BCP	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 17,719	BC	Federal Register Vol. 88, January 11, 2023, pages 1499-1500
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, 2023	$ 1,426,319	BC	Federal Register Vol. 88, January 11, 2023, pages 1499-1500

APPENDICES

FISCAL YEAR 2023

FEDERAL TRADE COMMISSION

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
AI/AN	American Indian and Alaska Native
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act of 2021
ATO	Authorized to Operate
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
BE	Bureau of Economics
CGE	Concur Government Edition
COPPA	Children's Online Privacy Protection Act
CSN	Consumer Sentinel Network
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DNC	Do Not Call
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

Acronym	Definition
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
ICE	Intercontinental Exchange
ICOR	Internal Control Over Reporting
IG	Inspector General
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPP	Invoice Processing Platform
IT	Information Technology
LOS	Loan Origination Systems
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
PPE	Product Pricing and Eligibility Engines
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
TMF	Technology Modernization Fund
TSP	Thrift Savings Plan
VoIP	Voice Over Internet Protocol

APPENDIX B: CONTACT INFORMATION AND ACKNOWLEDGEMENTS

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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

AGENCY FINANCIAL REPORT (AFR) SPECIFIC

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

AFR Internet Site	https://www.ftc.gov/about-ftc/budget-strategy/budget-performance-financial-reporting
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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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