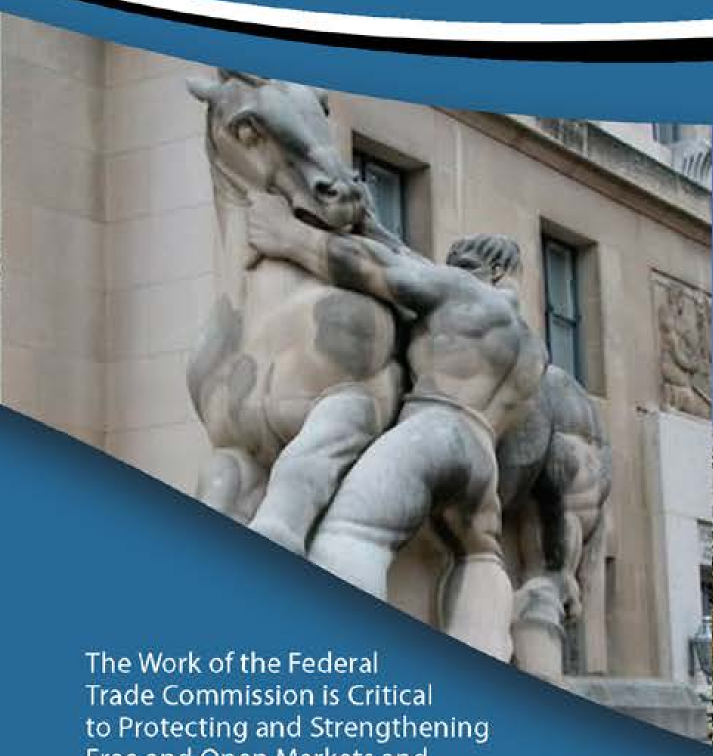
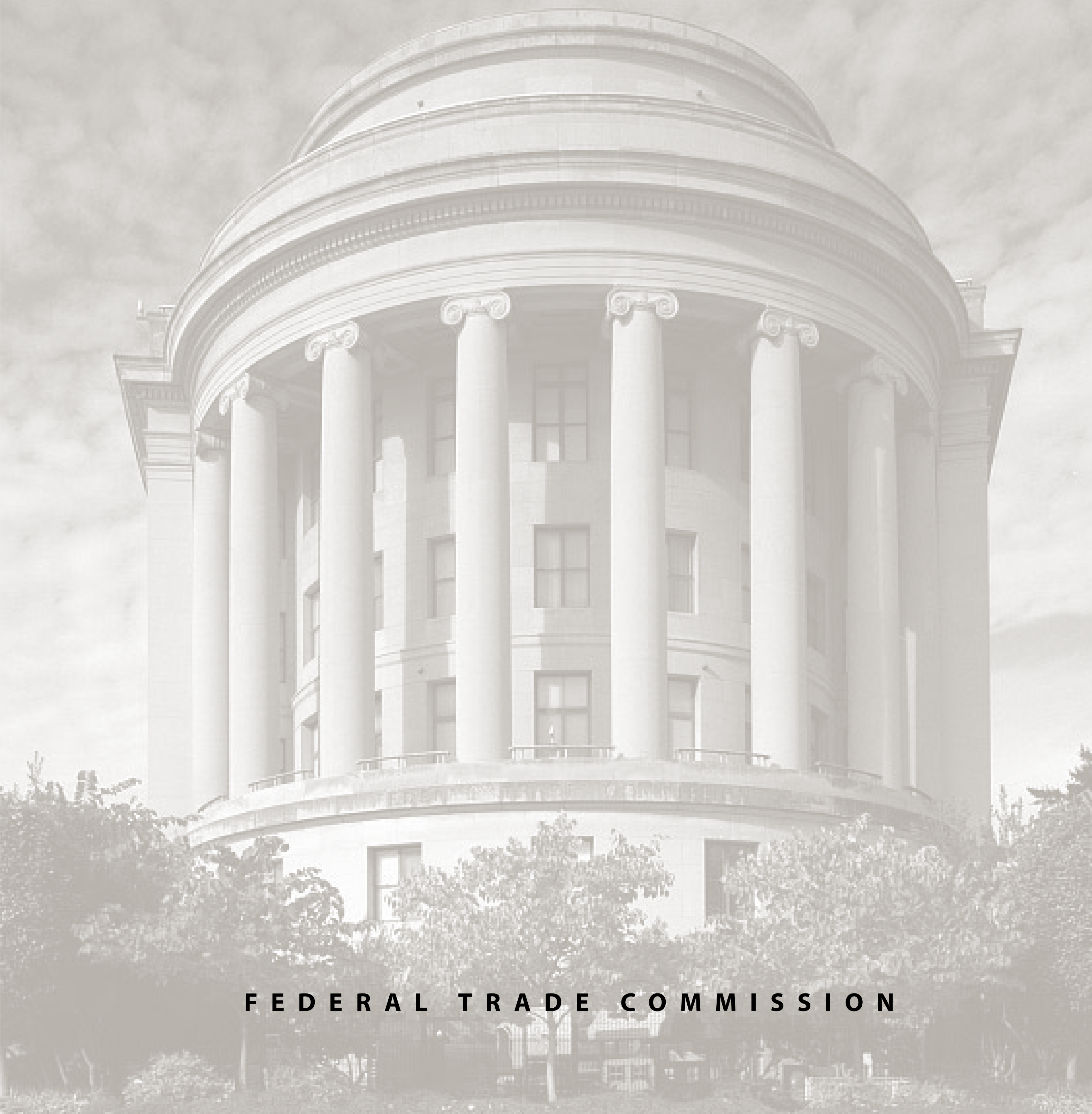
# FISCAL YEAR 2015 AGENCY FINANCIAL REPORT



The Work of the Federal Trade Commission is Critical to Protecting and Strengthening Free and Open Markets and Promoting Informed Consumer Choice, Both in the United States and Around the World

FEDERAL TRADE COMMISSION

# INTRODUCTION



FEDERAL TRADE COMMISSION

# ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2015 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 (https://www.ftc.gov/reports/agency-financial-report-fy2015), satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity 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
- Improper Payments Information Act of 2002, as amended by IPERIA
- Government Performance and Results Modernization Act of 2010

This is the second year the FTC is producing an AFR and an Annual Performance Report (APR) in lieu of a combined Performance and Accountability Report. The FY 2015 APR will be combined with the FY 2017 Annual Performance Plan (APP) and included in the FY 2017 Congressional Budget Justification in February 2016. Also available in February 2016 will be the Summary of Performance and Financial Information. The AFR, combined APP and APR, and Summary of Performance and Financial Information will be published at the FTC's website (http://www.ftc.gov/about-ftc/performance).

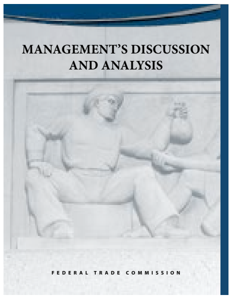
## Certificate of Excellence and Special Award



The FTC received the *Association of Government Accountants' Certificate of Excellence in Accountability Reporting* for its FY 2014 AFR as well as a Special Recognition award for Best Description for Assuring Data Quality.

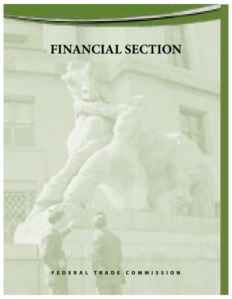
# HOW THIS REPORT IS ORGANIZED

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



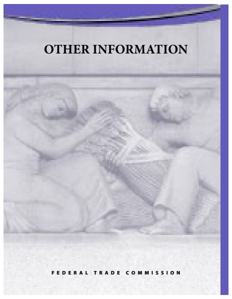

## 1. MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides an overview of the FTC's mission and organization, an overview of key and efficiency performance goals, mission challenges, financial highlights, and management assurances on internal controls, financial systems, and compliance with laws and regulations.



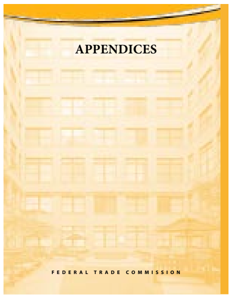

## 2. FINANCIAL SECTION

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




## 3. OTHER INFORMATION

This section provides management and performance challenges identified by the Inspector General along with the Chairwoman's response and a summary of financial statement audit and management assurances.




## 4. APPENDICES

Appendix A provides the data quality information for FTC's key and efficiency performance goals; Appendix B lists the acronyms cited throughout this report; Appendix C 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 Trusts." 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 also has been directed to enforce a wide variety of other consumer protection laws and regulations.

## LAWS ENFORCED

The FTC is a 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 Clayton Act, Telemarking 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 70 laws (see http://www.ftc.gov/enforcement/statutes for a complete listing).

## PROFILE

- The agency is headquartered in Washington, D.C. and operates with seven regions across the United States.
- The agency had 1,176 full-time equivalent (FTE) employees at the end of FY 2015.
- Total new budget authority for FY 2015 was $293 million.

# MESSAGE FROM THE CHAIRWOMAN

Edith Ramirez
Chairwoman

The Federal Trade Commission has the important mission of protecting consumers and promoting competition in broad sectors of our economy. In FY 2015, the FTC continued to exemplify good government, effective law enforcement, and outstanding outreach to consumers, businesses, and our law enforcement partners around the world. This Agency Financial Report illustrates how we managed our resources, highlights our major accomplishments, and outlines our plans to address the challenges ahead.

## FY 2015 PERFORMANCE HIGHLIGHTS

### CONSUMER PROTECTION

This fiscal year, the FTC emphasized four areas that reflect key challenges consumers face today: the explosive growth of mobile platforms and new technologies; privacy and data security risks; fraud targeting specific communities and financial marketplace fraud.

The FTC continues to focus on consumer protection issues that arise from the use of new technologies. In one such case, the largest prepaid mobile provider in the United States, TracFone, agreed to refund $40 million to customers to settle FTC charges that it misled millions of people with promises of "unlimited" data service even though it drastically slowed or cut off customer's mobile data after they used more than a fixed amount in a 30-day period. The FTC has ongoing litigation against AT&T Mobility Inc. for making similar misleading "unlimited" data plan claims. In other technology related matters, the FTC has taken actions to halt Boost Software and Inbound Call Experts, two massive telemarketing operations that conned tens of thousands of consumers out of more than $120 million by deceptively marketing computer software and tech support services.

The FTC has employed a multi-pronged approach to protect the privacy of consumers' personal information, including both law enforcement and policy initiatives. In August 2015, the FTC prevailed in the Third Circuit Court of Appeals, when the court affirmed the district court's ruling denying Wyndham's motion to dismiss and found that the FTC has the authority to bring enforcement actions for unreasonable data security practices under its Section 5 "unfairness" standard. The FTC filed a lawsuit against LeapLab, alleging the data broker sold sensitive personal information of hundreds of thousands of people, including Social Security and bank account numbers, to scammers. At least one of those marketers that the FTC sued, allegedly used the information to withdraw millions of dollars from people's accounts without their consent. The FTC also launched IdentityTheft.gov, a new one-stop resource that makes it easier for identity theft victims to report and recover from identity theft. A Spanish version of the site is also available at RobodeIdentidad.gov. The FTC expanded its efforts to help businesses protect consumers' information through a new initiative called "Start with Security" that includes new guidance that draws on lessons learned from the more than 50 data security cases brought by the FTC, as well as a series of conferences to be held across the country. The FTC released a detailed report on the Internet of Things (IOT). The report recommends that companies developing Internet of Things devices give people choices about how their information will be used, build security in at the outset, consider measures to keep unauthorized users from accessing a consumer's device or data, and where feasible, provide security patches to cover known risks.

The FTC has taken enforcement action to stop a variety of fraudulent practices that target specific communities, such as Spanish-speaking consumers, seniors, and military service members and their families. In the Hispanic Global Way case, a court entered an order banning the defendants from telemarketing and selling weight loss products. The settling defendants agreed to surrender all of their significant assets, and a default judgment of more than $50 million was imposed against the remaining defendants. The FTC also has taken enforcement actions to stop a variety of fraudulent practices. The FTC and law enforcement partners from all 50 states and the District of Columbia charged four sham cancer charities with taking more than $187 million from donors and spending much of it on the sham charities' operators and telemarketers.

The FTC has continued to take enforcement actions to stop deceptive and unfair practices in the financial marketplace. Two payday lending companies settled FTC charges that they illegally charged consumers undisclosed and inflated fees. AMG Services, Inc. and MNE Services, Inc. agreed to pay $21 million and to waive another $285 million in charges that were assessed but not collected. The FTC settled its first cases with car title lenders. Two companies, First American Title Lending of Georgia, LLC, and Finance Select, Inc., advertised zero percent interest rates for 30-day car title loans without disclosing important loan conditions, or the higher finance charge that kicked in after the introductory period ended. The companies, which advertised in English and in Spanish, are now subject to orders prohibiting deceptive advertising of car title loans.

The FTC continues to take action to stop false and unsubstantiated advertising claims such as deceptive online reviews, deceptive affiliate marketing networks, and deceptive health claims.

## PROMOTING COMPETITION

The FTC actively enforces the antitrust laws in a range of industries of critical importance to American consumers, including health care, technology, energy, consumer goods and services, and manufacturing. The agency has pursued new competition law enforcement actions (merger and non-merger), conducted several important workshops, published reports, and pursued advocacy opportunities to promote competition and educate stakeholders about its benefits. The FTC also continued to vigorously monitor and enforce compliance with consent orders as well as with merger and acquisition reporting obligations under the Hart-Scott-Rodino (HSR) Act.

The healthcare and pharmaceutical sectors were again a priority area for competition enforcement. In general, the FTC works to promote competition in health care by eliminating impediments to entry by generic drug producers, stopping illegal monopolization and joint conduct by healthcare providers, and preventing anticompetitive healthcare mergers. The FTC has engaged in vigorous enforcement relating to anticompetitive "pay-for-delay" settlements of patent litigation in the pharmaceutical industry, in which a brand name drug company pays a generic drug company to delay its entry into the market. In May 2015, the Commission obtained a landmark settlement of its 2008 lawsuit against Cephalon, Inc. The stipulated federal court order requires Teva Pharmaceutical Industries, Ltd. (parent company of Cephalon, Inc.), the largest generic drug manufacturer in the world, to disgorge and return to purchasers, including drug wholesalers, pharmacies, and insurers, $1.2 billion in ill-gotten gains reaped from its anticompetitive agreements to pay four firms to refrain from selling generic versions of its blockbuster drug, Provigil. The stipulated order further prohibits Teva from engaging in similar patent settlement agreements in the future.

The FTC continues to prioritize healthcare provider consolidation, especially in light of the growing body of evidence showing that concentrated provider markets tend to lead to higher prices and lower quality of care. For example, in February 2015, the FTC achieved a significant victory when the Ninth Circuit Court of Appeals affirmed the district court's decision in *St. Luke's* that Idaho's dominant healthcare system's acquisition of the state's largest independent physician practice group violated the antitrust laws.

Also, in February 2015, the U.S. Supreme Court affirmed a Commission decision that the North Carolina State Board of Dental Examiners illegally thwarted lower-priced competition by engaging in anticompetitive conduct to prevent non-dentists from providing teeth whitening services to consumers in the state without any countervailing procompetitive justification. The decision affirmed a 2013 ruling by the U.S. Court of Appeals for the Fourth Circuit which noted that a state regulatory board dominated by self-interested private actors cannot rely on the state action doctrine to shield its anticompetitive conduct from antitrust review.

In June 2015, the FTC successfully concluded its litigation challenging Sysco Corporation's acquisition of rival distributor US Foods that would have combined the two largest broadline food service distributors in the United States. The U.S. District Court for the District of Columbia granted a preliminary injunction enjoining the transaction pending an administrative proceeding on the merits. The parties abandoned their deal shortly after the district court ruling.

## OUTREACH AND PARTNERSHIPS

Consumers, industry, and our international law enforcement partners keep us informed about real-world trends and challenges in the marketplace. Consumers can contact us online or via toll free phone numbers. Our public outreach also includes online resources, such as www.ftc.gov, much of which is also available in Spanish. We also provide updates on Facebook and Twitter, and host educational videos on the FTC's YouTube channel. The FTC's online Business Center offers extensive guidance to businesses.

## FINANCIAL MANAGEMENT

Being diligent and responsible stewards of the public resources that the American taxpayers and Congress provide to us is one of our most important jobs. For the FY 2015 independent financial audit, we received our 19th 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 laws and regulations. I am pleased to report that management's assessment of risks and review of controls disclosed no material weaknesses (see Statement of Assurance, p. 21) and that the financial and performance data presented here is reliable and complete.

## FUTURE CHALLENGES

In pursuing our strategic goals and objectives, many of the FTC's challenges are defined by the conditions of the marketplace, and thus are ever changing. We work to stay informed about new technologies and evolving markets, which can bring tremendous benefits to consumers, but also pose challenges on both the competition and consumer protection fronts. For a more detailed description of our mission challenges that have been identified by senior management, see p. 14.

Additionally, the Reports Consolidation Act of 2000 requires the Inspector General (IG) to determine key management and performance challenges facing the agency, and to assess our progress in addressing them. The IG identified securing the agency's information systems and networks from destruction, data loss, or compromise; maturing the agency's information technology governance process; improving contract management; stabilizing the agency's eDiscovery support system; and ensuring compliance with digital records management requirements as the most significant challenges facing the FTC. Agency management agrees that these are critical challenges, and with the IG's assessment of our progress in addressing them, as discussed in the Other Information Section of this report at p. 78.

All of us at the FTC look forward to continuing our work to protect American consumers and promote competition.

Edith Ramirez
November 16, 2015

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 through the use of a variety of tools, including law enforcement, rulemaking, research, studies on marketplace trends and legal developments, and consumer and business education.

## VISION

A vibrant economy characterized by vigorous competition and consumer access to accurate information.

## MISSION

Working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity.

## OUR PURPOSE AND HISTORY

Consumers and businesses are likely to be more familiar with the work of the FTC than they think. In the consumer protection area, the product warranties, care labels in clothes, and labels on home appliances showing their energy cost provide information that is required by the FTC . Likewise, businesses must be familiar with the laws requiring truthful advertising and protecting consumers' personally identifiable information. These laws are enforced by the FTC.

Competition among independent businesses is good for consumers, the businesses themselves, and the economy. Competitive markets yield lower prices and better quality goods and services, and a vigorous marketplace provides the incentive and opportunity for the development of new ideas and innovative products and services. Many of the laws governing competition also are enforced by the FTC.

The FTC has a long tradition of maintaining a competitive marketplace for both consumers and businesses. In 1903, Congress created the predecessor to the FTC, the Bureau of Corporations, as an investigatory agency within the Department of Commerce and Labor. The Bureau investigated and published reports on the operation of interstate corporations, looking for monopolistic practices. In one case of note, the Justice Department used the Bureau's 1906 report on petroleum transportation when it successfully prosecuted and broke up Standard Oil in 1911. In 1914, President Woodrow Wilson signed the Federal Trade Commission Act into law, creating the FTC, which then absorbed the Bureau of Corporations in 1915.

When the FTC was created in 1914, its purpose was to prevent unfair methods of competition in commerce as part of the battle to "bust the trusts." Over the years, the Congress passed additional laws giving the agency greater authority over anticompetitive practices. Recognizing that unfair and deceptive practices can distort a competitive marketplace as much as unfair methods of competition, in 1938 Congress passed a broad prohibition against "unfair or deceptive acts or practices in or affecting commerce." Since then, the FTC also has been directed to enforce a wide variety of other consumer protection laws and regulations.

*The FTC Commission as of September 30, 2015: (left to right) Julie Brill, Commissioner; Edith Ramirez, Chairwoman; Maureen Ohlhausen, Commissioner; Terrell McSweeny, Commissioner.*

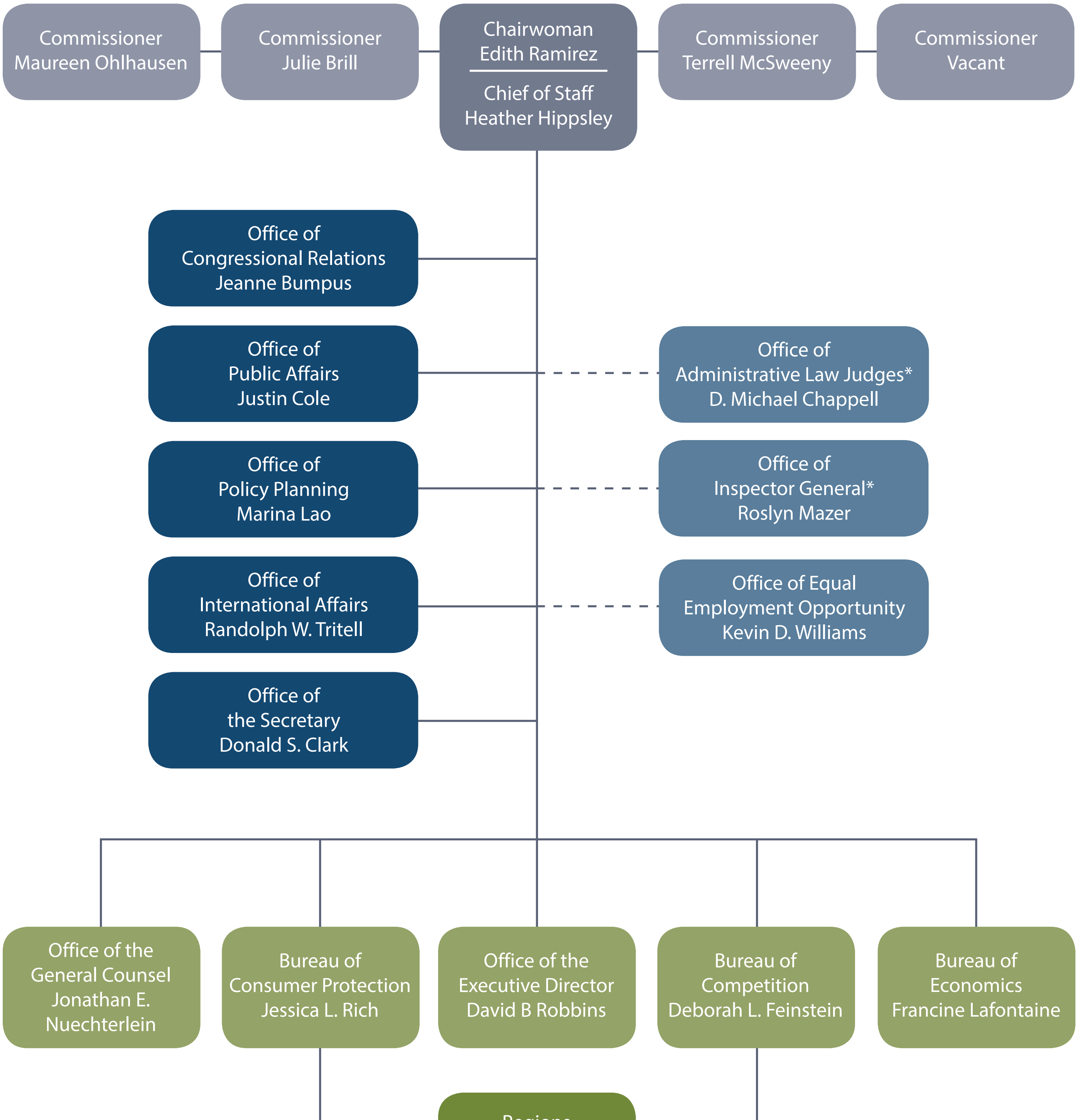
## OUR ORGANIZATION

The FTC is an independent Federal agency that reports to the President and to Congress on its actions. These actions include pursuing vigorous and effective law enforcement; advancing consumers' interests by sharing its expertise with Congress and state legislatures and U.S. and international government agencies; developing policy and research tools through hearings, workshops, and conferences; and creating practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

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. The post is currently held by Edith Ramirez, a commissioner since 2010, who was confirmed as Chairwoman on March 4, 2013. Commissioners include Julie Brill, Maureen K. Ohlhausen, and Terrell McSweeny.

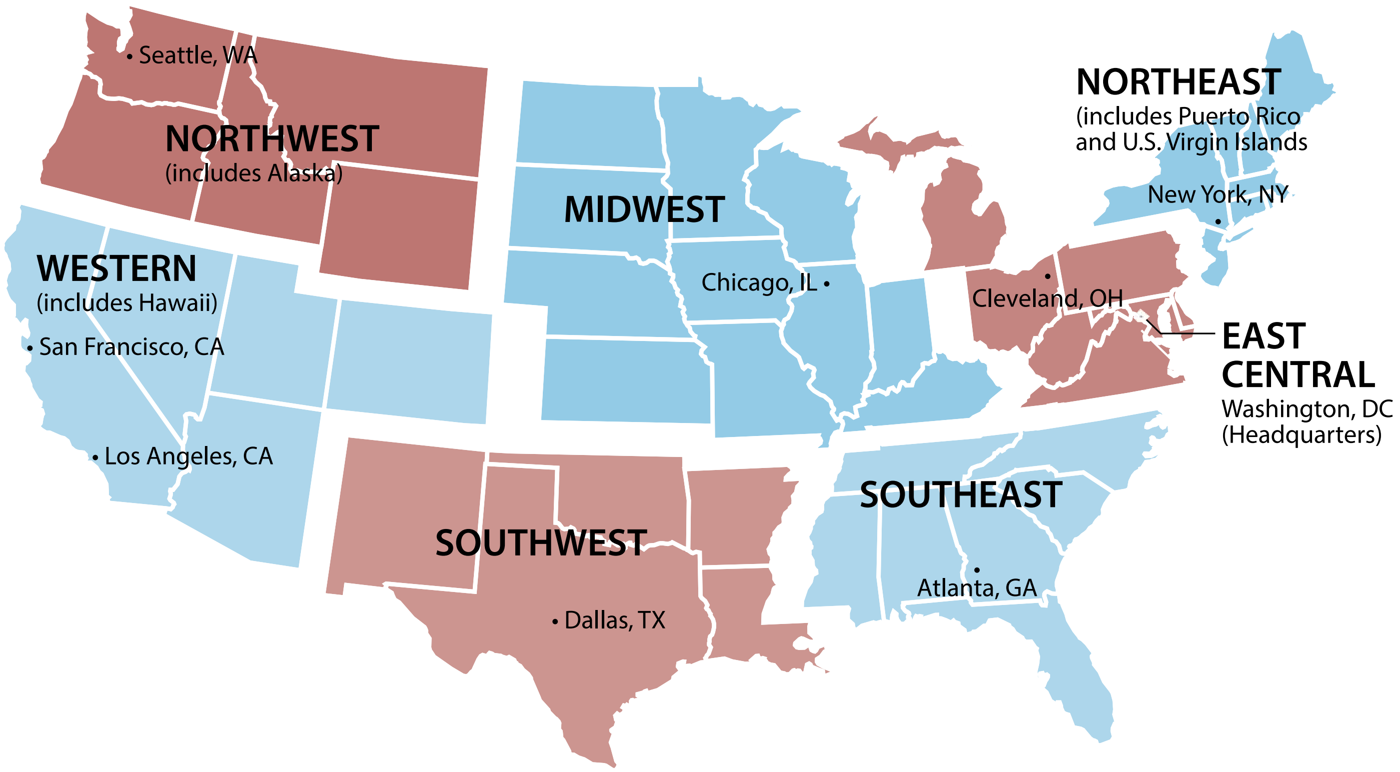
The FTC's mission is carried out by three bureaus: the Bureau of Consumer Protection, the Bureau of Competition, and the Bureau of Economics. Their work is aided by the Offices of the General Counsel, International Affairs, Policy Planning, the Secretary, the Executive Director, Congressional Relations, Public Affairs, Administrative Law Judges, Equal Employment Opportunity, Inspector General, and seven regional offices located throughout the country. For more information about the agency's components, visit the FTC's Bureaus and Offices webpage.

# FEDERAL TRADE COMMISSION ORGANIZATION CHART




*An independent organization within the FTC

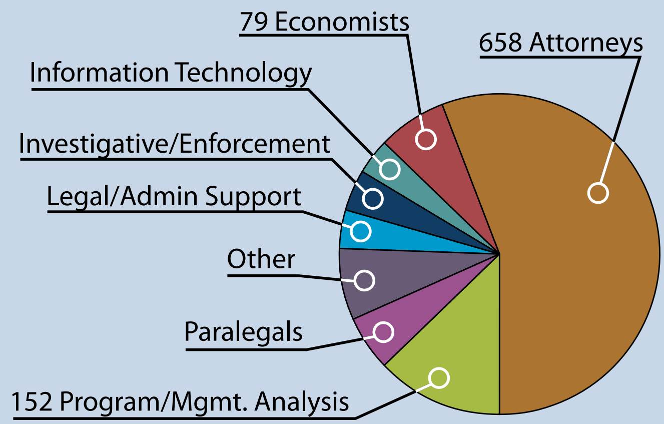
The graphic below illustrates the locations of the FTC regions.




## OUR PEOPLE

The FTC's workforce is its greatest asset. The agency's workforce consists of 1,176 civil service employees dedicated to addressing the major concerns of American consumers. This chart shows workforce composition by category.

### FTC's Workforce Composition



# PERFORMANCE HIGHLIGHTS

As stated in the introduction to this report, this is the second year the FTC has chosen to produce an AFR and an Annual Performance Report (APR) in lieu of a combined Performance and Accountability Report. The FY 2015 APR will be combined with the FY 2017 Annual Performance Plan (APP) and included in the FY 2017 Congressional Budget Justification in February 2016. Also available in February 2016 will be the Summary of Performance and Financial Information (SPFI). The AFR, combined APP and APR, and SPFI will be published at the FTC's website (http://www.ftc.gov/about-ftc/performance).

This section explains the FTC's strategic and performance planning framework and summarizes the key and efficiency 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 performance planning framework originates from the FTC's Strategic Plan for Fiscal Years 2014 to 2018 and is supported by the FTC's Performance Plan. The FTC's work is structured around three strategic goals and eight objectives. The following table shows the FTC's net costs for its strategic goals.

| **STRATEGIC GOALS** (Dollars in millions) | **OBJECTIVES** |
|---|---|
| GOAL 1<br>PROTECT CONSUMERS<br><br>Net Costs: $170 | 1.1 Identify and take actions to address deceptive or unfair practices that harm consumers. |
| | 1.2 Provide the public with knowledge and tools to prevent harm to consumers. |
| | 1.3 Collaborate with domestic and international partners to enhance consumer protection. |
| GOAL 2<br>MAINTAIN COMPETITION<br><br>Net Costs: $16 | 2.1 Identify and take actions to address anticompetitive mergers and practices that harm consumers. |
| | 2.2 Engage in effective research and stakeholder outreach to promote competition, advance its understanding, and create awareness of its benefits to consumers. |
| | 2.3 Collaborate with domestic and international partners to preserve and promote competition. |
| GOAL 3<br>ADVANCE ORGANIZATIONAL PERFORMANCE<br><br>Goal 3's costs are distributed to Goal 1 and Goal 2 predominately by Goal 1's and Goal 2's FTE usage, except for those non-pay costs that are clearly attributable to a specific goal. | 3.1 Optimize resource management and infrastructure. |
| | 3.2 Cultivate a high-performing, diverse, and engaged workforce. |

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

## PERFORMANCE MEASUREMENT REPORTING PROCESS

Bureau and Office representatives serve as the Performance Measure Reporting Officials (PMROs), who act as data stewards for each of the agency's publicly-reported performance goals. The PMROs report to the Deputy Performance Improvement Officer (PIO) on a monthly, quarterly, or annual basis via an internal data reporting tool. The Financial Management Office (FMO) also leads periodic performance goal reviews in coordination with budget execution reviews. The CFO/PIO, the Executive Director, the Chief of Staff, and the Chairwoman are briefed on the results and any significant variances in planned versus actual results. The PIO and Deputy PIO then coordinate with the PMROs on any adjustments to strategies and tactics based on the performance results.

## VERIFICATION AND VALIDATION OF PERFORMANCE DATA

Appendix A: Data Quality Information contains definitions, calculation/formula information, data sources and limitations, and additional details on verification and validation for the performance goals included in this report. Additionally, the following steps outline how the agency ensures the performance information it reports is complete, reliable and accurate:

- The FTC has adopted a central internal repository for performance data entry, reporting and review. The electronic data tool reduces human error, increases transparency, and facilitates senior management review of the agency's performance information.
- The agency maintains written procedures used to ensure timely reporting of complete, accurate, and reliable actual results relative to the key performance goals.
- The agency holds program managers accountable to set meaningful and realistic targets that also challenge the agency to leverage its resources. This includes ensuring ongoing monitoring and updating of performance targets. Further, when appropriate, program managers are required to explain how they will improve performance when targets are not met.
- The agency conducts quarterly performance measurement reviews with management as well as periodic reviews throughout the fiscal year with FTC Executives. This process includes substantiating that actual results reported are indeed correct whenever those results reveal significant discrepancies or variances from the target.

Agency program managers also monitor and maintain automated systems and databases that collect, track, and store performance data, with support provided by the FTC's Office of the Chief Information Officer. In addition to the general controls the FTC has in place, which ensure only authorized staff can access key systems, each application (system) incorporates internal validation edits to ensure the accuracy of data contained therein. These application edits include checks for reasonableness, consistency, and accuracy. Crosschecks between other internal automated systems also provide assurances of data accuracy and consistency. In addition to internal monitoring of each system, experts outside of the business units (e.g., the Bureaus of Consumer Protection and Competition) routinely monitor the data collection. For example, senior economists from the Bureau of Economics review statistical data used by the Bureau of Competition to calculate performance results.

The FMO is responsible for providing direction and support on data collection methodology and analysis, ensuring that data quality checks are in place, and accurately reporting performance data.

## PERFORMANCE GOALS OVERVIEW

The FTC has established 29 performance goals for assessing program performance against strategic goals and objectives. Of the 29 total performance goals, 25 met or exceeded target, two did not meet target, data was not available at the time of publication for one, and data was not available due to a technical issue for one. The following table displays historical high-level performance trends for all of the FTC's performance goals for the past three years.

## COUNT OF PERFORMANCE GOALS

| | | FY 2015 | FY 2014 | FY 2013 |
|---|---|---|---|---|
| **GOAL 1 PROTECT CONSUMERS** | Target Met/Exceeded | 10 | 6 | 12 |
| | Target Not Met | 1 | 3 | 3 |
| | Data Not Available | 1 | 0 | 1 |
| | Baseline Data Year | 0 | 3 | 0 |
| **GOAL 2 MAINTAIN COMPETITION** | Target Met/Exceeded | 9 | 8 | 14 |
| | Target Not Met | 1 | 2 | 2 |
| **GOAL 3 ADVANCE ORGANIZATIONAL PERFORMANCE** | Target Met/Exceeded | 6 | 7 | 8 |
| | Target Not Met | 0 | 0 | 0 |
| | Data Not Available at Time of Publication | 1 | 0 | 0 |
| **TOTAL** | Target Met/Exceeded | 25 | 21 | 34 |
| | Target Not Met | 2 | 5 | 5 |
| | Data Not Available at Time of Publication | 1 | 0 | 0 |
| | Data Not Available | 1 | 0 | 1 |
| | Baseline Data Year | 0 | 3 | 0 |
| | **TOTAL** | **29** | **29*** | **40** |

*The FTC updated its strategic plan effective in FY 2014.

Of the 29 performance goals, nine are considered "key" performance goals because they best indicate whether agency activities are achieving the desired outcome associated with the related objective. Additionally, four performance goals are considered efficiency performance goals because either they are ratios of outcomes to inputs or they capture administrative timeliness. For each performance goal, the FTC has established a performance target.

The following tables summarize actual performance during FY 2015 against established targets for the FTC's key and efficiency performance goals. The tables also include actual results from the prior two fiscal years. The FTC met or exceeded nine of the nine key performance goals and four of the four efficiency performance goals.

## LEGEND FOR UPCOMING TABLES

✔ Signifies that the target is met or exceeded

✖ Signifies that the target is not met

## New IdentityTheft.gov Website

The FTC launched IdentityTheft.gov, a new resource that makes it easier for identity theft victims to report and recover from identity theft. A Spanish version of the site is also available at RobodeIdentidad.gov. The new website contains an interactive checklist that walks people through the recovery process and helps them understand which recovery steps to take upon learning that their identity has been stolen. It provides sample letters and other helpful resources. In addition, the site offers specialized tips for specific forms of identity theft, such as tax-related and medical identity theft. The site also has advice for people who have been notified that their personal information was exposed in a data breach. For more information, visit: https://www.ftc.gov/news-events/press-releases/2015/05/ftc-launches-new-resource-identity-theft-victims and https://www.identitytheft.gov/sample-letters.html (sample letters).


# STRATEGIC GOAL 1: PROTECT CONSUMERS

**Objective 1.1:** Identify and take actions to address deceptive or unfair practices that harm consumers.

### Key/Efficiency Performance Goal 1.1.3

Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement. (Efficiency measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 650.0% | 723.4% ✔ | Baseline Year | 769.0% | N/A | N/A |

Note: See the FY 2015-2016 Performance Plan and FY 2014 Performance Report for an explanation as to why the FY 2014 actual is different from what was published in the FY 2014 AFR.

### Key Performance Goal 1.1.4

Amount of money the FTC returned to consumers and forwarded to the U.S. Treasury. (Outcome measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| $60.0 million | $76.2 million ✔ | Baseline Year | $66.9 million | N/A | N/A |

**Objective 1.2:** Provide the public with knowledge and tools to prevent harm to consumers.

### Key Performance Goal 1.2.2

Number of federal, state, local, international, and private partnerships to maximize the reach of consumer and business education campaigns. (Output measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 11,500 | 16,321 ✔ | 11,250 | 12,205 ✔ | 12,300 | 11,236 ✖ |

**Objective 1.3:** Collaborate with domestic and international partners to enhance consumer protection.

### Key Performance Goal 1.3.2

Number of investigations or cases in which the FTC obtained foreign-based evidence or information or engaged in other mutual assistance that contributed to FTC law enforcement actions or in which the FTC cooperated with foreign agencies and/or multilateral organizations on enforcement matters. (Output measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 40 | 58 ✔ | 40 | 45 ✔ | 30 | 61 ✔ |

## STRATEGIC GOAL 2: MAINTAIN COMPETITION

**Objective 2.1:** Identify and take actions to address anticompetitive mergers and practices that harm consumers.

### Key Performance Goal 2.1.1

Percentage of actions** taken to maintain competition in substantial merger and nonmerger investigations. (Outcome measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 40.0-60.0% | 55.8% ✔ | 40.0-60.0% | 57.1% ✔ | 40.0-60.0% | 42.2% ✔ |

**This refers to the percentage of substantial investigations closed with an action taken. See Appendix A for more information.

## FTC Merger Suit Maintains Competition in the Foodservice Distribution Industry

In February 2015, the Commission sued to block Sysco's proposed $8.2 billion merger with rival US Foods, charging that the deal would significantly reduce competition in broadline foodservice distribution, both nationwide and in a large number of local markets. Broadline distributors offer extensive product lines including national-brand and private-label food products, and provide frequent and flexible delivery, high levels of customer service, and other value-added services such as order tracking, menu planning, and nutritional information. Restaurants, hotels, cafeterias, educational institutions, and sports venues all rely on the services of broadline foodservice distributors. The proposed merger would likely have increased the prices paid by businesses and, in turn, people patronizing those establishments. Following a June 23, 2015 ruling by the U.S. District Court for the District of Columbia granting the FTC's request for a preliminary injunction, Sysco and US Foods abandoned their proposed merger. For more information, visit: https://www.ftc.gov/enforcement/cases-proceedings/141-0067/syscousf-holdingus-foods-matter.

## FTC Hosts Workshop on Sharing Economy Marketplaces


The recent explosion of activity on sharing economy platforms, internet marketplaces through which suppliers and customers transact for goods or services, has left state and local regulators grappling with ways to respond to the entry of innovative suppliers. Unlike platforms that link buyers to a single seller of a product or service, sharing economy platforms create virtual marketplaces in which many buyers and sellers, often individuals or small entities, can almost instantly connect with one another and do business. These platforms take advantage of increasing network connections and computing power, such as the proliferation of mobile internet-enabled devices, to significantly reduce the time and costs of matching buyers and sellers in these large and diverse marketplaces. Some of the most well-known businesses that have emerged from this young market sector, like Uber (local transportation services) and Airbnb (short term accommodation services), have already become an integral part of everyday life as people increasingly rely on sharing economy marketplaces as a source of income and a means of obtaining services.

In June 2015, the Commission hosted a workshop to examine competition, consumer protection, economic, and regulatory issues raised by the proliferation of online and peer-to-peer business platforms. More specifically, the workshop discussed matters including the importance of network effects and the mechanisms used to promote trust and confidence in transactions. It also covered the challenges policymakers face in tailoring state and local regulations to meet consumer protection and other regulatory goals while avoiding unnecessary impediments to entry by sharing economy suppliers.

The workshop enhanced the FTC's expertise and knowledge base regarding competitive dynamics and consumer protection issues in this emerging sector of the economy. For more information, visit: https://www.ftc.gov/news-events/events-calendar/2015/06/sharing-economy-issues-facing-platforms-participants-regulators.

### Key/Efficiency Performance Goal 2.1.3

Total consumer savings compared to the amount of FTC resources allocated to the merger program. (Efficiency measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 2,600.0% | 5,129.1% ✔ | 2,600.0% | 2,505.2% ✖ | 1,300.0% | 1,382.2% ✔ |

Note: See the FY 2016-2017 Performance Plan and FY 2015 Performance Report to be published in February 2016 (http://www.ftc.gov/about-ftc/performance) for more information on why the results for performance goals 2.1.3 and 2.1.5 increased significantly in FY 2015.

### Key/Efficiency Performance Goal 2.1.5

Total consumer savings compared to the amount of FTC resources allocated to the nonmerger program. (Efficiency measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 400.0% | 4,863.3% ✔ | 1,850.0% | 2,028.3% ✔ | 2,000.0% | 2,296.0% ✔ |

Note: See the FY 2015-2016 Performance Plan and FY 2014 Performance Report for more information on target changes.

**Objective 2.3:** Collaborate with domestic and international partners to preserve and promote competition.

### Key Performance Goal 2.3.1

Percentage of FTC cases involving at least one substantive contact with a foreign antitrust authority in which the agencies followed consistent analytical approaches and reached compatible outcomes. (Output measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 95.0% | 100.0% ✔ | 95.0% | 100.0% ✔ | 90.0% | 100.0% ✔ |

## STRATEGIC GOAL 3: ADVANCE ORGANIZATIONAL PERFORMANCE

**Objective 3.1:** Optimize resource management and infrastructure.

### Efficiency Performance Goal 3.1.4

Average number of days for the FTC to release information in response to a simple FOIA request. (Efficiency measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| 6.0 days | 5.5 days ✔ | 6.0 days | 5.4 days ✔ | N/A | 7.4 days |

Note: Performance Goal 3.1.4 is one of four efficiency performance goals, and the only one that is not also a key performance goal. It is included here, because this report contains the agency's key and efficiency performance goals. It was a new performance goal in FY 2014. Historical data is shown for context.

**Objective 3.2:** Cultivate a high-performing, diverse, and engaged workforce.

### Key Performance Goal 3.2.2

The extent employees believe the FTC has the talent necessary to achieve organizational goals. (Outcome measure)

| 2015 | | 2014 | | 2013 | |
|---|---|---|---|---|---|
| Target | Actual | Target | Actual | Target | Actual |
| Exceed the government-wide results of 57.0% on the Federal Employee Viewpoint Survey's Talent Management Index. | 72.0% ✔ | 55.0% | 70.0% ✔ | 56.0% | 69.0% ✔ |

# AGENCY MISSION CHALLENGES

The FTC stands prepared to face the challenges of today's marketplace as a champion for competition and consumers. For example, as consumers and businesses encounter difficulties with financial scams, deceptive or fraudulent advertising, online privacy and data security, and anticompetitive business practices in the technology, health care and other industries, the FTC steps forward to promote competition and protect consumers.

Agency mission challenges are presented as they relate to the agency's strategic goals: Strategic Goal 1 (Protect Consumers) and Strategic Goal 2 (Maintain Competition). A reference to the most applicable strategic objectives is also provided, so readers may refer to descriptions of related performance targets and actual results.

Management's assessment was performed separately from the Inspector General's (IG) identified management and performance challenges (see Other Information Section). Management concurs with the IG identified challenges and assessment of agency progress in addressing the challenges.

## STRATEGIC GOAL 1: PROTECT CONSUMERS

Under the goal of protecting consumers, the FTC will continue to give priority to addressing the following challenges: protecting Americans from fraud including in the financial services marketplace; protecting consumer privacy and improving data security including combating identity theft; stopping harmful practices that exploit new technology; and addressing emerging advertising issues and targeting deceptive advertising.

### PROTECTING AMERICANS FROM FRAUD:

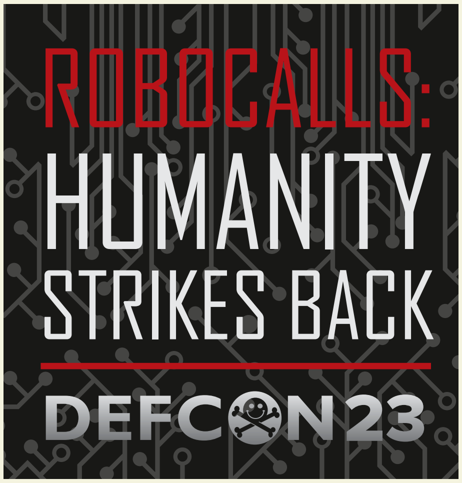
Fraud affects all consumers, and the FTC will continue its enforcement efforts to stop scams, focusing on those that cause the greatest consumer injury. In the last year, the FTC has seen an increase in consumer complaints about impostor scams in which the perpetrators pose as government agencies, well-known companies, utility companies, or other organizations. Certain scams, such as those involving business and income opportunities, affect all consumers, but can pose even a greater risk to those from lower income or underserved communities. The FTC also will continue to use the tools and authorities available to it to protect consumers by taking enforcement actions to stop telemarketing and online frauds, deceptive mortgage and other debt services, deceptive motor vehicle sales, leasing, and financing, payday lending operations engaging in deceptive practices, and abusive debt collection

## Fake Cancer Charities Duped Donors

The FTC and law enforcement partners from all 50 states and the District of Columbia charged four sham cancer charities with taking over $187 million from donors and spending much of it on the sham charities' operators and telemarketers. According to the complaint, while the sham charities told donors their money would help support cancer patients with medicine, groceries, transportation for chemo treatments, counseling, and hospice care, little or none went for those purposes. Under settlement orders, three defendants are banned from fundraising, charity management, and oversight of charitable assets, and Children's Cancer Fund of America Inc. and The Breast Cancer Society are dissolved. Litigation continues against the remaining defendants. This is one of the largest actions brought to date by enforcers against charity fraud. For more information, visit: https://www.ftc.gov/news-events/press-releases/2015/05/ftc-all-50-states-dc-charge-four-cancer-charities-bilking-over

## Robocalls: Humanity Strikes Back

For the second year in a row, the FTC traveled to DEF CON, one of the world's largest annual hacker conferences, to enlist tech gurus to help fight robocalls. During the conference, the agency held the contest, *Robocalls: Humanity Strikes Back*, that challenged contestants to create tools consumers could use to block and automatically forward robocalls to a honeypot — a data collection system that researchers and investigators can use to study the calls. To encourage innovation, the agency offered a $25,000 prize as the first place award and selected the inventors of a solution dubbed RoboKiller, which relies on universally available call forwarding functions that work on both landline and mobile phones and uses audio-fingerprint technology to identify robocalls. RoboKiller gives consumers greater control over how and when they receive calls by sending robocalls to a SpamBox that consumers can access at any time, utilizes consumer-controlled white and black list filtering (filtering that determines which calls will get through and which ones will be blocked), and provides personalized setting options. A runner-up contestant applied similar audio analytics in his solution and will receive a $10,500 prize. The contestants retain the intellectual property rights of their solutions. For more information, visit: https://www.ftc.gov/news-events/press-releases/2015/08/ftc-awards-25000-top-cash-prize-contest-winning-mobile-app-blocks




practices. These practices can have severe consequences for consumers who can least afford it. The FTC will continue to closely coordinate with the Consumer Financial Protection Bureau to ensure that consumers are protected in the financial marketplace and to avoid any duplicative efforts between the agencies. The FTC also will combat frauds targeting seniors, service members, and non-English-speaking consumers, and evaluate the best education messages and outreach methods for these groups. (Objectives 1.1, 1.2, and 1.3)

## PROTECTING CONSUMER PRIVACY AND IMPROVING DATA SECURITY:

The FTC will continue to take a leading role in efforts to protect consumers from unfair and deceptive practices related to the privacy of their personal information, while preserving the many benefits that technological advances offer. The agency will stop unfair and deceptive consumer privacy and data security practices through law enforcement. It will promote stronger privacy protections through policy initiatives on a range of topics such as studying cross-device tracking. The agency will bring enforcement actions as appropriate against entities that violate the revised Children's Online Privacy Protection Act (COPPA) Rule. In addition, the FTC will educate businesses on privacy and security issues. The agency also will participate in interagency groups, promote self-regulatory efforts, provide technical assistance to Congress on draft legislation, and participate in international privacy initiatives.

In addition, identity theft exacts a heavy financial and emotional toll from its victims, and the FTC will continue to assist the millions of Americans who are victimized each year through data security breaches and other means. The FTC will continue to be the repository for identity theft complaints and make them available to federal criminal law enforcement agencies. Our trained counselors will continue to advise identity theft victims who call our toll free number about rights and remedies available to them under federal law. The FTC also has developed a new website, IdentityTheft.gov, as the federal government's one-stop resource to help consumers report and recover from identity theft. IdentityTheft.gov highlights useful resources and connects identity theft victims to federal agencies and other organizations that are critical to the recovery process. Future enhancements to IdentityTheft.gov will allow visitors to create a customized plan based on their specific experiences. The agency also will train local law enforcement to spot and prosecute identity theft, and it will update educational materials. (Objectives 1.1, 1.2, and 1.3)

## “Unlimited” Mobile Data Service Deceptively Advertised


TracFone, the largest prepaid mobile provider in the United States, agreed to refund $40 million to customers to settle FTC charges that it misled millions of people with promises of “unlimited” data service. The FTC alleged that TracFone, under its various brands, advertised prepaid monthly mobile plans for $45 per month with “unlimited” data. Although TracFone emphasized unlimited data in its ads, the company drastically slowed or cut off people’s mobile data after they used more than a fixed amount in a 30-day period. The FTC also sued AT&T Mobility, LLC for allegedly misleading millions of its smartphone customers by charging them for “unlimited” data plans while reducing their data speeds if they used a certain amount of data in a billing cycle. The FTC alleges the reduced data speeds made it difficult for customers to use their smartphones for common tasks like browsing the web, using GPS, or streaming videos. The FTC is seeking refunds for affected AT&T customers. For more information, visit: https://www.ftc.gov/news-events/press-releases/2015/01/prepaid-mobile-provider-tracfone-pay-40-million-settle-ftc (TracFone) and https://www.ftc.gov/news-events/press-releases/2014/10/ftc-says-att-has-misled-millions-consumers-unlimited-data (AT&T).

## STOPPING HARMFUL PRACTICES THAT EXPLOIT NEW TECHNOLOGY:

Technology provides countless benefits to consumers, including choice, convenience, and increased access to goods, services, and information. It also enables, however, new vehicles for fraudulent, deceptive, and unfair practices in the marketplace. The FTC will continue to examine consumer protection issues in the mobile and connected marketplace. The FTC will take enforcement actions against unfair and deceptive practices, including mobile cramming, text message spam, and misleading representations about mobile apps. Technological advances also have created law enforcement challenges such as making it difficult for consumers and law enforcers to identify the location of fraudsters pitching scams over the telephone and to combat illegal robocalls. The FTC will continue to work with consumer groups, telecommunications industry representatives, technologists, policymakers, and other stakeholders to develop solutions to halt illegal robocalls and other telemarketing calls that violate the National Do Not Call Registry. In addition, the new Office of Technology Research and Investigation is conducting research on emerging technologies to assist with enforcement actions, educate consumers, and inform policy on consumer protection matters involving emerging technologies. (Objectives 1.1, 1.2, and 1.3)

## ADDRESSING EMERGING ADVERTISING ISSUES AND TARGETING DECEPTIVE ADVERTISING:

Digital media has opened new avenues for companies to communicate with consumers, and the format of advertisements continues to evolve. Like all advertising, digital marketing must comply with the law. The FTC will take enforcement action against deceptive advertisements that appear in new formats and new media (e.g., apps, games, videos, and social networks). The FTC also will evaluate the use of online reviews of products or services, including the use of false reviews, undisclosed material connections with reviewers, prohibitions on negative reviews, or unsubstantiated testimonials, and take action as appropriate. Companies are increasingly blending advertising with news, entertainment, or editorial content in digital media. If consumers do not recognize and understand the difference between the advertising and other content, they may be deceived. The FTC, therefore, will continue to examine consumers’ recognition and understanding of sponsored content online and in mobile apps.

The FTC will continue to address deceptive advertising of health products, such as dietary supplements. The agency will focus on disease prevention and treatment claims; claims aimed at baby boomers and seniors; and claims exploiting emerging health threats. The FTC also will continue to focus on environmental marketing claims (such as "made with recycled content" or "biodegradable") that while useful when truthful, can also create the potential for consumer harm when misleading. The FTC will educate businesses about the FTC's Guides for the Use of Environmental Marketing Claims ("Green Guides"), and will bring enforcement actions to stop deceptive environmental marketing claims. (Objectives 1.1, 1.2, and 1.3)

## STRATEGIC GOAL 2: MAINTAIN COMPETITION

Under the Maintain Competition goal, because of its importance to all Americans, the FTC will continue to prioritize promoting competition and preventing anticompetitive conduct in the health care and pharmaceutical sectors, technology and retail markets, and the energy industry. The agency will also work to promote sound competition policy at the international level and will continue advocating for competition before federal courts, state legislatures, and other governmental agencies.

### PROMOTING COMPETITION IN HEALTH CARE AND PHARMACEUTICAL MARKETS:

The high cost of health care, which continues to account for a significant share of the gross domestic product, is a matter of concern for consumers, businesses, and taxpayers. To ensure that consumers receive the benefits of competitive healthcare markets, antitrust enforcement in this sector is a top priority for the Commission.

The FTC will continue to focus substantial resources on illegal reverse payment patent settlement agreements between brand and generic drug manufacturers that delay generic competition. As the Supreme Court recently explained in *FTC v. Actavis,* "there is reason for concern that settlements taking this form tend to have significant adverse effects on competition." Similarly, the Commission will continue to investigate other anticompetitive conduct, such as sham litigation, used to delay generic entry into pharmaceutical markets. Such practices deny consumers access to lower priced generic drugs, leading to significantly higher drug costs. The FTC reviews, investigates, and challenges these harmful practices where appropriate.

The FTC also prioritizes stopping anticompetitive health care mergers that threaten higher costs or reduced quality, including those involving health care providers and pharmaceutical and medical device companies. In recent years, the FTC has required significant divestitures in a large number of pharmaceutical transactions. Additionally, since 2007, FTC enforcement against anticompetitive provider transactions has resulted in a growing number of provider deals abandoned or modified after the FTC threatened a challenge, and several successfully litigated challenges.

The FTC also attempts to better understand the markets it monitors and anticipate future antitrust developments through research and scholarship. In FY 2015, the FTC

## Landmark Antitrust Monetary Settlement

The Federal Trade Commission reached a $1.2 billion settlement resolving its antitrust charges that Cephalon, Inc. illegally used reverse patent agreements—agreements between competitors to delay entry of generic products—to block generic competition to its blockbuster sleep-disorder drug Provigil. The settlement ensures that Teva Pharmaceutical Industries, Ltd., which acquired Cephalon in 2012, will forfeit its illegal profits to compensate purchasers, including drug wholesalers, pharmacies, and insurers, who overpaid due to Cephalon's illegal conduct. The action also serves as an important deterrent for future unlawful reverse patent agreements. This settlement represents the first FTC case to be resolved since the Supreme Court's 2013 ruling in *FTC v. Actavis* made clear that reverse payment patent settlements are subject to the same antitrust rules that govern U.S. business conduct generally. For more information, visit: https://www.ftc.gov/enforcement/cases-proceedings/061-0182/cephalon-inc.

## U.S. Supreme Court: State Boards Controlled by Market Participants Must be Actively Supervised

On February 25, 2015, the United States Supreme Court upheld the FTC's 2011 decision and order that the North Carolina State Board of Dental Examiners violated federal antitrust law by illegally excluding non-dentists from providing teeth whitening services to consumers in the state. The Court's decision establishes that, absent state supervision, federal antitrust laws do apply to professional boards regulating the industry to which its members belong. For more information, visit: https://www.ftc.gov/enforcement/cases-proceedings/north-carolina-state-board-dental-examiners.

co-sponsored (with the DOJ Antitrust Division) a second workshop in the Examining Health Care Competition series. The knowledge gained from both workshops influences both our enforcement and policy objectives. (Objectives 2.1 and 2.2)

## CONTINUING EMPHASIS ON TECHNOLOGY:

The continuing importance of technology and the fast pace at which it evolves is a crucial marketplace challenge. FTC antitrust investigations involve increasingly complex high-technology sectors of the economy, such as devices used in manufacturing, electronic components, and computer hardware and software. In enforcing the antitrust laws, the FTC analyzes mergers and acquisitions filed under the Hart-Scott-Rodino (HSR) Act, and also monitors the marketplace for non-reportable transactions that might raise anticompetitive concerns. The FTC takes action against those mergers that are likely to reduce or eliminate competition. The FTC is vigilant where a firm may be illegally using a dominant market position to stifle competition in order to raise prices, reduce the quality or choice of goods and services, or reduce innovation; or where groups of competitors take collective action that threatens to increase prices or stifle innovation.

Antitrust and competition policy matters in the technology marketplace increasingly intersect with complex intellectual property (IP) concerns. IP concerns remain a Commission priority due to their widespread impact on competition and consumer protection. For example, the FTC is conducting a study of approximately 25 patent assertion entities (PAEs) and 15 other entities to better understand the PAE market. The FTC expects to issue a report that will provide guidance to other government agencies, academics, and industry participants. Through workshops, conferences, and studies, the FTC engages stakeholders to stay abreast of technological developments and their potential competitive impacts. This year the Commission hosted a workshop exploring the competition, consumer protection, and regulatory issues raised by emerging internet-based business platforms, known as the "sharing economy." Additionally, FTC staff provides guidance concerning competition issues in the technology industry to various entities at the national, state, and local levels. For example, the Federal Trade Commission and the Department of Justice issued a joint policy statement on the sharing of cyber-security information that makes clear that properly designed cyber threat information sharing is not likely to raise antitrust concerns and can help secure the nation's networks of information and resources. (Objectives 2.1 and 2.2)

## PREVENTING ANTICOMPETITIVE ACTIVITY IN THE ENERGY INDUSTRY:

The price of gasoline and other energy sources continues to be a great concern for consumers, businesses, and governments. The agency addresses this concern by closely monitoring energy markets to identify and challenge anticompetitive mergers and conduct. FTC merger enforcement actions have resulted in multiple divestitures in the energy market during recent years. The FTC also continuously examines price movements and other activity through its Gasoline and Diesel Price Monitoring Project in an effort to identify anticompetitive conduct such as illegal agreements among competitors, agreements between manufacturers and product dealers, and monopolization that may undermine the benefits of competition.

To prepare and support agency staff in meeting these challenges, the FTC devotes considerable resources to monitoring and studying energy markets–often in response to congressionally mandated requirements–thus developing the professional expertise and body of knowledge needed to address emerging concerns. The FTC also issues reports on the factors that influence the prices that American consumers pay for gas. In compliance with the Energy Policy Act of 2005, the FTC issued its tenth annual Ethanol Market report in 2014, which concluded that the market is less concentrated than it was ten years ago. This year Commission staff also published a working paper examining increases in excise taxes on gasoline and diesel fuel in Washington state. (Objectives 2.1 and 2.2)

## MAINTAINING ROBUST COMPETITION IN RETAIL MARKETS:

Retail markets impact the pocketbook of every American consumer. The FTC focuses significant resources on identifying and challenging mergers and conduct likely to harm competition in the retail sector. These actions preserve competition for the benefit of consumers by keeping prices down, improving quality, and expanding innovation and consumer choices. In recent years, the Commission has successfully challenged several proposed supermarket acquisitions, including Bi-Lo/Delhaize America, Albertson's/United Supermarkets, and Cerberus/Safeway, which would likely have reduced competition in diverse geographic markets without the divestitures required by the Commission. The FTC also preserved competition in both the high school and college rings markets by challenging the proposed merger of two major ring manufacturers, which led the parties to abandon the transaction.

The FTC also actively pursues opportunities to provide guidance to various levels of government in the interest of promoting competition in retail markets. For example, the FTC has advised several state legislatures regarding potential anticompetitive effects from laws prohibiting direct-to-consumer auto sales, potentially benefiting millions of consumers. (Objectives 2.1 and 2.2)

## FTC Issues Section 5 Guidance

On August 13, 2015, the Federal Trade Commission issued a Statement of Enforcement Principles that describes the underlying antitrust principles that guide the Commission's application of its statutory authority to take action against "unfair methods of competition" prohibited by Section 5 of the FTC Act but not covered by other antitrust laws. The statement explains that, consistent with FTC precedent, the Commission will adhere to the following principles when deciding whether to use its "standalone" authority under Section 5 of the FTC Act to challenge unfair methods of competition:

- the Commission will be guided by the public policy underlying the antitrust laws, namely, the promotion of consumer welfare;
- the act or practice will be evaluated under a framework similar to the rule of reason, that is, an act or practice challenged by the Commission must cause, or be likely to cause, harm to competition or the competitive process, taking into account any associated cognizable efficiencies and business justifications; and

- the Commission is less likely to challenge an act or practice as an unfair method of competition on a standalone basis if enforcement of the Sherman or Clayton Act is sufficient to address the competitive harm arising from the act or practice.

For more information, visit: https://www.ftc.gov/news-events/press-releases/2015/08/ftc-issues-statement-principles-regarding-enforcement-ftc-act.

# MANAGEMENT ASSURANCES

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

The FTC considers internal controls to be an integral part of all systems and processes that the agency utilizes in managing its operations and carrying out activities toward achieving strategic goals and objectives. The FTC holds agency managers accountable for efficiently and effectively performing their duties in compliance with applicable laws and regulations and for maintaining the integrity of their activities through the use of controls.

The FTC's Senior Assessment Team (SAT) provides strategic direction and oversight over the agency's internal control program, to promote and facilitate compliance with applicable guidance (e.g., Office of Management and Budget Circular A-123, Management's Responsibility for Internal Control), and communicates the results of reviews to senior management and the head of the agency.

During FY 2015, the SAT activities 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, and monitoring corrective action plans and the remediation progress.

The FY 2015 accomplishments included adding resources to complete additional assessments, strengthening the internal control policy, corrective action plan guide, assessable unit profiles, and a multi-year assessment plan for key financial processes. The results of these evaluations and other information–such as independent audits or reviews performed by the Office of Inspector General (OIG) and the Government Accountability Office (GAO) (e.g., Federal Information Security Management Act review), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16), internal analyses, and other relevant evaluations and control assessments–were considered by the SAT and the agency head in determining whether there are any management control deficiencies or nonconformances that must be disclosed in the annual assurance statement.

The Chairwoman's assurance statement that follows is supported by the processes and reviews described above, which were carried out in FY 2015. Management assurances tables appear in the Other Information Section.

OFFICE OF THE CHAIRWOMAN

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

**CHAIRWOMAN'S FMFIA STATEMENT OF ASSURANCE**

The Federal Trade Commission's (FTC) management is responsible for establishing and maintaining effective 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 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 reasonable 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, 2015 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 determined that the FTC financial management system conforms to applicable financial systems requirements.

Signed

Edith Ramirez
October 28, 2015

## SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chairwoman's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2015. No new material weaknesses or significant nonconformances were identified for the past ten years, nor were there any existing unresolved weaknesses requiring corrective action.

## FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

As mandated by FISMA, the agency continues to maintain an information security program to manage information technology in accordance with National Institute of Standards and Technology (NIST) requirements. During FY 2015, the FTC has performed six assessment and authorization efforts and currently has twenty-four systems authorized to operate. The FTC continue to leveraged two Federal Risk and Authorization Management Program (FedRAMP) Joint Authorization Board provisional authorizations – one for the cloud hosting of our public web sites and one for the Sentinel Network Services systems.

## 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 180 days delinquent. The FTC also monitors, administers and collects on debts more than 180 days delinquent. All eligible, nonexempt debts more than 120 days old have been transferred to the U.S. Department of the Treasury for cross-servicing (the Digital Accountability and Transparency Act reduced the timeframe from 180 days to 120 days, effective May 19, 2014). In addition, recurring payments were processed by Electronic Funds Transfer (EFT) in accordance with the EFT provisions of the Debt Collection Improvement Act.

## PROMPT PAYMENT ACT

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2015, the FTC processed 8,662 invoices totaling $151 million that were subject to prompt payment. Of these invoices, 99.1 percent were paid on time. During FY 2015, the FTC paid a total of $2,300 in interest penalties, or .0015 percent of the total dollar amount invoiced.

## IMPROPER PAYMENT ELIMINATION AND RECOVERY IMPROVEMENT ACT (IPERIA)

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 fiscal year 2015 risk assessment for nine payment processes including payroll, procurement, redress payments to consumers, travel, purchase card, pre-merger filing fee refunds, training, and two miscellaneous payment processes. Each payment program was defined by its own internal control framework. The FTC evaluated each payment program using the eleven qualitative risk factors identified in OMB Circular A-123 Appendix C. The FTC also performed a quantitative risk assessment and assessed risks related to the amounts of payments processed relative to the OMB specified threshold amounts which define payment programs susceptible to improper payments.

As a result of the 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. In addition to the risk assessment of all payment processes, the Interior Business Center, the FTC's shared service provider, compares the FTC's payee records in the financial system with payee records in the Do Not Pay database. Also, the FTC reviews potential matches on an on-going basis to prevent improper payments and incorporates a pre-award check on potential contractors against the Do Not Pay database. 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. More information about the FTC's IPERIA work can be found in the Other Information section of this report.

## AGENCY FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The FTC's overall strategy for its financial management systems framework is driven by the objectives of operational effectiveness and efficiency, reliability and timeliness of data, and support of requirements for the agency's strategic goals.

The FTC obtains hosting and application management services for its core financial system from the Department of the Interior Business Center (IBC), a Federal Shared Service Provider. The core financial management system is based on Oracle Federal Financials (OFF), Release 12, and the FTC uses general ledger, accounts payable, accounts receivable, budget execution, and reporting capabilities of the system. The FTC has been in the shared services environment with the IBC, using OFF, since FY 2008. The FTC also has been obtaining support from the IBC for its Federal Personnel/Payroll System (FPPS) since 1998. FPPS is hosted by the IBC and financial data from FPPS is interfaced into OFF.

The FTC continues to work with the IBC to enhance its existing systems. In FY 2015, the FTC transitioned to IBC for support of a new web-based travel management system, Carlson Wagonlit's E2 Solutions. The FTC has begun implementation of a new acquisition system, Oracle's Contract Lifecycle Management (CLM) that will be hosted by the IBC and fully integrated into OFF. Implementation of CLM will be completed in FY 2016.

## 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 other laws the Commission is responsible for administering and enforcing. The FTC adjusts these civil penalty amounts for cost of living as required by the Civil Penalties Inflation Adjustment Act of 1990.

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.

# FINANCIAL HIGHLIGHTS

## INTRODUCTION

The financial highlights that follow provide an overview of the FTC FY 2015 financial statements. An independent auditor audited the FTC's Balance Sheet for the fiscal years ending September 30, 2015 and 2014, along with the Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Custodial Activity, and accompanying notes. For the 19th straight year, the FTC received an unmodified (previously called unqualified) opinion on its audited financial statements. A summary of the information contained in the financial statements is presented in the tables below. The complete financial statements, including the independent auditor's reports, notes, and supplementary information, are presented in the financial section of this report.

## CONDENSED BALANCE SHEET AS OF SEPTEMBER 30, 2015 AND 2014

| (Dollars in Millions) | FY 2015 | FY 2014 | % Change |
|---|---|---|---|
| Fund balances with Treasury | $ 869 | $ 239 | 264% |
| Cash and other monetary assets | 21 | 29 | (28%) |
| Accounts receivable, net | 14 | 65 | (78%) |
| Property, plant, and equipment, net | 63 | 64 | (2%) |
| **Total Assets** | $ 967 | $ 397 | 144% |
| Liability for redress collected | $ 751 | $ 134 | 460% |
| Liability for redress to be collected | 14 | 63 | (78%) |
| Accounts payable and other | 32 | 32 | 0% |
| **Total Liabilities** | $ 797 | $ 229 | 248% |
| Cumulative results of operations | 170 | 168 | 1% |
| **Total Net Position** | $ 170 | $ 168 | 1% |
| **Total Liabilities and Net Position** | $ 967 | $ 397 | 144% |

## STATEMENT OF NET COST SUMMARY FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

| (Dollars in Millions) | FY 2015 | FY 2014 | % Change |
|---|---|---|---|
| **Protecting Consumers:** | | | |
| Gross costs | $ 183 | $ 171 | 7% |
| Less: earned revenue | (13) | (14) | (7%) |
| **Net Cost - Protecting Consumers** | 170 | 157 | 8% |
| **Maintaining Competition:** | | | |
| Gross costs | $ 132 | $ 124 | 6% |
| Less: earned revenue | (116) | (106) | 9% |
| **Net Cost - Maintaining Competition** | 16 | 18 | (11%) |
| **Net Cost of Operations** | $ 186 | $ 175 | 6% |

# BALANCE SHEET

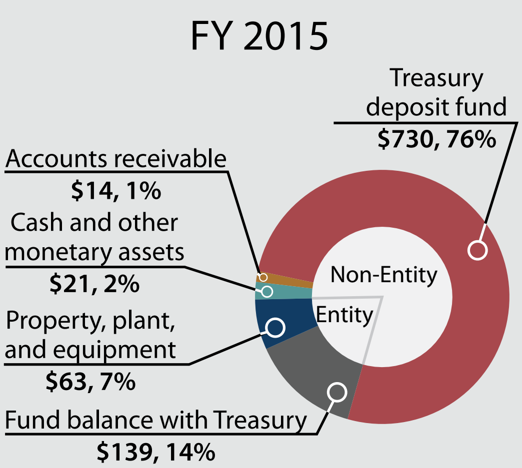
## COMPOSITION OF ASSETS

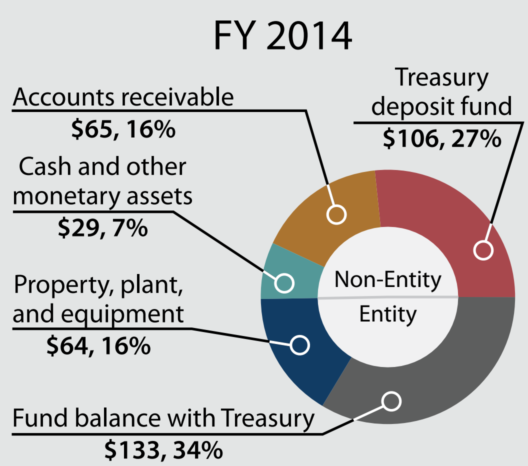
The FTC's assets consist of both entity and non-entity assets. Entity assets, by law, are authorized for the FTC to use in its operations, i.e. Property, Plant, and Equipment (PP&E). Non-entity assets are those assets held on behalf of others, i.e., collections and accounts receivable that arise from court-ordered judgments for monetary relief in the consumer redress program and civil monetary penalties.

Entity assets totaled $202 million, or 21 percent of all FTC assets as of September 30, 2015. The fund balance with Treasury of $139 million is the aggregate amount available to the FTC to make expenditures and pay liabilities. PP&E, net of accumulated depreciation, is $63 million, which is comprised of $37 million in leasehold improvements, $16 million in equipment, and $10 million in software. Of the total PP&E, $41 million is associated with the new FTC facility at Constitution Center.

Non-entity assets total $765 million, or 79 percent of all FTC assets as of September 30, 2015. Fund balance with Treasury (deposit fund) for consumer redress of $730 million is held temporarily by the FTC until distributed to consumers, other harmed entities, or third party agents pending distribution to consumers on behalf of the FTC. Cash and other monetary assets of $21 million represent redress cash that has been transferred to third party agents pending distribution to consumers on behalf of the FTC. Net accounts receivable of $14 million is comprised of $13 million in net receivables arising from the settlement or litigation of administrative and Federal court cases in connection with the consumer redress program, and $1 million net receivables for civil monetary penalties.

## COMPOSITION OF ASSETS (Dollars in millions)




| Assets | FY15 | FY14 | Change |
|---|---|---|---|
| **Entity Assets** | | | |
| Fund balance with Treasury | $ 139 | $ 133 | $ 6 |
| Property, plant, and equipment | 63 | 64 | (1) |
| | **$ 202** | **$ 197** | **$ 5** |
| **Non-Entity Assets** | | | |
| Treasury deposit fund | $ 730 | $ 106 | $ 624 |
| Accounts receivable | 14 | 65 | (51) |
| Cash and other monetary assets | 21 | 29 | (8) |
| | **$ 765** | **$ 200** | **$ 565** |
| **Total Assets** | **$ 967** | **$ 397** | **$ 570** |

# ANALYSIS OF ASSETS

The FTC's total assets were $967 million at the end of FY 2015, an increase of $570 million or 144 percent over the FY 2014 total of $397 million.

Entity assets were $202 million at the end of FY 2015, an increase of $5 million or 3 percent over the FY 2014 total of $197 million. The change is from a $6 million increase in fund balance with Treasury and a $1 million decrease in PP&E. The $6 million increase in the fund balance with Treasury is from a $10 million increase in premerger notification filings under the HSR Act, offset by a $4 million increase in the payment for goods and services received.

Non-entity assets were $765 million at the end of FY 2015, an increase of $565 million or 283 percent over the FY 2014 total of $200 million. This change is from a $624 million increase in the Treasury deposit fund for consumer redress, offset by a $51 million decrease in accounts receivable and an $8 million decrease in cash and other monetary assets. In total, the FTC collected $707 million during FY 2015, while disbursing $62 million to third party agents for disbursement to consumers, and disgorging $21 million to Treasury due to harmed consumers not being located or redress not being practicable.

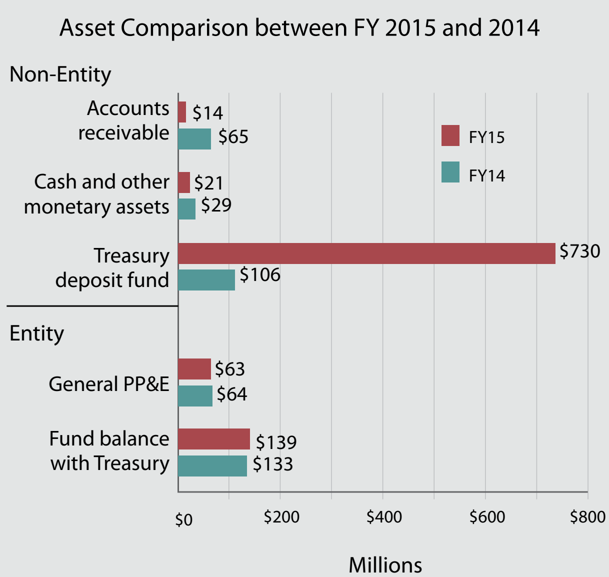
The $707 million in the Treasury deposit fund for consumer redress reflects a significantly greater amount of collections than what is typical, as seen in the chart below, Trend in Treasury Deposit Fund Collections. The increase seen over prior years was a result of several significant judgments, and in some cases such as Cephalon, represents many years of dedicated work by the FTC staff.

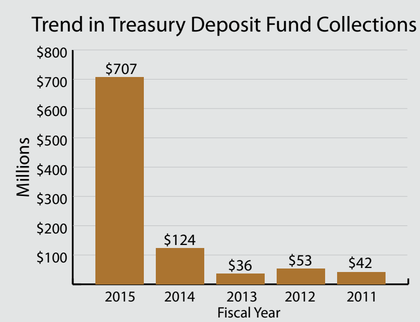
The FTC received $458 million from a settlement resolving antitrust charges that Cephalon, Inc. illegally blocked generic competition, known as pay for delay, to its drug Provigil. The settlement ensures that Teva Pharmaceutical Industries, Ltd., which acquired Cephalon in 2012, makes available a total of $1.2 billion to harmed entities. $742 million was directly paid out by Teva to harmed entities with the FTC receiving the remaining $458 million to disburse for future settlements, or disgorge to Treasury for amounts that are not settled.

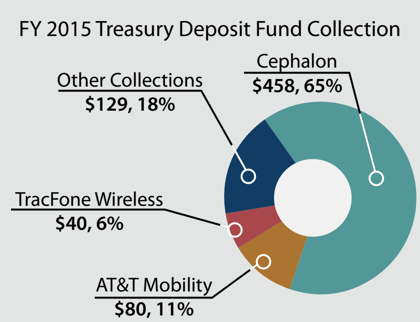
The FTC received $80 million from AT&T Mobility LLC as part of a settlement to refund customers that were unlawfully billed for unauthorized third-party charges, a practice known as mobile cramming.

The FTC received $40 million from TracFone as a settlement to refund customers that TracFone deceived through promises of unlimited data. TracFone advertised

## ANALYSIS OF ASSETS (Dollars in millions)



prepaid monthly mobile plans for about $45 per month with unlimited data. However, TracFone drastically slowed or cut off consumers mobile data after they had crossed a fixed threshold of data within a 30-day period.

## COMPOSITION OF LIABILITIES

The FTC's liabilities consist of both entity and non-entity liabilities.  Entity liabilities consist of probable and measurable future outflows of FTC entity resources. Non-entity liabilities are the offset (and equal) to the non-entity assets.

Entity liabilities totaled $32 million, or 4 percent of all FTC liabilities as of September 30, 2015. Employee related liabilities of $20 million consists of accrued payroll and annual leave wages earned by employees but not paid, and the Federal Employees Compensation Act (FECA) liability. Accounts payable consisted of the amounts owed for goods or services received but not yet paid, totaling $12 million.

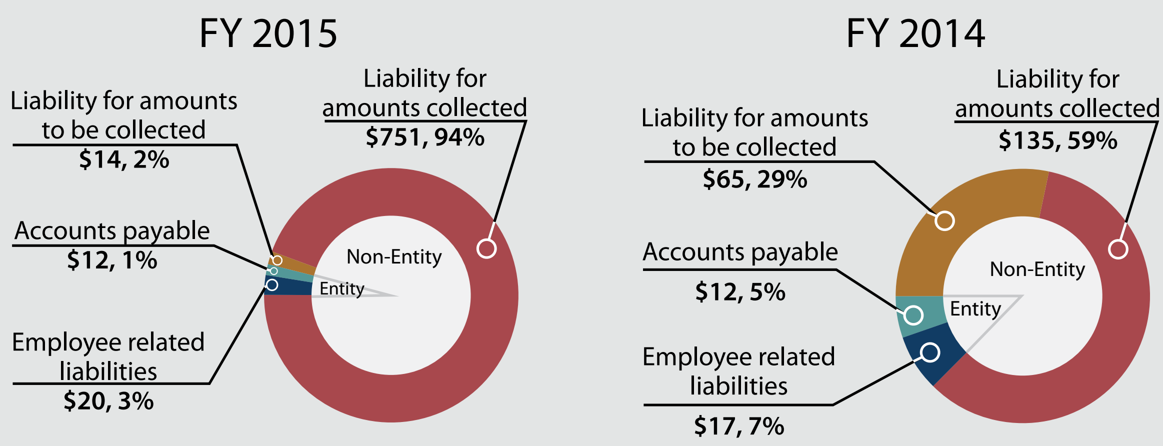
Non-entity liabilities total $765 million or 96 percent of all FTC liabilities as of September 30, 2015. Liability for amounts collected of $751 million is offset by the non-entity Treasury deposit fund for consumer redress of $730 million and the cash and monetary assets of $21 million. Liability for amounts to be collected is offset by the non-entity asset accounts receivable of $14 million.

## ANALYSIS OF LIABILITIES

The FTC's total liabilities were $797 million at the end of FY 2015, an increase of $568 million or 248 percent over the FY 2014 total of $229 million.

Entity liabilities were $32 million at the end of FY 2015, an increase of $3 million or 10 percent over the FY 2014 total of $29 million. Accrued employee related and other liabilities increased by $3 million or 18 percent due to an additional workday accrued in the year-end payroll accrual, and an increase in the number of unfunded annual leave hours accrued during 2015.

## COMPOSITION OF LIABILITIES (Dollars in millions)




| | FY15 | FY14 | Change |
|---|---|---|---|
| **Entity Liabilities** | | | |
| Employee related liabilities | $ 20 | $ 17 | $ 3 |
| Accounts Payable | 12 | 12 | (0) |
| | **$ 32** | **$ 29** | **$ 3** |
| **Non-Entity Liabilities** | | | |
| Liability for amounts collected | $ 751 | $ 135 | $ 616 |
| Liability for amounts to be collected | 14 | 65 | (51) |
| | **$ 765** | **$ 200** | **$ 565** |
| **Total Liabilities** | **$ 797** | **$ 229** | **$ 568** |

Non-entity liabilities were $765 million at the end of FY 2015, an increase of $565 million or 283 percent over the FY 2014 total of $200 million. Liability for amounts collected increased by $616 million, or 456 percent and the liability for amounts to be collected decreased by $51 million or 78 percent. This is equal to the increase/decrease seen in non-entity assets.

## SUMMARY OF NET POSITION

The FTC's net position consists of the difference between total assets and liabilities. The FTC's net position was $170 million at the end of FY 2015, and is an increase of $2 million or 1 percent over the FY 2014 total of $168 million.

# STATEMENT OF NET COST

## COMPOSITION OF THE NET COST OF OPERATIONS

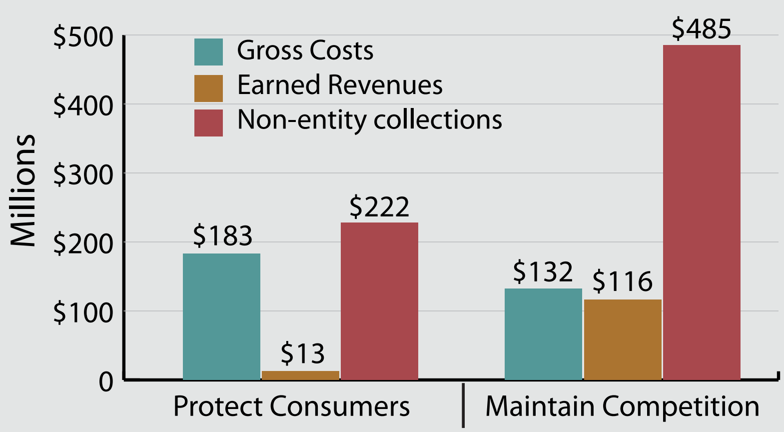
The Statement of Net Cost presents the FTC's gross costs less revenue earned for both of the FTC's strategic goals, Protect Consumers and Maintain Competition. The third goal, Advance Organizational Performance, has its costs distributed based on FTE usage (unless a cost is clearly attributable to a specific goal). The FTC net cost of operations was $186 million in FY 2015, which consists of $315 million in gross costs and $129 million in earned revenue.

In addition to the earned revenue, the FTC collected $707 million in non-entity collections for the Treasury deposit fund for consumer redress, which are not included in the Statement of Net Cost, but are important in determining the overall impact of the agency's strategic goals.

The net cost of operations for the Protect Consumers strategic goal is $170 million, which consists of $183 million in gross costs and $13 million in earned revenue. The $13 million in earned revenue is from fees collected for the National Do Not Call 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. Fees are based on the number of area codes downloaded. The FTC also received $222 million in non-entity collections as a part of the Protect Consumers strategic goal.

The net cost of operations for the Maintain Competition strategic goal is $16 million, which consists of $132 million in gross costs and $116 million in earned revenue. The $116 million in revenue comes from fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976. The HSR Act requires the filing of premerger notifications with the FTC and the Antitrust Division of the Department of Justice (DOJ). The filing fees are determined by the value and size of the merging parties. By law, the FTC retains one-half of all premerger filing

## FY 2015 STATEMENT OF NET COST COMPARISON TO NON-ENTITY COLLECTIONS (Dollars in millions)



fees collected and remits one-half to the DOJ Antitrust Division. The FTC also received $485 million in non-entity collections as a part of the Maintain Competition strategic goal.

## ANALYSIS OF NET COST OF OPERATIONS

| (Dollars in millions) | FY 2015 | FY 2014 | % Change |
|---|---|---|---|
| Gross costs | $ 315 | $ 295 | 7% |
| Less: earned revenue | (129) | (120) | 8% |
| Net Cost of Operations | $ 186 | $ 175 | 6% |

The FTC's net cost of operations was $186 million at the end of FY 2015, an increase of $11 million or 6 percent from the FY 2014 total of $175 million.

Gross costs increased $20 million or 7 percent from FY 2014. The cost increase is primarily the result of $33 million ($38 million - $5 million depreciation) in net costs being capitalized during FY 2014 for leasehold improvements, equipment, and technology infrastructure for the new FTC facility at Constitution Center, and a $5 million increase in employment related expenses.

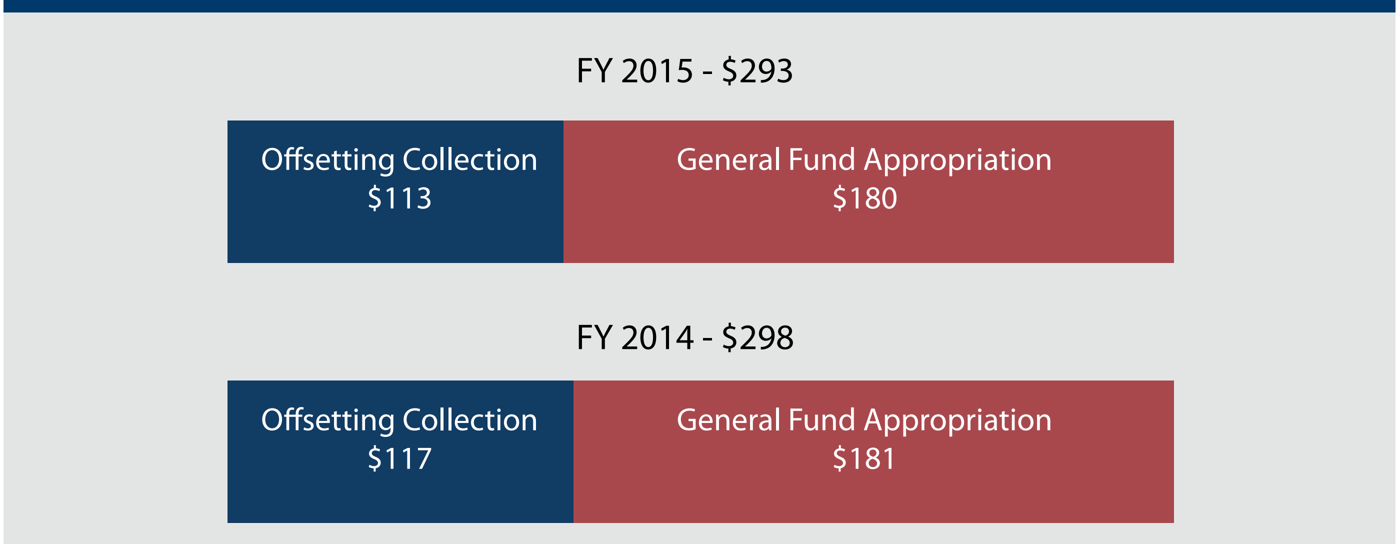
Earned revenue increased $9 million or 8 percent from FY 2014, and is attributed to a $9 million increase in HSR revenue earned in FY2015. The increase in HSR revenue is not due to an increase in fee amounts, but to an increase in the number of premerger notification filings received during FY 2015.

## BUDGET AUTHORITY

The FTC receives an annual appropriation that is available until expended, subject to the Office of Management 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.

FTC new budget authority in FY 2015 was $293 million, a decrease of $5 million or 2 percent from FY 2014 of $298 million. The $293 million is comprised of $180 million in general fund appropriations and $113 million in spending authority from offsetting collections. The FY 2015 budget authority decrease is a result of the FTC requesting and receiving $5 million less in new budget authority due to a $10 million decrease in discretionary costs related to space replacement and relocation of staff, and costs related to technology investments. The $10 million decrease was offset by a planned $5 million increase in mandatory expenses from pay adjustments, and contract and other non-pay inflation.

## NEW BUDGET AUTHORITY (Dollars in millions)



## LIMITATIONS OF FINANCIAL STATEMENTS

FTC management has prepared its FY 2015 financial statements from the books and records of the agency in accordance with OMB Circular A-136, financial reporting requirements, as amended. The financial statements represent the financial position and results of operations of the agency pursuant to the requirements of Chapter 31 of the U.S. Code Section 3515(b). While these statements have been prepared from the agency's books in accordance with the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. One implication is that unfunded liabilities cannot be liquidated without legislation that provides resources to do so.

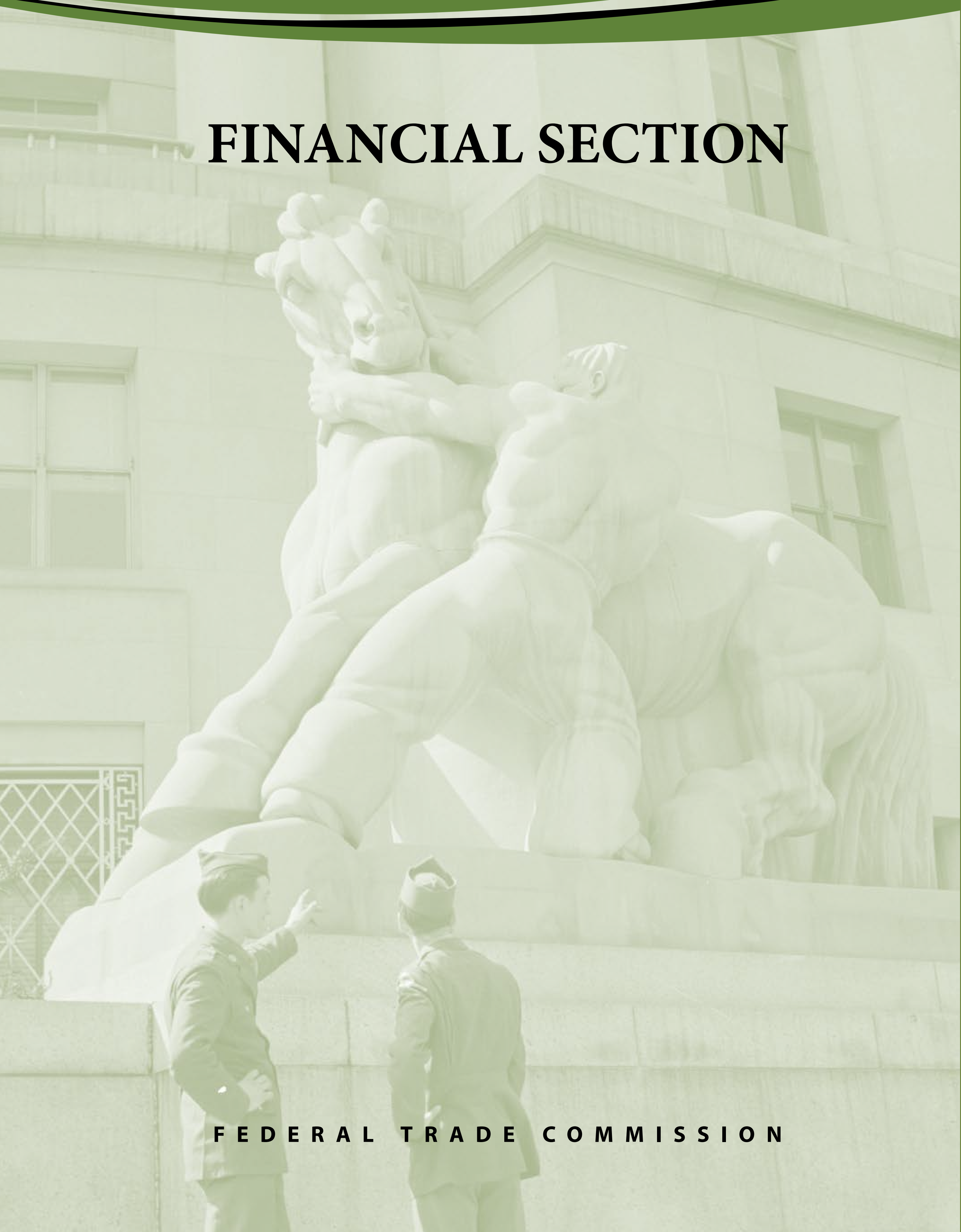
## FINANCIAL MANAGEMENT INDICATORS

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

## FINANCIAL MANAGEMENT INDICATORS FOR FY 2015

| | |
|---|---|
| **DEBT MANAGEMENT** | |
| Eligible debt transferred to Treasury | 100% |
| **FUNDS MANAGEMENT** | |
| Fund balance with Treasury<br>(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) | 99.1% |
| Percentage interest penalties paid to total dollars invoiced | .0015% |
| 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% |

# FINANCIAL SECTION



FEDERAL TRADE COMMISSION

# Message From The Chief Financial Officer

## David Rebich
## Chief Financial Officer

I am pleased to present FTC's Agency Financial Report (AFR) for Fiscal Year 2015. The AFR is a useful summary of the FTC's use of resources, operating performance, and financial stewardship. It includes comparative Principal Financial Statements and Footnotes for FY 2015 and FY 2014. These financial statements, coupled with the agency's Performance Highlights, demonstrate how the FTC optimizes the use of its financial resources to protect American consumers and maintain competition in the marketplace.

For the nineteenth consecutive year, an independent auditor rendered an unmodified opinion on FTC's Financial Statements. The auditor also found no reportable conditions or significant deficiencies. We are very proud of this accomplishment and worked very hard to achieve this result. Some of our efforts this year include:

- Conducting internal control reviews of identified assessable units;
- Assessing our Entity-wide Controls;
- Monitoring the status of Corrective Action Plans (CAPs), which resulted in closing 91 recommendations from previous financial statement audits and other internal and external reviews;
- Successfully implementing an e-travel system on time and under budget;
- Continuing to improve our acquisition planning process and contract documentation; and
- Implementing a process to systematically review and update all administrative policies and procedures.

In 2015, we continued to strengthen our enterprise risk management efforts by maturing our internal control policies to enhance the structure around the program, engaging the Senior Assessment Team (SAT) with the results of internal reviews and developing a multi-year assessment plan to ensure material processes are continuously reviewed and monitored.

With an eye towards further improvement, we identified the need for an automated acquisition system that is fully integrated with our financial system. We prepared a successful business case and gained FTC Governance Board approval. We then obtained a system integrator and the new system will be implemented in FY 2016. We are also working closely with our Shared Service Provider to meet the requirements of the Data Act.

These accomplishments and on-going projects demonstrate our commitment to effectively managing our resources, and I am proud of the progress we have made during the past year to promote sound business practices in the conduct of our agency's mission.

On behalf of the Chairwoman and everyone in the Financial Management Office, I would like to extend our special thanks to the financial management and program professionals throughout the FTC. Your dedication and hard work has enabled the FTC to deliver efficient programs and accurate, transparent, and timely financial information to the public. Your service to the FTC and American consumers is greatly appreciated.

David Rebich
Chief Financial Officer
November 16, 2015

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

Office of Inspector General

November 16, 2015

The Commissioners
Federal Trade Commission

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) fiscal year 2015 financial statements. We commend the FTC for the noteworthy accomplishment of attaining an unmodified (clean) opinion for the 19th consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs, PLLC (Brown & Company) to audit the financial statements of the FTC as of September 30, 2015, and for the year then ended. The contract requires that the audit be performed in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget bulletin, *Audit Requirements for Federal Financial Statements.*

**Results of the Independent Audit**

Brown & Company found:

- that the financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting, and
- no reportable noncompliance with applicable provisions of laws, regulations, and contracts tested.

**Evaluation and Monitoring of Audit Performance**

The Inspector General Act of 1978, as amended, requires that the Inspector General take appropriate steps to assure that any work performed by non-Federal auditors complies with the auditing standards established by the Comptroller General. We evaluated the independence, objectivity, and qualifications of the auditors and specialists; reviewed the plan and approach of the audit; monitored the performance of the audit; sought and obtained clarification of the auditor's methodology and findings; and reviewed Brown & Company's reports and related audit documentation. Our review was not intended to express, and we do not express, an opinion on the

FTC's financial statements or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws, regulations, and contracts tested.

Brown & Company is responsible for the attached auditor's report and the conclusions expressed in the related reports on internal control over financial reporting and compliance with laws, regulations, and contracts tested.

We appreciate the cooperation afforded to Brown & Company and my office during the audit. Should you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Sincerely,

Roslyn A. Mazer
Inspector General

Enclosure

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

## INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

**Report on the Financial Statements**

We have audited the accompanying balance sheet of the Federal Trade Commission (FTC) as of September 30, 2015 and 2014, and the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the years then ended (collectively referred to as the financial statements), and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted government auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 the entity's internal control. Accordingly, we express no such opinion. An audit includes test of compliance with provisions of applicable laws, regulations and contracts that have a direct effect on the determination of material amounts and disclosure in the financial statements. The purpose was not to provide an opinion on compliance with provisions of applicable laws, regulations and contracts and, therefore, we do not express such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1101 MERCANTILE LANE, SUITE 122 • LARGO, MD 20774
PHONE: (240) 770-4900 • FAX: (301) 773-2090 • mail@brownco-cpas.com • www.brownco-cpas.com

*Opinion on the Financial Statements*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FTC as of September 30, 2015 and 2014, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended, in accordance with U.S. generally accepted accounting principles.

*Other Matters*

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis (MD&A), as part of Required Supplementary Information (RSI) sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. *The Message From Chairwoman, Message From The CFO* and the Other Information sections are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered FTC's internal control over financial reporting (internal control) to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of providing an opinion on internal control. Accordingly, we do not express such an opinion.

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, 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. During our audit of the financial statements no deficiencies in internal control were identified that were considered to be a material weakness. However, material weaknesses may exist that have not been identified.

We also identified other deficiencies in FTC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant FTC management's attention. We have communicated these matters to FTC management and, will report on them separately in a management letter.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether FTC's financial statements are free from material misstatement, we performed tests of its compliance with applicable provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations and contracts applicable to FTC. The objective was not to provide an opinion on compliance with provisions of laws, regulations and contracts and therefore, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 15-02.

**Management's Responsibility for Internal Control and Compliance**

FTC's management is responsible for (1) evaluating effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness of internal control, and (3) ensuring compliance with other applicable laws and regulations.

**Auditor's Responsibilities**

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin No. 15-02 requires testing, and (3) applying certain limited procedures with respect to the MD&A and other RSI.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing internal control over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to FTC. We limited our tests of compliance to certain provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin No. 15-02 that we deemed applicable to FTC's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

**Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters**

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance and Other Matters sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of FTC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FTC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

This report is intended solely for the information and use of the management of FTC, OMB, OIG and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown & Company

Largo, Maryland
November 13, 2015

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

# PRINCIPAL FINANCIAL STATEMENTS

## FINANCIAL STATEMENT DESCRIPTIONS

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

- Balance Sheet – Presents the combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position).
- Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less any offsetting revenue is used to determine the net cost.
- Statement of Changes in Net Position – Reports the accounting activities that caused the change in net position during the reporting period.
- Statement of Budgetary Resources – Reports how budgetary resources were made available and the status of those resources at fiscal year-end.
- Statement of Custodial Activity – Reports collections and their disposition by the agency on behalf of the Treasury General Fund and one other federal agency. The FTC acts as custodian and does not have use of these funds.

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

# FEDERAL TRADE COMMISSION
# BALANCE SHEET
# AS OF SEPTEMBER 30, 2015 AND 2014
## (Dollars in thousands)

| | 2015 | 2014 |
|---|---|---|
| **Assets (Note 2):** | | |
| Intragovernmental: | | |
| Fund balance with Treasury (Note 3) | $ 868,730 | $ 238,443 |
| Accounts receivable, net (Note 5) | 65 | 6 |
| Total intragovernmental | 868,795 | 238,449 |
| Cash and other monetary assets (Note 4) | 20,373 | 28,797 |
| Accounts receivable, net (Note 5) | 14,148 | 65,447 |
| Property, plant, and equipment, net (Note 6) | 63,310 | 64,247 |
| **Total Assets** | $ 966,626 | $ 396,940 |
| | | |
| **Liabilities (Note 7):** | | |
| Intragovernmental: | | |
| Accounts payable | $ 1,118 | $ 823 |
| Other (Note 8) | 3,400 | 4,427 |
| Total intragovernmental | 4,518 | 5,250 |
| Accounts payable | 11,508 | 10,805 |
| Accrued redress due to claimants | 12,784 | 62,776 |
| Undisbursed redress collections | 750,177 | 133,888 |
| Other (Note 8) | 18,141 | 16,089 |
| **Total Liabilities** | $ 797,128 | $ 228,808 |
| | | |
| **Net Position (Note 1(p)):** | | |
| Unexpended appropriations | - | - |
| Cumulative results of operations | 169,498 | 168,132 |
| **Total Net Position** | $ 169,498 | $ 168,132 |
| **Total Liabilities and Net Position** | $ 966,626 | $ 396,940 |

*The accompanying notes are an integral part of these statements.*

# FEDERAL TRADE COMMISSION
# STATEMENT OF NET COST
# FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Dollars in thousands)

| | 2015 | 2014 |
|---|---|---|
| **Costs by Strategic Goal:** | | |
| Strategic Goal 1: Protect Consumers: | | |
| Gross costs (Note 11) | $ 183,468 | $ 170,494 |
| Less: earned revenue (Note 11) | (13,458) | (13,521) |
| Net cost | 170,010 | 156,973 |
| Strategic Goal 2: Maintain Competition: | | |
| Gross costs (Note 11) | 132,312 | 124,479 |
| Less: earned revenue (Note 11) | (115,814) | (106,477) |
| Net cost | 16,498 | 18,002 |
| **Net Cost of Operations** | $ 186,508 | $ 174,975 |

*The accompanying notes are an integral part of these statements.*

# FEDERAL TRADE COMMISSION
# STATEMENT OF CHANGES IN NET POSITION
# FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Dollars in thousands)

| | 2015 | 2014 |
|---|---|---|
| **Cumulative Results of Operations:** | | |
| Beginning balance | $ 168,132 | $ 152,491 |
| **Budgetary Financing Sources:** | | |
| Appropriations used | 179,675 | 181,182 |
| **Other Financing Sources (Non-Exchange):** | | |
| Imputed financing | 8,199 | 9,434 |
| Total financing sources | 187,874 | 190,616 |
| Net cost of operations | (186,508) | (174,975) |
| Net change | 1,366 | 15,641 |
| **Cumulative Results of Operations** | $ 169,498 | $ 168,132 |
| **Unexpended Appropriations:** | | |
| Beginning balance | $ - | $ - |
| **Budgetary Financing Sources:** | | |
| Appropriations received | 179,675 | 181,182 |
| Appropriations used | (179,675) | (181,182) |
| Total budgetary financing sources | - | - |
| **Total Unexpended Appropriations** | - | - |
| **Net Position (Note 1(p))** | $ 169,498 | $ 168,132 |

*The accompanying notes are an integral part of these statements.*

# FEDERAL TRADE COMMISSION
# STATEMENT OF BUDGETARY RESOURCES
# FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
## (Dollars in thousands)

| | 2015 | 2014 |
|---|---|---|
| **Budgetary Resources:** | | |
| Unobligated balance, brought forward, October 1 | $ 27,447 | $ 57,159 |
| Recoveries of prior year unpaid obligations | 6,963 | 6,519 |
| Unobligated balance from prior year budget authority, net | 34,410 | 63,678 |
| Appropriations | 179,675 | 181,182 |
| Spending authority from offsetting collections | 113,327 | 116,725 |
| **Total Budgetary Resources** | $ 327,412 | $ 361,585 |
| **Status of Budgetary Resources:** | | |
| Obligations incurred (Note 12): | $ 305,294 | $ 334,138 |
| Unobligated balance, end of period: | | |
| Apportioned | 11,747 | 23,893 |
| Unapportioned | 10,371 | 3,554 |
| Total unobligated balance, end of period | 22,118 | 27,447 |
| **Total Status of Budgetary Resources** | $ 327,412 | $ 361,585 |
| **Change in Obligated Balance:** | | |
| **Unpaid Obligations:** | | |
| Unpaid obligations, brought forward, October 1 | $ 96,624 | $ 96,445 |
| Obligations incurred (Note 12) | 305,294 | 334,138 |
| Outlays, gross | (303,308) | (327,440) |
| Recoveries of prior year unpaid obligations | (6,963) | (6,519) |
| Unpaid obligations, end of period | 91,647 | 96,624 |
| **Uncollected Payments:** | | |
| Uncollected payments from Federal sources, brought forward, October 1 | (745) | (1,297) |
| Change in uncollected payments from Federal sources, brought forward , October 1 | 168 | 552 |
| Uncollected payments from Federal sources, end of period | (577) | (745) |
| **Memorandum (non-add) Entries:** | | |
| Obligated balance, start of year, net | 95,877 | 95,147 |
| Obligated balance, end of period, net | 91,070 | 95,877 |
| **Budget Authority and Outlays, Net:** | | |
| Budget authority, gross | $ 293,002 | $ 297,907 |
| Actual offsetting collections | (129,173) | (120,239) |
| Change in uncollected customer payments from Federal sources | 168 | 552 |
| Budget authority, net | $ 163,997 | $ 178,220 |
| Outlays, gross | $ 303,308 | $ 327,440 |
| Actual offsetting collections | (129,173) | (120,239) |
| Outlays, net | 174,135 | 207,201 |
| Distributed offsetting receipts | (21,331) | (16,398) |
| Agency outlays, net | $ 152,804 | $ 190,803 |

*The accompanying notes are an integral part of these statements.*

# FEDERAL TRADE COMMISSION
# STATEMENT OF CUSTODIAL ACTIVITY
# FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(Dollars in thousands)

| | Protect Consumers | Maintain Competition | 2015 | 2014 |
|---|---|---|---|---|
| **Revenue Activity (Note 15):** | | | | |
| Sources of collections: | | | | |
| Premerger filing fees (net of refunds) | $ - | $ 115,678 | $ 115,678 | $ 106,263 |
| Civil penalties and fines | 5,411 | - | 5,411 | 11,802 |
| Consumer redress (Note 16) | 21,081 | - | 21,081 | 16,157 |
| Other miscellaneous receipts | 250 | - | 250 | 240 |
| Total cash collections | 26,742 | 115,678 | 142,420 | 134,462 |
| Accrual adjustments | (1,328) | - | (1,328) | 1,567 |
| **Total Custodial Revenue** | $ 25,414 | $ 115,678 | $ 141,092 | $ 136,029 |
| **Disposition of Collections (Note 15):** | | | | |
| Transferred to others: | | | | |
| Treasury general fund | $ 26,742 | $ - | $ 26,742 | $ 28,199 |
| Department of Justice | - | 115,678 | 115,678 | 106,263 |
| Amounts yet to be transferred | (1,328) | - | (1,328) | 1,567 |
| **Total Disposition of Collections** | $ 25,414 | $ 115,678 | $ 141,092 | $ 136,029 |
| **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 Federal Trade Commission (FTC) is an independent agency of the U.S. Government, established by the Federal Trade Commission Act of 1914. The FTC enforces a variety of federal antitrust and consumer protection laws. Its mission is working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, and accomplishing this without unduly burdening legitimate business activity. The FTC is headed by five Commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one Commissioner to act as Chair.

The FTC carries out its mission of protecting consumers and maintaining competition through three bureaus: The Bureau of Consumer Protection (BCP), the Bureau of Competition (BC), and the Bureau of Economics (BE), which supports both BCP and BC. Additionally, various offices within the FTC provide critical mission support to the bureaus. The FTC's staff is located in Washington, D.C. and seven other geographic areas.

The financial statements and notes include the financial activity recorded in all of the funds under the FTC's control. As further described in Note 1(b), these funds include 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.

### (b) Fund Accounting Structure

The FTC, like other Federal agencies, uses Treasury Account Symbols (TAS) to record and track financial activity. These TAS are described as:

#### General Fund

**Salaries and Expenses (TAS 29X0100):** Each year, this account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, to fund the 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 collections for the National Do Not Call Registry, which operates under Section 5 of the FTC Act. Collections in excess of Congressional limits are unavailable by law and included in the FTC's unavailable – temporary reduction balance. (See Note 3, Fund Balance with Treasury)

#### Deposit Fund

**Consumer Redress Escrow (TAS 29X6013):** This account consists of amounts collected under the consumer redress program and held temporarily by the FTC until money is distributed to consumers (or to a third party agent that distributes money to consumers on the FTC's behalf), other harmed entities, or transferred to the general fund of the Treasury. These funds, which are considered non-entity funds, do not affect the FTC's Net Position and are not reported on the Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 16, Consumer Redress Activities)

#### Clearing/Suspense Fund

**Budget Clearing and Suspense (TAS 29F3875):** Fees collected for premerger notification filings under the HSR Act are 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). (See Note 1(q), Revenues and Other Financing Sources)

#### 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 fund at the end of the fiscal year is transferred to the general fund of the Treasury.

**General Fund Proprietary Receipts (TAS 29 3220):** Miscellaneous receipts that by law are not available for the FTC's use, and collections in connection with the consumer redress program for which redress to consumers is not practicable, are held in this account until the end of the fiscal year when they are transferred to the general fund of the Treasury.

## (c) 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 generally accepted accounting principles (GAAP) for Federal entities and with OMB Circular A-136, Financial Reporting Requirements (as revised August 2015). Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. These principles differ from budgetary reporting principles. The differences relate primarily to the capitalization and depreciation of property and equipment, as well as the recognition of other long-term assets and liabilities.

As described in Note 1(b), the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are limited intra-entity transactions with any other fund (e.g., deposit fund) that would require eliminating entries to present consolidated statements. Accordingly, the statements are not labeled consolidated nor is the Statement of Budgetary Resources (SBR) presented as combined.

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

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

## (d) 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.

## (e) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out mandated program activities. These funds are available until expended, subject to the OMB apportionment and to Congressional restrictions on the expenditure of funds. 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 a direct appropriation and offsetting collections. The FTC accounts for budget authority in its general fund (29X0100), as reflected in the Statement of Budgetary Resources.

## (f) Entity and Non-Entity Assets

The FTC accounts for and 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 agency's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief, civil monetary penalties, and the portion of fees collected for premerger notification filings that are distributed to the DOJ in a subsequent period. These non-entity assets are included in the financial statements along with an offsetting non-entity liability of equal amount. (See Note 2, Entity and Non-Entity Assets)

## (g) Fund Balance with Treasury

The fund balance with Treasury (FBwT) is the aggregate amount of undisbursed funds in the FTC's general fund, deposit fund, and clearing/suspense fund. General funds include 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 (Treasury or DOJ), 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) Cash and Other Monetary Assets

In connection with the consumer redress program (and described in Note 16, Consumer Redress Activities), amounts necessary to cover current disbursement schedules are transferred from the FTC's deposit fund to third party redress administrators to be held as cash in accounts at financial institutions. Upon approval by the FTC's Redress Administration Office, the redress administrators process claims and disburse redress proceeds to affected consumers and approved claimants. The cash held in these financial institutions is included in the FTC's financial statements as a non-entity asset. (See Note 4, Cash and Other Monetary Assets)

## (i) Accounts Receivable, Net

Accounts receivable, net of allowances, reflect the Federal Accounting Standards Advisory Board (FASAB) standard for the recognition of losses using the collection criterion of "more likely than not." 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.

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 record, and the probable recovery amount including the value of assets. Based on the litigation and collection status, cases are referred to the Treasury for collection action.

## (j) Property, Plant, and Equipment

The FTC's property, plant, and equipment (PP&E) consists of general purpose 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. The primary change relates to the capitalization thresholds for each asset type. Equipment was divided into three asset types (furniture, general equipment, and information technology equipment) that reflect asset characteristics, cost, and use. For financial reporting purposes, however, these three asset types are combined and reported as equipment. Prior to the October 1, 2014 threshold change, the FTC capitalized items with an aggregate cost of $100 thousand or greater for all asset types.

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

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

The FTC reports property and equipment at historical cost and capitalizes items based on the above thresholds and 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. Additionally, 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 6, Property, Plant, and Equipment)

## (k) 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 liabilities that are entity and non-entity. 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). (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources)

## (l) 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.

## (m) 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 are covered by FERS-FRAE (Further Revised Annuity Employees). The FTC contribution is 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, 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. 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 and 50 percent of the next 2 percent. 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. The OPM reports this information. 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. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost. This additional cost is financed by the OPM, and recognized as an imputed financing source by the FTC. (See Note 17, Reconciliation of Net Cost of Operation to Budget)

### (n) 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 7, Liabilities Covered and 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.

### (o) 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. It 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 7, Liabilities Covered and Not Covered by Budgetary Resources)

### (p) Net Position

Cumulative results of operations represent the net results of operations since inception, the cumulative amount of prior period adjustments, the remaining book value of capitalized assets, and future funding requirements.

The portion of the FTC's budget authority that is funded by a direct appropriation is fully expended during the year. Therefore, there is no unexpended appropriation balance in net position at the end of the year. (See Statement of Changes in Net Position)

### (q) Revenues and Other Financing Sources

The FTC's activities are financed through exchange revenue it receives from others and through an appropriation provided by the Congress. Exchange revenues consist of fees collected for premerger notification filings under the HSR Act and collections for the National Do Not Call Registry. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements.

### (r) 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 direct full-time equivalents used by 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, and property, plant, and equipment. Accounts receivable, net, represents amounts due from other Federal agencies, current and former employees, and vendors.

The FTC's non-entity assets are comprised of fund balances with Treasury, accounts receivable, and cash and other monetary assets. The fund balances with Treasury consists of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees held in clearing/suspense funds that will be transferred to the DOJ in a subsequent period. Cash and other monetary assets is cash held in financial institutions to meet current disbursement schedules for the consumer redress program. Accounts receivable, net, is the estimated amount collectible on consumer redress judgments and civil penalties.

The increase seen in deposit funds – consumer redress resulted primarily from the collection of three large judgements (Cephalon, AT&T, and TracFone) that await distribution to injured parties.

**Entity and non-entity assets consisted of the following as of September 30, 2015:**

| (Dollars in thousands) | 2015 Entity | 2015 Non-Entity | 2015 Total |
|---|---|---|---|
| Intragovernmental: | | | |
| Fund balance with Treasury: | | | |
| General funds | $ 138,276 | $ - | $ 138,276 |
| Deposit funds - consumer redress | - | 729,804 | 729,804 |
| Clearing/Suspense funds - premerger filing fees | - | 650 | 650 |
| Accounts receivable, net | 65 | - | 65 |
| Subtotal intragovernmental assets | 138,341 | 730,454 | 868,795 |
| Cash and other monetary assets | - | 20,373 | 20,373 |
| Accounts receivable, net | 74 | 14,074 | 14,148 |
| Property, plant, and equipment, net | 63,310 | - | 63,310 |
| **Total Assets** | $ 201,725 | $ 764,901 | $ 966,626 |

**Entity and non-entity assets consisted of the following as of September 30, 2014:**

| (Dollars in thousands) | 2014 Entity | 2014 Non-Entity | 2014 Total |
|---|---|---|---|
| Intragovernmental: | | | |
| Fund balance with Treasury: | | | |
| General funds | $ 132,737 | $ - | $ 132,737 |
| Deposit funds - consumer redress | - | 105,091 | 105,091 |
| Clearing/Suspense funds - premerger filing fees | - | 615 | 615 |
| Accounts receivable, net | 6 | - | 6 |
| Subtotal intragovernmental assets | 132,743 | 105,706 | 238,449 |
| Cash and other monetary assets | - | 28,797 | 28,797 |
| Accounts receivable, net | 54 | 65,393 | 65,447 |
| Property, plant, and equipment, net | 64,247 | - | 64,247 |
| **Total Assets** | $ 197,044 | $ 199,896 | $ 396,940 |

## NOTE 3—FUND BALANCE WITH TREASURY

The FTC's fund balance with Treasury consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as deposit funds arising from amounts collected for consumer redress and not yet disbursed to claimants. The fund balance also includes clearing/suspense funds for collections of premerger filing fees that will be distributed to the DOJ in a subsequent period. The unobligated balance includes available and unavailable balances. The unavailable balance is the result of recoveries that exceeded anticipated and apportioned amounts, the collection of fees ($18,638 thousand) above the authorized amount to spend in the current year and prior year, and $6,450 thousand of sequestered funds from FY 2013.

**Fund balance with Treasury consisted of the following as of September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Fund Balance with Treasury:** | | |
| General funds | $ 138,276 | $ 132,737 |
| Deposit funds - consumer redress | 729,804 | 105,091 |
| Clearing/suspense funds - premerger filing fees | 650 | 615 |
| **Total Fund Balance with Treasury** | $ 868,730 | $ 238,443 |
| **Status of Fund Balance with Treasury:** | | |
| Unobligated balance: | | |
| Available - apportioned | $ 11,747 | $ 23,893 |
| Unavailable - unapportioned | 10,371 | 3,554 |
| Unavailable - temporary reduction | 25,088 | 9,413 |
| Obligated balance not yet disbursed | 91,070 | 95,877 |
| Non-budgetary fund balance with Treasury | | |
| Deposit funds - consumer redress | 729,804 | 105,091 |
| Clearing/suspense funds - premerger filing fees | 650 | 615 |
| **Total Status of Fund Balance with Treasury** | $ 868,730 | $ 238,443 |

The FTC's fund balance with Treasury, as reflected in the entity's general ledger, and the Treasury account balances have no material discrepancies.

## NOTE 4—CASH AND OTHER MONETARY ASSETS

Cash and other monetary assets consists of cash held in financial institutions necessary to cover current disbursement schedules in connection with the consumer redress program. (See Note 1(h), Cash and Other Monetary Assets and Note 16, Consumer Redress Activities)

**Cash and other monetary assets consisted of the following as of September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Cash and Other Monetary Assets:** | | |
| Consumer redress funds held in financial institutions | $ 20,373 | $ 28,797 |
| **Total Cash and Other Monetary Assets** | $ 20,373 | $ 28,797 |

## NOTE 5—ACCOUNTS RECEIVABLE, NET

The bulk 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 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 record, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with an offsetting non-entity liability.

**Accounts receivable, net consisted of the following as of September 30, 2015:**

| (Dollars in thousands) | Gross Receivables | Allowance for Uncollectible Accounts | 2015 Net |
|---|---|---|---|
| **Entity Accounts Receivable:** | | | |
| Intragovernmental | $ 65 | $ - | $ 65 |
| With the public | 74 | - | 74 |
| Total entity accounts receivable | $ 139 | $ - | $ 139 |
| | | | |
| **Non-Entity Accounts Receivable:** | | | |
| Consumer redress | $ 1,579,257 | $ 1,566,473 | $ 12,784 |
| Civil penalties | 35,453 | 34,163 | 1,290 |
| Total non-entity accounts receivable | $ 1,614,710 | $ 1,600,636 | $ 14,074 |
| **Total Accounts Receivable** | $ 1,614,849 | $ 1,600,636 | $ 14,213 |

**Accounts receivable, net consisted of the following as of September 30, 2014:**

| (Dollars in thousands) | Gross Receivables | Allowance for Uncollectible Accounts | 2014 Net |
|---|---|---|---|
| **Entity Accounts Receivable:** | | | |
| Intragovernmental | $ 6 | $ - | $ 6 |
| With the public | 54 | - | 54 |
| Total entity accounts receivable | $ 60 | $ - | $ 60 |
| | | | |
| **Non-Entity Accounts Receivable:** | | | |
| Consumer redress | $ 1,178,746 | $ 1,115,970 | $ 62,776 |
| Civil penalties | 32,912 | 30,295 | 2,617 |
| Total non-entity accounts receivable | $ 1,211,658 | $ 1,146,265 | $ 65,393 |
| **Total Accounts Receivable** | $ 1,211,718 | $ 1,146,265 | $ 65,453 |

## NOTE 6—PROPERTY, PLANT, AND EQUIPMENT, NET

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2015 and 2014. No impairment was recognized in either year.

During FY 2015, software was discovered that should have been capitalized in FY 2012 for $1,072 thousand and in FY 2014 for $1,351 thousand and depreciated for $699 thousand for a total net increase of $1,724 thousand. Since this amount is not material to our FY 2014 or FY 2015 financial statements, the correction was made in FY 2015.

**Property, plant, and equipment, net consisted of the following as of September 30, 2015:**

| Asset Class (Dollars in thousands) | Service Life | Acquisition Value | Accumulated Depreciation / Amortization | Net Book Value |
|---|---|---|---|---|
| Equipment | 5-20 years | $ 22,228 | $ 6,318 | $ 15,910 |
| Leasehold improvements | 15 years | 45,895 | 8,663 | 37,232 |
| Software | 5 years | 25,634 | 15,466 | 10,168 |
| **Total Property, Plant, and Equipment** | | $ 93,757 | $ 30,447 | $ 63,310 |

**Property, plant, and equipment, net consisted of the following as of September 30, 2014:**

| Asset Class (Dollars in thousands) | Service Life | Acquisition Value | Accumulated Depreciation / Amortization | Net Book Value |
|---|---|---|---|---|
| Equipment | 5-20 years | $ 19,340 | $ 3,157 | $ 16,183 |
| Leasehold improvements | 15 years | 44,978 | 5,561 | 39,417 |
| Software | 5 years | 21,376 | 12,729 | 8,647 |
| **Total Property, Plant, and Equipment** | | $ 85,694 | $ 21,447 | $ 64,247 |

# NOTE 7—LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

**The FTC recognizes three categories of liabilities described below:**

### Liabilities Covered by Budgetary Resources

Liabilities incurred that will be covered by available budgetary resources as of the Balance Sheet date. These include accounts payable for goods and services received, and accrued employee payroll and benefits payable.

### Liabilities not Covered by Budgetary Resources

Liabilities incurred for which revenues or other sources of funds necessary to pay the liabilities have not been made available through Congressional appropriations or current earnings. These include unfunded FECA liabilities and accrued annual leave.

### Liabilities not Requiring Budgetary Resources

Non-entity liabilities that are covered by non-entity assets. These include:

Undisbursed Premerger Filing Fees - the offsetting liability to the non-entity clearing/suspense fund balance for premerger fees that are payable to the DOJ in a subsequent period.

Accrued Civil Penalties due to Treasury - the offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the general fund of the Treasury.

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

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

**Liabilities consisted of the following as of September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 Covered by Budgetary Resources | 2015 Not Covered by Budgetary Resources | 2015 Not Requiring Budgetary Resources | 2015 Total Liabilities | 2014 Covered by Budgetary Resources | 2014 Not Covered by Budgetary Resources | 2014 Not Requiring Budgetary Resources | 2014 Total Liabilities |
|---|---|---|---|---|---|---|---|---|
| Intragovernmental: | | | | | | | | |
| Accounts payable | $ 1,118 | $ - | $ - | $ 1,118 | $ 823 | $ - | $ - | $ 823 |
| Accrued employee benefits | 1,098 | - | - | 1,098 | 830 | - | - | 830 |
| Other employment related liability | - | 3 | - | 3 | - | - | - | - |
| FECA liability | - | 359 | - | 359 | - | 365 | - | 365 |
| Undisbursed premerger filing fees | - | - | 650 | 650 | - | - | 615 | 615 |
| Accrued civil penalties due to Treasury | - | - | 1,290 | 1,290 | - | - | 2,617 | 2,617 |
| Total intragovernmental liabilities | $ 2,216 | $ 362 | $ 1,940 | $ 4,518 | $ 1,653 | $ 365 | $ 3,232 | $ 5,250 |
| Accounts payable | 11,508 | - | - | 11,508 | 10,805 | - | - | 10,805 |
| Reimbursable advances | - | - | - | - | 45 | - | - | 45 |
| Accrued payroll and benefits | 4,898 | - | - | 4,898 | 4,105 | - | - | 4,105 |
| Accrued leave | - | 11,230 | - | 11,230 | - | 9,737 | - | 9,737 |
| Actuarial FECA | - | 2,013 | - | 2,013 | - | 2,202 | - | 2,202 |
| Undisbursed redress collections | - | - | 750,177 | 750,177 | - | - | 133,888 | 133,888 |
| Accrued redress due to claimants | - | - | 12,784 | 12,784 | - | - | 62,776 | 62,776 |
| Total liabilities | $ 18,622 | $ 13,605 | $ 764,901 | $ 797,128 | $ 16,608 | $ 12,304 | $ 199,896 | $ 228,808 |

# NOTE 8—OTHER LIABILITIES

**Other liabilities consisted of the following as of September 30, 2015:**

| (Dollars in thousands) | 2015 Non-Current | 2015 Current | 2015 Total |
|---|---|---|---|
| Other intragovernmental: | | | |
| Accrued employee benefits | $ - | $ 1,101 | $ 1,101 |
| FECA liability | 359 | - | 359 |
| Undisbursed premerger filing fees | - | 650 | 650 |
| Accrued civil penalties due to Treasury | - | 1,290 | 1,290 |
| Subtotal other intragovernmental | 359 | 3,041 | 3,400 |
| Accrued payroll and benefits | - | 4,898 | 4,898 |
| Accrued leave | 11,230 | - | 11,230 |
| Actuarial FECA | 2,013 | - | 2,013 |
| Subtotal other | 13,243 | 4,898 | 18,141 |
| **Total Other Liabilities** | $ 13,602 | $ 7,939 | $ 21,541 |

**Other liabilities consisted of the following as of September 30, 2014:**

| (Dollars in thousands) | 2014 Non-Current | 2014 Current | 2014 Total |
|---|---|---|---|
| Other intragovernmental: | | | |
| Accrued employee benefits | $ - | $ 830 | $ 830 |
| FECA liability | 365 | - | 365 |
| Undisbursed premerger filing fees | - | 615 | 615 |
| Accrued civil penalties due to Treasury | - | 2,617 | 2,617 |
| Subtotal other intragovernmental | 365 | 4,062 | 4,427 |
| Reimbursable advances | - | 45 | 45 |
| Accrued payroll and benefits | - | 4,105 | 4,105 |
| Accrued leave | 9,737 | - | 9,737 |
| Actuarial FECA | 2,202 | - | 2,202 |
| Subtotal other | 11,939 | 4,150 | 16,089 |
| **Total Other Liabilities** | $ 12,304 | $ 8,212 | $ 20,516 |

## NOTE 9—OPERATING LEASES

Leases of government and commercial property are made through and managed by the GSA. While the 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 under signed lease agreements. The FTC has leases on three government-owned properties and eight commercial properties totaling approximately 610 thousand square feet for use as offices, storage and parking. The FTC's government leases expire at various dates through 2019, while the commercial leases expire at various dates through 2024.

**Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2015:**

| Fiscal Year (Dollars in thousands) | | |
|---|---|---|
| 2016 | $ | 6,741 |
| 2017 | | 6,722 |
| 2018 | | 6,680 |
| 2019 | | 6,349 |
| 2020 | | - |
| Thereafter | | - |
| **Total Future Minimum Lease Payments** | $ | 26,492 |

**Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2015:**

| Fiscal Year (Dollars in thousands) | | |
|---|---|---|
| 2016 | $ | 14,524 |
| 2017 | | 14,494 |
| 2018 | | 13,546 |
| 2019 | | 14,052 |
| 2020 | | 14,361 |
| Thereafter | | 48,083 |
| **Total Future Minimum Lease Payments** | $ | 119,060 |

## NOTE 10—COMMITMENTS AND CONTINGENCIES

As of September 30, 2015, the FTC has no pending single or aggregate administrative proceedings, legal actions, and claims brought by or against it, including pending litigation where adverse decisions are considered by management and legal counsel as "reasonably possible".

## NOTE 11—INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUES

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The costs and exchange revenues reported can be further classified as either "intragovernmental" or "public". Intragovernmental costs and exchange revenues arise from transactions with another Federal entity, whereas, public costs and exchange revenues arise from transactions with non-Federal entities.

A small portion of the FTC's overall exchange revenue is intragovernmental arising from services provided to other Federal agencies under interagency agreements. The FTC bills the buying agency to recover the full cost of services, primarily salaries, and recognizes the revenue at the time expenditures are incurred.

The bulk of the FTC's exchange revenue is "public" and derived from two primary sources:

**Fees collected for premerger notification filings under the HSR Act** - The HSR Act requires the filing of premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain acquisitions may be consummated. The filing fees are determined by the value and size of the parties. By law, the FTC retains one-half of all premerger filing fees collected, and remits one-half to the DOJ's Antitrust Division.

**Subscription fees collected for the National Do Not Call Registry** - The Do Not Call (DNC) Registry Fee Extension Act of 2007, which amended the Do Not Call Implementation Act, established a permanent fee structure for the DNC registry and provided 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. The FTC recognizes the revenue when collected and the telemarketer is given access to the requested data.

**Costs and revenues categorized as intragovernmental and public consisted of the following for the fiscal years ended September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Strategic Goal 1: Protect Consumers** | | |
| Intragovernmental gross costs | $ 46,068 | $ 62,467 |
| Public costs | 137,400 | 108,027 |
| Gross costs, Protect Consumers | 183,468 | 170,494 |
| Intragovernmental earned revenue - reimbursements | (133) | (3) |
| Public earned revenue - Do Not Call registry fees | (13,325) | (13,518) |
| Earned revenue, Protect Consumers | (13,458) | (13,521) |
| **Net Cost, Protect Consumers** | $ 170,010 | $ 156,973 |
| | | |
| **Strategic Goal 2: Maintain Competition** | | |
| Intragovernmental gross costs | $ 33,223 | $ 45,608 |
| Public costs | 99,089 | 78,871 |
| Gross costs, Maintain Competition | 132,312 | 124,479 |
| Intragovernmental earned revenue - reimbursements | (136) | (214) |
| Public earned revenue - premerger filing fees | (115,678) | (106,263) |
| Earned revenue, Maintain Competition | (115,814) | (106,477) |
| **Net Cost, Maintain Competition** | $ 16,498 | $ 18,002 |
| | | |
| **Net Cost of Operations** | $ 186,508 | $ 174,975 |

## NOTE 12—APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED: DIRECT VS. REIMBURSABLE OBLIGATIONS

**Obligations incurred consisted of the following for the fiscal years ended September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Obligations Incurred:** | | |
| Category A - direct obligations | $ 302,093 | $ 316,054 |
| Category B - direct obligations | 2,917 | 17,840 |
| Category B - reimbursable obligations | 284 | 244 |
| **Total Obligations Incurred** | $ 305,294 | $ 334,138 |

**Category A – direct obligations** represent amounts obligated in carrying out the FTC's normal on-going operations. The source of funding for these obligations is an annual appropriation, offsetting collections, and unobligated funds brought forward from previous years. These funds are made available by the OMB through quarterly (Category A) apportionments.

**Category B – direct obligations** represent amounts obligated for space replacement and the relocation of the FTC staff. Funding for these obligations is derived from the same sources as Category A, direct obligations, however, there is a limit on the amount available for this purpose.

**Category B – reimbursable obligations** represent amounts obligated in fulfilling interagency agreements when the FTC is the provider of services. The source of funding for these obligations is reimbursements collected from other Federal agencies to cover the FTC's costs in fulfilling the agreement.

## NOTE 13—EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

There are no material differences between amounts reported in the fiscal year 2014 Statement of Budgetary Resources and the fiscal year 2014 actual amounts as reported in the fiscal year 2016 Budget of the United States Government. The fiscal year 2017 Budget of the United States is not available to compare fiscal year 2015 actual amounts to the fiscal year 2015 Statement of Budgetary Resources.

## NOTE 14—UNDELIVERED ORDERS AT THE END OF THE PERIOD

The amount of budgetary resources obligated for undelivered orders as of September 30, 2015 and 2014, is $73,021 and $80,059 thousand, respectively.

# NOTE 15—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. The portion of collections designated for the DOJ is reported as a custodial activity. During fiscal year 2015 and fiscal year 2014, the FTC collected $231,356 and $212,526 thousand respectively, in HSR premerger filing fees. One-half of the amounts collected in each year was distributed to the DOJ, as shown on the Statement of Custodial Activity. Undistributed fees to the DOJ at September 30, 2015 and 2014 were $650 and $615 thousand respectively.

## 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 case. All civil penalties collected are transferred to the general fund of the Treasury at the end of the year.

## 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. Collections disgorged to the Treasury were $21,081 and $16,157 thousand as of September 30, 2015 and 2014 respectively.

Other line items on the Statement of Custodial Activity include:

## Accrual Adjustments

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

## Amounts Yet to be Transferred

Amounts yet to be transferred represents the change in the offsetting liability for civil penalties due to Treasury that is established at the time an accounts receivable for civil penalties is recorded.

# NOTE 16—CONSUMER REDRESS ACTIVITIES

The FTC obtains consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC attempts to distribute funds to injured parties whenever possible. In those cases where consumer redress is not practicable, the 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.

The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. If redress is determined to be practicable, funds needed to cover immediate disbursements to injured parties are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to claimants.

**Redress fund activities consisted of the following for the fiscal years ended September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Consumer Redress:** | | |
| **Fund Balance with Treasury** | | |
| Beginning balance | $ 105,091 | $ 47,609 |
| Collections | 707,410 | 124,376 |
| Disbursements to claimants, net | - | (69) |
| Disgorgements to Treasury | (21,081) | (16,157) |
| Transfers, expenses, refunds | (61,616) | (50,668) |
| **Total Fund Balance with Treasury, Ending** | $ 729,804 | $ 105,091 |
| | | |
| **Cash and Other Monetary Assets** | | |
| Beginning balance | $ 28,797 | $ 18,239 |
| Disbursements to claimants, net | (49,823) | (38,512) |
| Transfers, expenses, interest income | 41,399 | 49,070 |
| **Total Cash and Other Monetary Assets, Ending** | $ 20,373 | $ 28,797 |
| | | |
| Accounts Receivable, Net | | |
| Beginning balance | $ 62,776 | $ 23,693 |
| Net activity | (49,992) | 39,083 |
| **Total Accounts Receivable, Ending** | $ 12,784 | $ 62,776 |

# NOTE 17 — RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

**For the fiscal years ended September 30, 2015 and 2014:**

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **Resources Used to Finance Activities:** | | |
| Budgetary resources obligated: | | |
| Obligations incurred | $ 305,294 | $ 334,138 |
| Less: spending authority from offsetting collections and recoveries | (135,968) | (126,206) |
| Total budgetary resources obligated | 169,326 | 207,932 |
| Other resources: | | |
| Imputed financing from costs absorbed by others | 8,199 | 9,434 |
| Total other resources | 8,199 | 9,434 |
| **Total Resources Used to Finance Activities** | $ 177,525 | $ 217,366 |
| | | |
| **Resources Used to Finance Items not Part of the Net Cost of Operations:** | | |
| Change in budgetary resources obligated, but not yet provided | $ 6,765 | $ 1,552 |
| Resources that finance the acquisition of assets | (8,062) | (46,691) |
| Total resources used to finance items not part of the net cost of operations | (1,297) | (45,139) |
| **Total Resources Used to Finance the Net Cost of Operations** | $ 176,228 | $ 172,227 |
| | | |
| **Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:** | | |
| Components requiring or generating resources in future periods: | | |
| Increase in annual leave liability | $ 1,493 | $ (1,648) |
| Other | (213) | (90) |
| Total components requiring or generating resources in future period | 1,280 | (1,738) |
| Components not requiring or generating resources: | | |
| Depreciation and amortization | 9,000 | 3,738 |
| Losses on disposition of assets - other | - | 748 |
| Total components not requiring or generating resources | 9,000 | 4,486 |
| **Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:** | $ 10,280 | $ 2,748 |
| **Net Cost of Operations** | $ 186,508 | $ 174,975 |

# OTHER INFORMATION

# INSPECTOR GENERAL-IDENTIFIED MANAGEMENT AND PERFORMANCE CHALLENGES

Office of Inspector General

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

October 15, 2015

**MEMORANDUM**

TO: Edith Ramirez
Chairwoman, Federal Trade Commission

FROM: Roslyn A. Mazer
Inspector General

SUBJECT: FY 2015 FTC Management Challenges

The *Reports Consolidation Act of 2000* requires that the Inspector General provide a summary of our perspective on the most serious management and performance challenges facing the agency and a brief assessment of the agency's progress in addressing those challenges. The management challenges in this document are based on work conducted by the Office of Inspector General (OIG) and discussions with senior leaders at the Federal Trade Commission (FTC).

We identify the following as the most significant management challenges facing the FTC:

1. Securing the Agency's Information Systems and Networks from Destruction, Data Loss, or Compromise
2. Maturing the Agency's Information Technology Governance Process
3. Improving Contract Management
4. Stabilizing the Agency's eDiscovery Support System
5. Ensuring Compliance with Digital Records Management Requirements

Some of these are enduring challenges requiring leadership's continued attention. Others are a priority at this time in the agency's development, but may become a less pressing priority in the future. The FTC has made progress in addressing each of these challenges in FY 2015.

The attached document provides the analysis and justification for our assessment. We provided a draft of our assessment to management, and its comments are incorporated into the section headings, "Agency Progress in Addressing the Challenge."

We appreciate leadership's ongoing support for the OIG's independent mission, and we will continue to work with you in addressing these and other challenges the FTC faces in achieving its vital mission. As the FTC continues to focus energy and resources on addressing these challenges, it will significantly enhance its performance and success.

Attachment 1

**Office of Inspector General**
**Top Management Challenges at the Federal Trade Commission**

**October 15, 2015**

### 1. Securing the Agency's Information Systems and Networks from Destruction, Data Loss, or Compromise

Protecting information assets is an ongoing and complex challenge for the Federal Trade Commission (FTC). The challenge is exacerbated by the increasing volume and scope of information provided to the FTC on both a voluntary and compulsory basis. The FTC cannot effectively complete its missions if it loses the confidence of industry and the public that it can protect the trade secrets and other sensitive non-public information entrusted to its care.

The FTC Office of Inspector General (OIG) assists by assessing FTC information control procedures including conducting the annual Federal Information Security Management Act (FISMA) effectiveness assessment of FTC information security and privacy programs. These assessments provide FTC management with an independent, high-level determination of the FTC's ability to protect its information assets; the capability of the FTC to securely and cost effectively acquire, implement, and manage modern technologies; and maintain the skilled workforce necessary to securely use technology to complete their responsibilities. In the FISMA assessments, the OIG determined that the FTC has robust privacy and information security programs that are in substantial compliance with FISMA and legislative requirements, government-wide policy, and technical guidance. The FTC can adequately protect its information assets and has done so while addressing organizational and technological changes, including modernization of the FTC infrastructure.

However, the OIG Fiscal Year (FY) 2014 FISMA evaluation underscores the need for the FTC to maintain information privacy and security programs that are continuously evolving and maturing. Recognizing the critical need for flexible, robust, and monitored information security control environments, the Office of Management and Budget (OMB) and the National Institute of Standards and Technology (NIST) revised federal security guidance to allow Departments and Agencies (D/A) to tailor information protection solutions to their organizational needs and missions. While the OMB and NIST guidance now allows D/A greater flexibility, this flexibility comes with a price: D/A managers must establish and maintain clear practices for planning, acquiring, implementing, maintaining, monitoring, and protecting its information technology assets, including hardware, software, and information.

In its FY 2014 FISMA report, the OIG identified the need for improvement in FTC planning and management of its information technologies. As a primary area for improvement, the OIG's FY 2014 FISMA evaluation highlights current deficiencies in FTC risk assessment and management. These techniques are used to identify vulnerabilities and develop the safeguards and countermeasures the FTC needs to deploy to avoid or minimize risk to its systems, operations, and data. Weak Information Technology (IT) planning and management can result in inaccurate or delayed risk assessments and risk management, which ultimately results in increased potential for loss and mission failure. The evaluation questions if the FTC is equipped to perform risk management that keeps pace with the rate of technological change. The findings focus on enterprise-level issues, recommending that the FTC's Information Technology governance procedures develop into more mature enterprise risk management capabilities, including a clear focus on management of information risk associated with its investments. Developing more mature information processes will ensure that FTC security and privacy programs continue to provide high levels of protection for FTC information assets, but with less workforce stress, greater operational consistency, and improved security.

**Agency Progress in Addressing the Challenge**

The Office of the Chief Information Officer (OCIO) is working on a number of information technology initiatives that will protect the agency's networks, systems, and data from compromise and loss.

In compliance with FISMA, the OCIO implemented the Cyber Security Assessment and Management (CSAM) tool managed by Department of Justice. CSAM provides OCIO with a mechanism for managing FISMA compliance by: 1) providing centralized and up-to-date information, checklists, analysis, and tracking capabilities; 2) ensuring efficient and effective management of vital resources and data; 3) ensuring best practices and that resources are accessible to assess and manage risks and vulnerabilities across the organization; and 4) supporting Certification and Accreditation (C&A) of FTC's network and mission systems. The CSAM tool allows the OCIO to more readily access information about its systems that will in turn allow for better planning and FISMA compliance across the enterprise. It will also afford the OCIO better visibility into the status of critical security artifacts and documents.

To further improve the agency's risk management posture and ensure FTC systems are secure and protected from external threats, the OCIO, in conjunction with the Chief Privacy Officer (CPO) staff, is working to improve the agency's Information Security Continuous Monitoring (ISCM) program through implementation of a vulnerability risk management (VRM) process. The objective of this initiative is to increase awareness and improve management of internal security risks by formalizing a more streamlined process through which risk can be identified, evaluated, documented, remediated, and easily understood by critical actors throughout the agency. Once fully implemented, this standardized approach to risk management will give all agency senior officials an immediate understanding of the risk posture of the agency. The outputs of the VRM process will be used to fine-tune the agency's Continuous Diagnostics and Mitigation (CDM) process.

Also in FY 2015, the OCIO staff, working in tandem with the Department of Homeland Security (DHS) and in coordination with representatives from throughout the agency, determined which agency systems require increased redundancy and resiliency. Base on this work, a draft business impact assessment has been submitted for management review. As part of this assessment, the OCIO will ensure that any disaster recovery or redundancy solution is secure and protected against attacks and malicious activities, especially those systems that process or store personally identifiable information (PII) or other sensitive data.

To further improve the agency's ability to manage enterprise risk, the OCIO collaborated with IT Business Council and the IT Governance Board to update the agency's IT governance program, incorporating risk management into the IT investment approval process. The OCIO updated the business case template for proposed IT investments to include a risk analysis and risk mitigation plan. Specifically, proponents of various IT investments are required to detail risks in areas such as cost, schedule, and business impact and provide a mitigation strategy for each risk. They are also required to identify the specific risks associated with privacy and security implicated by the proposed investment, including whether the proposed software or hardware will house PII or poses the potential for a loss of data. The OCIO also updated the IT governance program charter to require IT investment business cases and Board review for investments deemed "high-risk" or "high-impact to business operations," regardless of the cost of the investment.

Other recent OCIO initiatives address security challenges by increasing the security of networks and systems FTC staff use daily to prevent data loss and unauthorized access to sensitive information. For example, the OCIO improved its secondary storage environment to provide additional security for offsite backup storage and reduce the risk of data loss. As part of this initiative, the OCIO transitioned all backup data to a secondary, backup disk storage network, located at the Commission's auxiliary data center. This new backup storage system is less susceptible to failure and provides the Commission with a more secure and more reliable form of backup data storage.

The OCIO is currently working with the Bureau of Economics to implement more robust data monitoring and logging in the Secure Investigative Lab (SIL) environment. The SIL houses some of the Commission's most sensitive data, including PII and Sensitive Health Information (SHI) used in economic analysis in support of investigations and litigation. To detect and reduce the risk of data exfiltration and loss, the OCIO developed a comprehensive logging, auditing, and notification process, which monitors the modification and movement of any data. This process provides the Bureau of Economics and the OCIO with an audit trail for the loss of sensitive data or unauthorized access or modification to PII and SHI.

As part of its enterprise risk management efforts, the OCIO actively evaluates the inventory of IT software and hardware to determine which products are high-risk for the agency. This includes working to replace and upgrade aging infrastructure components and software to decrease the overall number of vulnerabilities in the environment and risk of failure. In FY 2015, OCIO began multiple projects to replace unsupported products, such as the replacement of the network infrastructure at the Commission's Headquarters building, the upgrade of software and operating systems, such as Microsoft SQL Server and BMC Remedy IT Service Management, and the decommission or migration of applications built on unsupported platforms, such as Microsoft Windows Server 2003. Additionally, the OCIO replaced the agency's mobile device management (MDM) software with a new platform that provides continuous monitoring and FISMA 2.0 compliance enforcement, restricts access to authorized agency employees, and enhances security controls for the Commission's mobile devices. Additionally, the new MDM decreases the threat of compromise or data exfiltration by preventing the installation of unauthorized applications.

In addition to securing individual systems, the OCIO is working to improve the Commission's overall IT security posture enterprise-wide. The OCIO continues to use tools and techniques to monitor events, detect attacks, and provide identification of unauthorized use of the system. These tools and techniques include, but are not limited to, intrusion detection systems, intrusion prevention systems, malicious code protection software, audit record monitoring software, and network monitoring software. The OCIO actively monitors all inbound and outbound communications that occur over networks external to the FTC, including publicly available systems, for unusual or unauthorized activities or conditions (e.g., the presence of malicious code, the unauthorized export of data, or signaling).

The OCIO monitors information systems daily and audits monthly for unauthorized remote connections, and takes the appropriate action if they discover an unauthorized connection. The OCIO uses cryptography to protect the confidentiality and integrity of remote access sessions and routes all remote access through a limited number of managed access control points and protects wireless access via authentication and encryption.

Finally, to continue to improve overall IT security, the OCIO has engaged with the DHS to implement its government-wide Continuous Monitoring Dashboard. The OCIO is also working with the DHS to implement the EINSTEIN 3 (E3A) Program. EINSTEIN 3 is an advanced intrusion prevention system that detects malicious traffic targeting the FTC's networks and prevents that malicious traffic from harming FTC networks. The system provides greater analytical tools and historical data to allow agencies to better analyze trends in vulnerabilities and attacks. Additionally, the system provides enhanced real-time alerts to allow the agency to respond to an event faster and more effectively.

**2. Maturing the Agency's Information Technology Governance Process**

As evidenced by the number of reports issued by the Government Accountability Office (GAO), OMB, and agency Inspectors General, effective governance of IT investments is a weakness throughout the federal government. The weaknesses are typically in planning and monitoring IT investments as they move from conception through development to operations and maintenance. The weaknesses result in systems/projects that are not delivered when required, often exceed cost projections, and fail to deliver specified reliability, performance, and security. Systems that perform as required, are reliable, and protect information assets are critical to the FTC.

The FTC has a number of responsibilities related to protecting consumers, including advocating for protection of consumer information and consumer privacy. For example, filing with the FTC is a legal requirement for most mergers and acquisitions, and the agency hosts a national repository of consumer complaints. The scope and impact of FTC activities leaves the general public with an outsized perception of the size of Commission. The FTC is dependent on the reliability and integrity of its information systems to complete its missions and protect its information assets. Consequently, the FTC is dependent on the quality of its investment analysis and IT governance practices to ensure that its workforce has the information management and analysis capabilities it needs.

At the end of FY 2011, the FTC chartered IT governance boards to improve the planning, monitoring, and risk mitigation associated with its information systems. In FY 2012, the agency adopted its new governance structure and improvements commenced. While the governance structure was an improvement, its focus was on the management of the investment and not on management of risk associated with those investments. For example, an investment of less than $500,000 would not be subject to governance board procedure, regardless of the potential loss that the FTC might experience should there be a security breach.

As part of the agency's annual FISMA evaluations, the OIG reviews governance board activities to assess progress toward a mature planning and oversight structure. Our assessments showed that the FTC is continually improving its governance practices. For example, investment risk was elevated as a criterion for determining whether an investment/project is subject to governance board review and oversight. Under current procedures, an investment/project with a high risk of an adverse impact from a security breach is subject to governance board oversight, regardless of cost. Further, the agency now identifies reputational risk as a critical potential impact from system failure.

In our FY 2013 and FY 2014 FISMA reports, the OIG issued recommendations for improving and maturing the FTC governance processes. The FTC and its Office of the Chief Information Officer (OCIO) are addressing all OIG recommendations. The OCIO requires all bureaus and offices to submit business cases for new or significant changes to IT investments for development, modernization, or enhancement whose lifetime cost exceeds a certain threshold, as well as high-impact and high-risk investments. However, documentation still does not consistently capture the rationale behind a decision, anticipated completion impediments and risks, and risk mitigation strategies. Significantly, FTC risk management still focuses on individual investments and not the enterprise analysis contained in NIST guidance; and OMB and the Department of Homeland Security now require an assessment of the maturity of continuous monitoring practices in accordance with the maturity model promulgated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

In FY 2016, the OIG will complete an assessment of the FTC IT governance structure to determine whether practices have sufficiently matured to effectively address investment and risk management challenges; challenges resulting from a need to provide the FTC workforce with new technologies and techniques that improve their ability to complete their missions while containing costs and protecting FTC information assets; and whether FTC continuous monitoring practices are addressing the CIGIE maturity model.

**Agency Progress in Addressing the Challenge**

The OCIO, in conjunction with agency leadership, made steps toward maturing the agency's IT governance process during fiscal year 2015. The OCIO collaborated with the chair of the Technology Council (now the IT Business Council) to develop an updated governance program charter. In the updated charter, the roles and responsibilities of the governing bodies – the IT Council, IT Business Council, and IT Governance Board – were better defined. The criteria for IT investments included in the new charter now require all investments considered “high-risk” and “high-impact” to be reviewed and approved via the IT governance program, regardless of investment amount. The business case analysis template was updated, as well, to better address risk, security, and privacy concerns. The investment business case must now include potential risks and mitigation, security considerations, and whether the investment will involve personally identifiable information (PII) or other sensitive data. Additionally, business cases must receive written concurrence from the Chief Privacy Officer (CPO) and the Chief Information Security Officer (CISO). Once the charter and business case analysis templates were finalized, the new process was used to develop, review, analyze, and approve 16 business cases for IT investments, including investments in business system enhancements, a new acquisition management system, and replacing end-of-life network and server components.

After the FY 2015 investment cycle was completed, the governance program focused on the execution and control of approved investments. A new process was implemented to regularly review the status of current investments at all levels of the governance program. Part of this process included the implementation of Tech Stat briefings to both the Business Council and the Governance Board on large-scale, mission critical IT projects, such as the eDiscovery Support System and the rebuild of SAFE. Through the Tech Stat process, the governing bodies are able to have visibility into variances in cost and schedule, technical challenges, and project risk.

The OCIO continues to make improvements to the governance process in preparation for fiscal year 2016. The OCIO worked with all organizations across the FTC to build a portfolio of potential investments for FY 2016 and issued guidance to the organizations on which investments would require a business case and how to build the business case. In the future, OCIO will continue to review the IT governance process and recommend changes to better align the process with the budget cycle, integrate privacy and security, and provide increased control and oversight over investments regardless of cost, as well as operational spending and enterprise-wide portfolio analysis. The OCIO is also working with the governance members to build a repeatable and quantitative process for prioritizing and approving investments. This process would assist the governing bodies in determining the relative priority of an investment based on alignment with the FTC’s strategic plan, investment criticality, and risk.

### 3. Improving Contract Management

During FY 2014, the FTC obligated $104.9 million – about one-third of its operating budget – on contracts for goods and services. Contractors assist with the deployment, operation, and maintenance of consumer databases and provide webhosting services. The FTC also has contracts for legal research tools and with software providers. In FY 2014, the highest dollar value contracts were for network infrastructure support ($3.8 million), expert witness services ($2.4 million), and telecommunication services ($2.2 million).

The FTC faces challenges with aspects of its contract management system, particularly with the Acquisition Branch’s guidance and oversight, execution of sound contracting techniques and approaches, and the agency's current procurement application. OIG reviews also show that the FTC faces challenges in retaining and managing a fully competent agency cadre of Contracting Officers (COs) and Contracting Officer's Representatives (CORs). Some CORs lack general knowledge of the procurement process and are unaware of the most appropriate contract vehicle. CORs also have difficulty gathering and drafting requirements for contract solicitations, including proper performance metrics that measure progress toward satisfaction of contract objectives, and addressing poor contractor performance. Consequentially, the FTC risks poor contractor performance; losing money on unnecessary or poorly written contracts; and costly contract modifications and other adverse consequences from contracts that are not adequately written and deficient products and services delivered.

Significant turnover in the staff responsible for administering, supporting, and overseeing the agency's acquisition program has disrupted the contract management process. For example, in FY 2015, two veteran COs departed; and the FTC hired a new Chief Acquisition Officer, four new COs, and a new vendor to provide contract management support. While staffing changes can introduce opportunities for improvements in process and program re-design, the staff "churn" experienced at the FTC poses operational risks due to lack of program continuity and consistency. This risk is particularly evident for CORs, who collaborate with COs during the requisition, contract award, and contract administration processes. Different COs may have different interpretations of the Federal Acquisition Regulations (FAR) and the COR role in monitoring contract performance. The absence of clear and timely communication of procedures, practices, and roles can result in inconsistent and ineffective contract management. Further complicating the contract management challenge is that the contract administration support application is not integrated with FTC's financial system and does not provide contract funding or status visibility to the COR or CO. Without such capabilities, FTC contract administration staff must manually track significant contract events such as period of performance warning and end dates, and funding status and "burn rates."

To address this challenge, in FY 2016, the FTC will begin a multi-year process to fully integrate its procurement and financial systems. The new system is intended to integrate the FTC's acquisition and financial systems to provide improved data transparency and help the agency realize its Strategic Plan Objective 3.1, to "optimize resource management and infrastructure." Successfully updating agency processes, policies and guidance for the new system and training staff in effective use of the expanded capabilities will be an ongoing challenge.

**Agency Progress in Addressing the Challenge**

While the FTC has had significant turnover in contracting staff and support in FY 2015, the Financial Management Office (FMO) has been working diligently to improve the agency's procurement program. Under its new leadership, FMO's Acquisitions Branch is rebuilding and specifically directing its efforts to delivering clear and consistent guidance and advice and more robust customer support through: 1) improved COR education; 2) improved management controls in, and the restructuring of, the Acquisitions Branch; 3) revised policy and procedures; and 4) implementation of an electronic contract life cycle support system.

For example, Contracting Officer Representative (COR) education is a priority for both FMO management and the Chief Acquisitions Officer (CAO). FMO hosted required COR training in July 2015 and will provide quarterly training going forward. Training topics will address current COR needs and be directed towards maturing the FTC COR community's knowledge base. Easy to access COR resources are being developed on key procurement business processes, similar to the resources that FMO provided on expert witnesses in 2014. FMO is committed to tracking COR information manually until the Contract Lifecycle Module (CLM), discussed more fully below, is online in FY 2016. CLM will allow COR information to be electronically updated and will provide reports of current CORs.

The new CAO has built considerable structure around the contract file documentation and award review processes, ensuring a level of consistency and that staff are held accountable to all appropriate FAR standards. In FY 2015, the Acquisitions branch was restructured into three teams, focused around key customers – the Administrative Services Office, the Office of the Chief Information Officer, and the Bureaus and Offices, with a separate dedicated Contracting Officer to support contracts for expert witnesses. Team leads and their colleagues meet weekly with their customers so that there is a constant, free-flow of information throughout the procurement process. Additionally, the Acquisitions Branch is contracting with an acquisition support provider to provide liaisons to each of its major customers. The liaisons will provide guidance on the acquisition process; ensure proper documents necessary for contracting are in place; assist customers with initiating contract actions; and usher the acquisition through the process so that both the Acquisitions Branch and the customer maintain visibility and confidence throughout the entire process. This too should help increase COR confidence in, and knowledge about, the acquisition process.

The CAO has directed a review of all policy and that new policies and procedures consistent with the latest FAR provisions and other relevant federal regulations be drafted as required. When completed, the Acquisitions Branch will have standardized policies and procedures that will govern and simplify contracting actions for all contracting officers and CORs. This standardization will give consistency to all acquisition actions, which in turn will make operations more efficient and ensure compliance with federal regulations and guidance. The CAO also conducted a thorough review of all staff performance objectives to ensure that required annual training is completed and staff obtains additional professional development opportunities to stay current and to improve their overall acquisition knowledge and performance.

As noted above, the FTC is working with the agency's shared service provider, IBC, to implement a contract lifecycle management module for FTC's financial system. CLM will greatly improve the way the FTC buys goods and services, routes requisitions, and administers and reports contract information. It will provide much needed visibility to CORs into the funding status of their contracts. A dedicated project manager will work with FMO, IBC, and agency stakeholders to help manage CLM's implementation and document needed business process changes. FMO will also obtain a third party, independent verification and validation of CLM's implementation to ensure that it meets FTC's requirements. Finally, FMO has assembled an agency-wide workgroup to help update business processes, gather requirements, and train others. The workgroup, composed of agency employees familiar with submitting requisitions and the acquisitions process, is poised to help ensure a smooth and positive transition to the new system.

The above-noted changes have taken time to put in place, and while a number of these efforts are still ongoing, now that the branch is right-sized, customer-focused, and providing more consistent guidance, we are confident that the agency' procurement program is positioned for success.

**4. Stabilizing the Agency's eDiscovery Support System**

The FTC maintains a litigation support platform that functions as an eDiscovery Support System (eDSS) for legal processing and legal review. Through a contract award in 2012, the eDSS was intended to enable the FTC's two litigating Bureaus – Competition and Consumer Protection – and the FTC's eight remote Regional Offices to store, process, review, and tag large sets of data for its cases. Competition case teams use the platform in their litigation efforts challenging mergers and acquisitions and anticompetitive conduct. Consumer protection case teams use the eDSS to support enforcement of federal consumer protection laws.

The eDSS was not effectively integrated into the FTC technical infrastructure and FTC business practices. As a result, it has experienced significant management and technical deficiencies, including cost overruns and persistent system latency. The persistent technical issues impede users' ability to rely upon the platform to move between documents or retrieve data – all critical requirements in deadline-driven litigation.

The eDSS challenges are complicated by the FTC's inability to perform basic troubleshooting and root cause analyses. For example, the lack of appropriate technical tools and lack of understanding of concurrent processing and system logging restrict the FTC from effectively evaluating workload impacts due to difficulties in determining the number of concurrent users. Echoing other management challenges the OIG identified this year, there is no formal process for problem follow-up, monitoring the aging of trouble reports, or oversight of actions taken and/or required to assess and resolve the eDSS problems.

The eDSS was intended to replace six obsolete legacy systems, process four terabytes of data daily (Bureau cases can each require a range of 300 GB to 4 TB of storage), and permit access for 150 concurrent-license users. Due to persistent outages and functionality issues, these objectives have not been achieved after three years of contract performance. FTC litigation teams have adapted as best they can to continue to bring successful cases.

Stabilizing the eDSS is essential to enabling the FTC to accomplish its competition and consumer protection missions. The FTC needs to support "big data" analyses, especially as the volume of data that must be processed continues to increase and analytical approaches become more complex. In FY 2016, the OIG will complete an evaluation of the root causes of the eDSS performance and management issues. The evaluation will contain recommendations to mitigate performance risk with the current eDSS platform and to prevent similar occurrences in future efforts to modernize and enhance the FTC technological case and data analysis capabilities.

**Agency Progress in Addressing the Challenge**

The OCIO is actively working on improving the performance and stability of the eDiscovery Support System (also known as EDSS). After continued performance issues in June 2015, OCIO prepared an after-action report (AAR) documenting lessons learned, root cause analysis, and recommendations for future improvements. The AAR will be presented to the IT Governance Board in October 2015 for review and approval of the recommended course of action. The recommended course of action includes increasing resources to support the application, implementing better performance monitoring and issue tracking, and streamlining the acceptance testing process to decrease the time and effort needed to perform upgrades and software patches needed to fix code errors and security vulnerabilities (hotfixes). The additional resources requested will provide OCIO with the expertise needed to troubleshoot performance problems, perform timely upgrades and patches, and implement necessary changes to the configuration to improve performance and functionality.

The move to implement timely upgrades and patches are critical to improving EDSS's performance. These upgrades are critical to ensuring errors or bugs in the application code are fixed before causing major performance degradation. To streamline the process for implementing upgrades and hotfixes, the OCIO is recommending moving the development and acceptance test functions for EDSS to a testing platform in the production environment. This will provide a dedicated development and testing environment without the constant configuration changes in the standard development and testing environment, which will lead to faster deployment of bug fixes and patches. The OCIO is also proposing, as part of the AAR, a service-level agreement to require implementing hotfixes 14 calendar days after release and upgrades 30 calendar days after release of the first service pack.

As the OCIO continues to troubleshoot and make improvements to the EDSS application and the underlying infrastructure, system performance will be closely monitored to validate whether the configuration changes are actually improving performance. In support of monitoring, OCIO will conduct an overall analysis review of the As-Is environment for EDSS, document configuration baselines, and establish performance benchmarks for future EDSS updates. Additionally, the OCIO will define infrastructure performance metrics for a number of parameters to include server and network utilization. This will assist the OCIO in further determining whether performance issues arise from the application or the infrastructure.

Looking toward the future, the OCIO will begin an analysis of alternatives for the EDSS application to begin preparation for the expiration of the EDSS contract in FY 2017. As part of this alternative analysis, the OCIO and business owners in the bureaus will analyze alternative applications, including externally hosted solutions, and determine whether EDSS is still the best option for the agency's current and future litigation support, eDiscovery, and "big data" requirements.

## 5. Ensuring Compliance with Digital Records Management Requirements

In November 2011, the President signed a Presidential Memorandum, *Managing Government Records*, instituting a government-wide effort to reform records management policies and practices. In August 2012, OMB and the National Archives and Records Administration (NARA) issued a “Managing Government Records Directive” that requires “to the fullest extent possible, [federal] agencies eliminate paper and use electronic recordkeeping.” We must address these challenges while using the opportunity to develop a 21st-century framework for the management of Government records.

The OMB/NARA Directive requires federal agencies to make several changes in records management processes. The Directive states: “By December 31, 2016, Federal agencies must manage all email records in an electronic format. Email records must be retained in an appropriate electronic system that supports records management and litigation requirements (which may include preservation-in-place models), including the capability to identify, retrieve, and retain the records for as long as they are needed. Beginning one year after issuance of this Directive, each agency must report annually to OMB and NARA the status of its progress toward this goal.” The Directive also states: “By December 31, 2019, all permanent electronic records in Federal agencies will be managed electronically to the fullest extent possible for eventual transfer and accessioning by NARA in an electronic format.”

The Directive has significant implications for FTC operations. It requires a shift from paper to digital records wherever possible, and to provide appropriate training to FTC staff. The FTC will need to reconsider its records organizations procedures from the authoring and creation of records; to the methods and tools used to acquire, store, track, and retrieve them; and, finally, to their disposal.

The FTC Congressional Budget Justifications for FY 2015 and FY 2016 set forth the same strategies for an FTC transition to electronic information resource management: “(1) Developing an agency-wide information governance policy that provides enterprise-level standards for file structures for organizing information, mandatory and optional metadata (searchable information about the document), document naming conventions, access restrictions, and retention rules and triggers. (2) Implementing an Enterprise Content Management System (ECMS) that staff will use to draft, collaborate on, and finalize work, including consumer protection and competition case filings. The ECMS will enable us to maintain agency records in a secure electronic format for the required retention period and to transfer permanent agency records to the National Archives and Records Administration (NARA) [in an electronic format].” Enterprise Content Management System electronic information resource management with the following: an agency-wide information governance policy that provides enterprise-level standards for structured, organized information; mandatory and optional metadata; uniform document naming conventions; access restrictions; and retention rules and triggers. Such a strategy will enable the FTC to maintain agency records in a secure electronic format for the required retention period, and transfer permanent agency records to NARA as necessary.

To fully comply with the OMB/NARA directive and other legal requirements regarding electronic recordkeeping, the transition to digital records management will require the FTC's continued focus in FY 2016. In particular, the Records and Filings Office must provide guidance and enhanced search capacities for electronic documents. The agency also must continue to train staff in identifying and labeling federal records (including emails), as well as proper and NARA-compliant retention and disposition of records.

**Agency Progress in Addressing the Challenge**

NARA approved a new comprehensive records retention schedule for the FTC in 2012. This records retention schedule is media neutral and thus gives the FTC the legal authority to maintain its federal records in electronic format. The transition to maintaining agency records in electronic format is well underway. FTC staff currently store and access electronic information in shared network drives, following the FTC's Shared Network Space policy that was established in 2006. This policy establishes a high-level folder structure and enhances the ability to control access privileges to information. In 2013, FTC's Records and Filings Office (RFO) issued guidance to agency staff that federal records – including email records – can be stored on shared drives as part of the matter file. Use of shared drives to store records is consistent with the agency's business process and with NARA Bulletin 2012-02 (December 6, 2011), on "Guidance on Managing Content on Shared Drives," and meets the OMB/NARA Directive requirement to manage all email records in an electronic format by 2016. In 2015, RFO developed a new Managing Your Electronic Files tip sheet that provides additional guidance to agency staff on managing records (including email) in electronic format.

As part of the transition to maintaining agency records in electronic format, the FTC continues to use our Electronic Recordkeeping Certification Review (ERCR) process to evaluate recordkeeping requirements for existing and new systems. RFO has certified two systems to house permanent electronic records – the Matter Management System 2 and the E-Filing system for FTC administrative litigation. In FY 2015, RFO enhanced the E-Filing system to include non-public filings, electronic service of filings, and an electronic docket. These enhancements make the FTC administrative litigation process and its official records virtually fully electronic.

RFO is working with agency stakeholders to develop information governance for FTC records. This includes file structures, metadata, naming conventions, access restrictions, and retention rules and triggers. The FTC plans to utilize an Enterprise Content Management System (ECMS) to maintain agency records for the required retention period and to transfer permanent agency records to NARA in electronic format. The FTC plans to incorporate the management of email records in the ECMS. The ECMS will provide enhanced search capacities for electronic documents and meet the OMB/NARA Directive requirement to manage permanent electronic records electronically by 2019. In FY 2015, the agency continued planning for transition to an ECMS, as part of FTC's overall IT modernization strategy.

# CHAIRWOMAN'S RESPONSE TO IG-IDENTIFIED CHALLENGES

OFFICE OF THE CHAIRWOMAN

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

**MANAGEMENT'S RESPONSE TO THE MANAGEMENT AND PERFORMANCE CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL**

In a memorandum dated October 15, 2015, the agency's Inspector General (IG) identified five challenges facing management. The Federal Trade Commission concurs with the IG on these challenges and with the IG's assessment of agency progress addressing the challenges. Moving forward, FTC management will continue its efforts to address these challenges proactively.

Signed ______________________
Edith Ramirez
Chairwoman
October 30, 2015

# 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 |

# SCHEDULE OF SPENDING

The Schedule of Spending (SOS) provides an overview of how and on what the FTC spent money during FY 2015 and FY 2104. The data used for this schedule is the same data used for the Statement of Budgetary Resources (SBR). The term "spend", as used in this report, means obligated. As such, this data does not equate to expenses as reported on the Statement of Net Cost. The SOS provides summary level information by mission for the "Obligations Incurred" line on the SBR. The FTC has two primary missions – Protect Consumers and Maintain Competition.

| (Dollars in thousands) | 2015 | 2014 |
|---|---|---|
| **What Money is Available to Spend?** | | |
| Total Resources | $ 327,412 | $ 361,585 |
| Less amount available but not agreed to be spent | 11,747 | 23,893 |
| Less amount not available to be spent | 10,371 | 3,554 |
| **Total Amounts Agreed to be Spent** | $ 305,294 | $ 334,138 |
| | | |
| **How was the Money Spent/Issued?** | | |
| **Consumer Protection** | | |
| Personnel compensation and benefits | $ (109,290) | $ (106,869) |
| Contractual services | (42,733) | (54,061) |
| Rent, communications, and utilities | (16,306) | (20,418) |
| Acquisition of assets | (7,012) | (9,796) |
| Other | (2,035) | (1,988) |
| Total Consumer Protection | (177,376) | (193,132) |
| **Maintain Competition** | | |
| Personnel compensation and benefits | (78,816) | (78,025) |
| Contractual services | (30,819) | (39,470) |
| Rent, communications, and utilities | (11,759) | (14,907) |
| Acquisition of assets | (5,057) | (7,152) |
| Other | (1,467) | (1,452) |
| Total Maintain Competition | (127,918) | (141,006) |
| **Total Amounts Agreed to be Spent** | $ (305,294) | $ (334,138) |
| | | |
| **Who did the Money go to?** | | |
| Federal entities | $ (72,776) | $ (78,850) |
| Non-Federal entities | (232,518) | (255,288) |
| **Total Amounts Agreed to be Spent** | $ (305,294) | $ (334,138) |

In accordance with OMB Circular A-136, Section II.5.1, the Schedule of Spending is not a required part of the Financial Statements and, therefore, it is not audited.

# THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT REPORTING DETAILS

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 fiscal year 2015 risk assessment for nine payment processes including payroll, procurement, redress payments to consumers, travel, purchase card, pre-merger filing fee refunds, training, and two miscellaneous payment processes. Each payment program was defined by its own internal control framework. The FTC evaluated each payment program 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 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 program or activity was recently initiated at the agency
- The volume of payments made annually
- Results from prior improper payment work

The FTC also performed a quantitative risk assessment and 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 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. In addition to the risk assessment of all payment processes, the Interior Business Center (IBC), the FTC's shared service provider, compares the FTC's payee records in the financial system with payee records in the Do Not Pay databases. Additionally, the FTC reviews potential matches on an on-going basis to prevent improper payments and incorporates a pre-award check on potential contractors against the Do Not Pay databases. 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. In conjunction with the IBC, the FTC's review of all payments made in FY 2015 confirmed that the FTC did not make any improper payments in FY 2015.

# THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT REPORTING DETAILS (CONTINUED)

| | Number (#) of Payments Reviewed for Possible Improper Payments | Dollars ($) of Payments Reviewed for Possible Improper Payments | Number (#) of Payments Stopped | Dollars ($) of Payments Stopped | Number (#) of Potential Improper Payments Reviewed and Determined Accurate | Dollars ($) of Potential Improper Payments Determined Accurate |
|---|---|---|---|---|---|---|
| Reviews with the IPERIA specified databases | 9,445 | $ 157.2M | 0 | $ 0.00 | 0 | $ 0.00 |
| Reviews with databases not listed in IPERIA | 0 | $ 0.00 | 0 | $ 0.00 | 0 | $ 0.00 |

All payments are screened by the Do Not Pay databases including the Death Master File, the System for Award Management, the Debt Check Database of the Department of the Treasury (Debt Check), the Credit Alert System or Credit Alert Interactive Voice Response System of the Department of Housing and Urban Development, the List of Excluded Individuals/Entities of the Office of the Inspector General of the Department of Health and Human Services, and the Prisoner Update Processing System of the Social Security Administration.

# "FREEZE THE FOOTPRINT" IMPLEMENTATION

| | FY 2012 | FY 2015 | CHANGE |
|---|---|---|---|
| Rentable Square Footage | 638,877 | 610,662 | 28,215 |

FY 2015 – Increased square footage due to re-evaluation of space in newly obtained facility, Constitution Center. The agency's total square footage did not increase above the FY 2012 baseline, which is consistent with, OMB Memorandum M-12-12 Section 3.

In FY 2017, the Federal Trade Commission will off-set the FY 2015 increase of 3,536 square feet by reducing our footprint by 3,620 square feet in several Regional offices as their leases expire.

The Federal Trade Commission will continue our efforts to reduce our office footprint each time we renew a lease with GSA.

FTC has no buildings that meet the requirements to report operations and maintenance costs.

# CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

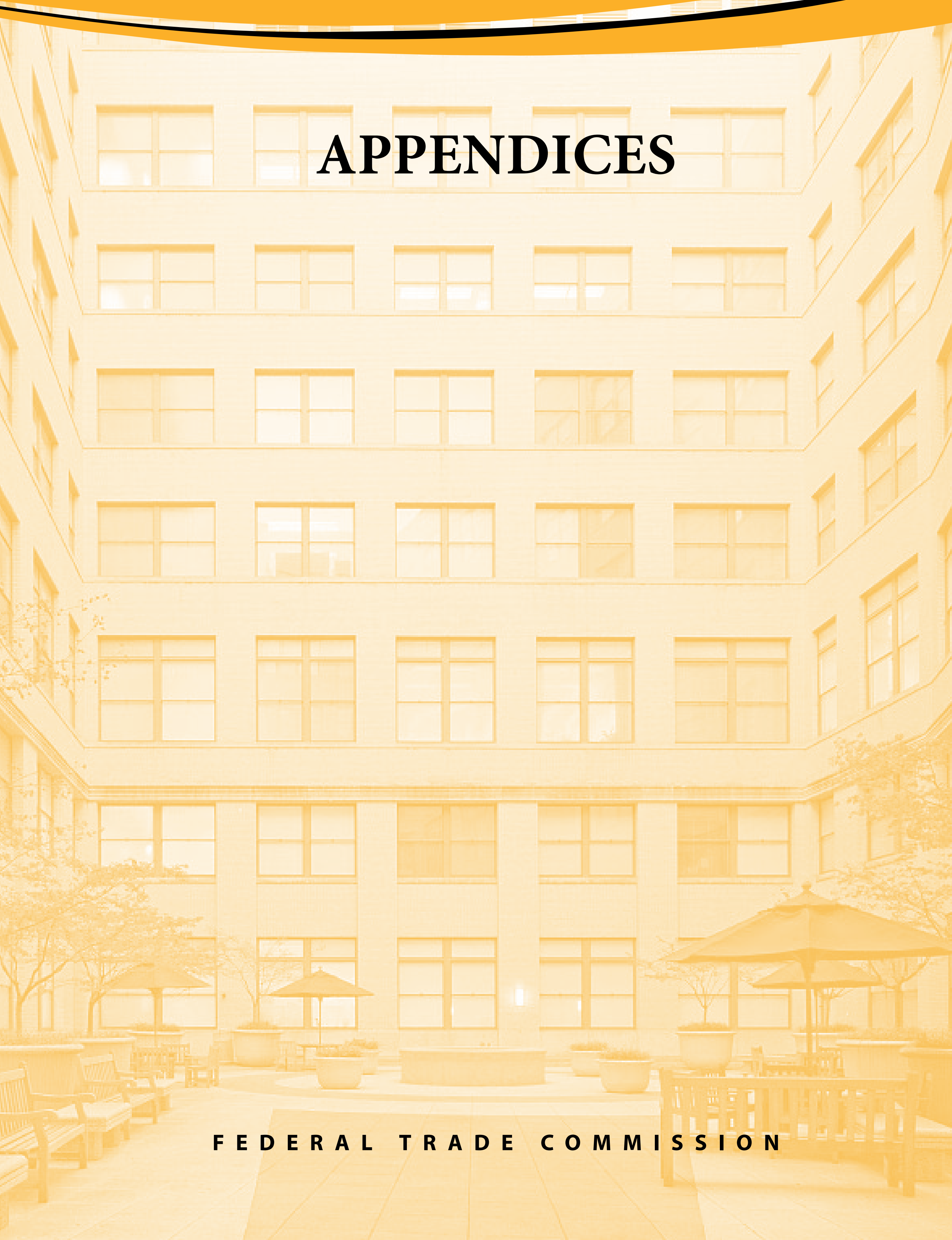
The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. This table reports the most recent inflationary adjustments to civil monetary penalties.

| Penalty | Authority (Statute) | Date of Previous Adjustment | Date of Current Adjustment | Current Penalty Level |
|---|---|---|---|---|
| Violations of cease and desist orders | The Clayton Act<br>Section 7A(g)(1)<br>15 U.S.C 18a(g)(1) | January 2005 | February 2009 | $16,000 |
| | The Clayton Act<br>Section 11(l)<br>15 U.S.C. 21(l) | February 2009 | April 2014 | $8,500 |
| Failure to file reports required by the FTC Act | The FTC Act<br>Section 5(l)<br>15 U.S.C. 45(l) | January 2005 | February 2009 | $16,000 |
| | The FTC Act<br>Section 5(m)(1)(A)<br>15 U.S.C. 45(m)(1)(A) | January 2005 | February 2009 | $16,000 |
| | The FTC Act<br>Section 5(m)(1)(B)<br>15 U.S.C. 45(m)(1)(B) | January 2005 | February 2009 | $16,000 |
| Failure to file reports required by the FTC Act | The FTC Act<br>Section 10<br>15 U.S.C. 50 | November 1996 | April 2014 | $210 |
| Failure to file required business information with the Commission | The Webb-Pomerene (Export Trade) Act<br>Section 5<br>15 U.S.C. 65 | November 1996 | April 2014 | $210 |
| Failure to maintain proper records of fiber content | The Wool Products Labeling Act<br>Section 6(b)<br>15 U.S.C. 68d(b) | November 1996 | April 2014 | $210 |
| Failure to maintain records | The Fur Products Labeling Act<br>Section 3(e)<br>15 U.S.C. 69a(e) | November 1996 | April 2014 | $210 |
| | The Fur Products Labeling Act<br>Section 8(d)(2)<br>15 U.S.C. 69f(d)(2) | November 1996 | April 2014 | $210 |
| FTC enforcement of knowing violations | The Energy Policy and Conservation Act<br>Section 333(a)<br>42 U.S.C. 6303(a) | November 1996 | April 2014 | $210 |

# CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (CONTINUED)

| Penalty | Authority (Statute) | Date of Previous Adjustment | Date of Current Adjustment | Current Penalty Level |
|---|---|---|---|---|
| Recycled oil labeling violations | The Energy Policy and Conservation Act<br>Section 525(a)<br>42 U.S.C. 6395(a) | February 2009 | April 2014 | $8,500 |
| | The Energy Policy and Conservation Act<br>Section 525(b)<br>42 U.S.C. 6395(b) | January 2005 | February 2009 | $16,000 |
| FTC enforcement of knowing violations | The Fair Credit Reporting Act<br>Section 621(a)(2)<br>15 U.S.C. 1681s(a)(2) | January 2005 | February 2009 | $3,500 |
| Failure to comply with filing requirements | The Medicare Prescription Drug Improvement and Modernization Act of 2003<br>Public Law 108-173<br>Section 1115(a)<br>21 U.S.C. 355 note | January 2005 | April 2014 | $12,100 |
| Violations of prohibitions on market manipulation and provision of false information to federal agencies | The Energy Independence and Security Act of 2007<br>Section 814(a)<br>42 U.S.C. 17304 | February 2009 | April 2014 | $1,100,000 |

# APPENDICES



FEDERAL TRADE COMMISSION

# APPENDIX A: DATA QUALITY INFORMATION

## STRATEGIC GOAL 1 – PROTECT CONSUMERS

### OBJECTIVE 1.1 – IDENTIFY AND TAKE ACTIONS TO ADDRESS DECEPTIVE OR UNFAIR PRACTICES THAT HARM CONSUMERS.

***Performance Goal 1.1.3:*** Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement.

**Definition and background:** This measure tracks how much money the FTC's law enforcement efforts save consumers each year. The FTC has found that typically when it files a complaint in federal district court and obtains a court order, the defendants stop their practices. If they fail to comply with an order, they are subject to contempt proceedings. By stopping these practices, the agency directly prevents further consumer losses caused by these defendants.

**Calculation/Formula:** The sum of the estimated consumer savings generated and the amount of money the FTC returned to consumers, divided by the amount of resources spent on consumer protection law enforcement for the current fiscal year. The Consumer and Business Education and Economics and Consumer Policy resources are excluded from the base.

**Data sources:** To make dollar value assessments, staff uses company sales and other records, as well as information from employees and customers, where applicable. Bureau of Consumer Protection (BCP) case managers derive the amount of economic injury to consumers 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 staff action directed specifically at a business, that business stops its allegedly unfair or deceptive practices. Staff is surveyed by email after the completion of a case to determine the dollar value assessments. Estimates will be reported in the Debrief in the Redress and Enforcement Database in mid fiscal year 2016. See goal 1.1.4 for more information about the total amount of money returned to consumers.

**Verification and validation:** The consumer savings by case are maintained in a spreadsheet by BCP staff in the Division of Consumer Response and Operations (DCRO). The spreadsheet is reviewed quarterly by headquarters and regional office management to verify the accuracy of the report and to ensure that all applicable cases are included in the report.

**Data limitations:** The calculation does not perfectly estimate the agency's impact because it assumes that the challenged business practices would have continued for only one more year and it ignores the deterrent effect of FTC enforcement.

***Performance Goal 1.1.4:*** Amount of money the FTC returned to consumers and forwarded to the U.S. Treasury.

**Definition and background:** The amount of money includes the sum of redress checks cashed by consumers and all other amounts of money collected from defendants that is forwarded to the U.S. Treasury.

**Calculation/Formula:** Sum of redress checks cashed by consumers, the amount of residual redress money or defendants' disgorged profits that are forwarded to the U.S. Treasury, and the amount of civil penalties collected that are also forwarded to the U.S. Treasury.

**Data sources:** The redress data is based on sub-ledger reports from the agency's Financial Management Office (FMO), redress contractor reports, and matter bank statements. The civil penalty data is summarized in a spreadsheet maintained by BCP staff in DCRO.

**Verification and validation:**

1. The Redress Administration Office (RAO) in DCRO reconciles monthly activity reports submitted by the redress contractors and FMO with matter bank statements.

2. RAO reconciles the monthly FMO sub-ledger with the redress status of each individual matter.

3. BCP budget staff reconciles the civil penalty spreadsheet with a separately maintained spreadsheet that includes a list of all civil penalty orders in the current fiscal year. BCP budget staff also reconciles the civil penalty spreadsheet with data maintained by FMO and with memos received by the Department of Justice, which contain copies of the checks and electronic fund transfers for civil penalty disgorgements.

**Data limitations:** The amount of money is not a perfect measure of the effectiveness of the agency's work protecting consumers. If the FTC steps in and stops scams in their incipiency, there is less injury and therefore less redress provided in those situations but consumers are undoubtedly better off. Also, the amount of money returned/forwarded to the U.S. Treasury may depend on the amount of money the defendants have to satisfy the judgment.

## OBJECTIVE 1.2 – PROVIDE THE PUBLIC WITH KNOWLEDGE AND TOOLS TO PREVENT HARM TO CONSUMERS.

***Performance Goal 1.2.2:*** Number of federal, state, local, international, and private partnerships to maximize the reach of consumer and business education campaigns.

**Definition and background:** This measure helps determine the extent to which FTC's education tools reach consumers through partnerships with federal, state, local, international, and private organizations. These organizations work as partners with the FTC by distributing these materials to their clients and customers. BCP maximizes its reach to consumers and businesses by providing free bulk quantities of education materials via an online order system.

**Data sources:** The data is compiled from the number of organizations ordering consumer and/or business education materials for distribution. This data comes from the database of customer orders.

**Verification and validation:** The data for organizations disseminating materials is obtained from the data file generated by the FTC's online order site for bulk quantities of publications. That information is filtered to include only orders by organizations – not individuals – and duplicates are excluded. The result is a list of unique organizations that ordered the FTC's education publications for dissemination to consumers and businesses.

**Data limitations:** The data is compiled from customer input via the online order website. If customers fail to enter an organization name, they are not included in this measure, which could result in under reporting. There is no feasible workaround to mitigate this limitation.

## OBJECTIVE 1.3 – COLLABORATE WITH DOMESTIC AND INTERNATIONAL PARTNERS TO ENHANCE CONSUMER PROTECTION.

***Performance Goal 1.3.2:*** Number of investigations or cases in which the FTC obtained foreign-based evidence or information or engaged in other mutual assistance that contributed to FTC law enforcement actions, or in which the FTC cooperated with foreign agencies and/or multilateral organizations on enforcement matters.

**Definition and background:** This measure tracks investigations or cases in which the FTC obtains foreign-based evidence; engages in mutual assistance that contributes to FTC law enforcement actions; or in which the FTC cooperates with foreign agencies and/or multilateral organizations on enforcement matters.

**Data sources:** Office of International Affairs (OIA) weekly reports and internal tracking sheets.

**Verification and validation:** Consumer protection team members report matters they worked on in which information was shared. Staff reviews and compiles the matters reported. Managers review these matters to ensure that they qualify as part of the measure and have not been previously counted.

**Data limitations:** Review is necessary to avoid double counting of particular matters.

# STRATEGIC GOAL 2: MAINTAIN COMPETITION

## OBJECTIVE 2.1 – IDENTIFY AND TAKE ACTIONS TO ADDRESS ANTICOMPETITIVE MERGERS AND PRACTICES THAT HARM CONSUMERS.

*Performance Goal 2.1.1:* Percentage of actions taken to maintain competition in substantial merger and nonmerger investigations.

**Definition and background:** This measure ensures that FTC actions promote vigorous competition by preventing anticompetitive mergers and stopping business practices that diminish competition. This measure reflects actions to promote competition, including litigated victories, consent orders, abandoned transactions, or restructured transactions (either through a fix-it-first approach or through restructuring) in a significant percentage of substantial merger and nonmerger investigations.

**Calculation/Formula:** The measure is calculated by taking the number of substantial investigations concluded with an action (as described in the definition above) divided by the total number of substantial investigations closed.

**Data sources:** To ensure consistent reporting within the Bureau of Competition (BC), press releases are the primary source of information for public actions, such as consent orders and judicial review outcomes. Internal communications from staff attorneys are used to identify those investigations that were closed because parties abandoned a transaction or because staff did not find the transaction likely to harm competition. This information is then used to populate BC's enforcement database. It is cross-referenced with both the list of known second request and compulsory process merger investigations as recorded in the agency's matter tracking database and the list of nonmerger investigations with more than 150 hours, as identified using the agency's staff time reporting system.

**Verification and validation:** The data is entered into a BC database by staff and reviewed monthly by analysts, attorneys, economists, and senior management.

**Data limitations:** This measure does not include actions that are still in litigation or on appeal.

*Performance Goal 2.1.3:* Total consumer savings compared to the amount of FTC resources allocated to the merger program.

**Definition and background:** This measure ensures that the FTC's actions are in part guided by the requirement that estimated consumer savings exceed how much is spent on the merger program.

**Calculation/Formula:** Estimated consumer savings are divided by the amount of resources spent on the merger program for the current fiscal year. Consumer savings are calculated by adding the estimated consumer savings of individual merger actions for the current fiscal year plus the previous four fiscal years and dividing the sum by five. When available, case-specific data is used 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.

**Data sources:** The lead attorney estimates consumer savings for a particular case using the applicable estimation formula and submits it to the Bureau of Economics for concurrence. The FTC's financial system provides the amount of resources expended on the merger program.

**Verification and validation:** See goal 2.1.1.

**Data limitations:** The data is dependent on the estimates of consumer savings made by staff in accordance with the applicable estimation formulas. Additionally, a five-year average is used because an individual year may be heavily influenced by significant cases in that year.

*Performance Goal 2.1.5:* Total consumer savings compared to the amount of FTC resources allocated to the nonmerger program.

**Definition and background:** This measure ensures that the FTC's actions are in part guided by the requirement that estimated consumer savings exceed how much is spent on the nonmerger program.

**Calculation/Formula:** This measure is calculated by taking the estimated consumer savings divided by the amount of resources spent on the nonmerger program. Consumer savings are calculated by taking the sum of the estimated consumer savings in nonmerger actions for the current fiscal year plus the previous four fiscal years, and dividing the sum by five. When available, case-specific data is used to generate the estimate of consumer savings.

Otherwise, staff uses a formula of one percent of the volume of commerce of the relevant product market(s) for one year.

**Data sources:** The lead attorney estimates consumer savings for a case using the applicable estimation formula and submits it to the Bureau of Economics for concurrence. The FTC's financial system provides the amount of resources expended on the nonmerger program.

**Verification and validation:** See goal 2.1.1.

**Data limitations:** The data is dependent on the estimates of consumer savings made by staff in accordance with the applicable estimation formulas. Additionally, a five-year average is used because an individual year may be heavily influenced by significant cases in that year.

### OBJECTIVE 2.3 – COLLABORATE WITH DOMESTIC AND INTERNATIONAL PARTNERS TO PRESERVE AND PROMOTE COMPETITION.

***Performance Goal 2.3.1:*** Percentage of FTC cases involving at least one substantive contact with a foreign antitrust authority in which the agencies followed consistent analytical approaches and reached compatible outcomes.

**Definition and background:** This measure tracks the number of cases in which at least one substantive contact has taken place and where, in the judgment of Office of International Affairs (OIA) management, consistent analytical approaches were observed, compared with the total number of cases. The phrase "reached compatible outcomes" means that the reviewing agencies' remedial measures are not inconsistent; professional judgment from OIA senior management is used to make a final decision on compatibility for FTC measurement purposes.

**Calculation/Formula:** Number of cases where a foreign antitrust authority or agency followed consistent analytical approaches and reached compatible outcomes as a percentage of the total number of cases the FTC has at least one substantive contact.

**Data sources:** OIA weekly reports and internal logs.

**Verification and validation:** International antitrust team members report matters they worked on in which substantial contact took place. Staff reviews and compiles the matters reported, as overseen by an international antitrust attorney. Managers review and ensure that the matters reported qualify for the measure.

**Data limitations:** Review is necessary to ensure that the matters reported included substantive contact with a foreign antitrust authority.

## STRATEGIC GOAL 3: ADVANCE ORGANIZATIONAL PERFORMANCE

### OBJECTIVE 3.1 – OPTIMIZE RESOURCE MANAGEMENT AND INFRASTRUCTURE.

***Performance Goal 3.1.4:*** Average number of days for the FTC to release information in response to a simple FOIA request.

**Definition and background:** The FTC receives a number of requests that upon initial review appear to be requests the agency can fulfill quickly. For example, a number of consumers file identity theft complaints or a complaint against a company they believe has engaged in bad acts and then request copies of what they submitted to the FTC. Responding to these requests is fairly simple and straightforward, and the requests represent a strong percentage of the types of requests the agency fills. This measure tracks the agency's response time in processing a simple FOIA request for access to public records. The agency also keeps track of a number of other measures on an annual basis, including: the FTC's response time for simple and complex requests; steps that the FTC has taken to make its response system effective; steps taken to increase proactive disclosures; steps taken to decrease the FTC's backlog and improve timeliness in responding to requests, and other measures. Those reports can be found here: http://www.ftc.gov/foia/chiefreports.shtm

**Calculation/Formula:** Sum of the number of days to process each request divided by the total number of requests processed.

**Data sources:** All of the FOIA requests that the FTC receives are logged into and processed through a system called FOIAxpress. FOIAxpress is one of the electronic systems that various agencies use to track their FOIA requests and responses.

**Verification and validation:** Generally, under the Freedom of Information Act an agency has 20 business days to respond to each request. When the FOIA Unit receives a FOIA request, it logs the request into the FOIAxpress system, scans it, and assigns a number to each request. These steps, once completed, trigger the clock to run for processing each request. FOIAxpress automatically counts the number of days it takes for the agency to process all FOIA requests.

**Data limitations:** Occasionally, when the agency upgrades FOIAxpress, the upgrade does not proceed smoothly and the agency has to repeat processing steps that have already occurred.

## OBJECTIVE 3.2 – CULTIVATE A HIGH-PERFORMING, DIVERSE, AND ENGAGED WORKFORCE.

***Performance Goal 3.2.2:*** The extent employees believe the FTC has the talent necessary to achieve organizational goals.

**Definition and background:** This measure gauges the extent employees think the organization has the talent necessary to achieve organizational goals so that the FTC has a strong foundation of organizational, individual, and management excellence driving mission success.

**Data sources:** The Federal Employee Viewpoint Survey Talent Management Index is the data source. The survey is administered annually by the U.S. Office of Personnel Management (OPM). It is a tool that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present. This survey was administered for the first time in 2002, and then repeated in 2004, 2006, 2008, 2010, 2011, 2012, 2013, 2014, and most recently in 2015. OPM transmits the agency results to the FTC's Human Capital Management Office.

**Verification and validation:** Data collected is weighted by statisticians to produce survey estimates that accurately represent the survey population and adjust for differences between the characteristics of the survey respondents and the population of federal employees surveyed. The weights developed take into account the variable probabilities of selection across sample domains, nonresponse, and known demographic characteristics of the survey population.

**Data limitations:** The survey results represent a snapshot in time of the perceptions of the workforce. The Government-wide results have a plus or minus 1 percent margin of error.

# APPENDIX B: ACRONYMS

| Acronym | Definition |
|---|---|
| AAR | After Action Report |
| AFR | Agency Financial Report |
| APP | Annual Performance Plan |
| APR | Annual Performance Report |
| BC | Bureau of Competition |
| BCP | Bureau of Consumer Protection |
| BE | Bureau of Economics |
| C & A | Certification and Accreditation |
| CAO | Chief Acquisitions Officer |
| CDM | Continuous Diagnostics and Mitigation |
| CFS | Core Financial System |
| CIGIE | Counsel of the Inspectors General on Integrity and Efficiency |
| CISO | Chief Information Security Officer |
| CLM | Contract Lifecycle Management |
| CO | Contracting Officer |
| COPPA | Children's Online Privacy Protection Act |
| COR | Contracting Officer Representative |
| CPO | Chief Privacy Officer |
| CSAM | Cyber Security Assessment and Management |
| CSRS | Civil Service Retirement System |
| DCRO | Division of Consumer Response and Operations |
| DHS | Department of Homeland Security |
| DNC | Do Not Call |
| DOJ | Department of Justice |
| DOL | Department of Labor |
| ECMS | Enterprise Content Management System |
| eDSS | eDiscovery Support System |
| EFT | Electronic Funds Transfer |
| ERCR | Electronic Recordkeeping Certification Review |
| FAR | Federal Acquisition Regulations |
| FASAB | Federal Accounting Standards Advisory Board |
| FBwT | Fund Balance with Treasury |
| FECA | Federal Employees' Compensation Act |
| FedRAMP | Federal Risk and Authorization Management Program |
| FEGLIP | Federal Employees' Group Life Insurance Program |
| FEHBP | Federal Employees' Health Benefit Program |
| FERS | Federal Employees' Retirement System |
| FICA | Federal Insurance Contributions Act |
| FISMA | Federal Information Security Management Act |

| Acronym | Definition |
|---|---|
| **FMFIA** | Federal Managers' Financial Integrity Act |
| **FMO** | Financial Management Office |
| **FOIA** | Freedom of Information Act |
| **FPPS** | Federal Personnel/Payroll System |
| **FTC** | Federal Trade Commission |
| **FTE** | Full-Time Equivalent |
| **FY** | Fiscal Year |
| **GAAP** | Generally Accepted Accounting Principles |
| **GAO** | Government Accountability Office |
| **GPRA** | Government Performance and Results Act |
| **GSA** | General Services Administration |
| **HSR** | Hart-Scott-Rodino Act |
| **IBC** | Department of the Interior Business Center |
| **IG** | Inspector General |
| **IOT** | Internet of Things |
| **IP** | Intellectual Property |
| **IPERIA** | Improper Payments Elimination and Recovery Improvement Act |
| **ISCM** | Information Security Continuous Monitoring |
| **IT** | Information Technology |
| **MDM** | Mobile Device Management |
| **N/A** | Not Applicable or Not Available |
| **NARA** | National Archives and Records Administration |
| **NIST** | National Institute of Standards and Technology |
| **OCIO** | Office of the Chief Information Officer |
| **OFF** | Oracle Federal Financials |
| **OIA** | Office of International Affairs |
| **OIG** | Office of Inspector General |
| **OMB** | Office of Management and Budget |
| **OPM** | Office of Personnel Management |
| **PAE** | Patent Assertion Entity |
| **PII** | Personally Identifiable Information |
| **PIO** | Performance Improvement Officer |
| **PMRO** | Performance Measure Reporting Official |
| **PP&E** | Property, Plant, and Equipment |
| **RAO** | Redress Administration Office |
| **RFO** | Records and Filings Office |
| **SAT** | Senior Assessment Team |
| **SBR** | Statement of Budgetary Resources |
| **SHI** | Sensitive Health Information |
| **SIL** | Secure Investigative Lab |
| **SPFI** | Summary of Performance and Financial Information |
| **SOS** | Schedule of Spending |
| **SSAE** | Statement on Standards for Attestation Engagements |
| **TAS** | Treasury Account Symbol |
| **VRM** | Vulnerability Risk Management |

# APPENDIX C: CONTACT INFORMATION AND ACKNOWLEDGEMENTS

| | |
|---|---|
| **FEDERAL TRADE COMMISSION** | 600 Pennsylvania Avenue, NW<br>Washington, D.C. 20580 |
| General Information Number | 202-326-2222 |
| Internet Home Page | www.ftc.gov |
| FTC Spanish Home Page | www.ftc.gov/espanol |
| Strategic Plan Internet Site | www.ftc.gov/strategicplan |
| FTC Press Releases | www.ftc.gov/news-events/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 | www.ftc.gov/reports/agency-financial-report-fy2015 |
| AFR Contact | Joseph O'Leska |
| AFR Telephone | 202-326-2716 |
| AFR Email Address | gpra@ftc.gov |
| AFR Fax Number | 202-326-3529 |
| AFR Mailing Address | Federal Trade Commission<br>attn: AFR, M/D H-774<br>600 Pennsylvania Avenue, NW<br>Washington, D.C. 20580 |

## REGIONS

| | |
|---|---|
| East Central (Cleveland, OH) | 216-263-3455 |
| Midwest (Chicago, IL) | 312-960-5634 |
| Northeast (New York, NY) | 212-607-2829 |
| Northwest (Seattle, WA) | 206-220-6350 |
| Southeast (Atlanta, GA) | 404-656-1390 |
| Southwest (Dallas, TX) | 214-979-9350 |
| Western (San Francisco, CA) | 415-848-5100 |
| Western (Los Angeles, CA) | 310-824-4343 |

## CONSUMER RESPONSE CENTER

| | |
|---|---|
| General Complaints | 877-FTC-HELP (877-382-4357) |
| Identity Theft Complaints | 877-ID-THEFT (877-438-4338) |
| Online General Complaints | www.ftc.gov/complaint |
| Identity Theft Education and Complaints | www.ftc.gov/idtheft |
| National Do Not Call Registry | www.donotcall.gov |

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