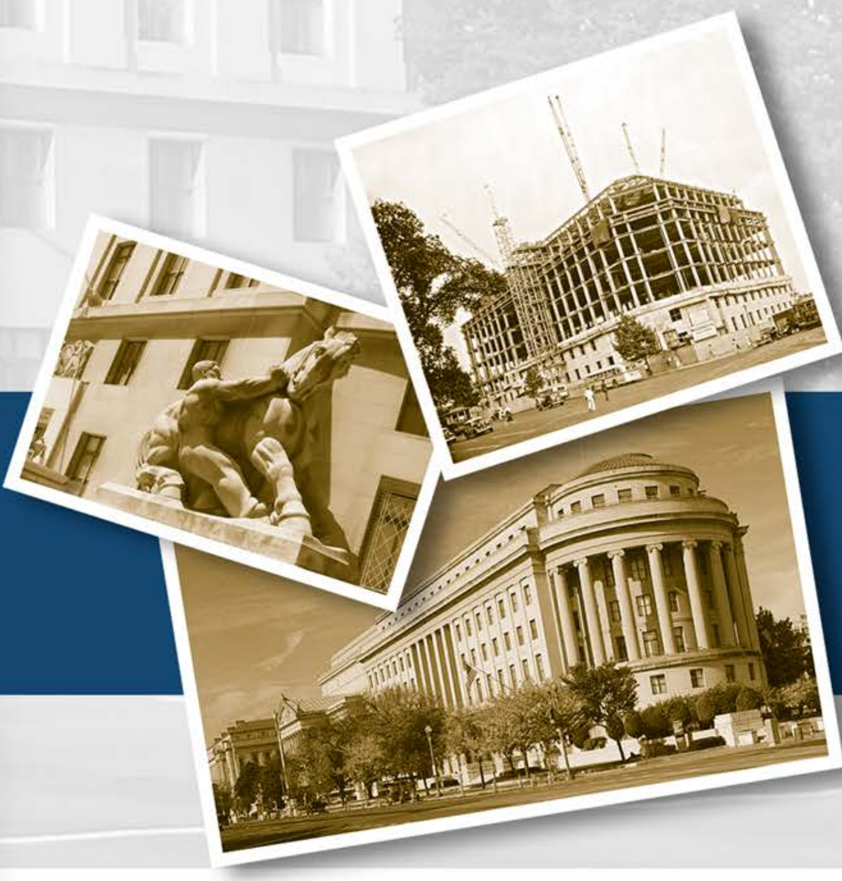
FEDERAL TRADE COMMISSION



FISCAL YEAR 2014
Agency Financial Report

FEDERAL TRADE COMMISSION • UNITED STATES OF AMERICA • MCMXV

ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2014 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 (http://www.ftc.gov/reports/agency-financial-report-fy2014), 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 IPERA
- Government Performance and Results Modernization Act of 2010
- Office of Management and Budget [OMB] Circular No. A-123, *Management's Responsibility for Internal Control*
- OMB Circular No. A-136, *Financial Reporting Requirements*

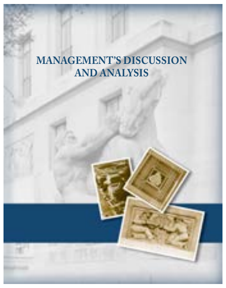
This is the first year the FTC has chosen to produce an AFR, with a primary focus on financial results, and an Annual Performance Report (APR), which focuses on strategic goals and performance results, in lieu of a combined Performance and Accountability Report (PAR). The FY 2014 APR will be combined with the FY 2016 Annual Performance Plan (APP) and included in the FY 2016 Congressional Budget Justification in February 2015. In addition, the FTC will produce a Summary of Performance and Financial Information (SPFI) in February 2015. Prior year FTC PARs are available electronically at 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 2013 PAR as well as a Special Recognition award for Best Presentation of Forward Looking Information and Future Challenges.

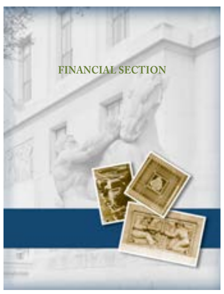
HOW THIS REPORT IS ORGANIZED

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



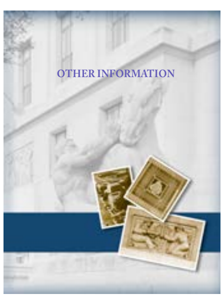
1. Management's Discussion and Analysis Section

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



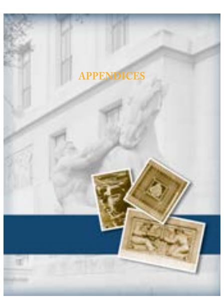
2. Financial Section

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



3. Other Information Section

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 performance goals and efficiency measures; Appendix B lists the acronyms used 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, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act and the Equal Credit Opportunity Act. In total, the Commission has enforcement or administrative responsibilities under more than 70 laws (see "Statutes Enforced or Administered by the Commission" 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 1,164 full-time equivalent employees at the end of FY 2014.
- Total new budget authority for FY 2014 was $298 million.

MESSAGE FROM THE CHAIRWOMAN

Edith Ramirez

Chairwoman

The Federal Trade Commission has a unique dual mission to protect consumers and promote competition in broad sectors of our economy. In FY 2014, 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 2014 PERFORMANCE HIGHLIGHTS

CONSUMER PROTECTION

This fiscal year, the FTC has focused on stopping a wide range of fraudulent practices, protecting consumer privacy and improving data security, combating unfair or deceptive conduct in the mobile marketplace, and prosecuting false or deceptive health and environmental claims.

The FTC has taken enforcement action to stop a variety of fraudulent practices, such as phony business opportunities and investment schemes. The FTC also has stopped scams that target specific communities, such as seniors or non-English speaking consumers. In one such case, at the request of the FTC, a federal court temporarily halted Oro Marketing, a telemarketing operation that allegedly targeted Spanish-speaking consumers with false promises that they could make money by reselling high-end goods such as Gucci and Ralph Lauren merchandise, and then charged them between $400 and $490 up-front for shoddy, off-brand products. The Agency also alleged that the telemarketers threatened consumers who refused to pay with arrest and phony lawsuits.

In the financial sector, the FTC announced "Operation Steer Clear," a nationwide sweep focusing on the sale, financing, and leasing of motor vehicles. The FTC charged ten auto dealers with making a variety of misrepresentations in their advertisements, falsely leading consumers to believe they could purchase vehicles for low prices, finance vehicles with low monthly payments, or make no upfront payment to lease vehicles.

The FTC has employed a multi-pronged approach to protect the privacy of consumers' personal information, including both policy efforts and law enforcement. Aaron's, a national rent-to-own retailer, agreed to settle FTC charges that it knowingly played a role in its franchisees' installation and use of software on rental computers that secretly monitored consumers, including taking webcam pictures of them in their homes. Credit Karma and Fandango agreed to settle FTC charges that they misrepresented the security of their mobile apps and failed to secure the transmission of millions of consumers' sensitive personal information from their mobile apps. Snapchat, the developer of a popular mobile messaging app, agreed to settle FTC charges that it deceived consumers with promises about the disappearing nature of messages sent through the service. These settlements are part of the FTC's ongoing effort to ensure that companies secure the applications they develop and keep their privacy promises to consumers.

In the technology sector, Apple Inc. and Google Inc. agreed to pay a minimum of $32.5 million and $19 million respectively, to settle FTC charges that the companies billed consumers for millions of dollars of charges incurred by children in kids' mobile apps without their parents' consent. Under the terms of the settlement agreements, the companies are required to change their billing practices to ensure that they have obtained express, informed consent from consumers before charging them for purchases made in mobile apps. The FTC also charged Amazon.com, Inc. with allegedly billing parents and other account holders for millions of dollars in unauthorized in-app charges incurred by children. The FTC's lawsuit seeks a court order requiring refunds to consumers for the unauthorized charges and requiring the company to obtain consent before billing for in-app charges.

The FTC continues to take action to fight mobile cramming to deter third parties from placing unauthorized charges on consumers' phone bills. The operators of Bullroarer, a massive mobile cramming scheme, agreed to surrender more than $10 million in assets to settle FTC charges they allegedly placed charges on consumers' mobile phone bills without their permission. The assets include the contents of numerous bank accounts; real estate in Los Angeles, Beverly Hills, and Chicago; and a number of cars and pieces of jewelry. The FTC charged mobile phone service provider T-Mobile USA, Inc. with making hundreds of millions of dollars by placing charges on mobile phone bills for purported "premium" SMS subscriptions that, in many cases, were bogus charges that were never authorized by its customers. According to the FTC's complaint, T-Mobile in some cases continued to bill its customers for these services offered by scammers years after becoming aware of signs that the charges were fraudulent.

The FTC continues to take action to stop false and unsubstantiated health claims. The FTC works to ensure that energy-efficient and environmentally-friendly product claims are truthful and based on solid evidence.

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.

In FY 2014, merger enforcement actions spanned numerous markets, including pharmaceuticals, hospitals, funeral homes and cemeteries, high tech goods, professional services, and supermarkets. The FTC brought four new non-merger actions including challenges to illegal coordination by competitors to increase prices, to restrict solicitation of competitors' clients, and to eliminate competition for endorsers of their products and for employees.

For the third time in two terms, the Supreme Court has granted certiorari in a case brought by the FTC. In May 2013, the U.S. Court of Appeals for the Fourth Circuit upheld a Commission ruling 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. Specifically, the Fourth Circuit agreed with the Commission that a state regulatory board dominated by self-interested private actors cannot shield its anticompetitive conduct from antitrust review using the state action doctrine. After an administrative trial, the Commission had upheld an FTC administrative law judge's decision that the Dental Board's conduct had a clear tendency to suppress competition and lacked any countervailing precompetitive justification, and also that there was direct evidence of anticompetitive effects. In March 2014, the Supreme Court granted the North Carolina State Board of Dental Examiners' petition for certiorari; the case was heard this fall.

The health care and pharmaceutical industries were again a priority area for competition enforcement. In general, the agency works to promote competition in health care by preventing anticompetitive health care mergers and acquisitions, stopping harmful joint conduct by health care providers, and eliminating impediments to entry by generic drug producers. The FTC devotes significant resources to energy markets as well. The FTC continues to review proposed acquisitions involving energy products under the HSR Act and to monitor the industry for transactions that were not subject to filings under HSR.

OUTREACH AND PARTNERSHIPS

Consumers, industry, and our 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 2014 independent financial audit, we received our 18th 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 also 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, 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.

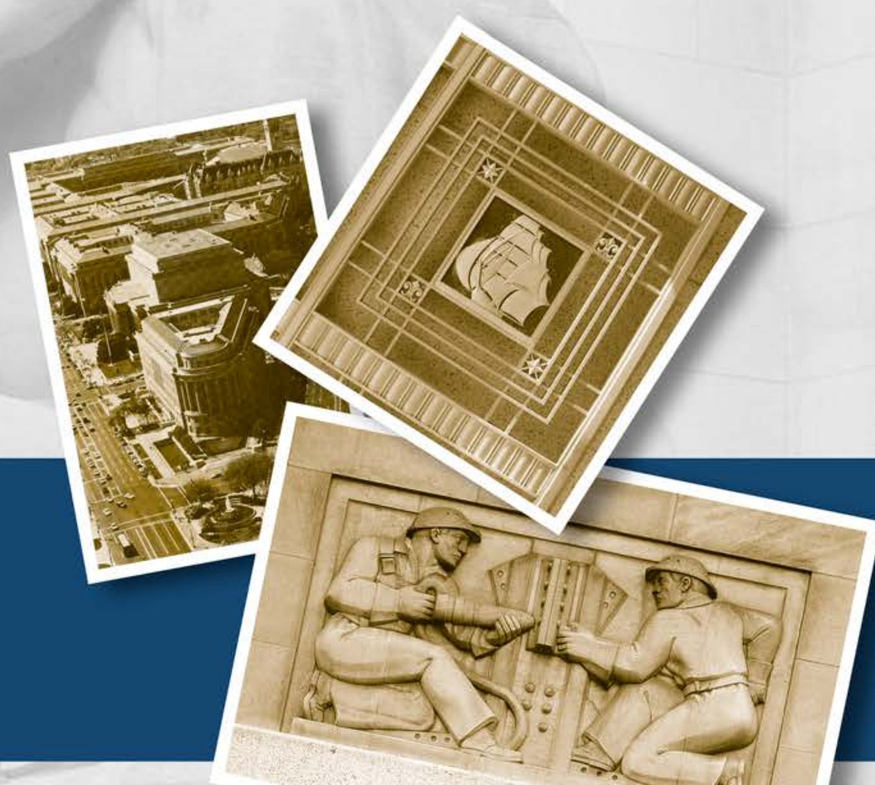
Additionally, the Reports Consolidation Act of 2000 requires the Inspector General (IG) to determine key management and performance challenges facing the agency, and to assess our progress in addressing them. The IG identified securing the agency's information systems and networks from destruction, data loss, or compromise; leveraging the value of investments and work performed; recruitment, retention, and staff size; 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 the challenges, as discussed in the Other Information Section of this report at p. 59.

All of us at the FTC look forward to continuing our work to protect American consumers and promote competition along with our partners and colleagues in Congress, industry, and domestic and international law enforcement.

Edith Ramirez
November 17, 2014

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS



AGENCY AND MISSION INFORMATION

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

VISION

A U.S. economy characterized by vigorous competition among producers and consumer access to accurate information, yielding high-quality products at low prices and encouraging efficiency, innovation, and consumer choice.

MISSION

Working to protect consumers by preventing anticompetitive, deceptive, and unfair business practices, enhancing informed consumer choice and public understanding of the competitive process, all accomplished 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 costs 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, 2014: (left to right) Joshua D. Wright, Commissioner; Julie Brill, Commissioner; Edith Ramirez, Chairwoman; Maureen Ohlhausen, Commissioner; Terrell McSweeny, Commissioner.

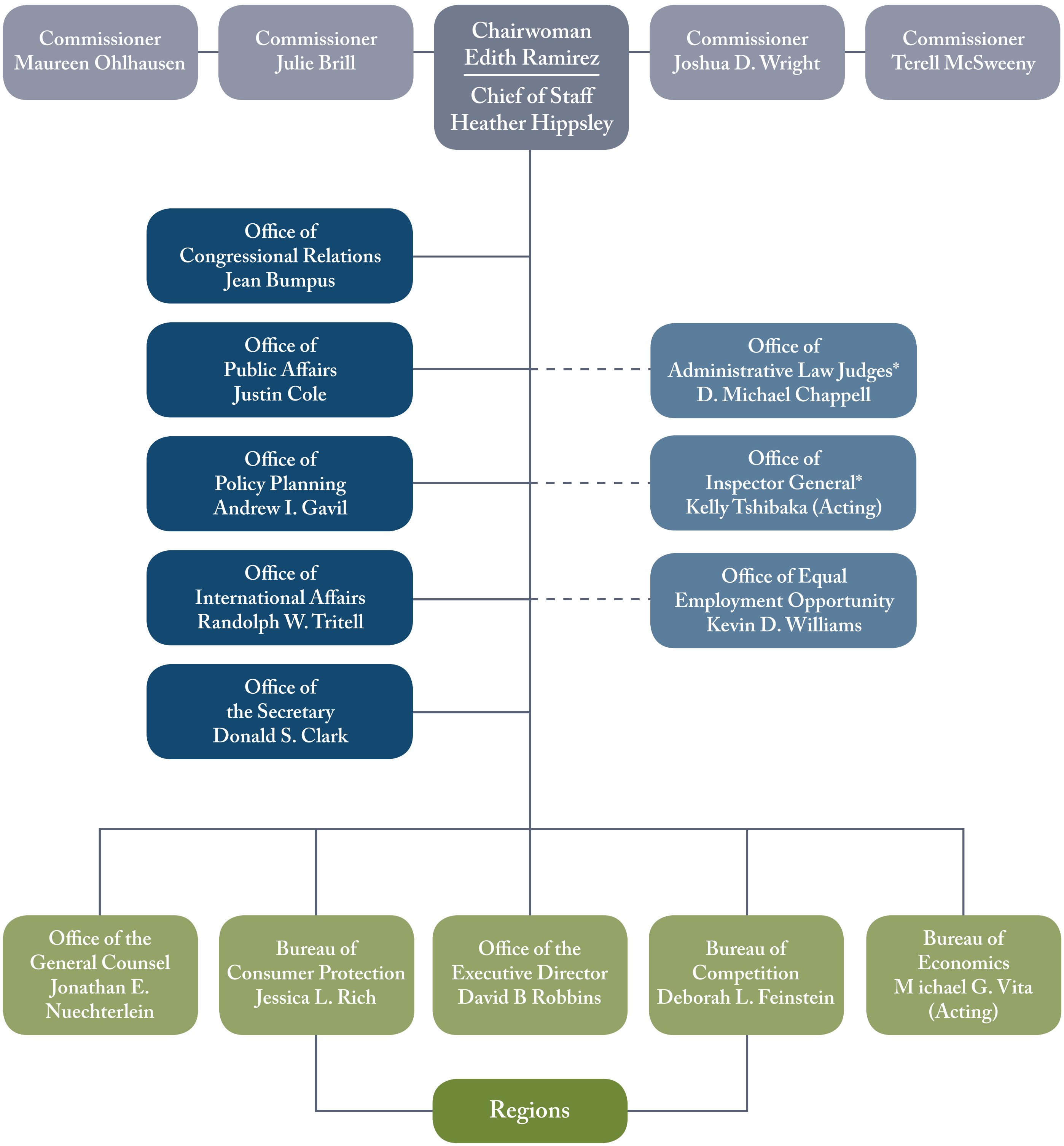
OUR ORGANIZATION

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, 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 Chairwoman Edith Ramirez, a commissioner since 2010, who was confirmed as Chairwoman on March 4, 2013. Commissioners include Julie Brill, Maureen K. Ohlhausen, Joshua D. Wright, and Terrell McSweeny.

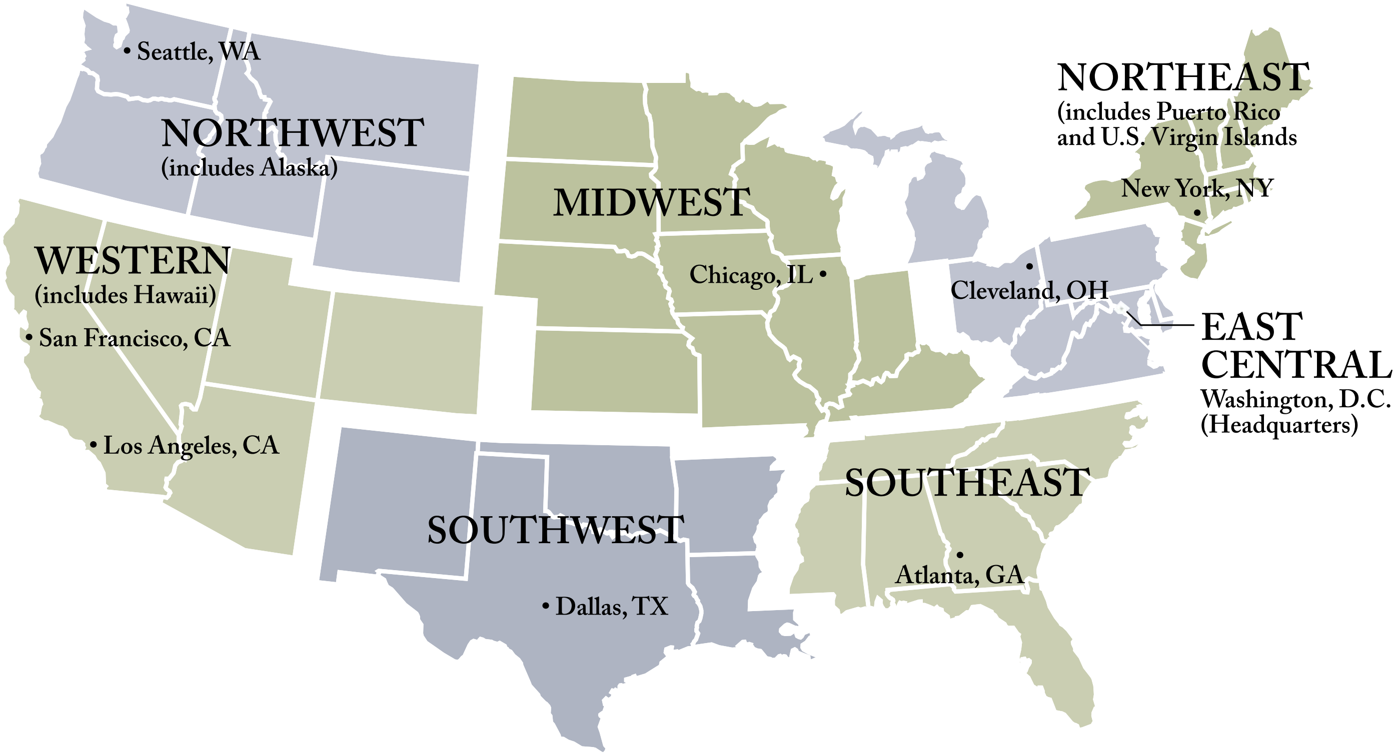
The FTC's mission is carried out by three bureaus: the Bureau of Consumer Protection, the Bureau of Competition, and the Bureau of Economics. Their work is aided by the Offices of the General Counsel, International Affairs, Policy Planning, the Secretary, the Executive Director, Congressional Relations, 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

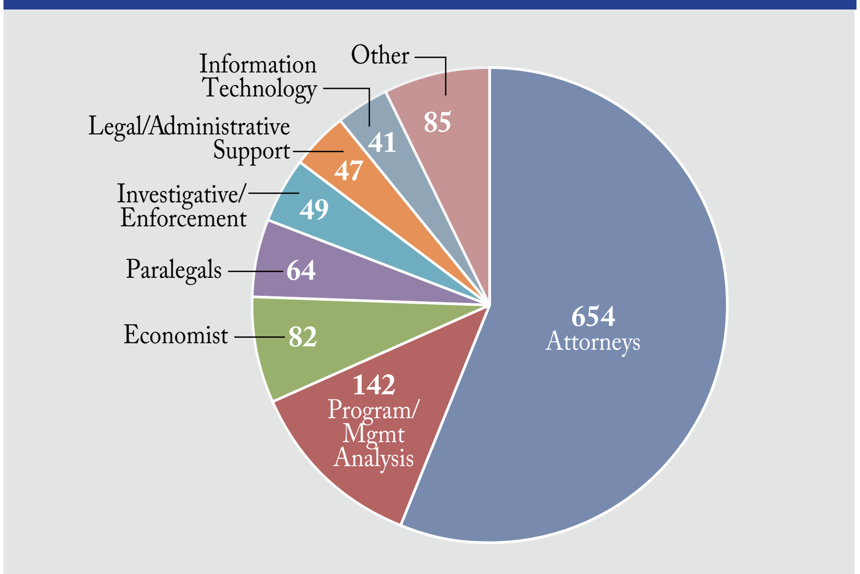
The agency is headquartered in Washington, D.C., and operates with seven regions across the U.S.. The graphic below illustrates the locations of the FTC regions.



OUR PEOPLE

The Federal Trade Commission workforce is it's greatest asset. The agency's workforce consists of 1,164 civil service employees dedicated to addressing the major concerns of the 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 first 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 2014 APR will be combined with the FY 2016 Annual Performance Plan (APP) and included in the FY 2016 Congressional Budget Justification in February 2015. Also available in February 2015 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).

This section explains the FTC's strategic and performance planning framework and summarizes the key performance goals and efficiency measures. 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 FY 2014 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 table below shows the FTC's net costs for its strategic goals and objectives.

PERFORMANCE MEASUREMENT 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 measures. 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 measure reviews in coordination with budget execution reviews. The CFO/PIO, the Executive Director/Chief Operating Officer, and the Chief of Staff/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

The FTC ensures that the performance data presented in this report is complete, reliable and accurate based upon the following steps:

- 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 of performance targets so they are updated to reflect changes in key factors that impact the agency's ability to achieve such results. 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 senior management review throughout the fiscal year. 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

STRATEGIC GOALS (Dollars in millions)	OBJECTIVES
PROTECT CONSUMERS Net Costs: $157	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.
MAINTAIN COMPETITION Net Costs: $18	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.
ADVANCE ORGANIZATIONAL PERFORMANCE 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 goals and objectives and signify the relative efficiency and cost-effectiveness of agency program/operations.

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 AND EFFICIENCY MEASURES OVERVIEW

The FTC has established 29 performance goals for assessing program performance against strategic goals and objectives in FY 2014. Of the 29 total performance goals, 20 met or exceeded target, five did not meet target, three established baselines, and data was not available at the time of publication for one. The table below displays historical high-level performance trends for all of the FTC's performance goals for the past three years.

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 measures 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 table summarizes actual performance during FY 2014 against established targets for the FTC's key performance goals and efficiency measures. The table also includes actual results from the past two fiscal years. The FTC met or exceeded six of the nine key performance goals and two of the four efficiency measures, while establishing baselines for two new key performance goals, one of which is also an efficiency measure.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target is met or exceeded
✖ Signifies that the target is not met

Count of Performance Goals		FY 2014	FY 2013	FY 2012
Goal 1	Target Met/Exceeded	6	12	11
	Target Not Met	3	3	2
	Data Not Available	0	1	3
	Baseline Data Year	3	0	0
Goal 2	Target Met/Exceeded	8	14	10
	Target Not Met	2	2	6
Goal 3	Target Met/Exceeded	6	8	8
	Target Not Met	0	0	0
	Data Not Available at Time of Publication	1	0	0
Total	Target Met/Exceeded	20	34	29
	Target Not Met	5	5	8
	Data Not Available at Time of Publication	1	0	0
	Data Not Available	0	1	3
	Baseline Data Year	3	0	0
	Total Measures	**29***	**40**	**40**

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

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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
Baseline Year	772%	N/A	N/A	N/A	N/A

KEY PERFORMANCE GOAL 1.1.4

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

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
Baseline Year	$66.9 million	N/A	N/A	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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
11,250	12,205 ✔	12,300	11,236 ✖	12,000	11,298 ✖

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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
40	45 ✔	30	61 ✔	30	56 ✔

TOP CONSUMER COMPLAINTS IN CALENDAR YEAR 2013

For the 14th year in a row, identity theft is the top category in the FTC's list of complaints that consumers submitted to the agency (excluding Do Not Call complaints, which are reported separately). Fourteen percent – 290,056 complaints – related to identity theft; of these complaints, 30 percent involved tax- or wage-related identity theft. Of the more than 1.1 million other complaints, 61 percent of consumers reported losses totaling more than $1.6 billion. Other categories in the top ten include debt collection and imposter scams. The report is available on the FTC's website at http://www.ftc.gov/system/files/documents/reports/consumer-sentinel-network-data-book-january-december-2013/sentinel-cy2013.pdf

RANK	CATEGORY	NUMBER OF COMPLAINTS	PERCENTAGE	COMPARED TO 2012
1	Identity Theft	290,056	14%	↓ from 18%
2	Debt Collection	204,644	10%	←→
3	Banks and Lenders	152,707	7%	↑ from 6%
4	Impostor Scams	121,720	6%	↑ from 4%
5	Telephone and Mobile Services	116,261	6%	↑ from 4%
6	Prizes, Sweepstakes and Lotteries	89,944	4%	↓ from 5%
7	Auto Related Complaints	82,701	4%	←→
8	Shop-at-Home and Catalog Sales	66,024	3%	↓ from 6%
9	Television and Electronic Media	53,087	3%	↑ from 2%
10	Advance Payments for Credit Services	50,422	2%	←→

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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
40.0–60.0%	57.1% ✔	40.0–60.0%	42.2% ✔	40.0–60.0%	43.1% ✔

KEY RULING IN PHYSICIAN PRACTICE GROUP MERGER

In January 2014, a federal district court issued a permanent injunction, finding that St. Luke's Health System's 2012 acquisition of Idaho's largest independent, multi-specialty physician practice group, Saltzer Medical Group, violated Section 7 of the Clayton Act. In 2013, the FTC, together with the Idaho Attorney General, filed a complaint in federal district court seeking to block the proposed transaction. The FTC argued, and the court agreed, that the combination created a dominant single provider of adult primary care services and gave the combined entity the market power to demand higher rates for those health care services in Nampa, Idaho, ultimately leading to higher costs for health care consumers. Following the favorable court decision, FTC Chairwoman Edith Ramirez said:

"The district court's ruling is an important victory that will benefit both competition and consumers in Nampa, Idaho, and the surrounding areas. The combination of St. Luke's and Saltzer would have given the merged hospital system the market power to demand higher rates for health care services, ultimately leading to higher costs for both employers and consumers."

This case is on appeal. For more information, visit: http://www.ftc.gov/enforcement/cases-proceedings/121-0069/st-lukes-health-system-ltd-saltzer-medical-group-pa.

Key/Efficiency Performance Goal 2.1.3

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

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
2,600.0%	2,505.2% ✖	1,300.0%	1,382.2% ✔	1,300.0%	1,492.4% ✔

Key/Efficiency Performance Goal 2.1.5

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

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
1,850.0%	2,028.3% ✔	2,000.0%	2,296.0% ✔	2,000.0%	1,831.7% ✖

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

Key Performance Goal 2.3.1

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

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
95.0%	100.0% ✔	90.0%	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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
6 days	5.4 days ✔	N/A	N/A	N/A	N/A

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)

2014		2013		2012	
Target	Actual	Target	Actual	Target	Actual
Exceed the government-wide results of 55.0% on the Federal Employee Viewpoint Survey's Talent Management Index.	70.0% ✔	56.0%	69.0% ✔	59.0%	70.0% ✔

Appendix A provides details on the data quality of each of the key performance goals and efficiency measures.

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 Acting Inspector General's (IG) identified management and performance challenges (see Other Information Section). Management concurs with the IG identified challenges and her 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. 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 deceptive mortgage and other debt services, deceptive motor vehicle sales, leasing, and financing, payday lending operations engaging in deceptive practices, and abusive debt collection 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, deceptive, or other illegal 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 the collection and use of big data. The agency will educate businesses about their obligations pursuant to the revised Children's Online Privacy Protection Act (COPPA) Rule, and bring enforcement actions as appropriate against entities that violate the Rule. The FTC 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

PRIVACY WORKSHOPS

In November, the FTC held an *Internet of Things* workshop focusing on privacy and security issues related to increased connectivity for consumers, both in the home through home automation, smart home appliances, and connected devices, and on the move through health and fitness devices, personal devices, and cars. It brought together academics, business and industry representatives, and consumer advocates to explore the security and privacy issues in our increasingly connected world. For more information, visit: http://www.ftc.gov/news-events/press-releases/2013/12/ftc-seeks-comment-issues-raised-internet-things-workshop

In the spring of 2014, the FTC hosted a series of seminars to examine the privacy implications of three new areas of technology that have garnered considerable attention for both their potential benefits and the possible privacy concerns they raise for consumers. The seminars focused on (1) mobile device tracking – tracking consumers in retail and other businesses using signals from their mobile devices; (2) alternative scoring products – using predictive scoring to determine consumers' access to products and offers; and (3) consumer-generated and controlled health data – information provided by consumers to non-HIPAA covered websites, health apps, and devices. For more information, visit: http://www.ftc.gov/news-events/press-releases/2013/12/ftc-host-spring-seminars-emerging-consumer-privacy-issues

The FTC hosted a public workshop entitled "Big Data: A Tool for Inclusion or Exclusion?" in September, to further explore the use of "big data" and its impact on American consumers, including low income and underserved consumers. The workshop built on the FTC's *Spring Privacy Seminar Series* exploring how the use of big data may affect diverse and underserved populations. For more information, visit: http://www.ftc.gov/news-events/press-releases/2014/04/ftc-examine-effects-big-data-low-income-underserved-consumers

theft victims who call our toll free number about rights and remedies available to them under federal law. The agency also will publicize its victim assistance guide for pro-bono attorneys, train local law enforcement to spot and prosecute identity theft, and update educational materials to address new and emerging issues, such as medical and children's identity theft. (Objectives 1.1, 1.2, and 1.3)

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 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. (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

THE FTC TAKES ACTION AGAINST COMPANIES FOR UNAUTHORIZED IN-APP CHARGES BY CHILDREN

Apple Inc. and Google Inc. agreed to provide full refunds to consumers, with Apple paying a minimum of $32.5 million and Google a minimum of $19 million, to settle FTC complaints that the companies billed consumers for millions of dollars of charges incurred by children in kids' mobile apps without their parents' consent. Under the terms of the settlement agreements, Apple and Google were required to change their billing practices to ensure that they have obtained expressed, informed consent from consumers before charging them for items sold in mobile apps. The FTC is suing Amazon and seeking refunds for parents and other account holders who were billed for unauthorized in-app charges. According to the FTC, many of the "free" games on the Kindle Fire encouraged kids to buy virtual goods — like coins, stars, and pet food — that they could charge to their parents' accounts without entering a password. Parents complained that they did not know, and their kids did not understand, that kids could spend real money for these extras — anywhere from 99 cents to $99 each. Even when Amazon finally began requiring a password for certain in-app charges, the company allegedly did not make it clear that entering a password once could allow children to incur unlimited charges for 15 minutes to an hour.

For more information, visit: http://www.ftc.gov/news-events/press-releases/2014/01/apple-inc-will-provide-full-consumer-refunds-least-325-million (Apple), http://www.ftc.gov/news-events/press-releases/2014/09/google-refund-consumers-least-19-million-settle-ftc-complaint-it (Google), and http://www.ftc.gov/news-events/press-releases/2014/07/ftc-alleges-amazon-unlawfully-billed-parents-millions-dollars (Amazon).

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, prohibited 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 two, 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, seniors, and the uninsured; 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 markets, and energy industry. The agency will also work on promoting 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, employers, and insurers. To ensure that consumers receive the benefits of competitive healthcare markets, antitrust enforcement in this sector is a top priority for the Commission.

A particular FTC focus has been 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." These agreements deprive consumers of access to lower cost generic drugs, leading to significantly higher drug costs. The FTC reviews, investigates and challenges patent settlements between brand and generic companies where appropriate.

The FTC also prioritizes stopping anticompetitive healthcare mergers that threaten higher costs, including those involving pharmaceutical and medical device companies as well as health care providers. 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 four successfully-litigated merger challenges and a growing number of provider deals abandoned or modified after the FTC threatened a challenge.

The agency also provides guidance to healthcare providers to help them avoid transactions and conduct that would be anticompetitive. For example, the FTC worked with the other relevant U.S. agencies, including the Antitrust Division of the Department of Justice and the Centers for Medicare and Medicaid Services, to develop a Joint Statement of Antitrust Enforcement Policy for Accountable Care Organizations, which provides guidance to health care providers and makes clear that the antitrust laws are not a barrier to bona fide collaboration to improve healthcare and reduce costs. As part of the ACO process, the agencies established a program to review certain proposed ACOs upon request, and retains the ability to challenge anticompetitive collaborations.

THE FTC HOSTS WORKSHOP ON HEALTH CARE COMPETITION

Health care spending accounts for a large part of federal, state, and consumer budgets and the FTC is committed to using its resources to ensure that health care markets benefit from competition and innovation, both of which can reduce costs and increase the quality and accessibility of healthcare for consumers. The health care industry has evolved significantly in recent years. While some changes have come from implementation of health care reform legislation, many other developments are the outcome of general and long-standing concerns about cost, quality, access, and care coordination.

In March, the FTC held a public workshop, Examining Health Care Competition, to discuss certain activities and trends that may affect competition in the evolving health care industry. The workshop explored current developments related to professional regulation of health care providers, innovations in health care delivery, advancements in health care technology, measuring and assessing health care quality, and price transparency of health care services.

The workshop served to enhance the Commission's expertise and knowledge base regarding competitive dynamics in this critical sector of the economy, in support of the Commission's enforcement, advocacy, and consumer education efforts. For more information, visit: http://www.ftc.gov/news-events/events-calendar/2014/03/examining-health-care-competition.

MOBILE CRAMMING

The operators of Bullroarer, a massive mobile cramming scheme, agreed to surrender more than $11.2 million in assets to settle FTC charges that they allegedly charged fees on consumers' mobile phone bills without their permission. The assets include the contents of numerous bank accounts, real estate in Los Angeles, Beverly Hills and Chicago, shares in a number of startup companies, and a number of cars and pieces of jewelry. The FTC charged mobile phone service provider T-Mobile USA, Inc. with making hundreds of millions of dollars by charging fees on mobile phone bills for purported "premium" SMS subscriptions that, in many cases, were unwarranted and never authorized by its customers. The FTC alleges T-Mobile received anywhere from 35 to 40 percent of the total amount charged to consumers for subscriptions for content such as flirting tips, horoscope information or celebrity gossip that typically cost $9.99 per month. According to the FTC's complaint, T-Mobile in some cases continued to bill its customers for these services offered by scammers years after becoming aware of signs that the charges were fraudulent. For more information, visit: http://www.ftc.gov/news-events/press-releases/2014/06/operators-massive-mobile-cramming-scheme-will-surrender-more-10m and http://www.ftc.gov/news-events/press-releases/2014/08/operator-mobile-cramming-scheme-will-pay-more-12-million-ftc (Bullroarer) and http://www.ftc.gov/news-events/press-releases/2014/07/ftc-alleges-t-mobile-crammed-bogus-charges-customers-phone-bills (T-Mobile)

The FTC also attempts to better understand the markets it monitors and anticipate future competitive developments through research and scholarship. In FY 2014, the FTC sponsored workshops examining various competition issues facing follow-on biologics as well as healthcare provider markets. The learning from these workshops informs 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. Furthermore, issues in antitrust and competition policy matters increasingly intersect with intellectual property. The FTC works to advance a greater understanding of the impact of patent assertion entities (also known as PAEs) on competition and consumers and will take enforcement action where appropriate to curb anticompetitive and deceptive conduct. (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 meets this challenge by closely monitoring gasoline markets and addressing any anticompetitive merger or nonmerger activity. Through its review of HSR merger filings and investigation of non-reportable transactions, the FTC promotes competition and protects consumers in these markets. 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. The FTC investigates whether certain oil producers, refiners, transporters, marketers, physical or financial traders, or others (1) have engaged in practices, including manipulation, that have lessened or may lessen competition in the production, refining, transportation, distribution, or wholesale supply of crude oil or petroleum products; or (2) have provided false or misleading information related to the wholesale price of crude oil or petroleum products to a federal department or agency. Such actions could violate Section 5 of the FTC Act, the Commission's Prohibition of Energy Market Manipulation Rule, or Section 811 or Section 812 of the Energy Independence and Security Act of 2007. 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 issues reports on the factors that influence the prices that American consumers pay for gas. These reports, the most recent of which was released in 2011, show that the price of oil is still the most important factor in gas prices. (Objectives 2.1 and 2.2)

MANAGEMENT ASSURANCES

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

The FTC considers internal controls to be an integral component of effective agency management which helps the FTC to provide reasonable assurance that the following objectives are achieved: effectiveness and efficiency of operations, reliability of financial reporting, and compliance with laws and regulations. In FY 2014, the FTC has continued its commitment to maintaining strong internal 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.

The SAT is responsible for developing and documenting an internal control review plan, identifying key processes and related control activities, performing a preliminary risk assessment of such processes, reviewing and assessing the overall control environment, ensuring timely implementation of any corrective actions needed to address identified weaknesses, and establishing guidance for program managers in monitoring and assessing management controls within their areas of responsibility.

In FY 2014, the SAT updated guidance for program managers to use in completing self-assessments of the processes and controls within their areas of responsibility. Senior managers throughout the agency completed self-assessments that disclosed no significant control weaknesses. The SAT evaluated the results of the managers' assessments and concurred that no material weaknesses or nonconformances were identified. 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), 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.

For FY 2014, the FTC continued to follow its Internal Control Review Plan. The objective of the reviews is to evaluate the adequacy of controls in place for designated areas and to assist management in strengthening controls where necessary. Two reviews were completed during the year. The Chairwoman's assurance statement that follows is supported by the processes and reviews described above, which were carried out in FY 2014. Management assurances tables appear in the Other Information Section.

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

OFFICE OF THE
CHAIRWOMAN

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, 2014, 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 30, 2014

MANAGEMENT ASSURANCES

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 2014. 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 2014, the FTC has performed one Assessment and Authorization effort and currently has twenty-five systems authorized to operate. The FTC has also updated the System Security Plans, Security Assessment Reports and Contingency plans for three systems, and has created new security program implementation procedures and templates for our System Security Plans and Security Assessment Reports.

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 2014, the FTC processed 7,700 invoices totaling $135 million that were subject to prompt payment. Of these invoices, 98.3 percent were paid on time. During FY 2014, the FTC paid a total of $3,325 in interest penalties, or .002 percent of the total dollar amount invoiced.

IMPROPER PAYMENT ELIMINATION AND RECOVERY ACT (IPERA)

The Improper Payments Elimination and Recovery Act (IPERA) of 2010 requires agencies to annually review 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 guidance, the FTC performed a risk assessment and determined that none of the agency's programs or activities were susceptible to significant improper payments. The Interior Business Center, FTC's shared service provider, compares the FTC's payee records in the financial system with payee records in the Do Not Pay database. Potential matches are reviewed by FTC on an on-going basis to prevent improper payments. Additionally, the FTC has incorporated a pre-award check on potential contractors against the Do Not Pay database. FTC's review of all payments made in FY 2014 confirmed that the FTC did not make any improper payments in FY 2014. More information about FTC's IPERA work can be in 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, maximum integration of business systems and processes, and support of requirements of 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, Release 12, and the FTC uses the 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 Oracle Federal Financials, since FY 2008. The FTC also has been obtaining support from the IBC for its Federal Personnel/Payroll System (FPPS) since 1998. FPPS is an Oracle mainframe-based, integrated, on-line personnel and payroll system, which creates and generates the full life cycle of personnel and payroll transactions. FPPS is hosted by the IBC and financial data from FPPS is interfaced into the core financial management system on a daily basis.

The FTC continues to work with its Federal Shared Service Provider in enhancing its existing systems, Oracle Federal Financials and FPPS, and in implementing additional financial and mixed systems, including a web-based travel management system. The FTC recently transitioned to IBC for support with implementation of GSA's government wide E-Gov Travel Service program through Carlson Wagonlit's E2 Solutions. The IBC is now providing operations and maintenance support to the FTC for E2 Solutions, including interfacing financial data into the core financial management system on a daily basis.

The FTC's current acquisition system, ComprizonSuite, is a stand-alone system that is not integrated with the core system. Currently, the FTC must employ manual processes to record financial data from the acquisition system in the core financial management system. The FTC plans to transition to a new acquisition system in FY 2015 to replace ComprizonSuite with a modern Federal-compliant acquisition system that can be fully integrated with Oracle Federal Financials.

FTC has conducted market research to identify qualified companies and agencies that provide hosting and application management of a modern acquisition system that meets the FTC's requirements and that can be integrated with the FTC's core financial management system. Guided by the FTC's strategy for its financial management systems framework, the FTC is currently evaluating the identified alternative solutions for a modern Federal-compliant acquisition management solution that supports the end-to-end procurement process driven by automated workflow processes in an integrated environment.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The financial highlights that follow provide an overview of the FY 2014 financial statements of the FTC. An independent auditor audited the FTC's Balance Sheet for the fiscal years ending September 30, 2014 and 2013, along with the Statement of Net Cost, Changes in Net Position, Statement of Budgetary Resources, and Statement of Custodial Activity. For the 18th straight year, the FTC received an unmodified (previously called unqualified) audit 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, 2014 AND 2013 (DOLLARS IN MILLIONS)

	FY 2014	FY 2013	% Change
Fund balances with Treasury	$ 239	$ 207	16%
Cash and other monetary assets	29	18	58%
Accounts receivable, net	65	25	164%
General property and equipment, net	64	22	190%
Total Assets	$ 397	$ 272	46%
Liability for redress collected	$ 134	$ 66	103%
Liability for redress to be collected	63	24	165%
Accounts payable and other	32	29	12%
Total Liabilities	$ 229	$ 119	92%
Cumulative results of operations	168	153	10%
Total Net Position	$ 168	$ 153	10%
Total Liabilities and Net Position	$ 397	$ 272	46%

STATEMENT OF NET COST SUMMARY FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013 (DOLLARS IN MILLIONS)

	FY 2014	FY 2013	% Change
Protecting Consumers:			
Gross costs	$ 171	$ 165	4%
Less: earned revenue	(14)	(14)	0%
Net Cost - Protecting Consumers	157	151	4%
Maintaining Competition:			
Gross costs	$ 124	$ 122	2%
Less: earned revenue	(106)	(81)	32%
Net Cost - Maintaining Competition	18	41	-56%
Net Cost of Operations	$ 175	$ 192	-9%

BALANCE SHEET – OVERVIEW

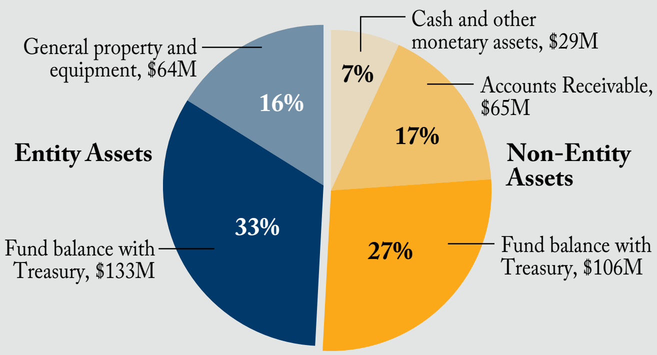
ASSETS

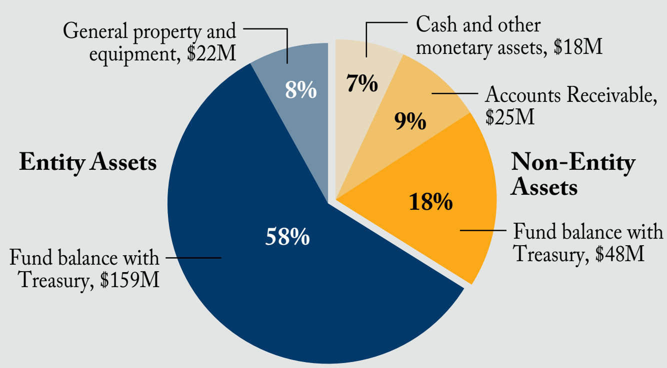
The FTC's assets consist of both entity and non-entity assets. The assets that the FTC is authorized to use in its operations are entity assets; the assets held on behalf of others are non-entity assets. The FTC's total assets were $397 million at September 30, 2014, an increase of $125 million, or 46 percent, over the FY 2013 total. The largest increase occurred in non-entity assets, which comprised half ($200 million) of the total assets on the FTC's Balance Sheet.

Non-entity assets include collections and accounts receivable that arise from court-ordered judgments for monetary relief in the consumer redress program and civil monetary penalties. Non-entity assets increased by $109 million, or 120 percent, in FY 2014 due to a $58 million increase in the fund balance with Treasury (deposit fund) for consumer redress, an $11 million increase in cash held for consumer redress, and a $40 million increase in accounts receivable, of which $39 million, is for consumer redress and $1 million is for civil penalties. (Civil penalty collections are transferred to Treasury at year-end, and therefore, are not included in the FTC's fund balance with Treasury.)

Entity assets increased by $16 million, or 9 percent, in FY 2014. This increase is due, in part, to an increase of $42 million in property and equipment consisting of leasehold improvements, equipment, and technology infrastructure for the new FTC facility at Constitution Center, in Washington, D.C. This increase was partially offset by a decrease of $26 million in the fund balance with Treasury, due to the liquidation of obligations and payments related to the occupancy of Constitution Center.

ENTITY AND NON-ENTITY ASSETS





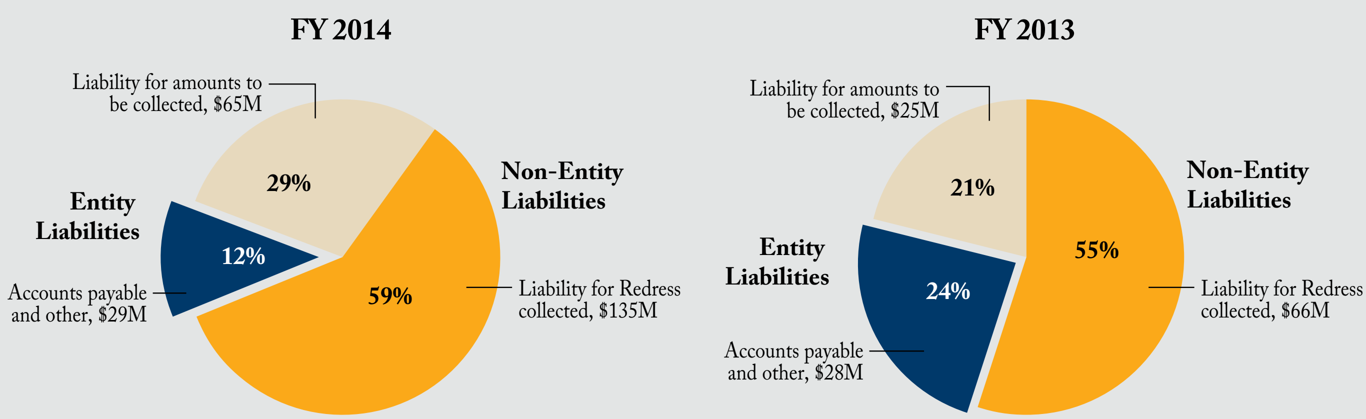
Assets	FY14	FY13	Change
Entity Assets			
Fund balance with Treasury	$ 133	$ 159	$ (26)
General property and equipment	64	22	42
	$ 197	**$ 181**	**$ 16**
Non-Entity Assets			
Fund balance with Treasury	$ 106	$ 48	$ 58
Accounts receivable	65	25	40
Cash and other monetary assets	29	18	11
	$ 200	**$ 91**	**$ 109**
Total Assets	**$ 397**	**$ 272**	**$ 125**

LIABILITIES

The FTC's total liabilities were $229 million at September 30, 2014, an increase of $110 million, or 92 percent, over the FY 2013 total. The FTC's non-entity liabilities accounted for the largest increase. The non-entity liabilities, which are an offset (and equal) to the non-entity assets on the FTC's Balance Sheet, represent amounts collected or to be collected that will be distributed as consumer redress or transferred to the general fund of the Treasury in a subsequent period.

Non-entity liabilities increased by $109 million, or 120 percent, due to a $69 million increase in consumer redress funds collected and held either in the fund balance with Treasury deposit fund or as cash and other monetary assets in financial institutions, and a $40 million increase in amounts to be collected (accounts receivable) for consumer redress ($39 million) and civil penalties ($1 million).

ENTITY AND NON-ENTITY LIABILITIES



Liabilities	FY14	FY13	Change
Entity Liabilities			
Accounts Payable, and other	$ 29	$ 28	$ 1
	$ 29	**$ 28**	**$ 1**
Non-Entity Liabilities			
Liability for redress collected	$ 135	$ 66	$ 69
Liability for amounts to be collected	65	25	40
	$ 200	**$ 91**	**$ 109**
Total Liabilities	**$ 229**	**$ 119**	**$ 110**

NET POSITION

The FTC's net position was $168 million at the end of FY 2014, an increase of $15 million, or 10 percent, over the FY 2013 total. Net position is comprised of cumulative results of operations.

Financing sources from appropriations used during the year were $181 million and imputed financing sources totaled $9 million for a total of $190 million. The imputed financing sources are the estimated post-employment benefits accrued in FY 2014, which will be paid by entities other than the FTC.

The financing sources of $190 million exceed the net cost of operations totaling $175 million (gross costs of $295 million less revenues from fees of $120 million), resulting in the $15 million increase in net position.

RESULTS OF OPERATIONS

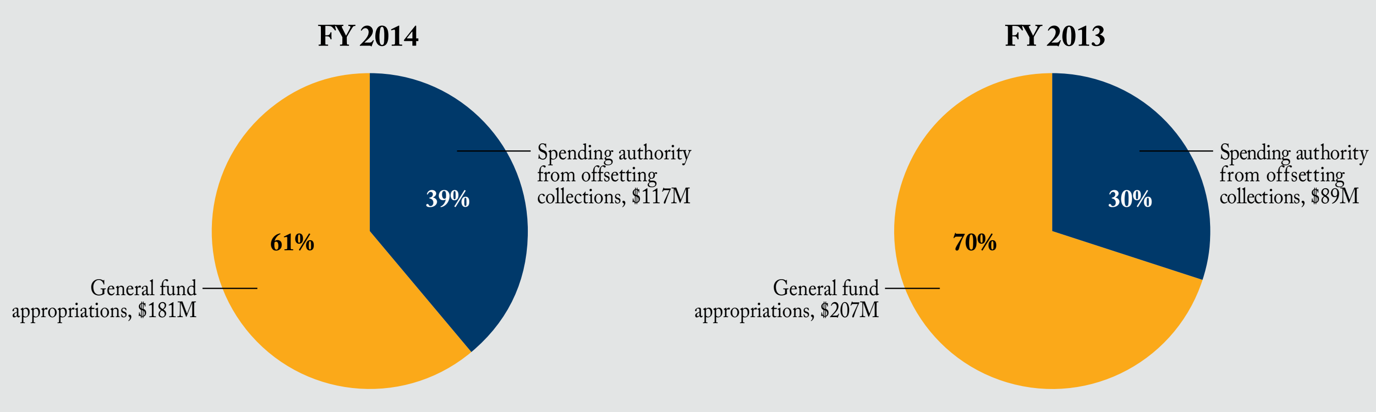
The FTC's net cost of operations was $175 million, a decrease of $17 million or 9 percent from FY 2013. This decrease can be attributed to a small increase in gross costs ($8 million) offset by a large increase in earned revenues ($25 million).

The small increase in gross costs was primarily due to an increase in personnel and related benefit costs. The increase in earned revenue is due to an increase of $25 million in fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvement Act of 1976. These fees partially offset the FTC's mission costs related to maintaining and promoting competition.

BUDGETARY RESOURCES

New budgetary authority (total budgetary resources excluding unobligated balances brought forward and prior year recoveries) was $298 million in FY 2014. The $298 million is comprised of $181 million in general fund appropriations and $117 million in spending authority from offsetting collections. Overall, this represents an increase of $2 million, or less than 1 percent, from FY 2013. In FY 2014, the general fund appropriations comprised 61 percent of new budget authority and offsetting collections comprised 39 percent. By comparison, in FY 2013, general fund appropriations comprised 70 percent and offsetting collections comprised 30 percent.

NEW BUDGET AUTHORITY



LIMITATIONS OF FINANCIAL STATEMENTS

FTC management has prepared its FY 2014 financial statements from the books and records of the agency in accordance with the requirements of 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 2014	
DEBT MANAGEMENT	
Eligible Debt Transferred to Treasury	100%
FUNDS MANAGEMENT	
Fund Balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger)	100% reconciled
PAYMENT MANAGEMENT	
Percentage Invoices Paid on Time (per Prompt Payment Act)	98.3%
Percentage Interest Penalties Paid to Total Dollars Invoiced	.002%
Percentage of total dollars outstanding in current status (good standing) for Individually Billed Travel Account holders	92%
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

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

David Rebich
Chief Financial Officer

I am pleased to join Chairwoman Ramirez in presenting the FTC's Agency Financial Report (AFR) for Fiscal Year 2014. 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 2014 and FY 2013, respectively. These financial statements, coupled with the agency's Performance Highlights, demonstrate how the FTC optimizes the use of its financial resources to protect consumers and maintain competition.

Our independent auditor, Brown and Company, has issued an unmodified (clean) opinion on the agency's financial statements. This marks the 18th consecutive year that the FTC has received an unmodified opinion on its financial statements. The FTC is proud to report that the auditors reported no material weaknesses or significant deficiencies. We achieved these results by:

- Closing 16 internal control/OIG recommendations from previous financial statement audits and other internal and external reviews;
- Conducting regular reconciliations between financial subsidiary ledgers and the general ledger;
- Instituting the Standard General Ledger posting logic and tie point analysis necessary to meet Treasury reporting requirements;
- Ensuring that all new contracts have the proper documentation as required by the FAR; and
- Enhancing the documentation of our financial management business cycles.

These accomplishments provide the foundation for sound financial management. To ensure our continued success, we need to continue to improve our processes, serve our customers, and address other challenges. The FTC is committed to implementing processes that improve internal controls and optimize the use of our financial resources.

On behalf of the Chairwoman and all of us 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 the American public is greatly appreciated.

David Rebich
Chief Financial Officer
November 17, 2014

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

Office of Inspector General

November 17, 2014

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 (FTC)'s FY 2014 financial statements. We commend the FTC for the noteworthy accomplishment of attaining an unmodified (clean) opinion for the 18th 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 Federal Trade Commission (FTC) as of September 30, 2014 and 2013, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards* and Office of Management and Budget requirements.

In its audit, Brown & Company found:

- The financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles,
- No material weaknesses in the FTC's internal control over financial reporting, and
- No reportable noncompliance with applicable provisions of laws and regulations.

Brown & Company is responsible for the attached independent auditor's reports, dated November 13, 2014, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the FTC's financial statements or Brown & Company's conclusions about the FTC's internal control over financial reporting or compliance with applicable provisions of laws and regulations.

We appreciate the cooperation given Brown & Company and my office during the audit. Should you have any questions concerning this report, please contact me at (202) 326-2800.

Sincerely,

KTshibaka

Kelly Tshibaka
Acting Inspector General

Enclosure

BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

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, 2014 and 2013, 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 accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America 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. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 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 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, 2014 and 2013, and its net costs, changes in net position, budgetary resources, and custodial activity for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information in the Management's Discussion and Analysis (MD&A) and 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

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 expressing an opinion on the effectiveness of FTC's internal control. Accordingly, we do not express an opinion on the effectiveness of FTC's internal control.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

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, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, 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. 14-02.

Management's Responsibility for Internal Control and Compliance

FTC's management is responsible for (1) evaluating effectiveness of internal control 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 controls 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. 14-02 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 controls 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. 14-02 that we deemed applicable to FTC's financial statements for the fiscal year ended September 30, 2014. 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, 2014

BROWN & COMPANY CPAS, 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, 2014 AND 2013
(Dollars in thousands)

	2014	2013
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 238,443	$ 206,638
Accounts receivable, net (Note 5)	6	47
Total intragovernmental	238,449	206,685
Cash and other monetary assets (Note 4)	28,797	18,239
Accounts receivable, net (Note 5)	65,447	24,791
General property and equipment, net (Note 6)	64,247	22,042
Total Assets	$ 396,940	$ 271,757
Liabilities (Note 7):		
Intragovernmental:		
Accounts payable	$ 823	$ 1,555
Other (Note 8)	4,427	2,314
Total intragovernmental	5,250	3,869
Accounts payable	10,805	8,591
Accrued consumer redress due to claimants	62,776	23,693
Undisbursed redress collections	133,888	65,848
Other (Note 8)	16,089	17,265
Total Liabilities	$ 228,808	$ 119,266
Net Position (Note 1(o)):		
Unexpended appropriations	-	-
Cumulative results of operations	168,132	152,491
Total Net Position	$ 168,132	$ 152,491
Total Liabilities and Net Position	$ 396,940	$ 271,757

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Dollars in thousands)

	2014	2013
Costs by Strategic Goal:		
Strategic Goal 1: Protect Consumers:		
Gross costs (Note 11)	$ 170,494	$ 165,566
Less: earned revenue (Note 11)	(13,521)	(14,118)
Net cost	156,973	151,448
Strategic Goal 2: Maintain Competition:		
Gross costs (Note 11)	124,479	122,375
Less: earned revenue (Note 11)	(106,477)	(81,693)
Net cost	18,002	40,682
Net Cost of Operations	$ 174,975	$ 192,130

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, 2014 AND 2013
(Dollars in thousands)

	2014	2013
Cumulative Results of Operations:		
Beginning balance	$ 152,491	$ 128,754
Budgetary Financing Sources:		
Appropriations used	181,182	206,660
Other Financing Sources (Non-Exchange):		
Imputed financing	9,434	9,207
Total financing sources	190,616	215,867
Net cost of operations	(174,975)	(192,130)
Net change	15,641	23,737
Cumulative Results of Operations	$ 168,132	$ 152,491
Unexpended Appropriations:		
Beginning balance	$ -	$ -
Budgetary Financing Sources:		
Appropriations received	181,182	216,249
Other adjustments (rescissions)	-	(9,589)
Appropriations used	(181,182)	(206,660)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Net Position (Note 1(o))	$ 168,132	$ 152,491

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Dollars in thousands)

	2014	2013
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 57,159	$ 57,778
Recoveries of prior year unpaid obligations	6,519	2,999
Unobligated balance from prior year budget authority, net	63,678	60,777
Appropriations	181,182	206,660
Spending authority from offsetting collections	116,725	89,420
Total Budgetary Resources	$ 361,585	$ 356,857
Status of Budgetary Resources:		
Obligations incurred (Note 12):	$ 334,138	$ 299,698
Unobligated balance, end of period:		
Apportioned	23,893	52,778
Unapportioned	3,554	4,381
Total unobligated balance, end of period	27,447	57,159
Total Status of Budgetary Resources	$ 361,585	$ 356,857
Change in Obligated Balance:		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1	$ 96,445	$ 79,576
Obligations incurred (Note 12):	334,138	299,698
Outlays, gross	(327,440)	(279,830)
Recoveries of prior year unpaid obligations	(6,519)	(2,999)
Unpaid obligations, end of period	96,624	96,445
Uncollected Payments:		
Uncollected payments from Federal sources, brought forward, October 1	(1,297)	(1,098)
Change in uncollected payments from Federal sources, brought forward , October 1	552	(199)
Uncollected payments from Federal sources, end of period	(745)	(1,297)
Memorandum (non-add) Entries:		
Obligated balance, start of year, net	95,147	78,478
Obligated balance, end of period, net	$ 95,877	$ 95,147
Budget Authority and Outlays, Net:		
Budget authority, gross	$ 297,907	$ 302,530
Actual offsetting collections	(120,239)	(95,671)
Change in uncollected customer payments from Federal sources	552	(199)
Budget authority, net	$ 178,220	$ 206,660
Outlays, gross	$ 327,440	$ 279,830
Actual offsetting collections	(120,239)	(95,671)
Outlays, net	207,201	184,159
Distributed offsetting receipts	(16,398)	(14,645)
Agency outlays, net	$ 190,803	$ 169,514

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF CUSTODIAL ACTIVITY
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Dollars in thousands)

	Protect Consumers	Maintain Competition	2014	2013
Revenue Activity (Note 15):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 106,263	$ 106,263	$ 81,202
Civil penalties and fines	11,802	-	11,802	42,545
Consumer redress (Note 16)	16,157	-	16,157	14,518
Other miscellaneous receipts	240	-	240	127
Total cash collections	28,199	106,263	134,462	138,392
Accrual adjustments	1,567	-	1,567	(2,675)
Total Custodial Revenue	$ 29,766	$ 106,263	$ 136,029	$ 135,717
Disposition of Collections (Note 15):				
Transferred to others:				
Treasury general fund	$ 28,199	$ -	$ 28,199	$ 57,190
Department of Justice	-	106,263	106,263	81,202
Increase/(decrease) in amounts yet to be transferred	1,567	-	1,567	(2,675)
Total Disposition of Collections	$ 29,766	$ 106,263	$ 136,029	$ 135,717
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 the BCP and BC. Additionally, various offices within FTC provide 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 proceeds 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 various Treasury Account Symbols (TAS) to record and track financial activity. These TAS are described below:

General Fund

Salaries and Expenses (TAS 29X0100): This account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, each year to fund the necessary expenses of the agency. Offsetting collections include the fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and the collections for the National DNC Registry, which operates under Section 5 of the FTC Act. Collections in excess of Congressional limits are unavailable by law and included in 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 FTC until money is distributed to consumers (or to a third party agent that distributes money to consumers on FTC's behalf), 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(p), 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. They 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 September 2014). 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 uncollectable 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. 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-ordered judgments for monetary relief in the consumer redress program, 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 funds 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), 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 interest bearing 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 status of litigation and collection status, cases are referred to the Treasury for collection action.

(j) Accrued Liabilities and Accounts Payable

Accrued liabilities and accounts payable represent a probable future outflow or other sacrifice of resources because of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. 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 liabilities (other than contracts). (See Note 7, Liabilities Covered and Not Covered by Budgetary Resources.)

(k) Employee Health Benefits and Life Insurance

FTC employees are eligible to participate in the contributory Federal Employees' Health Benefit Program (FEHBP) and the Federal Employees' Group Life Insurance Program (FEGLIP) administered by the Office of Personnel Management (OPM). The FTC contributes a percentage to each program to pay for current benefits.

(l) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS) administered by 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 seven percent of the employee's basic pay to the Civil Service

Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 11.9 percent to the Federal Employees' Retirement Fund. 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 set by law. For those employees participating in FERS, the FTC makes a mandatory one percent contribution to this plan and in addition, matches 100 percent of the first three percent contributed and 50 percent of the next two percent. CSRS participating employees do not receive a matching contribution from the FTC. 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. 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 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 OPM, and recognized as an imputed financing source by FTC.

(m) FECA and Other Post-Employment Benefits

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills FTC annually for the claims paid and FTC recognizes the FECA liability for future payment. Payment is deferred for two years to allow for funding through the budget. 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 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 OPM that estimate the true cost of providing these benefit to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by OPM, and recognized as an imputed financing source by FTC.

(n) Annual and Sick Leave

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of FTC employees. Budget execution rules do not allow this liability to be funded as earned. It is funded when taken or when paid out as a lump sum at the end of employment. As a result, accrued 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.)

(o) 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.)

(p) 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.

(q) Methodology for Assigning Costs and Exchange Revenues

The FTC allocates costs and exchange revenues, on the Statement of Net Cost to its two major strategic goals: protect consumers and maintain competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of 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 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 that are held in clearing/suspense funds that will be transferred to 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.

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
General property and equipment, net	64,247	-	64,247
Total Assets	$ 197,044	$ 199,896	$ 396,940

Entity and non-entity assets consisted of the following as of September 30, 2013:

(Dollars in thousands)	2013 Entity	2013 Non-Entity	2013 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 158,756	$ -	$ 158,756
Deposit funds - consumer redress	-	47,609	47,609
Clearing/Suspense funds - premerger filing fees	137	136	273
Accounts receivable, net	47	-	47
Subtotal intragovernmental assets	$ 158,940	$ 47,745	$ 206,685
Cash and other monetary assets	-	18,239	18,239
Accounts receivable, net	48	24,743	24,791
General property and equipment, net	22,042	-	22,042
Total Assets	$ 181,030	$ 90,727	$ 271,757

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 available balance consists of $15,015 thousand allocated for space replacement and the relocation of staff to Constitution Center and $8,878 thousand from operations. The unavailable balance is the result of prior year recoveries that exceeded anticipated and apportioned amounts, the collection of fees ($2,963 thousand) above the authorized amount to spend in the current year, and $6,450 thousand of sequestered funds from FY 2013.

Fund balance with Treasury consisted of the following as of September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Fund Balance with Treasury:		
General funds	$ 132,737	$ 158,756
Deposit funds - consumer redress	105,091	47,609
Clearing/suspense funds - premerger filing fees	615	273
Total Fund Balance with Treasury	$ 238,443	$ 206,638
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 23,893	$ 52,778
Unavailable - unapportioned	3,554	4,381
Unavailable - temporary reduction	9,413	6,450
Obligated balance not yet disbursed	95,877	95,147
Non-budgetary Fund Balance with Treasury		
Deposit funds - consumer redress	105,091	47,609
Clearing/suspense funds - premerger filing fees	615	273
Total Status of Fund Balance with Treasury	$ 238,443	$ 206,638

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 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, 2014 and 2013:

(Dollars in thousands)	2014	2013
Cash and Other Monetary Assets:		
Consumer redress funds held in financial institutions	$ 28,797	$ 18,239
Total Cash and Other Monetary Assets	$ 28,797	$ 18,239

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. Because of the nature of these receivables, they are frequently not fully collectible and are offset with a large allowance. The allowance for uncollectible accounts is based on 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. 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, 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

Accounts receivable, net consisted of the following as of September 30, 2013:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2013 Net
Entity Accounts Receivable:			
Intragovernmental	$ 47	$ -	$ 47
With the public	48	-	48
Total entity accounts receivable	$ 95	$ -	$ 95
Non-Entity Accounts Receivable:			
Consumer redress	$ 994,781	$ 971,088	$ 23,693
Civil penalties	31,345	30,295	1,050
Total non-entity accounts receivable	$ 1,026,126	$ 1,001,383	$ 24,743
Total Accounts Receivable	$ 1,026,221	$ 1,001,383	$ 24,838

NOTE 6—GENERAL PROPERTY AND EQUIPMENT, NET

The FTC's property and equipment consists of general-purpose equipment used by the agency and capital improvements made to buildings leased by the FTC for office space and software. The FTC reports property and equipment at historical cost and capitalizes items with an initial cost of $100 thousand or greater and a useful life of over two years. Property and equipment that meets these criteria is depreciated or amortized using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized over 15 years as all leasehold improvements are in General Services Administration (GSA) leased space and FTC has no intent of vacating its' current space. Additionally, assets under development, such as internal use software and leasehold improvements with an estimated aggregate cost of over $100 thousand are capitalized and then amortized once complete and placed into service. Normal repairs and maintenance, and property and equipment that does not meet the capitalization criteria, is recognized as an expense in the current period.

General property 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 yrs.	$ 19,340	$ 3,157	$ 16,183
Leasehold improvements	15 yrs	44,978	5,561	39,417
Software	5 yrs.	21,376	12,729	8,647
Total General Property and Equipment		$ 85,694	$ 21,447	$ 64,247

General property and equipment, net consisted of the following as of September 30, 2013:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Equipment	5-20 yrs.	$ 10,356	$ 4,779	$ 5,577
Leasehold improvements	15 yrs	16,079	6,638	9,441
Software	5 yrs.	20,067	13,043	7,024
Total General Property and Equipment		$ 46,502	$ 24,460	$ 22,042

NOTE 7—LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

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 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 consist of the following as of September 30, 2014 and 2013:

(Dollars in thousands)	2014 Covered by Budgetary Resources	2014 Not Covered by Budgetary Resources	2014 Not Requiring Budgetary Resources	2014 Total Liabilities	2013 Covered by Budgetary Resources	2013 Not Covered by Budgetary Resources	2013 Not Requiring Budgetary Resources	2013 Total Liabilities
Intragovernmental:								
Accounts payable	$ 823	$ -	$ -	$ 823	$ 1,555	$ -	$ -	$ 1,555
Accrued employee benefits	830	-	-	830	732	-	-	732
FECA liability	-	365	-	365	-	394	-	394
Other employment related liability	-	-	-	-	-	2	-	2
Undisbursed premerger filing fees	-	-	615	615	-	-	136	136
Accrued civil penalties due to Treasury	-	-	2,617	2,617	-	-	1,050	1,050
Total intragovernmental liabilities	$ 1,653	$ 365	$ 3,232	$ 5,250	$ 2,287	$ 396	$ 1,186	$ 3,869
Accounts payable	10,805	-	-	10,805	8,591	-	-	8,591
Reimbursable advances	45	-	-	45	-	-	-	-
Accrued payroll and benefits	4,105	-	-	4,105	3,626	-	-	3,626
Accrued leave	-	9,737	-	9,737	-	11,385	-	11,385
Actuarial FECA	-	2,202	-	2,202	-	2,254	-	2,254
Undisbursed redress collections	-	-	133,888	133,888	-	-	65,848	65,848
Accrued redress due to claimants	-	-	62,776	62,776	-	-	23,693	23,693
Total liabilities	$ 16,608	$ 12,304	$ 199,896	$ 228,808	$ 14,504	$ 14,035	$ 90,727	$ 119,266

NOTE 8—OTHER LIABILITIES

Other liabilities consisted of the following as of September 30, 2014 (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

Other liabilities consisted of the following as of September 30, 2013 (in thousands):

	2013 Non-Current	2013 Current	2013 Total
Other intragovernmental:			
Accrued employee benefits	$ -	$ 734	$ 734
FECA liability	394	-	394
Accrued civil penalties due to Treasury	-	1,050	1,050
Undisbursed premerger filing fees	-	136	136
Subtotal other intragovernmental	$ 394	$ 1,920	$ 2,314
Reimbursable Advances	-	-	-
Accrued payroll and benefits	-	3,626	3,626
Accrued leave	11,385	-	11,385
Actuarial FECA	2,254	-	2,254
Subtotal other	13,639	3,626	17,265
Total Other Liabilities	$ 14,033	$ 5,546	$ 19,579

NOTE 9—OPERATING LEASES

Leases of government and commercial property are made through and managed by the GSA. While the leases with GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the future lease payments to GSA. The FTC has leases on three government-owned properties and eight commercial properties totaling approximately 607 thousand square feet for use as offices, storage and parking. The FTC's current 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, 2014:

Fiscal Year (Dollars in thousands)		
2015	$	6,737
2016		6,742
2017		6,722
2018		6,679
2019		6,349
Thereafter		-
Total Future Minimum Lease Payments	$	33,229

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2014:

Fiscal Year (Dollars in thousands)		
2015	$	14,988
2016		14,588
2017		14,544
2018		13,582
2019		14,371
Thereafter		64,630
Total Future Minimum Lease Payments	$	136,703

NOTE 10—COMMITMENTS AND CONTINGENCIES

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" as of September 30, 2014.

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. 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 Antitrust Division.

Subscription fees collected for the National DNC Registry - The Do Not Call 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. 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, 2014 and 2013:

(Dollars in thousands)	2014	2013
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	$ 62,467	$ 45,938
Public costs	108,027	119,628
Gross costs, Protect Consumers	170,494	165,566
Intragovernmental earned revenue - reimbursements	(3)	(6)
Public earned revenue - Do Not Call registry fees	(13,518)	(14,112)
Earned revenue, Protect Consumers	(13,521)	(14,118)
Net Cost, Protect Consumers	$ 156,973	$ 151,448
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	$ 45,608	$ 33,954
Public costs	78,871	88,421
Gross costs, Maintain Competition	124,479	122,375
Intragovernmental earned revenue - reimbursements	(214)	(491)
Public earned revenue - premerger filing fees	(106,263)	(81,202)
Earned revenue, Maintain Competition	(106,477)	(81,693)
Net Cost, Maintain Competition	$ 18,002	$ 40,682
Net Cost of Operations	$ 174,975	$ 192,130

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

Obligations incurred consisted of the following for the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Obligations Incurred:		
Category A - direct obligations	$ 316,054	$ 277,209
Category B - direct obligations	17,840	21,945
Category B - reimbursable obligations	244	544
Total Obligations Incurred	$ 334,138	$ 299,698

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 the unobligated funds brought forward from previous years. These funds are made available by OMB through quarterly (Category A) apportionments.

Category B – direct obligations represent amounts obligated for space replacement and the relocation of FTC staff. The 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 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 2013 Statement of Budgetary Resources and the fiscal year 2013 actual amounts as reported in the fiscal year 2015 Budget of the United States Government. The fiscal year 2016 Budget of the United States is not available to compare fiscal year 2014 actual amounts to the fiscal year 2014 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, 2014 and 2013, is $80,059 and $81,941 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 2014 and fiscal year 2013, the FTC collected $212,526 and $162,404 thousand respectively, in HSR premerger filing fees. One-half of the amounts collected in each year were distributed to DOJ, as shown on the Statement of Custodial Activity. Undistributed fees to the DOJ at September 30, 2014 and 2013 were $615 and $136 thousand respectively.

Civil Penalties

Civil monetary penalties 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 FTC deposits the money 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 $16,157 and $14,518 thousand as of September 30, 2014 and 2013 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.

(Decrease)/Increase in Amounts Yet to be Transferred

The decrease/increase in 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 its administrative proceedings and its federal court cases. The FTC attempts to distribute funds thus obtained to consumers 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 consumers 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, 2014 and 2013:

(Dollars in thousands)	2014	2013
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 47,609	$ 56,575
Collections	124,376	36,063
Disbursements to claimants, net	(69)	(23)
Disgorgements to Treasury	(16,157)	(14,518)
Transfers, expenses, refunds	(50,668)	(30,488)
Total Fund Balance with Treasury, Ending	$ 105,091	$ 47,609
Cash and Other Monetary Assets		
Beginning balance	$ 18,239	$ 28,360
Disbursements to claimants, net	(38,512)	(36,621)
Transfers, expenses, interest income	49,070	26,500
Total Cash and Other Monetary Assets, Ending	$ 28,797	$ 18,239
Accounts Receivable, Net		
Beginning balance	$ 23,693	$ 27,219
Net activity	39,083	(3,526)
Total Accounts Receivable, Ending	$ 62,776	$ 23,693

NOTE 17 — RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

For the fiscal years ended September 30, 2014 and 2013:

(Dollars in thousands)	2014	2013
Resources Used to Finance Activities:		
Budgetary resources obligated:		
Obligations incurred	$ 334,138	$ 299,698
Less: spending authority from offsetting collections and recoveries	(126,206)	(98,869)
Total budgetary resources obligated	207,932	200,829
Other resources:		
Imputed financing from costs absorbed by others	9,434	9,207
Total other resources	9,434	9,207
Total Resources Used to Finance Activities	$ 217,366	$ 210,036
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in budgetary resources obligated, but not yet provided	$ 1,552	$ (14,277)
Resources that finance the acquisition of assets	(46,691)	(6,873)
Total resources used to finance items not part of the net cost of operations	(45,139)	(21,150)
Total Resources Used to Finance the Net Cost of Operations	$ 172,227	$ 188,886
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	$ (1,648)	$ (144)
Other	(90)	172
Total components requiring or generating resources in future period	(1,738)	28
Components not requiring or generating resources:		
Depreciation and amortization	3,738	3,216
Losses on disposition of assets - other	748	-
Total components not requiring or generating resources	4,486	3,216
Total Components of the Net Cost of Operations that will not Require or Generate Resources in the Current Period:	$ 2,748	$ 3,244
Net Cost of Operations	$ 174,975	$ 192,130

OTHER INFORMATION

INSPECTOR GENERAL-IDENTIFIED MANAGEMENT AND PERFORMANCE CHALLENGES

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

Office of Inspector General

October 14, 2014

MEMORANDUM

TO: Edith Ramirez
Chairwoman, Federal Trade Commission

FROM: Kelly C. Tshibaka KTshibaka
Acting Inspector General

SUBJECT: FY 2014 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 highlight the following as the most significant challenges facing the FTC:

- Securing the Agency's Information Systems and Networks from Destruction, Data Loss, or Compromise
- Leveraging the Value of Investments and Work Performed
- Recruitment, Retention, and Staff Size
- Ensuring Compliance with Digital Records Management Requirements

These challenges do not reflect areas in which the FTC is failing; rather, they represent opportunities for mission advancement. Some of these challenges will always exist and require the agency's continued attention. Others are a priority for this time in the agency's development, but may become less of a priority in the future. For example, last year the OIG identified "Consolidating satellite offices into the Constitution Center" as a top management challenge. This year, however, we have not included any aspects of the move to Constitution Center in the Management Challenges because the FTC did a remarkable job of accomplishing that consolidation on time and within budget.

The FTC has made progress in addressing each of these challenges in FY 2014. As the FTC continues to focus energy and resources on addressing these challenges, it will significantly enhance its performance and success.

The attached document provides the rationale 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 the ongoing support the OIG receives from agency leadership and will continue to work with you in addressing these and other challenges the FTC faces in achieving its mission.

Attachment

Office of Inspector General
Top Management Challenges at the Federal Trade Commission
October 14, 2014

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

The Federal Trade Commission (FTC) Office of Inspector General (OIG) conducts annual Federal Information Security Management Act (FISMA) reviews, which evaluate the effectiveness of FTC information security and privacy programs. While the OIG has found the FTC to be in substantial compliance with FISMA and other applicable privacy and security requirements, the ability to protect information assets is a complex challenge for the FTC.

In an environment where technology is changing at an increasing rate, the FTC faces emerging vulnerabilities as it integrates new technologies (e.g., cloud and mobile computing) into its Information Technology (IT) infrastructure, encounters changing and pervasive threats, and is targeted by individuals incentivized to disrupt or compromise its operations. In addition, guidance for federal agencies has become more flexible, which allows agencies to tailor information protection solutions specific to their needs, but provides less direction as to what solutions are effective.

The information security and privacy environment is fluid and ever-changing, which means it will pose a constant challenge for the FTC. In addition to an ever-changing environment, the FTC experienced obstacles to its efforts to improve the information security and privacy programs when senior management turned over (the Executive Director and Chief Information Officer retired), and when the FTC consolidated its two Washington, D.C. satellite offices into one location at Constitution Center. The FTC's reactive security measures were strong during these disruptions, but heavily relied on the workforce to maintain information security and privacy programs. Developing more mature information processes will ensure that the 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 OCIO and the Chief Privacy Officer (CPO) continue to work with FTC system owners and managers to ensure that information security and privacy requirements are identified, documented, communicated appropriately, and incorporated into the design and implementation of each system. System owners and managers are reminded that periodic test and evaluation of information security and privacy controls is necessary to ensure effective implementation and operation of those controls. They are also reminded that maintaining and, as necessary, updating the corresponding information security and privacy documentation (such as system security plans and Privacy Impact Assessments) is a pre-requisite to issuance and retention of the system's authorization to operate. OCIO staff, along with the Office of General Counsel staff and the CPO, continue to meet with system owners to make sure that contract language addresses information security and privacy controls and related FTC practices and procedures, including continuous monitoring, so that Contracting Officer Representatives (CORs) can manage and assist in evaluating the compliance of contractor-hosted systems and services. As the OCIO and the CPO continue to work closely to implement and coordinate privacy controls with information security controls, as required by NIST Special Publication 800-53 rev. 4, the FTC will continue to develop and improve its risk-based assessments of information security and privacy as new technologies are integrated into the FTC infrastructure.

Related to the implementation and coordination of controls, in FY 2014 the FTC launched a process improvement initiative to track and monitor the agency's open audit findings and recommendations through a data-driven monthly review process. Management officials report on the status and progress of their items to senior management, and FMO ensures that relevant documentation is gathered and maintained in a limited-access reporting tool. This regular review process strengthens the agency's internal controls and enhances transparency of operations.

Also in FY 2014, the FTC consolidated its satellite offices into the newly renovated Constitution Center and the FTC Headquarters building. The OCIO relocated select IT services and applications previously hosted in the New Jersey and Headquarters buildings, to the Constitution Center, consolidating applications and services in proximity of the user and to provide for future expansion. The move also allowed OCIO to upgrade and replace aging infrastructure components with newer, more secure products with better performance including replacing the agency's firewall infrastructure and upgrading equipment in the OCIO's Acceptance Testing and Development environments. In FY 2015 and FY 2016, the OCIO will continue to replace and upgrade aging infrastructure equipment and operating systems to decrease risk of system failure and security vulnerabilities.

The control of IT assets during the move to Constitution Center was critical, and included the movement of desktop equipment (e.g., laptops, workstations, telephones, TVs, and computer monitors) for over 700 FTC staff, as well as all network (data center) and audio/video equipment (e.g., servers, switches, routers, storage, cameras, VTCs). The IT Asset Management Team performed a full physical inventory of all assets moved and coordinated with system administrators to decommission and dispose of assets that were deemed "end of life". In FY 2015 and FY 2016, the IT Asset Management Team will continue to refine policy and procedure, formalize reporting and statistical sampling requirements, and incorporate a variety of electronic tools to assist with mandatory inventory requirements.

In FY 2015 and FY 2016, the FTC will begin to move select core IT services to the cloud to improve service offerings and resolve outstanding security vulnerabilities. The FTC recognizes the need to improve the availability of core IT services in a secure and cost effective manner. As part of the evaluation of potential cloud service offerings, the FTC has utilized the standards set forth by the Federal Risk Authorization and Management Program (FedRAMP) to ensure the most stringent security measures are in place to protect agency data. The use of cloud services will also decrease risk of data loss and service interruption if the FTC's main data center is unavailable.

2. Leveraging the Value of Investments and Work Performed

The FTC must make effective use of limited resources by targeting its law enforcement and education efforts to maximize its desired outcome to protect consumers and promote competition. A complex marketplace, ever-evolving fraud schemes, declining budgets, and increasing workloads require continuous reassessment of management practices in achieving that objective.

The OIG performed an evaluation of the FTC's Bureau of Consumer Protection's (BCP) enforcement and non-enforcement strategies, goals, policies and procedures. This evaluation found that the BCP's strategic planning is a best practice in comparison to other agencies the OIG examined. This evaluation also identified opportunities, including better leveraging the value of investments and work performed, that could further maximize consumer protection and enhance an already strategic and successful program. While the review only looked at the BCP, we believe that leveraging the value of investments and work performed is a challenge across the FTC.

For example, the FTC has a Management Data Dashboard (MDD) that provides financial reports and certain information on staff activity, matters management, etc. While the evolution of the MDD is headed in the right direction, the data collected is from disparate systems that are not integrated to provide agency leaders with a broad perspective on the status of their operations. Integrated data on costs would better equip agency leadership to plan and monitor its work. When data management systems are not integrated and compatible, excessive use of resources and inconsistent analysis of program results can occur. In order to make informed decisions and ensure accountability, the FTC needs data management systems that can generate timely, accurate, and useful information.

Agency Progress in Addressing the Challenge

Given the breadth of the agency's jurisdiction, it is essential for the FTC to target its enforcement and education efforts to achieve the agency's goals and maximize results. As the OIG noted, BCP, as an example, conducts strategic planning to identify priority areas and to focus its resources. BCP also takes steps to leverage the value of its investments and the work it performs. With respect to enforcement actions, one of BCP's largest investments is its Consumer Sentinel database of consumer complaints. BCP uses this database to help target and develop its cases. BCP is implementing several OIG recommendations from the OIG's recent evaluation to ensure that it is maximizing the value of its investment. With respect to educational efforts, BCP leverages its resources and the work it performs by partnering with other governmental and non-governmental organizations. These organizations are well placed to get the information that the FTC produces into the hands of the people or businesses that need it. For example, in the three months since the FTC launched *Pass It On* – its paradigm-shifting campaign to educate older Americans about fraud – organizations in all 50 states ordered 500,000 copies of the materials. These organizations include state departments of aging, individual residential centers, banks, libraries, and social services agencies – each of whom have relationships with older consumers and can distribute the materials directly to them.

In regard to the Management Data Dashboard (MDD), the OCIO continues to work with bureaus and offices to develop MDD as the agency's management information analysis and decision support system. Since February 2012, MDD has provided increasingly more matter, staff activity and financial information, reports and dashboards to BCP, BC and BE to enable various types of operations analysis and decision making. For example, in FY 2012, MDD integrated matter information from several disparate agency matter and matter event tracking systems and provided bureau managers with a full view of many stages of a case, such as investigation, consent negotiation, court litigation, administrative adjudication, order compliance and consumer redress. MDD integrates staff hours information with matter information and enables managers to analyze resource allocation by matter, by program, by topic, by issue, etc. MDD also enables managers to receive periodic email notification of matter events such as issuance of subpoenas and Civil Investigative Demands. In FY 2013, MDD integrated official commission document information into the system, enabling bureau managers to search and retrieve commission documents based on a wealth of matter and program information, in addition to document metadata.

In FY 2014, MDD integrated FTC core financial transaction data into the system and enabled bureau managers to analyze their respective organization's status of funds and spending categories. In September 2014, MDD further integrated detailed stenographic service and litigation support cost data into the system. For example, bureau managers are able to analyze different types of costs (expert witness, court reporting, litigation support, travel, etc.) associated with a particular enforcement actions, determine the average cost of matters within a particular program, and many other analysis scenarios that leverage integrated matter, staff activity and cost data. In FY 2015, MDD will expand to provide financial reporting and analytics to FTC non-bureau offices such as OIA, OPP, and OED. The MDD team will also continue to work with the three Bureaus in FY 2015 to enhance bureau reports and dashboards to make them more intuitive and relevant to specific management decision-making.

3. Recruitment, Retention, and Staff Size

The FTC has a productive workforce replete with high performers. While it achieves impressive accomplishments for its size, it faces challenges in recruitment and retention in mission support areas, and having enough positions (Full Time Equivalents) across the FTC to perform its mission. The FTC has managed this challenge by triaging its projects and by relying on high performing employees and contractor support. This works as a short-term solution, but it is not sustainable long-term and it comes at the cost of mission effectiveness.

The area in which the FTC most experienced this challenge in FY 2014 is the Office of the Executive Director (OED). The OED provides critical mission support services for the FTC, including facilities, security, budget, acquisitions, human resources, information technology, and records management. When OED key positions are vacant, or when it does not have the human resources it needs to operate effectively and efficiently, the whole agency is detrimentally affected. While the FTC consistently is rated one of the best places to work in the government, the FTC has experienced difficulty recruiting and retaining highly qualified individuals in some OED positions.

Agency Progress in Addressing the Challenge

The FTC is committed to maintaining its high performance standards in protecting American consumers and remaining among the best places to work by developing strategies that address our recruitment, retention, and staff size challenges.

The FTC continues to recruit highly talented individuals into our workforce. Last winter, the agency opened a buy out and early-out window as one means to reshape the workforce, reduce skills gaps, and recruit individuals with the right skills to meet our mission. Twenty-one employees accepted our offer and left in early January. While in the short-term the loss of these employees required the agency to triage projects or use contractor support, in the long-term the agency is hiring individuals with the skills necessary for mission accomplishment now and in the future. This phenomenon was particularly acute in the Office of the Executive Director in which half of its leadership team retired in January 2013, including the Executive Director. The new Executive Director who came on board in late summer 2013 has made it a priority to fill all key OED positions, which will be accomplished in the very near future. To retain talented staff, the agency established a workforce flexibility team in FY 2014 to create a vision for future workplace initiatives. The FTC will continue to provide family friendly benefits for employees in balancing work and life issues and annually assess employee satisfaction to meet our recruitment and retention challenges. In FY 2014, the agency undertook an analysis of the use of full-time equivalents (FTEs) that assessed high priority program requirements and funding sources available to determine if any plus up of authorized FTE could be supported. Based on this analysis, an additional ten FTE were allocated across the agency to support long-term mission accomplishment. The agency will assess and adjust this decision in FY 2015 and beyond.

4. Ensuring Compliance with Digital Records Management Requirements

In November 2011, President Obama signed a Presidential Memorandum, *Managing Government Records*, instituting a government-wide effort to reform records management policies and practices. In August 2012, the Office of Management and Budget and the National Archives and Records Administration issued a "Managing Government Records Directive" that requires agencies to eliminate paper and use electronic recordkeeping to the greatest extent possible. This Directive requires the FTC to make several transitions in its records management processes, including managing both permanent and temporary email records in an accessible electronic format by December 31, 2016.

The FTC already has begun efforts to fully comply with the OMB directive and other legal requirements regarding electronic recordkeeping. The transition to digital records management will require the FTC's continued focus in FY 2015.

Agency Progress in Addressing the Challenge

As noted above, the National Archives and Records Administration (NARA) approved a new comprehensive records retention schedule for the FTC in 2012. This new 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."

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 public filings in FTC administrative litigation. In FY 2015, RFO is enhancing the E-Filing system to include electronic service of filings by the parties and an electronic docket of public filings that will accessible by the parties, as well as expanding the system to include non-public filings. These enhancements will make the FTC administrative litigation process and its official records virtually fully electronic.

FTC plans to utilize an Enterprise Content Management System (ECMS) to maintain agency records in electronic format for the required retention period and to transfer permanent agency records to NARA. RFO is working with agency stakeholders to develop information governance for FTC records. This includes taxonomy, common vocabulary, access controls, and retention triggers. FTC plans to incorporate the management of email records in the ECMS. In FY 2015, the agency will develop its strategic plan for transition to an ECMS, as part of FTC's overall IT modernization strategy.

CHAIRWOMAN'S RESPONSE TO IG 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 14, 2014, the agency's Inspector General (IG) identified four 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 tackle these challenges proactively.

Signed

Edith Ramirez
October 30, 2014

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

THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT REPORTING DETAILS

The Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012, requires agencies to review all programs and activities and identify those that may be susceptible to significant improper payments. For all programs and activities in which the risk of improper payments is significant, agencies are to estimate the annual amount of improper payments in the susceptible programs and activities. Office of Management and Budget (OMB) Circular A-123 requires agencies to report the results of their improper payment activities. The IPERA also requires agencies to conduct payment recapture audits.

Office of Management and Budget (OMB) Memorandum M-11-16 prescribes guidance for agencies to use in implementing IPERA. OMB guidance defines "significant improper payments", for FY 2014 reporting, as those in any particular program or activity that exceed both 1.5 percent of program outlays and $10 million of all program or activity payments made during the fiscal year (or $100 million regardless of the improper payment percentage of total program outlays). In addition, the OMB guidance addresses implementing payment recapture audits, for programs and activities that expend $1 million or more annually, provided it is cost-effective to do so. In accordance with the OMB guidance, the FTC reviewed its programs and activities and determined that none of the agency's programs or activities were susceptible to making significant improper payments and that the implementation of a payment recapture audit would not be cost–effective.

The FTC is cross-serviced by the Department of the Interior Business Center (IBC) for accounting system support and accounts payable processing. As a result, the implementation of the Do Not Pay (DNP) initiative is a joint responsibility between the FTC and IBC. Prior to making a new contact award, the FTC checks the System for Award Management (SAM) and the Excluded Parties List System (EPLS) for a match. If there is not a match, the FTC submits a new vendor request to IBC. The IBC Vendor Maintenance Team verifies all of FTC's new Employee and Non Federal Vendor requests against the Department of Treasury's Do Not Pay (DNP) databases using the DNP Portal on-line search capability. If the IBC Vendor Maintenance Team finds a positive match, they advise the FTC. The FTC reviews match, determines if the payment is proper or improper, and reports the results. The FTC also reviews the Social Security Administration's (SSA) Death Master File (DMF) as an additional check to prevent improper payments before releasing Federal funds.

As the below table shows, the FTC has not had any matches with the DMF and only 111 matches with SAM/EPLS. FTC's review of all payments made in FY 2014 confirmed that the FTC did not make any improper payments in FY 2014.

	Number of Payments Reviewed for Improper Payments	Dollars of Payments Reviewed for Improper Payments	Number of Payments Stopped	Dollars of Payments Stopped	Number of Improper Payments Reviewed and Not Stopped	Dollars of Improper Payments Reviewed and Stopped
Reviews with DMF	0	$ 0.00	0	$ 0.00	0	$ 0.00
Reviews with SAM/EPLS	111	$ 100,710.00	0	$ 0.00	0	$ 0.00

"FREEZE THE FOOTPRINT" IMPLEMENTATION

In FY 2014, the Federal Trade Commission reduced our overall square footage from 633,000 to 607,008.

	FY 2012	FY 2014	Change
Rentable Square Footage	638,877	607,008	31,869

In the future, 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 operation and maintenance costs.

APPENDICES

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.

Key/Efficiency 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 saves consumers each year through law enforcement. 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.

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 stopped 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 defendant(s) 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. Beginning in the mid-fiscal year 2015, the estimates will be reported in the Debrief in the Redress and Enforcement Database. See measure 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 Planning and Information (DPI). 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.

Key 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 DPI.

Verification and validation:

1. The Redress Administration Office (RAO) in DPI 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 separate 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.

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.

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. The Bureau 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 received 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.

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.

Definition and background: This measure tracks investigations or cases in which the FTC obtains foreign-based evidence or engages in mutual assistance that contributes to FTC law enforcement actions or in which we cooperate 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 review and compile 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.

Key/Efficiency 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: Press releases are the source of information for public actions, such as consent orders and the results of judicial review, while 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 that the transaction is likely to harm competition. This information is then used to populate the bureau's enforcement database and is cross-referenced with both the list of known second request and compulsory process merger investigations as recorded in an agency database of matters and the list of nonmerger investigations with more than 150 hours, as identified using the agency's time and attendance reporting database.

Verification and validation: The data is entered into a bureau 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.

Key/Efficiency 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 generated under goal 2.1.2 are divided by the amount of resources spent on the merger program for the current fiscal year.

Data sources: The lead attorney estimates consumer savings for a particular case using the appropriate 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: See goal 2.1.2.

Key/Efficiency 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 generated under goal 2.1.4 divided by the amount of resources spent on the nonmerger program.

Data sources: The lead attorney estimates consumer savings for a particular case using the appropriate applicable estimation formula. 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: See goal 2.1.2.

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.

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 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 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: Office of International Affairs weekly reports and internal logs.

Verification and validation: International antitrust team members report matters they worked on in which substantial contact took place. Staff review and compile 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.

Efficiency 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 we 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 they represent a strong percentage of the types of requests we fill. This measure tracks the agency's response time in processing a simple FOIA request for access to public records. We also keep track of a number of other measures on an annual basis, this includes: the FTC's response time for simple and complex requests; steps that the FTC has taken to make our 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, the information is logged into the FOIAxpress system, the request is scanned, and numbers are assigned to each request. This begins the clock running 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 we have to repeat processing steps that have already occurred.

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.

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 is administered annually by the U.S. Office of Personnel Management (OPM). The Federal Employee Viewpoint Survey 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, and most recently in 2013. 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

ACO	Accountable Care Organization
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
CFO	Chief Financial Officer
CFS	Core Financial System
COPPA	Children's Online Privacy Protection Act
CPO	Chief Privacy Officer
CSRS	Civil Service Retirement System
D.C.	District of Columbia
DMF	Death Master File
DNC	Do Not Call
DNP	Do Not Pay
DOJ	Department of Justice
DOL	Department of Labor
ECMS	Enterprise Content Management System
EFT	Electronic Funds Transfer
EPLS	Excluded Parties List System
ERCR	Electronic Recordkeeping Certification Review
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FedRAMP	Federal Risk and Authorization Management Program
FECA	Federal Employee's Compensation Act
FEGLIP	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FISMA	Federal Information Security Management Act
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
GSA	General Services Administration
HSR	Hart-Scott-Rodino Act
IBC	Department of the Interior Business Center
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
MC	Maintain Competition
MDD	Management Data Dashboard
MD&A	Management's Discussion and Analysis
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
OED	Office of the Executive Director
OIA	Office of International Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPP	Office of Policy Planning
OS	Office of the Secretary
PAE	Patent Assertion Entity
PAR	Performance and Accountability Report
PC	Protect Consumers
PIO	Performance Improvement Officer
PMRO	Performance Measure Reporting Official
RAO	Redress Administration Office
RFO	Records and Filings Office
RSI	Required Supplementary Information
SAM	System for Award Management
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SCA	Statement of Custodial Activity
SEP	Standard Essential Patent
SPFI	Summary of Performance and Financial Information
SOA	Statement of Assurance
SSAE	Statement on Standards for Attestation Engagements
TAS	Treasury Account Symbol
TSR	Telemarketing Sales Rule
TSP	Thrift Savings Plan
TTY	Text Telephone or Telephone Typewriter
US	United States

APPENDIX C: CONTACT INFORMATION AND ACKNOWLEDGEMENTS

FEDERAL TRADE COMMISSION	600 Pennsylvania Avenue, NW Washington, D.C. 20580
General Information Number	202-326-2222
Internet Home Page	www.ftc.gov
FTC Spanish Home Page	www.ftc.gov/espanol
Strategic Plan Internet Site	www.ftc.gov/strategicplan
FTC Press Releases	http://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	http://www.ftc.gov/reports/agency-financial-report-fy2014
AFR Contact	Joseph O'Leska
AFR Telephone	202-326-2716
AFR Email Address	AFR@ftc.gov
AFR Fax Number	202-326-3529
AFR Mailing Address	Federal Trade Commission attn: AFR, M/D H-774 600 Pennsylvania Avenue, NW 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

ACKNOWLEDGEMENTS

The FTC offer our sincerest thanks and acknowledges the following individuals who made significant contribution in producing this report: Heather Hippsley of the Office of the Chairwoman; George Adam, Chloe Collins, Antonio Gomez, Valerie Green, James Hale, Karen Leydon, Kimberly Mayo, Joseph O'Leska, Mark Oemler, David Rebich, David Robbins, Randall Salzer, Michelle Thornton, Lori Walsh-Van Wey, and Milissa Young-Loiselle of the Office of the Executive Director; Jeanine Balbach, Shannon Chowdhury, Nathan Hawthorne and Andrea Zach of the Bureau of Competition; Laura DeMartino, Gregory Fortsch and Jenny Kellogg of the Bureau of Consumer Protection, Sarah Mackey and Dione Stearns of the Office of the General Counsel, and Gail Kingsland of the Office of Public Affairs. Finally, we offer thanks to AOC Solutions, LMI and Graphic Visions for their contributions in the design and production of this report.

FEDERAL TRADE COMMISSION
www.ftc.gov

/federaltradecommission

@FTC

ftc.gov

/FTCvideos

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