

Federal Trade Commission Office of Inspector General



Semiannual Report to Congress
April 1, 2022–September 30, 2022

FTC OIG at a Glance

Budget

	<i>FY 2022 Budget (in thousands)</i>	<i>Authorized Positions</i>
FTC	\$351,000	1,140
FTC OIG	\$1,862	7
FTC OIG %	0.5	0.6

Employees by Position

Inspector General
Deputy Inspector General and Counsel
to the Inspector General
Assistant Inspector General
for Investigations
Auditor
Auditor
Program Analyst
Administrative Assistant

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Message from the Inspector General

On behalf of the Federal Trade Commission (FTC) Office of Inspector General (OIG), I am pleased to present our latest Semiannual Report to Congress. This report summarizes the activities and accomplishments of our team from April 1, 2022, through September 30, 2022.

This report describes four completed oversight products; statistically summarizes the current numbers of our ongoing investigations and inquiries; highlights our ongoing oversight projects; and reflects our continued engagement within the greater federal inspector general and law enforcement community over the past 6 months.

All of this is possible only with the high level of dedication and commitment to service demonstrated daily by our team. Only through their efforts has the OIG been able to meet the demands of our mission.

We thank Chair Khan and each of the Commissioners for their continued support of our work. We also thank agency leadership and their staff for their ongoing cooperation, as well as Congress for its enduring commitment to supporting the OIG's mission.

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

Andrew Katsaros

Audits and Related Oversight



Completed Products

During this period, the OIG issued the following 4 audit, evaluation, and related oversight products: (1) a survey of BC attorneys on their merger transactions work; (2) an audit of the FTC's unpaid consultant and expert program; (3) our survey of FTC contracting officer's representatives (CORs); and (4) our FY 2022 report on the FTC's top management and performance challenges.

OTIG Survey of BC Attorneys on Their Merger Transactions Work (May 2, 2022)

On March 1, 2022, we issued a survey to FTC attorneys who work with merger transactions, seeking input on various issues that may affect the FTC Bureau of Competition's (BC's) management of its merger review workload. The survey invited participants to respond to (a) 3 background questions about respondents' agency experience and organizational location; (b) a series of 9 statements about their work—generally, as well as specifically pertaining to merger transactions—related to how management supports them with training, staffing levels, technology, and other resources; and (c) 1 open-ended section, to provide respondents the opportunity to offer additional comments.

The report compiled the survey responses and conveyed our observations based on the resulting data. As a compilation and summarization of attorney responses to our survey, this report did not contain recommendations for FTC management.

Audit of the FTC's Unpaid Consultant and Expert Program (August 1, 2022)

The objective of this performance audit was to determine whether the FTC's program used to hire and oversee unpaid consultants and experts is managed in accordance with federal and agency requirements.

Our audit found that, without a deliberate control structure and stronger mitigation posture, the agency is vulnerable to a variety of risks. More specifically, our audit found the following: (1) the FTC's

unpaid consultant and expert program lacks a comprehensive system of controls and (2) the FTC identifies, recruits, and selects unpaid consultants and experts without uniformity and transparency across all agency stakeholders.

We recommended that the FTC Executive Director, in coordination with office and bureau directors,

1. develop internal policy or guidance requiring documenting unpaid consultants' and experts' scope of work—including guidance on allowable and prohibited activities and a process for communicating the scope of work with candidates prior to their time with the FTC;
2. establish individual employment agreements for each unpaid consultant and expert, delineating roles and restrictions for each position; and
3. develop and disseminate unpaid consultant and expert program policies and procedures for identifying and documenting position needs and standardizing recruitment and selection.

*OIG Survey of FTC Contracting Officer's Representatives
(September 23, 2022)*

On July 20, 2022, we issued a survey to contracting officer's representatives (CORs) as a follow-up to our December 2, 2021, audit report (A-22-03) on the FTC's COR program. Our aim was to gain further insights from the agency's contracting staff—who ensure performance of all necessary actions and compliance with contract terms, as well as safeguard the government's interests in the FTC's contractual relationships. The survey invited participants to respond to (a) 6 background questions about respondents' agency experience, as well as the number and value of contracts monitored; (b) a series of 8 statements about their COR work—more specifically, about understanding expectations, availability of training, reasonableness of workload, accessibility of support from pertinent web resources, effectiveness of processes, and sense of recognition for their efforts; and (c) 1 open-ended section, to provide respondents the opportunity to offer additional comments .

The report compiled the survey responses and conveyed our observations based on the resulting data. As a compilation and summarization of responses to our survey, this report did not contain recommendations for FTC management.

FY 2022 Report on the FTC's Top Management Challenges (September 30, 2022)

The Reports Consolidation Act of 2000 requires that each agency's inspector general provide an annual summary perspective on the most serious management and performance challenges facing the agency, as well as a brief assessment of the agency's progress in addressing those challenges. The challenges summarized in our report were based on work conducted by our office or separate observations and discussions with senior leaders at the FTC.

We identified the following issues as the top management and performance challenges currently facing the FTC:

1. Securing information systems and networks from destruction, data loss, or compromise
2. Seeking monetary relief for consumers
3. Successfully managing the volume of merger transactions
4. Controlling expert witness costs
5. Managing records and sensitive agency information

We also identified "Managing consumer misuse of the Consumer Sentinel Network" as a "watch list" item—an issue that does not rise to the level of a serious management and performance challenge but, nonetheless, requires management's continued attention.

Ongoing Audit, Evaluation, and Related Oversight Work

Our office is continuing work on 4 audit and related oversight products:

Audit of the FTC's Zero Trust Architecture (ZTA) Implementation

ZTA is an end-to-end approach to enterprise resource and data security that encompasses identity (person and nonperson entities), credentials, access management, operations, endpoints, hosting environments, and the interconnecting infrastructure. A full ZT solution will include elements of all three of the following approaches: enhanced identity governance, logical micro-segmentation, and network-based segmentation.

The objective of this audit is to determine whether the FTC's ZTA implementation meets federal requirements, including Office of Management and Budget (OMB) mandates.

Audit of the FTC's Oversight of Expert Witness Contracts

To combat anticompetitive practices and bring enforcement cases, BC litigation divisions obtain the services of expert witnesses to consult and, if needed, to testify as part of litigation proceedings. The agency currently has a considerable reliance on contractors to perform expert witness activities.

The objective of this audit is to assess the effectiveness of the FTC's oversight of expert witness contracts. We will also determine whether these contracts are administered in accordance with federal requirements.

We are also continuing work on our audit of the FTC's (1) FY 2022 compliance with the Federal Information Security Modernization Act (FISMA) and (2) FY 2022 financial statements.

Investigations



Investigations Summary

Category of Data	Number
Indictments and informations	0
Referrals to state authorities for prosecution	0
Referrals to the Department of Justice for prosecution	3
Preliminary inquiries opened	5
Open investigations	6 ^a
Reports issued	0
Investigations closed	4
^a FTC OIG is assisting other federal agencies on 5 of these matters.	

Significant Matters and Activities

During this semiannual period, the FTC OIG continued to assist a United States Attorney’s Office (USAO) in an ongoing case against multiple individuals (first reported in the previous semiannual period) who were originally indicted for participating in a multi-state scheme involving mortgage fraud, credit repair, and government loan fraud. (In the previous semiannual period, several of these defendants were also indicted for submitting fraudulent identity theft reports to the FTC, in violation of 18 U.S.C. §1001.)

In another case within the same USAO, FTC OIG assistance resulted in one of three defendants being charged in a superseding indictment with, among other charges, making false statements to the FTC, in violation of 18 U.S.C. §1001, by submitting fraudulent identity theft reports to the FTC. (In the original indictment, three defendants were charged with submitting fraudulent loan documentation to a bank to obtain various COVID relief loans.)

Finally, in a state prosecution, two defendants pled guilty to, among other charges, at least one count of grand theft. The totality of the evidence, combined with the defendant's fraudulent identity theft reports (which were provided to the prosecutor by the FTC OIG and shown to the defendants) resulted in the guilty pleas.

Collaborations

Throughout the period, we collaborated with various state and federal entities, including: the Department of Justice (i.e., with 3 different assistant U.S. attorneys in the Office of the Attorney General, as well as with the Public Integrity Section and INTERPOL), the U.S. Secret Service, the Department of the Treasury (i.e., with the Internal Revenue Service), the U.S. Postal Inspection Service, the Department of Homeland Security, the U.S. Customs Border Patrol, and other offices of inspector general (i.e., at the Federal Housing Finance Agency and the National Aeronautics and Space Administration). We also collaborated with district attorney's offices in Los Angeles County, California, and Harris County, Texas, as well as the Iowa City, Iowa, Police Department.

Hotline Information

<i>Category of Data</i>	<i>Number</i>
Inquiries and complaints received	494
Complaints addressed	4
Complaints referred to other FTC offices	490

Engagement, Review of Legislation, and Peer Reviews



Congressional Correspondence

During this period, the OIG responded to 2 Congressional letters requesting (1) confirmation of ongoing FTC merger reviews and litigation involving multi-cancer early detection (MCED) testing and (2) an inquiry into hiring practices involving former regulators who work for certain tax filing companies.

Response to Letter from a Coalition of House Members Regarding Ongoing Merger Reviews and Litigation Involving MCED Testing (May 10, 2022)

In this correspondence, the OIG responded to a coalition of members of the House of Representatives—who, on April 12, 2022, requested confirmation that the FTC assesses and mitigates emerging national security risks in all ongoing merger reviews and litigation involving MCED testing. The OIG determined that the confirmations requested were intertwined with, and not severable from, assessments and decisions that the FTC must make in its ongoing merger reviews and litigation on such matters. These assessments and decisions fall squarely within the core programmatic operating responsibilities of the FTC, which, under the Inspector General Act of 1978, the OIG is prohibited from assuming. Accordingly, the OIG determined that it could not provide the requested confirmations.

Response to Letter from Senator Warren, Representative Porter, and Representative Sherman Regarding Hiring Practices Involving Former Regulators Who Work for Certain Tax Filing Companies (August 1, 2022)

In this correspondence, the OIG responded to Senator Warren, Representative Porter, and Representative Sherman's June 21, 2022, letter to the IG of the U.S. Department of the Treasury, the Treasury IG for Tax Administration, and the FTC IG expressing concerns about hiring practices involving former federal government regulators (i.e., from the U.S. Department of the Treasury, the Internal Revenue Service, and the FTC) and Intuit (and other Free File Alliance members). The Senator and two members of the House of Representatives also requested that the OIG open an inquiry into potential conflicts of interest arising out of matters

between Intuit (and other Free File Alliance member companies) and the FTC, as well as the FTC's conflict of interest policies. Our response reviewed federal conflict of interest law that provides the framework for restrictions on former federal executive branch employees, as well as pertinent FTC regulations and policy. No evidence of behavior that violates either federal ethics laws and regulations or FTC rules and policies related to matters involving Intuit (or other Free File Alliance members) was identified.

Inspector General and Federal Community Engagement

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

The Inspector General is the Chair of the CIGIE Budget Committee and a member of several other committees and working groups. The Deputy Inspector General and Counsel to the Inspector General serves as the Vice Chair for the CIGIE Council of Counsels (CCIG) and participates in the Small OIG Counsels working group. Our Assistant Inspector General for Investigations also works with the FBI Cyber Task Force.

Review of Legislation

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

Peer Reviews

The FTC OIG's audit operations were not subject to any peer reviews by other OIGs during this reporting period. There are no outstanding recommendations from peer reviews conducted by other OIGs of the FTC OIG.

The FTC OIG completed a peer review, dated June 9, 2022, of the Farm Credit Administration OIG's audit operations for the peer review period ending March 31, 2022.

Appendix I: Significant Recommendations in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed^a



<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Management Advisory on Travel and Purchase Card Processes	06/24/2020	4	Identify and mitigate instances of unallowable reimbursements of professional membership fees
Audit of FTC Interagency Agreement Processes	09/30/2020	3	Finalize existing drafts or develop internal written policies and procedures to guide it in administering interagency acquisitions
Management Advisory on Controlling and Protecting Sensitive Information	09/29/2021	3	Develop a more comprehensive strategy for communications and training related to prohibitions of NPI disclosures
Audit of the Federal Trade Commission's Compliance with the DATA Act	11/08/2021	1	Implement internal controls and update policies and procedures to improve the accuracy of the information submitted for DATA Act reporting
		2	Implement internal controls and update policies and procedures to improve the timeliness of the information submitted for DATA Act reporting
Audit of the Federal Trade Commission COR Program	12/02/2021	1	Update the FTC Administrative Manual, Chapter 2: Section 300—Acquisition, to reflect the current process of acquiring and managing FTC contracts
		2	Develop guidance on the oversight of COR activities and maintenance of COR files

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

<i>Report</i>	<i>Issue Date</i>	<i>Rec #</i>	<i>Open Rec^a</i>
Management Advisory on FTC Records Management	02/28/ 2022	1	Develop requirements for acquiring the necessary staff and technology resources for managing records scheduling, disposition, access, and storage
		2	Develop requirements for incorporating records management function, retention, and disposition requirements into information life cycle processes and stages

Appendix II: OIG Reports with Questioned Costs and Funds to Be Put to Better Use^a



Federal Trade Commission Office of Inspector General

<i>Category</i>	<i>Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>	<i>Funds to Be Put to Better Use</i>
Audit, inspection, and evaluation reports for which no management decision has been made by the commencement of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports which were issued during the reporting period	1	0	0	0
Audit, inspection, and evaluation reports for which a management decision was made during the reporting period ^b	1	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made by the end of the reporting period	0	0	0	0
Audit, inspection, and evaluation reports for which no management decision was made within six months of issuance	0	0	0	0

^a The OIG does not have anything to report, pursuant to IG Act, section (5)(a)(9)(C), related to dollar values of recommendations for which there was a management decision agreed to during this reporting period.

^b Likewise, the OIG does not have any disallowed costs or costs not disallowed to report pursuant to IG Act, section (5)(a)(8)(C).



Appendix III: IG Act Reporting Requirements Index

<i>IG Act Section</i>	<i>Reporting Requirement</i>	<i>Page #/ Comment</i>
4(a)(2)	Review of legislation and regulations	Page 9
5(a)(1)	Significant problems, abuses and deficiencies	None to report
5(a)(2)	Recommendations with respect to significant problems, abuses and deficiencies	None to report
5(a)(3)	Prior significant recommendations on which corrective actions have not been completed	Appendix I
5(a)(4)	Matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Pages 6–7
5(a)(5)	Reports made to the head of the establishment under IG Act Section 6(c)(2) during the reporting period	Pages 2–4
5(a)(6)	List of reports issued during the reporting period	Appendix II
5(a)(7)	Summary of each particularly significant report	Pages 2–4
5(a)(8) & 5(a)(9)	Statistical tables showing the total number of reports and dollar value of questioned costs and funds to be put to better use	Appendix II

IG Act Section	Reporting Requirement	Page #/ Comment
5(a)(10)	Summary of each audit, inspection, and evaluation report issued before the commencement of the reporting period (A) for which no management decision has been made by the end of the reporting period; (B) for which no establishment comment was returned within 60 days of providing the report to the establishment; and (C) for which there are any outstanding unimplemented recommendations, including the aggregate potential cost savings of those recommendations	5(a)(10)(A)—None to report; 5(a)(10)(B)—None to report; 5(a)(10)(C)—Appendix I
5(a)(11)	Significant revised management decisions during the reporting period	None to report
5(a)(12)	Significant management decision with which the Inspector General is in disagreement	None to report