

# Federal Trade Commission

OFFICE OF INSPECTOR GENERAL

February 6, 2025



***Audit of FTC Consumer  
Response Center Practices  
and Procedures***



Office of  
Inspector  
General

AUDIT  
REPORT

*Audit of  
FTC Consumer  
Response  
Center  
Practices and  
Procedures*

## IN SUMMARY

### *Why We Performed This Audit*

As part of its mandates to (1) protect consumers against unfair, deceptive, or fraudulent practices and (2) maintain a centralized complaint and consumer education service for victims of identity theft, the agency's Bureau of Consumer Protection (BCP) Division of Consumer Response and Operation (DCRO) developed and maintains the Consumer Response Center (CRC). This unit's contractor counselors field consumers' reports and inquiries received by telephone, via mail, and online.

As identity theft and other fraud scams have increased exponentially, the CRC has seen a spike in the number of complaints it has received. In FY 2022, the CRC handled more than 53,000 inquiries and complaints from consumers and businesses each week, for a total of 2.8 million complaints and inquiries with reported losses of \$8.8 billion. Reported annual loss totals grew to \$10 billion in 2023 and are expected to continue increasing. As fraud schemes increase in number and complexity, it is even more crucial that the FTC ensures that CRC can respond to consumers and intake their complaints efficiently and effectively.

We conducted this audit to assess the effectiveness of the CRC's current practices and procedures related to recording and responding to consumer reports and inquiries.

### *What We Found*

We noted that the program has demonstrated its agility and flexibility, particularly in improvements based on consumer feedback and quality assurance. Nonetheless, we found that the program has several opportunities to improve—see our findings related to the (I) processing of consumer complaints referred by internal FTC offices; (II) leveraging of lessons learned as opportunities for continuous improvement; and (III) documenting and communicating procedures and guidelines. In an "Other Matter," we discuss how the Sentinel Network Services could benefit from formally documenting the categories, subcategories, and other key descriptors to an ever-evolving landscape of frauds perpetrated on consumers.

### *What We Recommend*

We recommend that BCP management (1) more effectively communicate to agency staff clear, formalized procedures for the consistent processing and adjudication of consumer complaints referred by internal FTC offices; (2) enhance the organization of CRC's knowledge base resources to ensure information is centralized and accessible to all staff; and (3) refine its regularly-reviewed process for identifying and capturing key CRC program input in policy or guidance.

February 6, 2025

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## AUDIT RESULTS SUMMARY

We conducted a performance audit to assess the effectiveness of the Federal Trade Commission (FTC) Bureau of Consumer Protection (BCP) Division of Consumer Response and Operations (DCRO) Consumer Response Center's (CRC's) current practices and procedures related to recording and responding to consumer reports and inquiries. During our audit, we reviewed prior audit reports issued by other OIGs (e.g., the Social Security Administration's program responding to scams<sup>1</sup>) and the Government Accountability Office (GAO), which audited the Consumer Sentinel Network (CSN) and the FTC CRC in April 2023<sup>2</sup> for insights into areas of improvement, referencing GAO and Office of Management and Budget (OMB) criteria to assess compliance with established standards and best practices.

In planning and performing our audit, we identified internal control components and underlying internal control principles significant to the audit objective. Our audit focused on examining the roles and responsibilities of FTC officials—specifically, those in DCRO overseeing the CRC. To gain insight into the program, we conducted interviews with key FTC officials responsible for the CRC. Refer to appendix A for further information about our audit's objective, scope, and methodology. In addition, see appendix B for a list of acronyms and abbreviations used in this report.

In this audit of the CRC, we noted that the program has demonstrated its agility and flexibility, particularly when making improvements based on consumer feedback and quality assurance. One veteran leader of the CRC's consumer response specialist team, for example, described how the program seeks to improve aspects of its intake process using consumer callers' feedback. Consumers' survey responses led to the CRC revamping the reportfraud.gov interface, particularly the interface for the "FTC Complaint Assistant," to make the intake process easier. Another senior leader of the CRC affirmed that the program, together with CSN services,<sup>3</sup> is guided by one contract with "continuous improvement" built into it. This same senior leader reported that quality control activities (e.g., reviews of phone calls and records) are extensive, holding CRC specialists to high standards of customer service and data quality. Speaking about the focus on the intake process, the senior

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<sup>1</sup> See A-02-20-50904, [The Social Security Administration's Response to Telephone Imposter Scams](#) (May 2020).

<sup>2</sup> See GAO-23-105338, [Actions Needed to Improve Education Efforts and Awareness of Complaint Process for Franchise Owners](#) (April 2023).

<sup>3</sup> The Consumer Sentinel Network (CSN) database is an investigative cyber tool—free and available to any federal, state or local law enforcement agency—that gives its members access to millions of reports by consumers about identity theft, Do Not Call Registry violations, and a variety of other types of scams (e.g., telemarketing, loan and credit, debt collection, and credit report scams). Information from complaints processed by the CRC is entered into the CSN and used to assist law enforcement, as well as support consumer and business education activities. For further details about the CSN, see Appendix B of this audit report.

leader also reported a program shift to emphasize customer service soft skills and quality assurance (QA). Because the CSN/CRC contract is “performance-based . . . [t]he quality of the data needs to be at least 95%.”

Nonetheless, we found that the program has several opportunities for improvement. As detailed in this report, the CRC program’s internal policy and standard operating procedures (SOPs)—specifically regarding the consistent processing and adjudicating of consumer complaints referred by internal FTC offices—have not been fully communicated to agency staff (see finding I). In addition, the CRC does not fully leverage lessons learned opportunities for continuous improvement (see finding II). Finally, the absence of clear, documented procedures and guidelines for processing consumer complaints poses an obstacle to maintaining the program’s continuity and building upon its current capacity (see finding III).

Our report contains 3 recommendations for BCP leadership. Additionally—in an “Other Matter,” for BCP management’s consideration—we discuss how the Sentinel Network Services (SNS) could benefit from formally documenting the categories, subcategories, and other key descriptors to an ever-evolving landscape of frauds perpetrated on consumers.

## WHY WE PERFORMED THIS AUDIT

### *Background*

As part of its mandates to (1) protect consumers against unfair, deceptive, or fraudulent practices and (2) maintain a centralized complaint and consumer education service for victims of identity theft, BCP’s DCRO developed and maintains the CRC. This unit’s contractor counselors field consumers’ reports and inquiries received by telephone, via mail, and online. Their resulting data entries feed the CSN, which provides a database of such complaints for law enforcement to consult and search as an investigative tool.

As identity theft and other fraud scams have steadily increased year over year, the CRC has also seen a spike in the number of complaints it has received. In FY 2022, the CRC handled more than 53,000 inquiries and complaints from consumers and businesses each week, for a total of 2.8 million complaints and inquiries with reported losses of \$8.8 billion. Reported annual loss totals grew to \$10 billion in 2023 and are expected to continue rising.<sup>4</sup>

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<sup>4</sup> According to the *CSN Annual Data Book 2023*, the CSN received nearly 5.4 million reports in 2023; almost half (approximately 2.6 million) were fraud reports. More than a quarter (27%) of those fraud reports noted money losses—in total, the CSN reported \$10 billion in 2023 fraud losses. See [https://www.ftc.gov/system/files/ftc\\_gov/pdf/CSN-Annual-Data-Book-2023.pdf](https://www.ftc.gov/system/files/ftc_gov/pdf/CSN-Annual-Data-Book-2023.pdf).

As fraud schemes increase in number and complexity, it is even more crucial that the FTC ensures that the CRC can respond to consumers and intake their complaints efficiently and effectively.

## FINDINGS AND RECOMMENDATIONS

### I. *The CRC's Processes for Handling Internally-Referred Consumer Complaints Is Inconsistent*

The CRC has in place a process and accompanying procedures for processing and adjudicating consumer complaints referred by other FTC offices. However, we found that this has not yet resulted in a widely-recognized procedure for FTC officials to provide referrals or alert the CRC to government imposter scams that use FTC officials' names and/or likenesses to further the scheme.<sup>5</sup> Based on our discussions with CRC management, as well as our review of documentation, it became evident that the current methods used by FTC officials to report such imposter scams have not indicated an agency management-wide awareness of the procedures.

In our discussions with the program's senior leadership, we were informed that, per the program SOPs, responding to these FTC referrals is handled internally, not by contractors who are customer service representatives, using a CRC log to maintain a record of incoming calls. The senior program leader stated that such consumer referrals (i.e., via FTC officials) should result in a CSN report, most likely when the CRC is (a) processing the referral as an email or (b) contacting the consumer by phone. During fieldwork, we reviewed records of FTC staff—unaware of a formalized procedure for how such referrals are handled—who contacted agency (i.e., not contractor) CRC management indicating their awareness of FTC officials' names having been used to attempt to commit fraud and extract money from victims—but also their uncertainty about what actions should be taken.

This process, informal in its execution, leads to inefficiencies and, potentially, inconsistencies. Without a more robust method for informing agency staff how to handle these complaints, the program risks a breakdown in recordkeeping and presents challenges to responding effectively to such fraudulent incidents. The *GAO Standards for Internal*

<sup>5</sup> *Government imposter scams* often start with a call, email, or text message from someone claiming to be from a government agency. These scammers may provide a supposed employee ID number to impersonate a government official— often claiming to work for agencies such as the Social Security Administration, the Internal Revenue Service, Medicare, or the FTC—and might even have the target victim's name or home address. Scammers often use real names of agency officials and will usually state a reason why the potential victim must send money or provide further personal information immediately. They will usually ask for payments using wire transfers of cash, gift cards, or cryptocurrency, any of which is difficult to track and nearly impossible to recover.

*Control in the Federal Government* (known as the Green Book) states, regarding internal communication, that “[m]anagement periodically evaluates the entity’s methods of communication so that the organization has the appropriate tools to communicate quality information throughout the entity on a timely basis.”<sup>6</sup> To formalize further the process for handling such sensitive and timely internal complaints would ensure more efficient and uniform adjudication—and enhance the effectiveness of the CRC.

## RECOMMENDATION

1. We recommend that BCP management more effectively communicate to agency staff clear, formalized procedures for the consistent processing and adjudication of consumer complaints referred by internal FTC offices.

## II. *BCP Is Missing Opportunities to Leverage Lessons Learned*

The evolving, increasingly complex landscape of fraud schemes presents significant challenges for the CRC and the CSN in effectively addressing consumer complaints. In response to a staff survey that we conducted during audit fieldwork, CRC staff identified the need for an improved ability to assist consumers directly—for example, with the aid of specific criteria for handling reports of complaints. However, we did not identify customer service representatives’ awareness of clearly documented CRC staff resources that also evolve with fraud and scam trends.

Some of the staff comments and suggestions responding to the OIG survey related to developing or accessing a comprehensive knowledge base. While management informed us that such a knowledge resource exists, it appears that customer service representatives are largely unaware of it—and thereby lack this valuable tool.

The Green Book provides the overall framework for establishing and maintaining an effective internal control system. For management to design an effective process, according to GAO standards, it must establish the entity’s objectives and related risks—as well as identify the information requirements needed to achieve the objectives and address the risks. This, in turn, requires an iterative and ongoing process; as objectives and risks evolve, management needs to adjust controls accordingly.

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<sup>6</sup> GAO Green Book, 14.07: “Management selects appropriate methods to communicate internally. Management considers a variety of factors [i.e., audience, nature of information, availability, cost, and legal or regulatory requirements] in selecting an appropriate method of communication. Management periodically evaluates the entity’s methods of communication so that the organization has the appropriate tools to communicate quality information throughout the entity on a timely basis.”

BCP management informed us that the CRC contractor has a knowledge base that receives updates (e.g., tip sheets for CRC staff) when new information becomes available. If management reviews and documents this process to ensure that new information is available and visible to all staff, CRC staff conversance with an evolving knowledge resource would improve.

### RECOMMENDATION

2. We recommend that BCP management enhance the organization of CRC's knowledge base resources to ensure information is centralized and accessible to all staff.

### ***III. The Absence of Clear, Documented Program Procedures and Guidelines Poses an Obstacle to Maintaining the Program's Continuity and Building upon Current Capacity***

In recent years, the dynamic nature and the sophistication of fraud schemes—including government imposter scams that mimic legitimate operations—have posed an increasing challenge to the FTC. The CRC, in particular the customer service representatives, would benefit greatly from drawing on resources such as a robust set of policies, which would encapsulate the accumulated knowledge and operational methodologies of the program. Serving as a comprehensive guide for current and future staff, these documents (with updates made as combating fraud evolves) would reflect real-time changes and advancements in the program. Program management agreed that updated or new policies could be considered, including those providing guidance for escalating serious or complex scam complaints, handling scams in progress, and processing internally-referred consumer complaints.

Audit fieldwork discussions with program officials, and analysis of program documentation, indicated that new processes are often derived from a trial-and-error approach to discover what works. This ad hoc method of developing new processes appears to be caused by the lack of a documented structure for, among other things, capturing the full range of methodologies deployed by CRC specialists. Documented policies, procedures, or other guidance are critical for consistency, as well as maintaining the program's continuity and building upon current capacity. The CRC program has begun to capitalize on the time and effort spent by reviewing and updating new or enhanced approaches, which will explore, adopt, and codify best practices into policy and SOPs.

Until policies and SOPs are fully reviewed and updated, key personnel who depart often take with them invaluable operational knowledge. This loss creates a substantial hurdle for incoming employees who may struggle to grasp the full scope of the program and intricacies required to help consumers. At risk are not only the efficiency and consistency of the program, but also its success at delivering optimal solutions to consumers.

According to OMB's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, federal leaders and managers are responsible for establishing goals and objectives around operating environments, as well as managing both expected and unexpected or unanticipated events. They are responsible for implementing risk management practices that are forward-looking and designed to help leaders make better decisions, alleviate threats, and identify previously unknown opportunities to improve the efficiency and effectiveness of government operations. Management is also responsible for establishing and maintaining internal controls to achieve specific internal control objectives related to operations, reporting, and compliance.<sup>7</sup>

Similarly, the GAO Green Book stresses the importance of management undertaking regular reviews of existing policies, procedures, and associated control activities. This critical evaluation is essential to ensuring the programmatic framework's ongoing relevance and effectiveness—not only in achieving goals but also in mitigating associated risks. The Green Book asserts that program officials occupying pivotal positions have the discretion to refine policies through their daily procedures, which encompass the scheduling of control activities and the implementation of subsequent corrective measures by qualified personnel should any deficiencies be detected.<sup>8</sup>

Continuing and refining a sound policy structure—one based on clear, documented, and regularly reviewed and updated program procedures and guidelines—would facilitate smoother transitions during staff onboarding and offboarding, thereby maintaining the program's effectiveness by ensuring its alignment with its intended goals.

## RECOMMENDATION

3. We recommend that BCP management refine its regularly-reviewed process for identifying and capturing key CRC program input in policy or guidance.

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<sup>7</sup> See OMB Circular A-123, p.1, under "Policy."

<sup>8</sup> See GAO Green Book, 12.02–12.04.

**OTHER MATTER*****BCP Management Could Consider Formal Documentation of the Review Process of Products/Services Codes***

While the SNS conducts regular reviews of products/services codes (PSCs)—which are used for the categories, subcategories, and other key descriptors of consumer frauds—to adapt to emerging fraud trends, the review process is not formally documented. This reduces transparency and could obscure a clear understanding of the scope of the reviews.

Without formal documentation, the CRC remains limited in its ability to track key decisions and the resources (including personnel) involved in the process. Moreover, the absence of clear records prevents the program from fully leveraging lessons learned over time. This represents a missed opportunity to use historical insights to improve processes as the program (and fraudsters' methods) evolve over time.

The OIG encourages a formal documentation of the process for regular reviews, with the SNS program allowing for increased input from the CRC staff and management fielding consumer contacts directly.

## SUMMARY OF AGENCY RESPONSE AND OIG COMMENTS

In its written response to this report, FTC management concurred with the recommendations and described current and planned actions in response. We look forward to receiving management's corrective action plan.

The FTC response to our report is included in its entirety in appendix C.

## APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

We conducted a performance audit to assess the effectiveness of the FTC CRC's current practices and procedures related to recording and responding to consumer reports and inquiries. To accomplish our audit objective, we reviewed relevant federal laws and regulations, as well as agency guidance, policies, and procedures. These included the Federal Acquisitions Regulations (FAR); The Identity Theft and Assumption Deterrence Act of 1998; OMB Circular A-123; the GAO Green Book; internal FTC policies and policy memoranda. In addition to relevant criteria, we reviewed prior audit reports issued by other OIGs (e.g., the Social Security Administration<sup>9</sup>) and GAO (which audited the CSN and the FTC CRC in April 2023<sup>10</sup>).

In planning our audit, we identified the internal controls relevant to our audit objective. Our audit focused on examining the roles and responsibilities of FTC officials—specifically, those in BCP DCRO overseeing the CRC. To gain insight into the program, we conducted interviews with key FTC officials responsible for the CRC. Additionally, our methodology involved analysis of the SNS contract (which includes CRC operations), as well as other resources, such as CRC tip sheets, training records, and other relevant documentation associated with CRC operations. Furthermore, we surveyed CRC staff to gain their perspective on CRC challenges and areas for improvement.

We used the following criteria in the performance of our audit:

- FAR Title 48
- *GAO Standards for Internal Control in the Federal Government*
- OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*
- The Identity Theft and Assumption Deterrence Act of 1998

We performed the audit work from November 2023 through August 2024. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>9</sup> See A-02-20-50904, [The Social Security Administration's Response to Telephone Imposter Scams](#) (May 2020).

<sup>10</sup> See GAO-23-105338, [Actions Needed to Improve Education Efforts and Awareness of Complaint Process for Franchise Owners](#) (April 2023).

**APPENDIX B: ACRONYMS AND ABBREVIATIONS**

BCP	Bureau of Consumer Protection
CRC	Consumer Response Center
CSN	Consumer Sentinel Network
DCRO	Division of Consumer Response and Operations FAR Federal Acquisitions Regulations
FTC	Federal Trade Commission
GAO	Government and Accountability Office
Green Book	<i>GAO Standards for Internal Control in the Federal Government</i>
OMB	Office of Management and Budget
PSC	product/service code
SNS	Sentinel Network Services

## APPENDIX C: FTC MANAGEMENT RESPONSE



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

Division of Consumer Response & Operations

**MEMORANDUM**

**TO:** Marissa Gould  
 Acting Inspector General, Office of the Inspector General

**VIA:** Christopher Mufarrige  
 Acting Director, Bureau of Consumer Protection

**FROM:** Maria Mayo  
 Associate Director, Division of Consumer Response and Operations  
 Ami Dziekan  
 Assistant Director, Division of Consumer Response and Operations

**SUBJECT:** Management Response to Draft Report on Audit of FTC Consumer Response Center Practices and Procedures

**DATE:** January 29, 2025

The Consumer Response Center has the responsibility and privilege of being on the front line of handling consumer contacts for the Federal Trade Commission. While we have a great staff and expertise in this field, it is always helpful to have an outside eye to look at our work and see if there are improvements or efficiencies that could help us improve upon our work to better serve consumers. On January 10, 2025 the OIG's office provided this draft report and recommendations. Management agrees and provides the additional responses below.

**Finding:** The CRC's Processes for Handling Internally-Referred Consumer Complaints is Inconsistent

**Recommendation:** We recommend that BCP management more effectively communicate to agency staff clear, formalized procedures for the consistent processing and adjudication of consumer complaints referred by FTC internal offices.

**Management Response:** Management agrees. While we do have a process for handling these calls and the policy has been communicated broadly at the agency, it has been difficult to reach staff before they are affected by these contacts. We have already formed a strategy to better reach and gain attention to this issue and produce better ways to memorialize the process so that it is visible when staff is faced with these calls.

**Finding:** BCP is missing opportunities to Leverage Lessons Learned

**Recommendation:** We recommend that BCP management enhance the organization of CRC's

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knowledge base resources to ensure information is centralized and accessible to all staff.

Management Response: Management agrees. While we have a wealth for resources for staff covering a wide range of topics, it would be valuable for us increase their organization and visibility, so that staff can better access them as needed.

Finding: The absence of clear, Documented Program Procedures and Guidelines Poses an Obstacle to Maintaining the Program's Continuity and Building upon Current Capacity

Recommendation: We recommend that BCP management refine its regularly-reviewed process for identifying and capturing key CRC program input in policy or guidance.

Management Response: Management agrees. The CRC is already in the process of revising our Standard Operating Procedures and wishes to do complete review of them all by end of year.

APPROVED:

MARIA  
MAYO

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by MARIA MAYO  
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Maria Mayo  
Associate Director  
Division of Consumer Response & Operations

CONCUR:

CAROLYN  
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Christopher Mufarrige  
Acting Director  
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