FEDERAL TRADE COMMISSION

FISCAL YEAR 2019

Agency Financial Report

FEDERAL TRADE COMMISSION ★ UNITED STATES OF AMERICA ★ MCMXV

TABLE OF CONTENTS

Introduction

INTRODUCTION

ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2019 Agency Financial Report (AFR) provides financial and high-level performance results and demonstrates to the Congress, the President, and the public the FTC's commitment to its mission and accountability over the resources entrusted to it.

This report, available at the FTC's website, satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity Act of 1982
- Prompt Payment Act of 1982
- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Federal Financial Management Improvement Act of 1996
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Government Performance and Results Modernization Act of 2010
- Improper Payments Elimination and Recovery Improvement Act of 2012
- Digital Accountability and Transparency Act of 2014
- Federal Information Security Modernization Act of 2014
- Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015
- Fraud Reduction and Data Analytics Act of 2015

The FTC publishes both an AFR and an Annual Performance Report (APR). The FY 2019 APR will be combined with the FY 2021 Annual Performance Plan (APP) and included in the FY 2021 Congressional Budget Justification. The combined APP and APR will be available at https://www.ftc.gov/about-ftc/performance along with other performance documents.

Certificate of Excellence and Best-in-Class Award

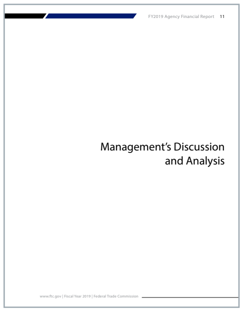
The FTC received the *Association of Government Accountants' Certificate of Excellence in Accountability Reporting* for its FY 2018 AFR. The FTC also received a Special Recognition "Best-in-Class" Award for creative use of graphics to depict the rise in consumer complaints and mergers to the FTC's budget and employee resources over the last 8 years. The FY 2018 AFR demonstrates the value provided by the FTC, while quantifying the benefits the agency brought to the American public by highlighting examples of cases and investigations the agency pursued.

Building on prior fiscal years financial reporting success, the FTC again presents actual agency accomplishments to demonstrate its continuing commitment to consumers through achieving its mission.

INTRODUCTION

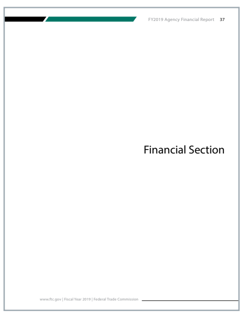
HOW THIS REPORT IS ORGANIZED

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


Management's Discussion and Analysis

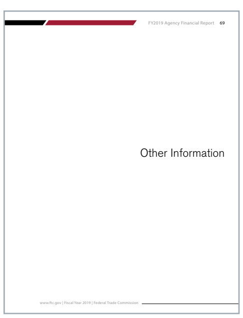
1. MANAGEMENT'S DISCUSSION AND ANALYSIS

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


Financial Section

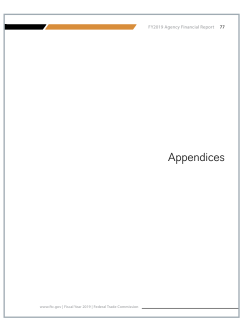
2. FINANCIAL SECTION

This section provides financial details, including the message from the Chief Financial Officer (CFO), independent auditor's report, and audited financial statements with accompanying notes.


Other Information

3. OTHER INFORMATION

This section provides the Office of Inspector General's summary of top management and performance challenges, a summary of financial statement audit and management assurances, payment integrity information, a "Reduce the Footprint" report, a fraud reduction report, and a schedule of civil monetary penalties' adjustments for inflation.


Appendices

4. APPENDICES

Appendix A lists the acronyms cited throughout this report; Appendix B provides contact information and acknowledgements.

INTRODUCTION

THE FTC AT-A-GLANCE

HISTORY

The Federal Trade Commission was created on September 26, 1914, when President Woodrow Wilson signed the Federal Trade Commission Act into law. The original purpose of the FTC was to prevent unfair methods of competition in commerce as part of the battle to "bust the trust." Over the years, Congress passed additional laws giving the agency greater authority to police anticompetitive practices, and in 1938, Congress passed a broad prohibition against "unfair and deceptive acts or practices." Since then, the FTC has been further directed by Congress to enforce a wide variety of other consumer protection laws and regulations.

LAWS ENFORCED

The FTC is an independent law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws and regulations. Examples include the Federal Trade Commission Act, Clayton Act, Telemarketing Sales Rule, Fair Credit Reporting Act, Identity Theft Act and Equal Credit Opportunity Act. In total, the commission has enforcement or administrative responsibilities under more than 70 other laws.

PROFILE

- The agency is headquartered in Washington, D.C. and operates in seven regions across the United States.
- The agency had 1,130 full-time equivalent employees at the end of FY 2019.
- Total new budget authority for FY 2019 was $311 million, which comprises $168 million in general fund appropriations and $143 million in offsetting collections.

HEADQUARTERS

The FTC established its headquarters at 600 Pennsylvania, N.W., with President Franklin D. Roosevelt laying the cornerstone himself. Roosevelt remarked, "May this permanent home of the Federal Trade Commission stand for all time as a symbol of the purpose of the government to insist on a greater application of the golden rule to conduct the corporation and business enterprises in their relationship to the body politic." **Listen to FDR's speech**.

The building, which is particularly known for its two art deco-style statues, called "Man Controlling Trade," is located at the apex of the Federal Triangle, and was the culmination of the massive Depression-era government building project. Commissioners and staff officially moved in on April 21, 1938, and the building continues to function as the FTC's headquarters, serving the agency's adjudicative, executive, policy, and administrative functions.

INTRODUCTION

MESSAGE FROM THE CHAIRMAN

Joseph J. Simons, *Chairman*

The Federal Trade Commission is an independent law enforcement agency with a dual mission of protecting consumers and promoting competition in broad sectors of the economy. The FTC continues to pursue a vigorous law enforcement agenda. Our dedicated staff challenge unscrupulous business practices and anticompetitive mergers, shut down fraudulent schemes and deceptive marketing campaigns, and protect consumers' privacy and pocketbooks. The FTC's policy, research, advocacy, and education initiatives complement our enforcement work, advancing the interests of consumers and encouraging competition and innovation.

The FTC's consumer protection law enforcement efforts focus on addressing trends in the marketplace that harm consumers. During FY 2019, the FTC achieved record-breaking settlements in the areas of data security and privacy, protected consumers from deceptive practices in the financial marketplace, and joined forces with law enforcement partners to stem the flood of illegal robocalls.

For over 100 years, the FTC has enforced the antitrust laws and ensured that consumers benefit from competition. By preventing anticompetitive mergers and stopping business practices that diminish competition, the FTC ensures that consumers enjoy benefits such as lower prices, higher quality products and services, broader choices, and innovation that leads to better products and services. In FY 2019, the FTC continued its commitment to maintain competition through vigorous enforcement in a variety of industries including technology, manufacturing, and healthcare.

This Agency Financial Report highlights the FTC's major accomplishments, illustrates how the agency efficiently manages its resources, and outlines its plans to address the challenges ahead.

FY 2019 PERFORMANCE HIGHLIGHTS

CONSUMER PROTECTION

In a landmark year, the Commission continued its leadership in protecting consumers' privacy interests and promoting data security. In July 2019, the agency negotiated a record-breaking $5 billion civil penalty with Facebook, which also agreed to submit to new restrictions and a modified corporate structure to hold the company accountable for its decisions about its users' privacy. This penalty is 20 times greater than the next largest privacy or data security penalty ever imposed worldwide. The judgment is pending the district court judge's signature. Also in July 2019, the agency entered into the largest monetary agreement ever in a data security case with credit reporting agency Equifax, which agreed to pay at least $575 million, and potentially up to $700 million, as part of a global settlement with the FTC, the Consumer Financial Protection Bureau, and 50 U.S. states and territories. The complaint alleged that the company's failure to take reasonable steps to secure its network led to a data breach in 2017 that affected approximately 147 million people, exposing them to identity theft and fraud.

Children's privacy was an area of particular focus in FY 2019. In the largest settlement the FTC has ever obtained in a Children's Online Privacy Protection Act (COPPA) case, YouTube/Google agreed to pay $170 million to settle allegations that YouTube illegally collected personal information from children without their parents' consent and used that information to target ads to children. In a similar case earlier in the year, operators of the video social networking app Musical.ly/TikTok, agreed to pay $5.7 million to settle COPPA violation allegations.

The fight against the scourge of illegal robocalls continued in FY 2019 as the FTC and its law enforcement partners banded together to initiate "Operation Call It Quits." This crackdown on illegal robocalls targeted operations throughout the country responsible for more than one billion calls. Ninety-four actions were undertaken, including four new cases and three new settlements by the FTC.

Stopping fraud against consumers is at the heart of the FTC's mission. In November 2018, MoneyGram International agreed to pay $125 million to settle allegations that the company failed to take steps required under a 2009 FTC order to crack down on fraudulent money transfers that cost consumers millions of dollars. In another case, the FTC used its U.S. SAFE WEB authority to halt a massive international real estate scam involving Belize's Atlantic International Bank Limited (AIBL). Lots in Sanctuary Belize, a planned community located in remote southern Belize, were sold to consumers with false promises of luxury amenities, early completion, and property appreciation. Under a proposed consent order, one of the defendants, AIBL, will pay back $23 million to U.S. consumers.

PROMOTING COMPETITION

The Commission was successful in a number of anticompetitive conduct and merger enforcement cases in FY 2019.

In May 2019, a federal court granted the Commission's injunction challenging Qualcomm's patent licensing practices for baseband processors used in cellular devices. The court found that Qualcomm used anticompetitive tactics to maintain a monopoly on key cell phone chip markets and to acquire higher royalties than it could obtain based only on its patent value. Qualcomm obtained a partial stay of the injunction pending appeal to the U.S. Court of Appeals for the Ninth Circuit and filed its opening appellate brief. The FTC's brief is due in November.

Around the same time, the Commission filed for a permanent injunction against Surescripts for using tactics such as threats and exclusivity agreements to maintain its monopolies in electronic prescribing markets. FTC alleged that Surescripts' actions prevent healthcare providers from using additional platforms to determine patient eligibility for prescription coverage and to transmit prescriptions directly to pharmacies, thereby blocking competitors' success.

Several FY 2019 matters demonstrated the FTC's commitment to maintaining competition in the healthcare industry. Notably, the FTC held that 1-800 Contacts, the largest online retailer of contact lenses in the United States, unlawfully orchestrated a web of anticompetitive agreements with rival online contact lens sellers that suppressed competition in certain online search advertising auctions and restricted truthful and non-misleading internet advertising to consumers. This case, which also has broader implications for preserving competition in online advertising, is pending appeal.

The FTC has long prioritized combatting reverse payments and other types of anticompetitive behavior in the pharmaceutical industry. In March 2019, the Commission issued a unanimous decision holding that Impax Laboratories and Endo Pharmaceuticals had entered into a reverse payment arrangement that delayed entry of generic competition for Opana ER, an extended release opioid used for pain relief. This case is pending appeal.

In its first "product hopping" case, the agency alleged that Reckitt Benckiser engaged in a scheme to shift patients away from its branded opioid-addiction treatment, Suboxone, which was facing generic competition. The Commission alleged that the company used deceptive means to transfer patients to a more lucrative version of the drug that enjoyed patent protection, while providing no legitimate health benefits.

The Commission also continued to challenge potentially anticompetitive mergers in a variety of industries. Highlights included:

INTRODUCTION

- Fidelity National's proposed acquisition of Stewart Information Systems, which would have combined two of the country's largest title insurance companies. Following the FTC challenge, both parties abandoned the proposed transaction.
- Tronox Limited's proposed acquisition of Cristal, which would have combined two of the largest suppliers of chloride process titanium dioxide (TiO_2), used in the manufacture of a variety of products, such as paint, plastics, and paper. The FTC consent order required Tronox to divest Cristal's North American TiO_2 assets to an approved buyer.
- Boston Scientific's proposed acquisition of BTG, which would have harmed consumers in the U.S. for drug eluting beads (DEBs) used to treat certain liver cancers. The FTC approved a final order that requires Boston Scientific to divest its DEB business, among other assets.
- UnitedHealth Group's acquisition of DaVita Medical Group, which would have reduced competition in the Las Vegas, NV area for managed care provider organization services and Medicare Advantage plans. Under the settlement, UnitedHealth Group agreed to sell DaVita's Las Vegas operations to International Healthcare.

OUTREACH AND PARTNERSHIPS

Consumers, industry, and law enforcement partners help keep the FTC informed about real-world trends and challenges in the marketplace. Consumers can contact the agency online or via toll-free phone numbers. The agency educates tens of millions of American consumers on how to protect themselves and avoid being victims of the next scam. Online resources include www.ftc.gov, social media outlets (Facebook, Twitter, YouTube, and LinkedIn), videos, blogs, podcasts, and other educational materials, much of which is available in Spanish as well as English. The FTC's online Business Center offers extensive guidance to businesses. The agency's many strong partnerships ensure that materials are distributed worldwide.

Among this year's many consumer and business education accomplishments, the agency focused on ensuring that consumers understood the new protections provided by the Economic Growth, Regulatory Relief, and Consumer Protection Act, which allows consumers nationwide to freeze their credit and place year-long free fraud alerts on their credit reports. The FTC also worked with the U.S. Military to ensure that service members understood that through the Free Electronic Monitoring for Active Duty Military Rule, the Act also provides that the nationwide credit reporting agencies must provide free electronic credit monitoring services to active duty service members serving away from their usual duty station, and to National Guard members.

Through numerous public workshops, seminars, and webcasts each year, the agency not only shares information, but also solicits views from business, legal, and academic thought leaders, as well as from the general public, on current and emerging issues.

The Commission has a long history of cooperation and collaboration with consumer protection and competition partners, both nationally and around the world. The FTC works closely with federal, state, and local law enforcement partners to protect consumers and maintain competition and, internationally, to seek convergence among disparate approaches to competition and consumer protection law.

FINANCIAL MANAGEMENT

The FTC takes very seriously its commitment to responsible stewardship of the public resources entrusted to us by the American taxpayers and Congress. The agency's FY 2019 independent financial audit yielded our 23rd consecutive unmodified opinion, the highest audit opinion available. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with internal controls, financial systems, or laws and regulations. I am pleased to report that management's assessment of risks and review of controls and financial systems disclosed no material weaknesses, and that the financial and performance data presented here is reliable and complete (see Statement of Assurance, p. 36).

LOOKING FORWARD

To protect American consumers and maintain competition as markets rapidly evolve, the FTC must not only address present challenges, but also focus intently on the future. In particular, the agency always seeks to enhance its understanding of new technologies that can bring tremendous benefits to consumers, but may also pose risks to competition and consumers.

INTRODUCTION

A key initiative in FY 2019 was the creation of a new Technology Enforcement Division (TED) in the Bureau of Competition, to ensure that technology companies are operating pursuant to the antitrust laws—and to take vigorous enforcement action when they are not.

The agency also pursues an active consumer protection and competition policy and research agenda to continually assess and improve its decision-making. In June 2019, the FTC concluded a nine-month series of 14 publicly webcast hearings, held over 23 days in eight locations and viewed by over 21,000 webcast viewers and numerous in-person attendees, on *Competition and Consumer Protection Law Enforcement in the 21st Century*. To assess how the FTC should approach antitrust and consumer protection law enforcement in light of broad-based changes in the economy, evolving business practices, new technologies, and international developments, the agency gathered a broad spectrum of views from 464 legal academics, economists, technologists, state Attorneys General, lawyers, business leaders, and other thought leaders around the country. This effort generated 23 written transcripts, totaling 6,793 pages, as to which the Commission received 950 comments. The agency is generating output based on the hearings and additional learning, and will incorporate any conclusions into the agency's forward-looking priorities and strategic direction. For more details regarding the Agency Mission Challenges, see p. 28.

The Office of Inspector General (OIG) identified two significant management challenges this year: (1) securing information systems and networks from destruction, data loss, or compromise; and (2) escalating costs of expert witnesses. In addition, the OIG highlighted two "watch list" issues that, while not serious management challenges, still warrant attention. Agency management agrees that these are important challenges and concurs with the IG's assessment of our progress in addressing these challenges (see p. 92).

Working with the FTC's partners and colleagues in Congress, industry, and domestic and international law enforcement, the agency will continue to fulfill its mission to protect American consumers and promote competition.

Joseph J. Simons

Joseph J. Simons, *Chairman*
November 19, 2019

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

MISSION

Protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

OUR PURPOSE AND HISTORY

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

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

OUR ORGANIZATION

The FTC is an independent Federal law enforcement agency that reports to the President and to Congress on its actions, with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws, such as the Federal Trade Commission Act (FTC Act), Fair Credit Reporting Act, and Clayton Act. In total, the Commission has enforcement or administrative responsibilities under more than **70 laws**. The FTC also enforces rules issued pursuant to the Federal Trade Commission Act or other laws, including the Business Opportunity Rule and the Telemarketing Sales Rule. FTC actions include pursuing vigorous and effective law enforcement; advancing consumers' interests by sharing its expertise with Congress and state legislatures and U.S. and international government agencies; developing policy and research tools through hearings, workshops, and conferences; and creating practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FTC Commissioners (from left to right): Rebecca Kelly Slaughter, Noah Joshua Phillips, Chairman Joseph J. Simons, Rohit Chopra, Christine S. Wilson

The FTC is headed by a Commission composed of five commissioners, nominated by the President and confirmed by the Senate, each serving a staggered seven-year term. No more than three commissioners may be from the same political party. The President designates one Commissioner to act as Chair who is given the responsibility for the administration of the Commission. Joseph J. Simons was sworn in as Chairman on May 1, 2018. The four Commissioners are Noah Phillips, Rohit Chopra, Rebecca Slaughter, and Christine Wilson who were also sworn in during 2018. This was the first complete changeover in leadership since the agency's founding.

The FTC's workforce is its greatest asset. The agency's workforce consists of 1,130 civil service employees dedicated to carrying out the agency's mission.

The FTC's mission is carried out by three bureaus:

The **Bureau of Competition** (BC) enforces the nation's antitrust laws, which form the foundation of our free market economy. The antitrust laws promote the interests of consumers; they support unfettered markets and result in lower prices and more choices. By enforcing the antitrust laws, the Bureau promotes competition and protects consumers' freedom to choose goods and services in an open marketplace at a price and quality that fit their needs. The Bureau seeks to prevent anticompetitive mergers and other anticompetitive business practices in the marketplace.

The **Bureau of Consumer Protection's** (BCP) mandate is to protect consumers against unfair, deceptive or fraudulent practices. The Bureau enforces a variety of consumer protection laws enacted by Congress, as well as trade regulation rules issued by the Commission. Its actions include individual company and industry-wide investigations, administrative and federal court litigation, rulemaking proceedings, and consumer and business education. In addition, the Bureau contributes to the Commission's on-going efforts to inform Congress and other government entities of the impact that proposed actions could have on consumers.

The **Bureau of Economics** helps the FTC evaluate the economic impact of its actions. To do so, the Bureau provides economic analysis and support to antitrust and consumer protection investigations and rulemakings. It also analyzes the impact of government regulation on competition and consumers and provides Congress, the Executive Branch and the public with economic analysis of market processes as they relate to antitrust, consumer protection, and regulation.

The work of the bureaus is aided by several additional offices:

The Regional Offices work with the Bureaus of Competition and Consumer Protection to conduct investigations and litigation, provide advice to state and local officials on the competitive implications of proposed actions, recommend cases, provide local outreach services to consumers and businesspersons, and coordinate activities with local, state, and regional authorities.

The Office of Congressional Relations works closely with members of Congress and their staffs. The office informs Commissioners and FTC staff of Capitol Hill issues and policies, and helps provide information on legislation of interest to the Commission. It also coordinates the preparation of both Congressional testimony and responses to Congressional inquiries concerning FTC policies and programs to provide expertise on topics related to consumer protection and business competition.

The Office of Public Affairs informs the news media, as well as the public at large, about the activities of the FTC and responds to media inquiries about Commission actions and policy. The office also manages the agency's outward facing public website, FTC.gov, and social media accounts, which are critical communication tools for the agency.

The Privacy Office ensures that the agency's practices and policies comply with applicable federal information privacy and security requirements.

The Office of Policy Planning conducts research, develops policy recommendations, and generates written comments and reports on a variety of competition and consumer protection issues. Policy Planning staff research and analyze emerging issues relating to competition in a variety of industries, including issues at the intersection of competition and intellectual property, in order to enrich the Commission's expertise and inform enforcement decisions involving novel or complex legal issues.

The Office of International Affairs leads and coordinates the FTC's work in international antitrust, consumer protection, and technical assistance projects. The FTC works with competition and consumer protection agencies around the world to promote cooperation and convergence toward best practices.

The Office of the Secretary oversees swift and prompt processing of all matters presented to the Commission and supports the Commission decision-making process and ensures it operates efficiently. The office also responds to most Congressional and White House correspondence raising constituent issues.

The Office of the General Counsel is the Commission's chief legal officer and adviser. The office represents the Commission in court and provides legal counsel to the Commission, the three bureaus, and other offices.

The Office of the Executive Director is responsible for the administration and management of the Commission through four organizations, which manage the Commission's human capital, information technology, finances, records, and administrative services.

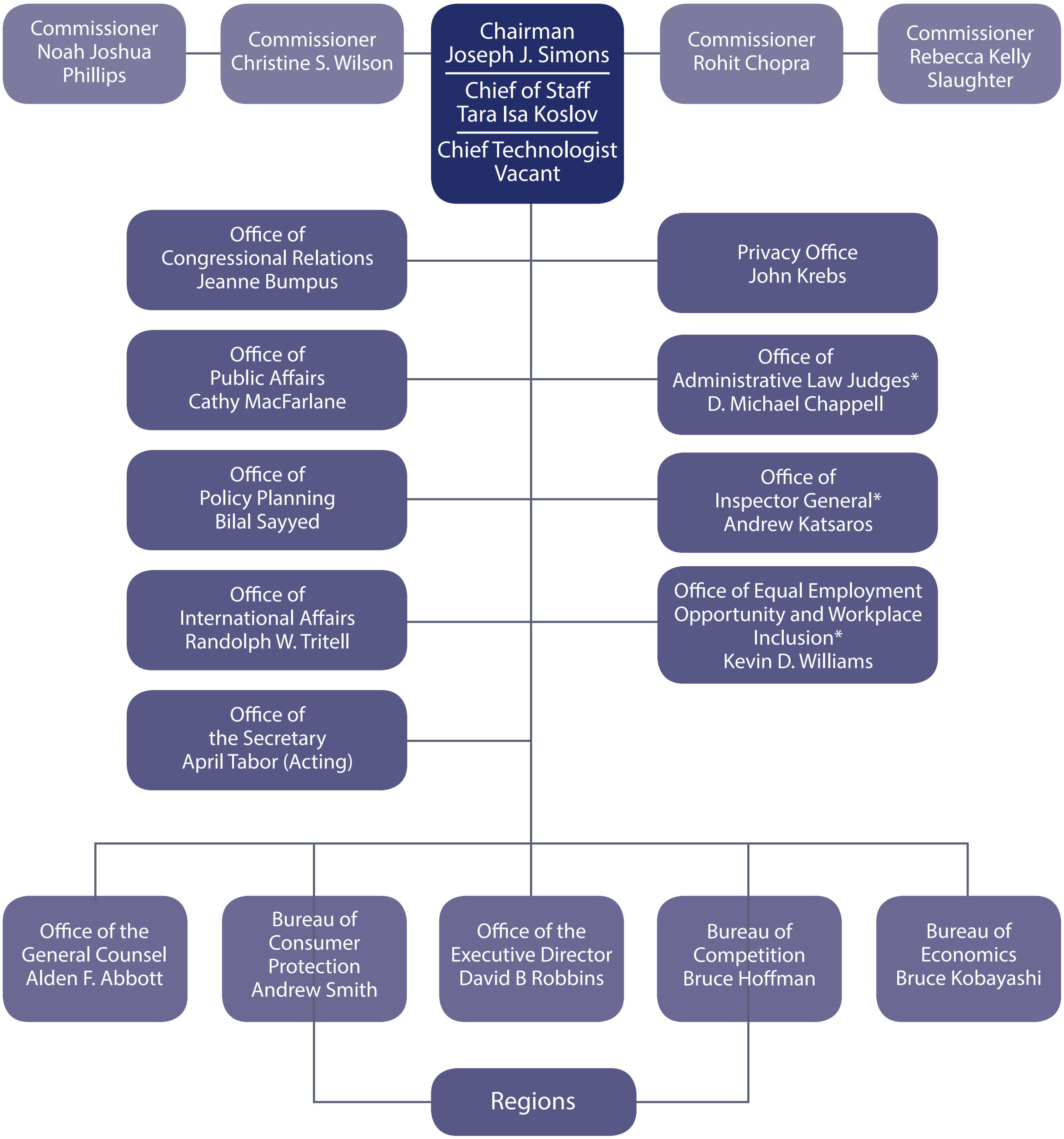
The Office of Administrative Law Judges performs the initial adjudicative fact-finding in Commission administrative complaint proceedings, guided by the FTC Act, the Administrative Procedure Act, relevant case law interpreting these statutes, and the FTC's Rules of Practice. Administrative Law Judges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

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

The Office of Equal Employment Opportunity and Workplace Inclusion advises and assists the FTC in carrying out its responsibilities and duties relative to Title VII of the Civil Rights Act of 1964, as amended, and other laws, executive orders, and regulatory guidelines affecting affirmative employment and the processing of equal employment opportunity complaints to maintain a work environment that is free from all forms of illegal discrimination, including reprisal and harassment.

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

FEDERAL TRADE COMMISSION ORGANIZATIONAL CHART



*An independent organization within the FTC

MANAGEMENT'S DISCUSSION AND ANALYSIS

100 YEARS OF SERVICE

FTC REGIONAL OFFICES

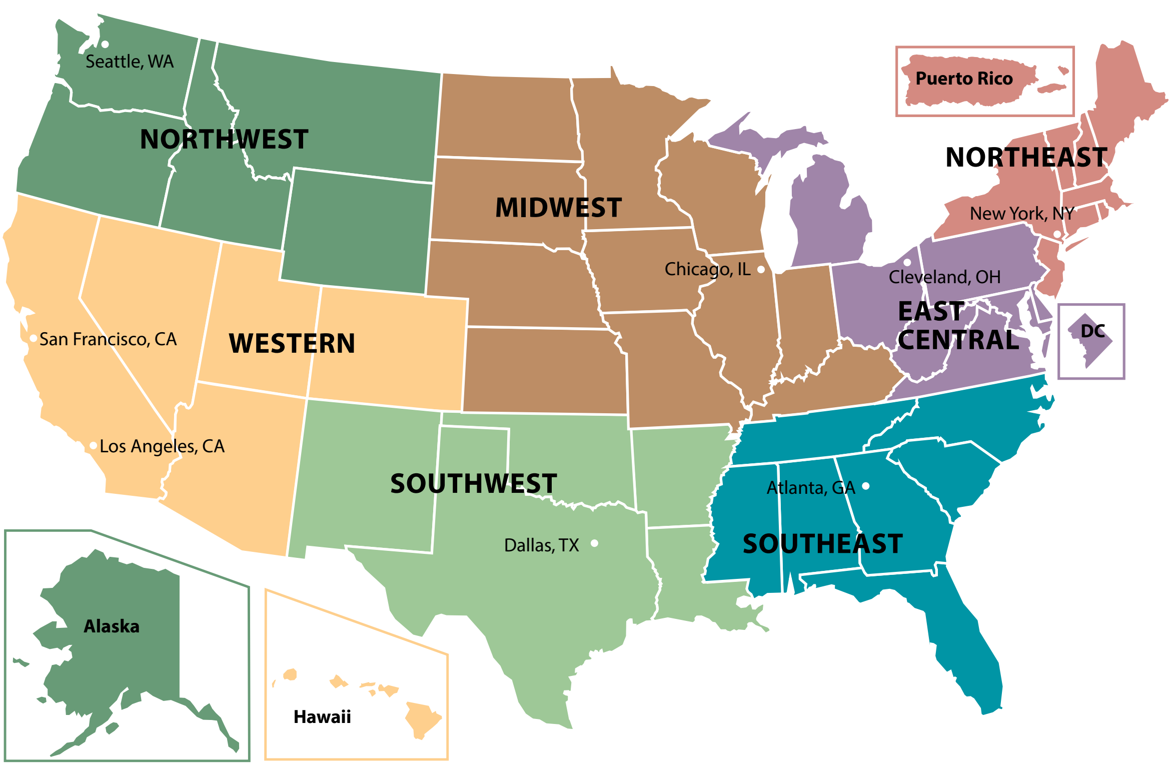
Protecting America's Consumers

In FY 2018, the Federal Trade Commission celebrated the 100th anniversary of the opening of its first **regional offices**. Since 1918, regional offices have played an integral role in fulfilling the FTC's **consumer protection** and **competition** missions through law enforcement, partnerships, and outreach to community and industry groups. Currently, eight regional offices covering seven geographic regions conduct investigations and litigation; provide local outreach to consumers and industry; and build partnerships with local, state, regional, and cross-border law enforcement authorities. Read more about the FTC's regional offices by clicking on the map below.

In June 1918, the FTC opened its first three regional offices in the Northeast Region (New York), Midwest Region (Chicago), and Western Region (San Francisco). Since that time, the FTC has opened additional regional offices in the Northwest Region (Seattle in 1925), East Central Region (Cleveland in 1954), Southeast Region (Atlanta in 1957), and Southwest Region (Dallas in 1972), as well as a second Western Region office (Los Angeles in 1961).

Staff in the Commission's regional offices work with the Bureaus of Consumer Protection and Competition to conduct investigations and litigation, provide advice to state and local officials on the competitive implications of proposed actions, recommend cases, provide local outreach services to consumers and industry, and coordinate activities with local, state, regional, and cross-border law enforcement authorities. The regional offices host events such as Common Ground conferences that bring together state and federal consumer protection officials, legal services attorneys, and other consumer advocates to discuss emerging trends and challenges facing consumers, and routinely meet with small businesses and other industry groups.

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



PERFORMANCE HIGHLIGHTS

For the sixth 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 2019 APR will be combined with the FY 2021 Annual Performance Plan (APP) and included in the FY 2021 Congressional Budget Justification to be published in February 2020. The AFR and combined APP and APR, will be published at the FTC's website.

This section explains the FTC's strategic and performance planning framework and summarizes the key performance goals. The performance results described in this report enable the FTC to administer its programs, gauge their success, and make adjustments necessary to improve program quality for the public.

STRATEGIC AND PERFORMANCE PLANNING FRAMEWORK

The FTC's Annual Performance Report is structured around three strategic goals and their supporting objectives as established in the FTC Strategic Plan for FY 2018-2022. The FTC's strategic goals, objectives, and performance measures articulate what the agency intends to accomplish to meet its mandated mission and to demonstrate the highest standards of stewardship, and support and improve the management functions vital to core mission success.

The following table shows the FTC's net costs for its strategic goals.

STRATEGIC GOALS (Dollars in millions)	OBJECTIVES
GOAL 1: Protect consumers from unfair and deceptive practices in the marketplace.	1.1 Identify and take actions to address deceptive or unfair practices that harm consumers.
	1.2 Provide consumers and businesses with knowledge and tools that provide guidance and prevent harm.
*Net Costs: $182	1.3 Collaborate with domestic and international partners to enhance consumer protection.
GOAL 2: Maintain competition to promote a marketplace free from anticompetitive mergers, business practices, or public policy outcomes.	2.1 Identify and take actions to address anticompetitive mergers and practices.
	2.2 Engage in effective research, advocacy, and stakeholder outreach to promote competition, and advance its understanding.
*Net Costs: $20	2.3 Collaborate with domestic and international partners to preserve and promote competition.
GOAL 3: Advance the FTC's performance through excellence in managing resources, human capital, and information technology.	3.1 Optimize resource management and infrastructure.
Goal 3's costs are distributed to Goal 1 and Goal 2 predominately by Goal 1 and Goal 2's Full-Time Equivalent (FTE) usage, except for those non-pay costs that are clearly attributable to a specific goal.	3.2 Cultivate a high-performing, diverse, and engaged workforce.
	3.3 Optimize technology and information management that supports the FTC mission.

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

PERFORMANCE MEASUREMENT REPORTING PROCESS

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

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The following outlines steps the agency takes to ensure the performance information it reports is complete, reliable, and accurate:

- The FTC has adopted a central internal repository for performance data entry, reporting, and review. The electronic data tool reduces human error, increases transparency, and facilitates 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 strives to set meaningful and realistic targets that also challenge the agency to better leverage its resources. This includes ensuring ongoing monitoring and updating of performance targets. Further, when appropriate, program managers are required to explain how they will improve performance when targets are not met.
- The agency conducts periodic performance measurement reviews throughout the fiscal year with FTC staff. This process includes substantiating that actual results reported are indeed correct.

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 internal monitoring of each system, experts outside of the business units (e.g., the Bureaus of Consumer Protection and Competition) routinely monitor the data collection. For example, senior economists from the Bureau of Economics review statistical data used by the Bureau of Competition to calculate performance results.

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

PERFORMANCE GOALS OVERVIEW

In the FY 2018-2022 Strategic Plan, the FTC has established 36 performance goals for assessing program performance against strategic goals and objectives. In FY 2019, 32 performance goals met or exceeded their targets, two did not meet their targets, and data was not available at the time of publication for two measures.

Of the 36 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. For each performance goal, the FTC has established a performance target.

The following tables summarize actual performance during FY 2019 against established targets for the FTC's nine key performance goals. The tables also include actual results from the prior four fiscal years when available as well as a description of how performance results are calculated for that performance goal. The FTC met or exceeded FY 2019 targets on all nine key performance goals.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target is met or exceeded

X Signifies that the target was not met

STRATEGIC GOAL 1: Protect consumers from unfair and deceptive practices in the marketplace.

KEY PERFORMANCE GOAL 1.1.3:

Total consumer savings compared to the amount of FTC resources allocated to consumer protection law enforcement.

Description: This measure tracks the efficiency of the FTC's consumer protection law enforcement spending. We compare how much money the FTC saves consumers each year through law enforcement to the amount the FTC spends on consumer protection law enforcement. Consumer savings comprise: (a) the amount of money returned to consumers; and (b) an estimate of the amount of harm that would have occurred but for the FTC's law enforcement action. To calculate this latter figure, the FTC assumes that the unlawful conduct would have continued for one year but for our action. The FTC also assumes that the amount of harm that would have occurred in that year is the same as what consumers lost in the past. Performance Goals 2.1.3 and 2.1.5 are similar measures that track the impact of antitrust law enforcement. The amount reported is a three-year rolling average (average of the current year and two prior year totals).[1]

FY 2019 Results: The agency saved consumers on average around 40 times the amount of resources devoted to the consumer protection program in the past three years, or an average of $3.9 billion per year. This is largely attributable to the Volkswagen, Triangle Media Corporation, and Next-Gen cases.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
N/A	$8.80 in consumer savings per $1 spent[2]	$35.20 in consumer savings per $1 spent[3]	$39.00 in consumer savings per $1 spent[4]	$7.00 in consumer savings per $1 spent	$38.60 in consumer savings per $1 spent	✔

[1] Calculation/Formula: (Amount of money returned to consumers + the sum of the estimated consumer savings generated by law enforcement actions) / Annual expenditures on consumer protection law enforcement.

The amount of money returned to consumers: the sum of refund checks cashed by consumers as the result of FTC consumer protection enforcement actions.

The sum of the estimated consumer savings generated by law enforcement actions: the estimate of harm that would have occurred but for the FTC's law enforcement action. The FTC assumes that the unlawful conduct would have continued for one year but for our action and the amount of harm that would have occurred in that year is the same as what consumers lost in the past. This amount is estimated by BCP case managers by estimating the consumer loss due to fraudulent, deceptive, or unfair practices in the 12 months prior to the FTC's first contact with the defendants or by dividing the estimated total economic injury by the amount of time the defendants' business operated to derive an annualized estimate of consumer savings. The measure also includes instances wherein, as a result of FTC law enforcement action directed specifically at a business, that business stops its allegedly unfair or deceptive practices.

The annual expenditures on consumer protection law enforcement: the FTC budget dollars spent on consumer protection law enforcement. Dollars spent on the Consumer and Business Education and Economics and Consumer Policy work are excluded from this calculation.

[2] FY 2016 Actual changed from $8.60 to $8.80 due to the addition of a previously uncounted redress case.

[3] FY 2017 Actual changed from $35.00 to $35.20 due to the addition of a previously uncounted redress case.

[4] FY 2018 Actual changed from $38.90 to $39.00 due to the addition of a previously uncounted redress case.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

KEY PERFORMANCE GOAL 1.1.4:

The amount of money the FTC returned to consumers or forwarded to the U.S. Treasury resulting from FTC enforcement action.

Description: This goal tracks the FTC's effectiveness in returning money to consumers who were defrauded and forwarding money to the U.S. Treasury (e.g., if sending money to individuals is impracticable, or if funds were paid as a civil penalty). The FTC targets law enforcement efforts on violations that cause the greatest amount of consumer harm; the amount of money returned to consumers or forwarded to the U.S. Treasury is a useful indicator that the FTC is targeting the right defendants. The number reported is a three-year rolling average (average of the current year and two prior year totals).[5]

FY 2019 Results: In the last three years, the annual average of the total amount returned to consumers and forwarded to the U.S. Treasury is $3.52 billion. In FY 2019, the FTC returned $478.4 million to consumers and forwarded $150.0 million to the U.S. Treasury. The FTC returned money to more than 2.2 million consumers in dozens of cases, including Vemma, Midway Industries, Tarr Inc., and Sage Auto Group. The money returned to the U.S. Treasury included civil penalties obtained in settlements with Google, YouTube, Musical.ly, and RealPage. In addition, in FY 2019, some FTC orders required defendants to self-administer refund programs worth more than $344.0 million in refunds to consumers, including Volkswagen, Green Tree, and AdoreMe.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
N/A	$95.3 million[6]	$2.69 billion[7]	$3.25 billion[8]	$65 million	$3.52 billion	✔

[5] Calculation/Formula: Sum of refund checks cashed by consumers, plus the amount of money paid to the FTC by defendants and forwarded to the U.S. Treasury, either because sending refunds was not feasible or because the money was paid as a civil penalty.

[6]FY 2016 Actual changed from $80.6 million to $95.3 million due to the addition of a previously uncounted redress case.

[7]FY 2017 Actual changed from $2.67 billion to $2.69 billion due to the addition of a previously uncounted redress case.

[8]FY 2018 Actual changed from $3.22 billion to $3.25 billion due to the addition of a previously uncounted redress case.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

Google and YouTube Agree to Record Settlement

Google and its subsidiary YouTube agreed to pay $170 million to settle allegations by the FTC and the New York Attorney General that the YouTube video sharing service illegally collected personal information from children without their parents' consent. The settlement requires Google and YouTube to pay $136 million to the FTC and $34 million to New York for allegedly violating the Children's Online Privacy Protection Act (COPPA) Rule. The $136 million penalty is by far the largest amount the FTC has ever obtained in a COPPA case since Congress enacted the law in 1998. In addition to the monetary penalty, the proposed settlement requires Google and YouTube to develop, implement, and maintain a system that permits channel owners to identify their child-directed content on the YouTube platform so that YouTube can ensure it is complying with COPPA. The companies also must notify channel owners that their child-directed content may be subject to the COPPA Rule's obligations, and provide annual training about complying with COPPA for employees who deal with YouTube channel owners.

KEY PERFORMANCE GOAL 1.2.1:

Rate of consumer satisfaction with FTC consumer education websites.

Description: This measure gauges the effectiveness, helpfulness, and usability of the FTC's consumer education websites. Consumer education serves as the first line of defense against deception and unfair practices. Well-informed consumers are better able to protect themselves from bad actors in the marketplace. This measure includes the customer satisfaction scores for Consumer.ftc.gov and Bulkorder.ftc.gov.[9]

FY 2019 Results: In FY 2019, the FTC evaluated Bulkorder.ftc.gov and Consumer.ftc.gov to determine the rate of customer satisfaction with FTC consumer education websites. The combined rate of customer satisfaction for bulkorder.ftc.gov and consumer.ftc.gov was 77.7. The average citizen satisfaction score for participating federal government websites was 74.2.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
Data Not Available	76	77	77	74.2 (average rate for websites)	78	✔

[9] Calculation/Formula: When visiting Consumer.ftc.gov and Bulkorder.ftc.gov, consumers are given the option to complete a short survey to provide feedback on the following aspects of the site: information browsing, look and feel, navigation, site information, and site performance. The formula for the overall satisfaction score is proprietary to ForeSee.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

Record-Breaking Facebook Penalty

Facebook will pay a record-breaking $5 billion penalty, and submit to new restrictions and a modified corporate structure, to settle FTC charges that the company violated a 2012 FTC order by deceiving users about their ability to control the privacy of their personal information. The FTC also alleged that Facebook violated the FTC Act's prohibition against deceptive practices when it told users it would collect their phone numbers to enable a security feature, but did not disclose that it also used those numbers for advertising purposes. The $5 billion penalty against Facebook is the largest ever imposed on any company for violating consumers' privacy and almost 20 times greater than the largest privacy or data security penalty ever imposed worldwide. The judgment is pending the district court judge's signature.

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.

Description: The Office of International Affairs (OIA) works to expand cooperation and coordination between the FTC and international consumer protection partners through information sharing, investigative assistance, and the development of investigative best practices and enforcement capacity. This measure counts the number of investigations and cases in which the FTC and foreign consumer protection agencies shared information or engaged in other enforcement cooperation.[10]

FY 2019 Results: In FY 2019, the FTC cooperated in 48 instances on consumer protection and privacy matters to obtain or share evidence or engage in other enforcement cooperation in investigations, cases, and enforcement-related projects. Foreign authorities assisted the FTC in activities such as sharing consumer complaints, obtaining corporate records, and providing other investigative information. The FTC also provided assistance to numerous foreign authorities through various mechanisms using its authority under the U.S. SAFE WEB Act and other cooperation tools to share information and provide investigative assistance using compulsory process. The FTC also cooperated on enforcement matters with international enforcement organizations such as the International Consumer Protection and Enforcement Network, the Global Privacy Enforcement Network, the Unsolicited Communications Enforcement Network, and the International Mass Marketing Fraud Working Group.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
58	53	50	43	40	48	✔

[10] Calculation/Formula: # of FTC consumer protection investigations or cases where supporting evidence or information or other investigative assistance was obtained from foreign agencies + # of foreign consumer protection investigations or cases where supporting evidence or information or other investigative assistance was provided by the FTC + # of enforcement matters where the FTC otherwise engaged in enforcement cooperation with foreign agencies or multilateral enforcement networks.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

Court Upholds FTC Use of SAFE WEB Act to Fight Foreign Fraud

To protect American consumers, the FTC increasingly must rely on its authority under the U.S. SAFE WEB Act to sue foreign fraudsters operating global scams. In March 2019, the Ninth Circuit Court of Appeals affirmed a U.S. district court decision upholding the Commission's use of these powers to enjoin a fraudulent global scheme in *FTC v. Triangle Media*. In that case, the Commission sued to stop a group of U.S. and foreign defendants from defrauding consumers with deceptive "risk-free" trial offers. This is the first appellate decision affirming the FTC's use of its SAFE WEB authority to stop fraudulent conduct by intertwined U.S. and foreign defendants. The SAFE WEB Act underpins several cases the Commission has filed this year against foreign defendants, including: the Belizean operators of the massive overseas real estate investment scam, Sanctuary Belize; U.K. and Latvian parties in another free trial scam; and the Canadian and Dominican Republic-based participants in a sham credit card interest rate reduction service.

STRATEGIC GOAL 2: Maintain competition to promote a marketplace free from anticompetitive mergers, business practices, or public policy outcomes.

KEY PERFORMANCE GOAL 2.1.1:

Percentage of full merger and nonmerger investigations in which the FTC takes action to maintain competition.

Description: This measure tracks FTC actions taken to maintain competition, including litigated victories, consent orders, abandoned transactions, or restructured transactions (either through a fix-it-first approach or eliminating the competitive concern) in a significant percentage of full merger and nonmerger investigations.[11]

FY 2019 Results: In FY 2019, the agency took action to maintain competition in 22 of 35 full merger and nonmerger investigations concluded. The FTC's 22 actions included 10 consent orders, one litigated victory in federal and administrative court which was later concluded with a settlement *(Tronox/Cristal)*, one litigated federal court victory *(Sanford/Mid Dakota Clinic)*, three federal court stipulated injunctions, one matter in which the parties abandoned their transactions after the Commission authorized staff to challenge the proposed acquisition in federal court or administrative litigation *(Fidelity/Stewart)*, and six abandoned transactions.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
57.7%	54.6%	49.1%	67.9%[12]	40%-70%	62.9%	✔

[11] Calculation/Formula: The measure is calculated by taking the number of full investigations concluded with an action during the fiscal year divided by the total number of full investigations concluded during the fiscal year.

[12] Starting in FY 2018, the FTC adjusted how this measure is calculated. When counting full investigations, only those investigations where a second request, subpoena, or civil investigative demand has been issued are counted. Previously we also included other investigations with more than 150 staff hours spent. This change will slightly reduce the number of full investigations included and will thus shift the percentage result higher. Actual results from FY 2015-2017 are reported based on the previous formula.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC Concludes Hearings Examining Competition and Consumer Protection in the 21st Century

In 2019, the FTC continued the series of multi-day, multi-part hearings to consider whether broad-based changes in the economy, evolving business practices, new technologies, or international developments might require adjustments to competition and consumer protection law and policy. From September 2018 through June 2019, over the course of 23 days, the FTC held fourteen webcast hearings that gathered a broad spectrum of views from 464 legal academics, economists, technologists, State Attorneys General, lawyers, business leaders, and other thought leaders from throughout the country and abroad, including 71 FTC employees. The hearings garnered over 21,655 webcast viewers and attendees and generated 23 written transcripts totaling 6,793 pages, as to which the Commission received approximately 950 unique germane comments. The FTC staff is currently completing output from the hearings.

KEY PERFORMANCE GOAL 2.1.3:

Total consumer savings compared to the amount of FTC resources allocated to the merger program.

Description: This measure reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive mergers compared to the amount spent on the merger program. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[13]

FY 2019 Results: In FY 2019, the FTC saved consumers approximately $68 for every dollar devoted to its merger program. Merger actions in the healthcare, consumer goods and services, and chemicals industries resulted in considerable consumer savings, which, coupled with slightly reduced resource levels, allowed the agency to continue to meet the target for this performance goal. Significant consumer savings from merger actions in FY 2015 continued to impact this performance goal in FY 2019, and targets have been adjusted accordingly.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
$51.30 in consumer savings per $1 spent	$46.40 in consumer savings per $1 spent	$55.60 in consumer savings per $1 spent	$50.30 in consumer savings per $1 spent[14]	$42.00 in consumer savings per $1 spent	$65.90 in consumer savings per $1 spent	✔

[13] Calculation/Formula: Estimated consumer savings are divided by the amount of resources spent on the merger program for the current fiscal year. When available, case-specific data are used to generate the estimate of consumer savings. Otherwise, staff uses a formula of three percent of the volume of commerce of the relevant product market(s) for two years. In order to create a balanced performance profile, performance is reported as a "rolling average" over five years, compensating for highly variable results in any individual year due to the influence of a few significant cases or the level of merger activity in that year.

[14] FY 2018 Actual changed from $50.20 to $50.30 due to a correction to the underlying data.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

Preserving Competition for Paint, Paper Additive

In FY 2019, the Commission successfully concluded its litigation challenging Tronox Limited's proposed acquisition of Cristal, two of the largest suppliers of chloride process titanium dioxide (TiO2), a white pigment used in a wide variety of products including paint, industrial coatings, plastics, and paper. According to the complaint, the deal would have increased the likelihood of coordination among the remaining competitors in the industry, as well as the likelihood that Tronox could unilaterally reduce output and increase prices. In April 2019, following the Administrative Law Judge's decision upholding the Commission's complaint, the Commission issued a consent order settling its charges and requiring Tronox to divest Cristal's North American TiO2 assets to an FTC-approved buyer.

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY PERFORMANCE GOAL 2.1.5:

Total consumer savings compared to the amount of FTC resources allocated to the nonmerger program.

Description: This measure reports the estimated amount of money that the Commission saved consumers by taking action against potentially anticompetitive business conduct compared to the amount spent on the nonmerger program. The amount reported is a five-year "rolling average" (average of the current year and four prior year totals).[15]

FY 2019 Results: In FY 2019, the FTC saved consumers approximately $76 per dollar devoted to its nonmerger enforcement program. Nonmerger actions in the pharmaceutical industry, among others contributed to that total, and when coupled with modest reductions in program spending, allowed the agency to again meet the target for this performance goal. Significant consumer savings from the historic Cephalon investigation in FY 2015 continued to impact this performance goal in FY 2019, and targets have been adjusted accordingly.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
$48.60 in consumer savings per $1 spent	$52.30 in consumer savings per $1 spent	$39.60 in consumer savings per $1 spent	$40.10 in consumer savings per $1 spent	$40 in consumer savings per $1 spent	$75.80 in consumer savings per $1 spent	✔

[15] Calculation/Formula: Estimated consumer savings are divided by the amount of resources spent on the nonmerger program for the current fiscal year. When available, case-specific data are used to generate the estimate of consumer savings. Otherwise, staff uses a formula of one percent of the volume of commerce of the relevant geographic/product market(s) for one year. In order to create a balanced performance profile, performance is reported as a "rolling average" over five years, compensating for highly variable results in any individual year due to the influence of a few significant cases or the level of nonmerger activity in that year.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

Illegal Monopolization for Opioid Addiction Treatment

In July 2019, Reckitt Benckiser Group agreed to pay $50 million to settle FTC charges that it used deceptive schemes to prevent lower-priced generic competition to its branded drug Suboxone, a prescription oral medication used to minimize withdrawal treatments in patients with opioid addiction. According to the Commission's complaint, Reckitt misrepresented facts concerning the safety of its Suboxone tablets in order to shift patients to its newly developed oral film version, for which the company had a longer period of regulatory exclusivity, a practice known as "product hopping." Reckitt (through former subsidiary Indivior) then abused the FDA's citizen petition process by using these same invalid safety claims to further delay regulatory approval of competing generic Suboxone tablets. The stipulated order for permanent injunction and equitable monetary relief bars Reckitt from similar conduct in the future and requires the company to notify the FTC of its plans to reintroduce any reformulated versions of existing products.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

Description: The Office of International Affairs strives to ensure appropriate cooperation on and coordination of investigations under parallel review by the FTC and foreign competition agencies. This measure gauges the effectiveness of the FTC's enforcement cooperation with foreign antitrust authorities pursuing parallel enforcement activities.[16]

FY 2019 Results: In FY 2019, the FTC cooperated on 36 enforcement matters. We engaged in substantive cooperation with 21 agencies, including from: Argentina, Australia, Austria, Brazil, Canada, Chile, China, Colombia, the European Union, Germany, India, Israel, Italy, Japan, Korea, Mexico, New Zealand, Saudi Arabia, Singapore, Spain, and the United Kingdom. The FTC and its counterpart agencies reached compatible outcomes in all cases completed during the fiscal year. While the FTC will continue to strive for 100% success, the target reflects the possibility of inconsistent outcomes, particularly as additional antitrust agencies begin to assert their jurisdiction and cooperation on unilateral conduct matters expands.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
100%	100%	96%	98%	95%	100%	✔

[16] Calculation/Formula: # of FTC cases, with at least one substantive contact with a foreign antitrust agency, where the foreign agency is pursuing a case against the same company(s) and where they followed consistent analytical approaches and reached compatible outcomes / # of FTC cases where the FTC had at least one substantive contact with a foreign antitrust agency, where the foreign agency is pursuing a case against the same company(s).

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FTC Supports International Guidance to Improve Competition Agencies

The FTC has been at the forefront of two groundbreaking initiatives to improve competition agency enforcement procedures around the world. The FTC's long-term leadership in this area culminated in the recent adoption of two FTC-led projects in the International Competition Network (ICN): the ICN's Guiding Principles for Procedural Fairness in Competition Agency Enforcement, and the ICN's Recommend Practices for Investigative Process. These documents, which reflect broad international consensus, provide comprehensive and detailed guidance for competition agencies on the use of investigative tools, transparency, engagement with parties, internal safeguards, and confidentiality. The FTC also played a key role in drafting the 2019 ICN Framework on Competition Agency Process. The Framework couples fundamental due process principles with cooperation and consultation mechanisms that encourage improvement in agency practices. The FTC will continue its leadership on procedural fairness issues, focusing on promoting international understanding and implementation of these important benchmarks.

STRATEGIC GOAL 3: Advance the FTC's performance through excellence in managing resources, human capital, and information technology.

KEY PERFORMANCE GOAL 3.2.3:

The extent to which employees believe the FTC cultivates engagement throughout the agency.

Description: The Employee Engagement Index (EEI) of the Federal Employee Viewpoint Survey (FEVS) determines this measure. The Index gauges the extent to which employees believe that management listens and provides meaningful support and feedback in various areas that assist staff in supporting the overall mission of the agency. The index is compiled from questions across three sub-factors: Leaders Lead, Supervisors, and Intrinsic Work Experience.

- Leaders Lead: Employees' perceptions of leadership's integrity as well as leadership behaviors such as communication and workforce motivation.
- Supervisors: Interpersonal relationship between worker and supervisor, including trust, respect, and support.
- Intrinsic Work Experience: Employees' feelings of motivation and competency relating to their role in the workplace.[17]

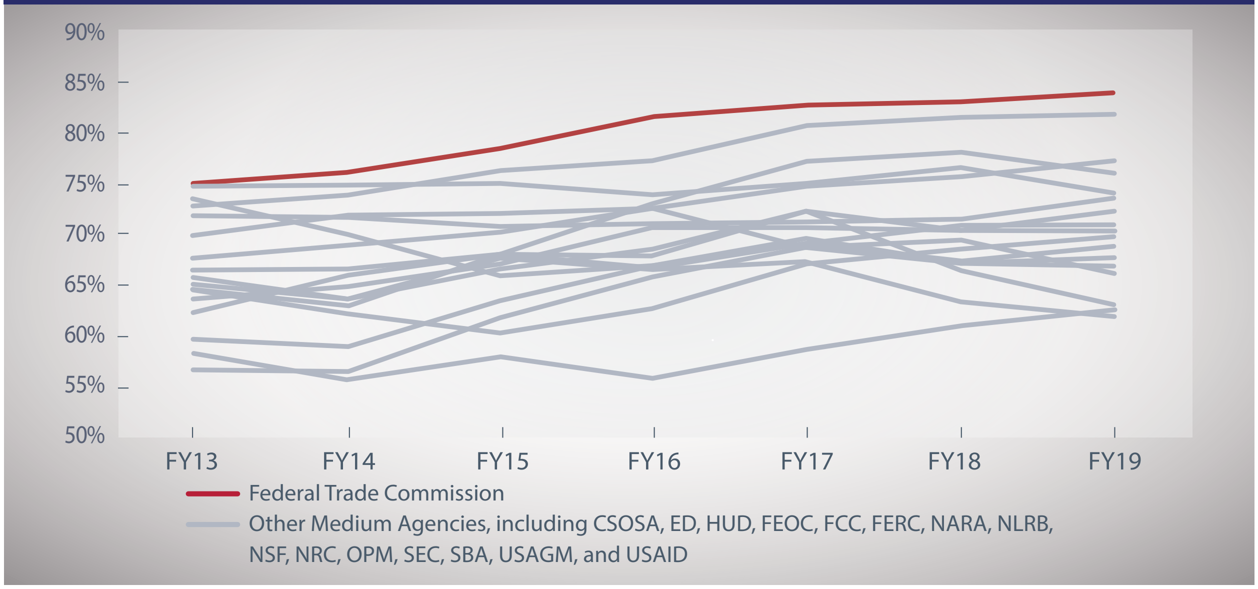
FY 2019 Results: For the third year in a row, the FTC ranked the highest among 36 government agencies with 1000 employees or more on the FEVS Employee Engagement Index.

FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Target	FY 2019 Actual	FY 2019 Status
78.5%	81.5%	82.5%	83.1%	68% (gov't average)	84%	✔

[17] Calculation/Formula: The FEVS EEI measures conditions important to supporting employee engagement through responses to 20 questions across the three sub factors described above. The FEVS automatically calculates an agency Index score from responses to these 20 questions.

For more details on measurement and data quality, see the FTC Data Quality Appendix.

FEVS EMPLOYEE ENGAGEMENT INDEX SCORES FOR MEDIUM AGENCIES (1000-9999 EMPLOYEES)



AGENCY MISSION CHALLENGES

In today's increasingly complex economy, the FTC stands as a champion for competition and consumers. For example, when consumers and businesses encounter difficulties with financial scams, deceptive or fraudulent advertising, or unfair or deceptive practices related to online privacy and data security, the FTC is prepared to respond with vigorous law enforcement. Similarly, when consumers are harmed by anticompetitive business practices in key sectors of our economy like technology and health care, the FTC steps forward, bringing to bear its full complement of enforcement and policy tools. Of particular note is the recently concluded 21st Century Hearing initiative. This year-long series of public forums gathered experts and interested persons to examine whether broad based changes in the economy, evolving business practices, new technologies, or international developments might require adjustments to competition and consumer protection law, enforcement priorities, and policies. The information gathered is being reviewed and evaluated with the expectation that it will be used to inform the FTC's near and long-term enforcement and policy agendas.

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 independently from the process by which the Inspector General (IG) identified management and performance challenges (see Other Information Section). Management concurs with the IG-identified challenges and assessment of agency progress in addressing the challenges.

STRATEGIC GOAL 1: PROTECT CONSUMERS

Pursuant to the agency's Protect Consumers goal, the FTC will continue to prioritize the following challenges: protecting Americans from fraud, including in the financial services marketplace; protecting consumers as technology evolves; protecting consumer privacy and improving data security, including combating identity theft; and addressing emerging advertising issues and targeting deceptive advertising.

PROTECTING AMERICANS FROM FRAUD:

Fraud can potentially affect all consumers and businesses. The FTC will continue its enforcement efforts to stop fraud, focusing on those instances that cause or are likely to cause the greatest consumer harm. The FTC continues to receive consumer complaints about imposter scams in which the perpetrators pose as government agencies, legitimate technical support companies, family members, or other trusted entities. Certain scams, such as those involving business and income opportunities, pose an

MoneyGram International Agrees to Civil Contempt Order

MoneyGram International agreed to pay $125 million to settle allegations that the company failed to take steps required under a 2009 FTC order to crack down on fraudulent money transfers that cost U.S. consumers millions of dollars. The $125 million payment is part of a global settlement that resolves allegations that MoneyGram also violated a separate 2012 deferred prosecution agreement with the U.S. Department of Justice. In addition to the monetary payment, MoneyGram has agreed to an expanded and modified order that will supersede the 2009 order and apply to money transfers worldwide. The modified order requires, among other things, that the company block the money transfers of known fraudsters and provide refunds to fraud victims in circumstances where its agents fail to comply with applicable policies and procedures.

Operation Call It Quits

The FTC and its law enforcement partners announced a major crackdown on illegal robocalls, including 94 actions targeting operations around the country that are responsible for more than one billion calls pitching a variety of products and services, including credit card interest rate reduction services, money-making opportunities, and medical alert systems. The joint crackdown, "Operation Call it Quits," is part of the FTC's ongoing effort to help stem the tide of universally loathed pre-recorded telemarketing calls. "Operation Call it Quits" includes four new FTC cases and three new FTC settlements. It also includes new information to help educate consumers about illegal robocalls. In addition, the FTC continues to promote the development of technology-based solutions to block robocalls and combat caller ID spoofing.

even greater risk to consumers from lower income or underserved communities.

The FTC will maintain a focus on frauds targeting specific populations, including military consumers, seniors, non-English-speaking consumers, and small businesses. Con artists continue to target the most vulnerable consumers and consumers in financial distress. This unlawful conduct can have severe consequences for consumers who can least afford it. Therefore, the FTC will continue to pursue law enforcement actions to stop deceptive or other unlawful conduct in mortgage, student loan, and other debt relief services; payday lending; and debt collection. The FTC will also prioritize education for these populations.

The FTC will continue to coordinate closely with other federal agency partners to ensure that consumers are protected in the financial marketplace, and to avoid duplicative efforts between agencies. Through the FTC's Business Center at business.ftc.gov and other outreach efforts, the FTC will continue to offer educational materials to help consumers and businesses—especially small businesses—understand and comply with consumer protection laws and avoid becoming victims of fraud (Objectives 1.1, 1.2, and 1.3).

PROTECTING CONSUMERS AS TECHNOLOGY EVOLVES:

Technology provides many benefits to consumers, including choice, convenience, and increased access to goods, services, and information. However, it also enables new vehicles for fraudulent, deceptive, and unfair practices in the marketplace. The FTC will continue its focus on the consumer protection issues associated with the use of emerging technology, including a careful consideration of the costs and benefits of new business practices and the importance of fostering innovation. The FTC will take enforcement actions against deceptive practices that appear in new formats and new media (e.g., apps, games, streaming videos, and social networks). In August 2019, the FTC held a workshop examining consumer protection issues related to video game "loot boxes"—in-game rewards players can buy while playing a video game. The workshop brought together a variety of stakeholders, including industry representatives, consumer advocates, trade associations, academics, and government officials to discuss concerns regarding the marketing and use of loot boxes and other in-game purchases, and the potential behavioral impact of these virtual rewards on young consumers. In addition, the FTC will continue to monitor consumer complaints about Internet Service Providers (ISPs) and will take appropriate action against deceptive ISP advertising or other unfair or deceptive ISP practices. The FTC will continue to conduct research on emerging technologies to assist with enforcement actions, inform policy, and educate consumers.

Consumers and law enforcers face challenges resulting from technological advances that facilitate the use of illegal robocalls and make it easier for fraudsters perpetrating telemarketing scams to hide their location. The FTC and its law enforcement partners announced "Operation Call it Quits," a major crackdown on illegal robocalls, including 94 actions targeting operations around the country that are responsible for more than one billion calls pitching a variety of products and services including credit card interest rate reduction

Equifax Data Breach Settlement

Equifax agreed to pay at least $575 million, and potentially up to $700 million, as part of a global settlement with the FTC, the Consumer Financial Protection Bureau (CFPB), and 50 U.S. states and territories. The FTC alleged that the credit reporting company's failure to take reasonable steps to secure its network led to a data breach in 2017 that affected approximately 147 million people. As part of the proposed settlement, Equifax will pay $300 million to supply affected consumers with credit monitoring services or direct compensation. Equifax will add up to $125 million to the fund if the initial payment is not enough to compensate consumers. The company also has agreed to pay $175 million to 48 states, the District of Columbia, and Puerto Rico, as well as $100 million to the CFPB in civil penalties. In addition to the monetary relief to consumers, Equifax is also required to implement a comprehensive information security program and obtain third-party assessments of its information security program every two years.

services, money-making opportunities, and medical alert systems. 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 practices that violate the Telemarketing Sales Rule. The FTC and FCC will continue their coordinated efforts to combat illegal robocalls and promote innovative solutions to protect consumers (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 or deceptive practices related to the security and 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 and will promote strong and balanced privacy and security protections through policy initiatives on a range of topics. The FTC hosted its fourth annual PrivacyCon event to highlight research that explores the privacy and security implications of emerging technologies. The event featured panels addressing: (1) Privacy Policies, Disclosures, and Permissions; (2) Consumer Preferences, Expectations, and Behaviors; (3) Tracking and Online Advertising; and (4) Vulnerabilities, Leaks, and Breach Notifications.

The agency will bring appropriate enforcement actions against entities that violate the Children's Online Privacy Protection Act (COPPA) Rule. The agency will continue to participate in interagency groups, promote self-regulatory efforts, provide technical assistance to Congress on draft legislation, and participate in international privacy initiatives. In addition, the agency will continue to support the development of the digital economy through cross-border data flows, executing with diligence its enforcement role in the Privacy Shield framework, and the Asia-Pacific Economic Cooperation/ Cross Border Privacy Rules.

Identity theft exacts a heavy financial and emotional toll from its victims. The FTC will continue to assist the millions of Americans 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. The agency's trained counselors will continue to advise identity theft victims who call our toll-free number about rights and remedies available to them under federal law. The FTC's website IdentityTheft.gov is the federal government's one-stop resource to help consumers report and recover from identity theft. IdentityTheft.gov highlights useful resources and connects identity theft victims to federal agencies and other organizations that are critical to the recovery process. IdentityTheft.gov allows visitors to create a customized plan based on their specific experiences. The Internal Revenue Service (IRS) continues to allow consumers to report identity theft to the IRS electronically through the FTC's IdentityTheft.gov website. In addition, the Bureau of Consumer Protection's Office of Technology Research and Investigation is monitoring and conducting research on emerging technologies. That research assists with the Commission's consumer protection efforts on enforcement, consumer education, and policymaking. The agency also will continue to train local law enforcement to spot and prosecute identity theft, and will update educational materials (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, including deceptive advertising that appears in new formats (e.g., apps, games, videos, and social networks). The FTC will take enforcement action against deceptive advertisements that appear in new formats and new media (e.g., apps, games, videos, and social networks). The FTC also will evaluate the use of online reviews of products or services, including the use of fabricated reviews, undisclosed material connections with reviewers, prohibitions on negative reviews, or unsubstantiated testimonials, and take action as appropriate. Companies are increasingly blending advertising with news, entertainment, or editorial content in digital media. If consumers do not recognize and understand the difference between the advertising and other content, they may be deceived. The FTC, therefore, will continue to examine consumer protection issues raised by sponsored content, "native" advertising that looks like surrounding non-commercial content, and endorsements.

The FTC will host a series of Green Lights & Red Flags workshops with its regional partners in cities across the country. Rebooting an earlier series of business seminars, the all-new workshops will address social media marketing, data security, and other trending topics on marketers' minds. The first public workshop was held in Atlanta in August and focused on truth-in-advertising basics and data security compliance.

The online event-ticket marketplace has been a frequent topic of consumer and competitor complaints. The FTC held a workshop to discuss the current state of the online event ticket marketplace, shed light on industry-wide advertising and pricing issues, and explore ways to address deception beyond traditional law enforcement.

The FTC will continue to address deceptive advertising of health products, such as homeopathic products and dietary supplements. The agency will focus on disease prevention and treatment claims; claims aimed at baby boomers, seniors, and military members; and claims exploiting emerging health threats. The FTC also will continue to focus its law enforcement efforts on misleading environmental marketing claims and will educate businesses about the FTC's Guides for the Use of Environmental Marketing Claims ("Green Guides"). Additionally, the FTC will continue to focus its law enforcement efforts on companies that falsely claim their products were made in the United States and will educate businesses about how to comply with the Made in USA standard (Objectives 1.1, 1.2, and 1.3).

Explore Do Not Call (DNC) Data

Explore Data with the FTC

The FTC announced the debut of a new interactive public web page containing a wealth of information about the National DNC Registry and unwanted telemarketing robocalls. Using a Tableau Public interface, consumers can now access reports about the number of DNC and robocall complaints filed from their state and see how that information compares with complaints filed by consumers in other states or nationally. Users also can search by the types of telemarketing calls reported, such as live calls versus robocalls and by topic. The information is updated quarterly. Users can explore all of the FTC's interactive data pages at www.ftc.gov/exploredata.

STRATEGIC GOAL 2: MAINTAIN COMPETITION

Pursuant to the agency's Maintain Competition goal, the FTC will continue to prioritize promoting competition and preventing anticompetitive conduct in many areas of the economy, including the health care and pharmaceutical sectors, technology and retail markets, and the energy industry. The agency will also work to promote sound competition policy at the international level and will continue advocating for procompetitive outcomes before federal courts, state legislatures, and other governmental agencies.

In enforcing the antitrust laws, the FTC analyzes mergers and acquisitions filed under the Hart-Scott-Rodino (HSR) premerger notification program, and monitors the marketplace for non-reportable transactions that might raise competitive concerns. The FTC takes action against those mergers that are likely to reduce or eliminate competition, and that are unlikely to generate sufficient benefits to consumers to outweigh the competitive harm. The FTC is vigilant in identifying instances of unlawful monopolization or attempted monopolization, or instances in which two or more firms seek to coordinate in an attempt to stifle competition in order to raise prices, reduce the quality or choice of goods and services, or reduce innovation.

REINVIGORATED EMPHASIS ON TECHNOLOGY:

The ubiquity of technology, and the fast pace at which it evolves, are crucial marketplace challenges. The FTC antitrust investigations involve increasingly complicated high-technology markets, such as online platforms, computer hardware and software, electronic components, and devices used in manufacturing. Accordingly, the Commission launched a new Technology Task Force in 2019 to bolster and focus the agency's efforts to maintain competition given the unique antitrust issues raised by these dynamic markets.

Antitrust and competition policy matters in the technology marketplace were a primary focus of the recently concluded 21st Century Hearings, which covered topics such as the intersection between privacy, big data, and competition; competition and consumer protection issues in communication, information, and media technology networks; and the consumer welfare implications of algorithmic decision tools, artificial intelligence, and predictive analytics. The Commission will use what it learns from the Hearings to inform its policy and enforcement priorities in the technology space in the future (Objectives 2.1 and 2.2).

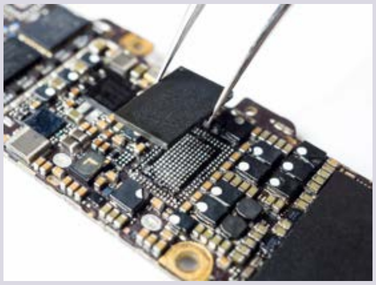
PROMOTING COMPETITION IN HEALTH CARE AND PHARMACEUTICAL MARKETS:

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

The FTC will continue to focus resources on anticompetitive reverse payment patent settlement

Protecting Competition for Key Cell Phone Technology

In May 2019, the U.S. District Court for the Northern District of California ruled that Qualcomm's baseband processor licensing practices violated the antitrust laws and allowed the firm to secure higher royalties than it could obtain based solely on the value of its patents. The case started in FY 2017 when the FTC sought to permanently block Qualcomm's use of these anticompetitive tactics to maintain its monopoly in the supply of two modem chips, key semiconductor devices used in cell phones and other consumer products. The FTC alleged that Qualcomm violated the antitrust laws by unlawfully using its monopoly position in two chip markets to impose anticompetitive licensing and supply terms on cell phone manufacturers, thereby excluding chip competitors. The trial on these charges occurred in January 2019. This matter is pending on appeal in federal court.



Challenging Monopolization in E-Prescription Markets

In April 2019, the Commission authorized staff to seek a permanent injunction in federal court against Surescripts for employing threats and other exclusionary tactics, including loyalty and exclusivity agreements, to maintain its monopolies in two e-prescribing markets: routing and eligibility. E-prescription routing enables healthcare providers to transmit prescriptions directly to pharmacies, whereas eligibility services enable healthcare providers to determine electronically patient eligibility for prescription coverage. According to the complaint, Surescripts monopolized these e-prescription markets by preventing customers on both sides of each market from using additional platforms (a practice known as multihoming), effectively thwarting competitors' success, and maintaining its roughly 95 percent share, in each market. This matter is pending in federal court.

agreements. Branded and generic drug manufacturers use these agreements to delay generic competition. As the U.S. Supreme Court explained in FTC v. Actavis, "there is reason for concern that settlements taking this form tend to have significant adverse effects on competition." Similarly, the Commission will continue to investigate other anticompetitive conduct, such as sham litigation or the abuse of government regulatory processes to delay generic entry into pharmaceutical markets. Such practices deny consumers access to lower priced generic drugs. The FTC reviews, investigates, and challenges these harmful practices where appropriate.

The FTC also prioritizes stopping anticompetitive health care mergers that could lead to higher costs or reduced quality, including those involving health care providers and pharmaceutical and medical device companies. In recent years, the FTC has required significant divestitures in a large number of pharmaceutical transactions and has challenged in court several health care provider mergers.

Beyond enforcement, the FTC utilizes its full range of policy and advocacy tools to promote competition in health care markets. For example, the FTC has advocated against state legislation that attempts to immunize competing hospitals and other health care providers from federal antitrust laws when they merge or engage in certain forms of collaboration. In the FTC's view, state efforts to immunize such conduct are unnecessary because procompetitive collaboration that would benefit consumers is permitted already under federal antitrust law. Therefore, these statutes effectively immunize conduct that likely would restrain competition and result in higher health care prices for consumers, without generating offsetting benefits.

The FTC also attempts to better understand the health care and pharmaceutical markets it monitors and to anticipate future antitrust law and policy developments through research and scholarship. To that end, the FTC convenes hearings, workshops, and conferences, to keep apprised of current market dynamics and trends (Objectives 2.1 and 2.2).

PREVENTING ANTICOMPETITIVE ACTIVITY IN THE ENERGY INDUSTRY:

The agency continues to monitor closely energy markets to identify and challenge anticompetitive mergers and conduct. In recent years, the Commission has brought several merger and conduct enforcement actions in the energy sector, resulting in multiple divestitures and other relief to maintain competition. The FTC also continuously examines price movements and other activity through its Gasoline and Diesel Price Monitoring Project, a tool that can help 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 regularly issues reports on the factors that influence the prices American consumers pay for gas. In compliance with the Energy Policy Act of 2005, the FTC issued its fourteenth annual Ethanol Market report in 2018, which concluded that the market is less concentrated than it was fourteen years ago (Objectives 2.1 and 2.2).

FTC Challenges Merger of Two Hydrogen Peroxide Producers

In August 2019, the Commission authorized staff to take action to block in federal court Evonik Industries's $625 million proposed acquisition of PeroxyChem Holding Company, alleging that the merger would substantially reduce competition for the production and sale of hydrogen peroxide in the Pacific Northwest and Southern and Central United States. Hydrogen peroxide, a commodity chemical with few if any substitutes, is used for oxidation, disinfection, and bleaching, among other applications. Most hydrogen peroxide produced in the North America is used by paper customers for bleaching pulp and de-inking recycled paper. According to the complaint, the proposed merger would eliminate head-to-head competition between the firms, increasing the likelihood of coordination in a highly concentrated market that is "already vulnerable to coordination, functioning as an oligopoly, and with a long history of price fixing." This matter is currently pending in federal court.

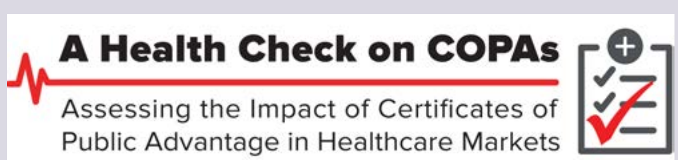
MAINTAINING ROBUST COMPETITION IN RETAIL MARKETS:

Retail markets, perhaps more than any others, directly impact the wallet of every American consumer. The FTC focuses significant resources on identifying and challenging mergers and conduct likely to harm competition in the retail sector. These actions preserve competition, which benefits consumers by keeping prices down, improving quality and service, and expanding innovation and consumer choice. In recent years, the Commission has successfully challenged several large retail mergers, including proposed transactions in the retail pharmacy and consumer goods markets, as well as several supermarket acquisitions.

As in other sectors, the FTC also continues to study evolving competitive dynamics that affect how consumers shop for products they want to buy. The retail sector, perhaps more than most, has been reshaped through advances in technology, including behavioral advertising, predictive analytics, and big data—three transformative innovations discussed in the Commission's recently concluded 21st Century Hearings (Objectives 2.1 and 2.2).

FTC Hosts Workshop to Assess the Impact of Certificates of Public Advantage in Healthcare Markets

In June 2019, the FTC hosted a public workshop to assess the impact of certificates of public advantage (COPAs) on prices, quality, access, and innovation for healthcare services. The workshop, *A Health Check on COPAs: Assessing the Impact of Certificates of Public Advantage in Healthcare Markets*, is part of a broader COPA Assessment Project announced in November 2017. COPAs are regulatory regimes adopted by state governments to displace competition among healthcare providers and immunize mergers and collaborations from antitrust scrutiny. Academics, health policy experts, healthcare industry stakeholders, state regulators and law enforcers, and staff from the FTC's Bureau of Economics discussed research regarding the effects of COPAs, as well as practical experiences with these regulatory regimes.



MANAGEMENT ASSURANCES

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

The FTC's Enterprise Risk Management (ERM) and internal controls are integral to managing daily operations and to carrying out activities that achieve strategic goals and objectives. Internal controls are part of all agency systems and processes. Senior management holds managers accountable for documenting, assessing, and improving these controls in order to provide efficient and effective risk management, program operations, high-quality data, and accurate reporting as well as program compliance with applicable laws and regulations.

The FTC's Senior Management Council (SMC) provides oversight to the Senior Assessment Team (SAT) activities and is instrumental in the strategic direction and mitigation strategies for the Agency's most significant risks. The SAT plans and executes the Agency's enterprise risk and internal control program activities. This includes assessing and improving compliance with applicable guidance (e.g., Office of Management and Budget Circular A-123, Management Responsibilities for Enterprise Risk Management and Internal Controls), monitoring and remediation of identified risk, and communicating the results of reviews to senior management and the head of the agency.

SAT activities in FY 2019 included planning the annual internal controls assessments; identifying key processes and related control activities; documenting the scope, design, and methodology of risk and internal control assessments; testing of internal controls, and monitoring corrective action plans and the remediation progress. In addition, the SMC updated the agency risk profile, including risks related to successful mission performance. Specifically, FTC's profile listed risks of escalating expert witness costs in cases involving market competition, impacts of budget constraints as they influence litigation options for the consumer protection mission and the schedule risk and cost risk associated with FTC's technology modernization initiative. FTC leadership uses the risk profile to monitor agency operations, to make budget and resource decisions, and to assess mitigation strategies and activities.

This year, the FTC continued with the implementation of an ERM program plan and strategy. Activities for FY 2019 included implementing new risk registers with programs, monitoring of existing risk registers, executing an annual segment of the multi-year internal control assessment plan, identifying and analyzing risk, assessing entity level control, and monitoring corrective actions. Additionally, the FTC began planning and implementing DATA Act control assessments and OMB-directed Internal Control Over Reporting (ICOR) assessments. In determining if there were any management control deficiencies or nonconformances that must be disclosed in the annual assurance statement, the SAT and the Chairman evaluated several sources of information. These included results of ERM activities, other information from independent audits or reviews performed by the Office of Inspector General (OIG), the Government Accountability Office (GAO) (e.g., Federal Information Security Management Act review), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on Standards for Attestation Engagements (SSAE No. 18)), and other relevant evaluations and control assessments.

The Chairman's assurance statement is supported by the processes and reviews described above, which were performed in FY 2019. Management assurance tables appear in the Other Information section.

UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

Office of the Chairman

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

The Federal Trade Commission's (FTC) management is responsible for establishing and maintaining effective risk management, internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with the requirements of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, the FTC conducted its annual assessment of the effectiveness of the organization's internal controls to support effective and efficient programmatic operations, reliable financial reporting, and compliance with applicable laws and regulations; and whether the financial management system conforms to applicable financial systems requirements.

Based on the results of this assessment, the FTC provides an unmodified assurance that it's internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2019, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls. Some reporting officials identified areas for improvement in their individual assessments, which are being addressed internally and are not of a material nature.

Further, based on our assessment, we provide an unmodified statement of assurance (no material weaknesses or lack of compliance reported) that the FTC financial management systems substantially conform with the *Federal Financial Management Improvement Act of 1996 (FFMIA)*, applicable financial systems requirements, applicable Federal accounting standards and the U.S. Standard General Ledger at the transaction level.

Signed Joseph J. Simons

Joseph Simons
Chairman
October 31, 2019

SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chairman's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2019. No new material weaknesses or significant nonconformances have been identified, nor any existing unresolved weaknesses requiring corrective action.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

As mandated by FISMA, the agency continues to maintain an information security program to manage information technology in accordance with OMB Circular A-130 requirements and National Institute of Standards and Technology (NIST) guidance. During FY 2019, FTC executed the retirement of one system, the conversion of two systems to Authorization to Use (ATU), and the performance of two assessment and authorization efforts. The FTC currently has eight systems authorized to operate (ATO). The FTC leverages fifteen Federal Risk and Authorization Management Program (FedRAMP) cloud service providers.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT OF 2014 (DATA ACT)

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

DEBT COLLECTION IMPROVEMENT ACT

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

PROMPT PAYMENT ACT

The Prompt Payment Act requires Federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2019, the FTC processed 2,875 invoices totaling $156.5 million that were subject to prompt payment. Of these invoices, 93.77 percent were paid on time. During FY 2019, the FTC paid a total of $9,544 in interest penalties, or .0061 percent of the total dollar amount invoiced.

AGENCY FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The FTC's overall strategy for its financial management systems is to ensure that the systems provide accurate, reliable, and timely information for management decision making, maintain effective internal controls, and comply with applicable laws and regulations. It is also critical that the financial management systems support both operational efficiency and effectiveness in meeting the agency's strategic goals. The FTC uses Oracle Federal Financials (OFF) as its core financial system and has relied on the Department of the Interior's Interior Business Center (IBC), a Federal Shared Service Provider, to host and support OFF operations. The IBC core financial system is delivered using OFF Release 12.2, and provides general ledger, accounts payable, accounts receivable, budget execution, requisition, contract writing (Contract Lifecycle Management), and reporting capabilities. The FTC has been receiving financial management and systems services since 2008, additionally the FTC has been receiving personnel and payroll support services from IBC since 1998.

As part of the FTC's Financial Management Office's (FMO) ongoing self-assessment of financial management discipline, effectiveness and efficiency, the agency identified opportunities to improve existing capabilities and resolve gaps in existing services, enhancing the value of financial management services at the FTC. Using the evaluation of existing services as its base, FMO conducted an analysis of the effectiveness and efficiency of other federal shared service providers' capabilities. The analysis identified an opportunity to significantly enhance existing financial operations and expand operational support, coupled with the potential for meaningful cost reductions. Based on that analysis, FMO developed a sound business case recommending the migration of agency financial systems and operations to Treasury's Administrative Resource Center (ARC), effective October 2019. The FTC leadership approved the recommendation and FMO and ARC dedicated resources developed and implemented a comprehensive migration project plan, adhering to GSA's Unified Shared Services Management (USSM) Modernization and Migration Management (M3) Playbook. Key activities included:

- Defining the scope of migration services and developing the governance structure and processes
- Developing and implementing a robust change management, communications and training plan
- Modifying policies and procedures required to align the FTC operations with ARC systems and standards
- Developing and implementing data cleansing, data conversion and data testing plans and procedures
- Migrating OFF general ledger, accounts payable, accounts receivable, budget execution and reporting capabilities from IBC to ARC
- Migrating IBC Contract Lifecycle Management (CLM) to ARC Procurement Information System for Management (PRISM)
- Migrating IBC E2 Solutions travel management system to ARC ConcurGov travel management system
- Implementation of the ARC Oracle Fixed Asset Module
- Implementation of the ARC Oracle Project Module

During FY 2020, the FTC and ARC will work together to refine the processes and procedures to optimize the effectiveness and efficiency of our operations. In addition, the FTC will work with Treasury to implement G-Invoicing as a long-term, sustainable solution to improve the quality of intragovernmental transactions.

These efforts comply with both the Federal Financial Management Improvement Act Section 803(a) requirements and OMB Memorandum M-13-08 on the use of shared service solutions and automation to save costs and improve the quality and performance of the Federal Government.

FEDERAL CIVIL PENALTIES INFLATION ADJUSTMENT ACT OF 1990

As established by statutory civil penalty provisions, the FTC has jurisdiction to charge civil penalties for violations specified in the FTC Act and other laws the Commission is responsible for administering and enforcing. The FTC adjusts these civil penalty amounts for cost of living, as required by Federal Civil Penalties Inflation Adjustment Act of 2015.

Details about the FTC's types of civil penalties, the authority for the penalty, adjustment dates, and current penalty amount can be found in the Other Information section of this report.

FRAUD REDUCTION AND DATA ANALYTICS ACT

The Fraud Reduction and Data Analytics Act of 2015 was passed to improve federal agency financial and administrative controls and procedures to assess and mitigate fraud risks, and to improve Federal agencies' development and use of data analytics for the purpose of identifying, preventing, and responding to fraud, including improper payments.

During FY 2019, the FTC expanded its fraud risk program, strengthened the agency's processes, and improved internal controls to prevent, detect, and mitigate fraud risks. Please see the Fraud Reduction Report in the Other Information section of this report for additional information.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The FTC's accounting practices continue to be accurate and transparent, which directly supports the agency's dual mission to protect consumers and promote competition, and consistently demonstrates the FTC's commitment to responsible stewardship of resources and sound financial operations. For the 23rd straight year, the FTC received a "clean" or unmodified opinion on its audited financial statements. Independent auditors issue an unmodified opinion when an entity's financial statements are presented fairly, in all material aspects, in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The following discussion provides an overview of the agency's financial position and results of operations. The complete audited financial statements with accompanying notes, including the independent auditor's report, are presented in the Financial Section of this report.

BALANCE SHEET

The FTC's Balance Sheet includes both entity and non-entity assets and liabilities. Entity assets, by law, are authorized by the Congress for the FTC to use in its operations, i.e., Property, Plant, and Equipment (PP&E). Entity liabilities consist of probable and measurable future outflows of FTC entity resources.

Non-entity assets (which are not available for the FTC's use) are those assets held on behalf of others, i.e., collections and accounts receivable that arise from civil monetary penalties and court-ordered judgments for monetary relief in the agency's consumer redress program. Non-entity assets are equal to, and offset by, non-entity liabilities.

CONDENSED BALANCE SHEET
AS OF SEPTEMBER 30, 2019 AND 2018

(Dollars in Millions)	FY 2019	FY 2018	% Change
Entity Assets			
Fund balance with Treasury	$ 122	$ 129	-5%
General property, plant, and equipment	30	39	-23%
Total Entity Assets	152	168	-10%
Non-Entity Assets			
Fund balance with Treasury	266	359	-26%
Accounts receivable	616	599	3%
Total Non-Entity Assets	882	958	-8%
Total Assets	$ 1,034	$ 1,126	-8%
Entity Liabilities			
Employee related liabilities	24	22	9%
Accounts payable and other	14	11	27%
Total Entity Liabilities	38	33	15%
Non-Entity Liabilities			
Redress collections not yet disbursed	266	359	-26%
Liability for amounts to be collected	616	599	3%
Total Non-Entity Liabilities	882	958	-8%
Total Liabilities	$ 920	$ 991	-7%
Cumulative results of operations	114	135	-16%
Total Net Position	114	135	-16%
Total Liabilities and Net Position	$ 1,034	$ 1,126	-8%

BALANCE SHEET

ENTITY

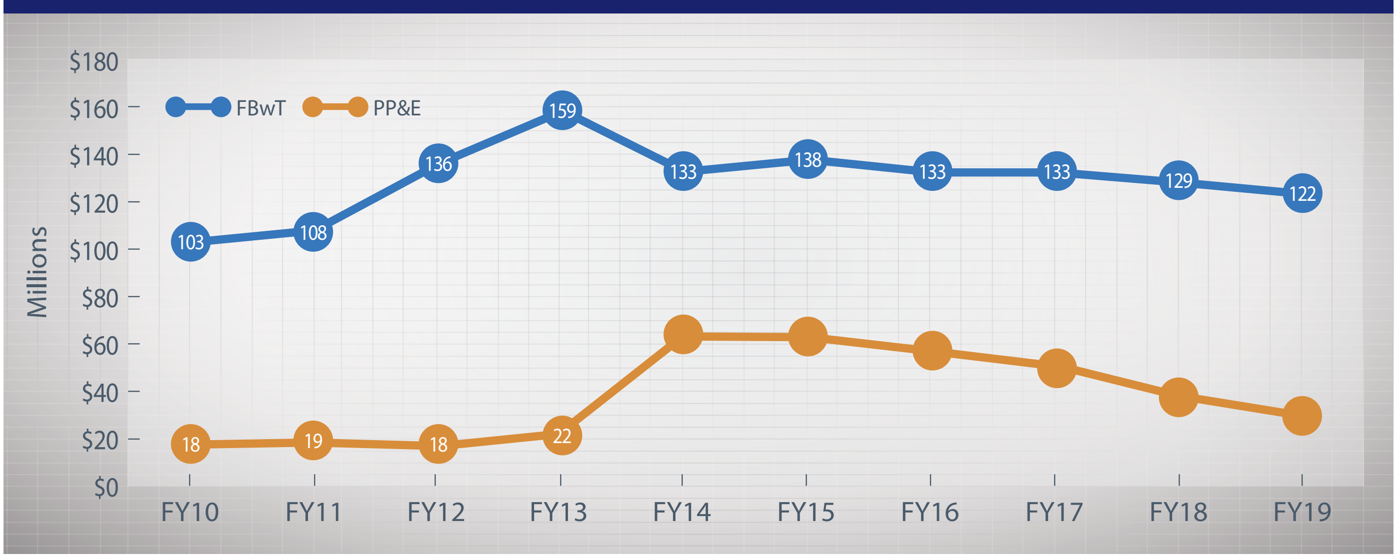
Entity assets totaled $152 million, or 15 percent of all FTC assets, as of September 30, 2019, a decrease of $16 million, or 10 percent, from the FY 2018 total of $168 million.

The Fund Balance with Treasury (FBwT) of $122 million comprises $40 million that is temporarily unavailable for expenditure and $82 million available to the FTC to make expenditures and pay liabilities, for a total decrease of $7 million, or 5 percent, from the FY 2018 total of $129 million. At the end of FY 2019, the FTC's FBwT contained $32 million in temporarily unavailable offsetting collections (fees from the FTC's National Do Not Call Registry and premerger notification filings) that exceeded the amount authorized to offset the FTC's appropriation. Of the $32 million, $6 million was temporarily reduced by the FY 2013 sequestration.

PP&E, net of accumulated depreciation/amortization, is $30 million, which consists of $26 million in leasehold improvements, $3 million in equipment, and $1 million in software. Of the total PP&E, $22 million in leasehold improvements is associated with the FY 2014 relocation of staff to office space at the Constitution Center. The $9 million decrease in PP&E is primarily due to asset disposals and the continued depreciation/amortization of assets related to the FY 2014 staff relocation.

The annual trend in the FTC's total assets reflects the Office of Management and Budget (OMB) Category B apportionment between FY 2010 and 2013 of more than $74 million for the relocation of staff to office space at Constitution Center. The move was completed in FY 2014, with over $46 million being spent on capitalized assets. Since these assets were placed in service, the FTC's PP&E balance has decreased, primarily due to continual depreciation and amortization. FBwT has declined over the past two years as the FTC has incurred higher than normal costs associated with expert witness contracts in addition to non-recurring expenditures associated with upgrading the agency's information technology infrastructure.

ENTITY ASSETS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Entity liabilities totaled $38 million, or 4 percent of all FTC liabilities as of September 30, 2019, and represent a 15 percent increase in liabilities from FY 2018 to FY 2019.

Employee-related liabilities of $24 million consist of accrued payroll and benefits, accrued annual leave wages earned by employees but not yet paid, and Federal Employees Compensation Act (FECA) liability. Accounts payable and other totaling $14 million consists of amounts owed, but not yet paid, for goods or services the FTC has received as well as a probable contingent liability that is new for FY 2019.

Entity liabilities have a smaller range of fluctuation in comparison to entity assets. Accounts payable balances fluctuate more significantly when capitalized purchases are involved. This is evident in FY 2011 when purchases of information technology hardware and software were accrued near the end of the fiscal year. Employee-related liabilities fluctuate based on the FTE count and the timing of the payroll disbursement cycle. For example, at the end of FY 2014, the payroll and benefit liability included 7 days of unpaid wages while the FY 2019 year-end payroll accrual included 11 days of unpaid wages. The uptick in both employee-related liabilities and accounts payable and other liabilities in FY 2019 is attributable to an earlier month-end cutoff for invoice payments in relation to the FTC's transition to a new shared-service provider.

ENTITY LIABILITIES

BALANCE SHEET

NON-ENTITY

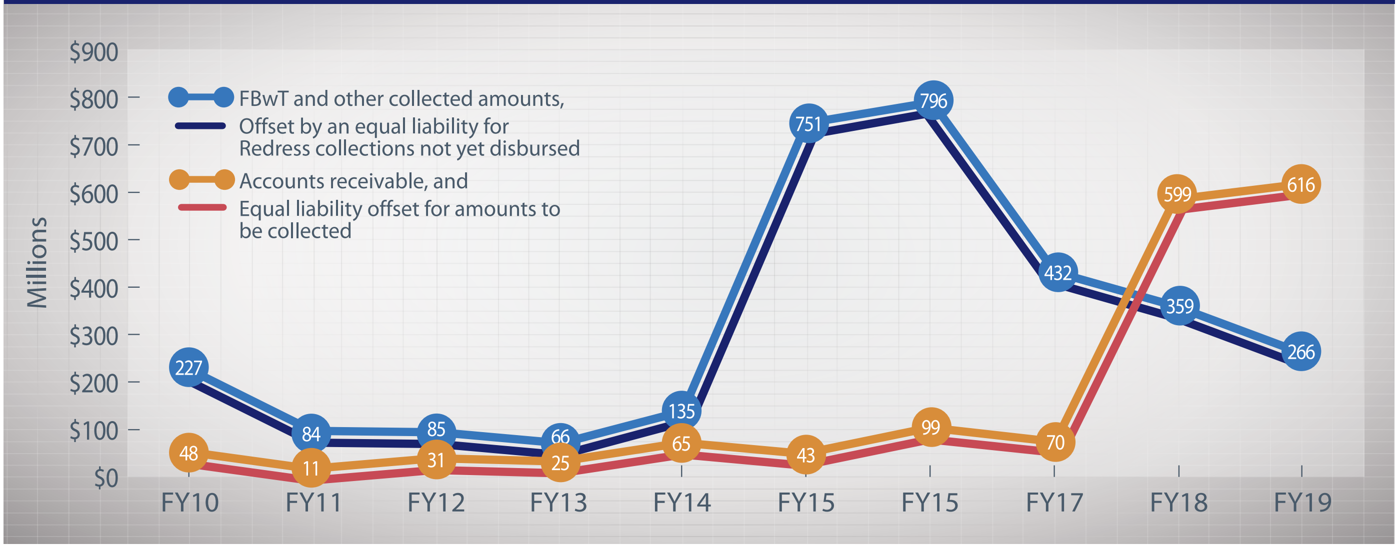
Non-entity assets totaled $882 million, or 85 percent of all FTC assets, as of September 30, 2019. This represents a decrease of $76 million, or 8 percent, from the FY 2018 total of $958 million.

Non-entity assets are equal to, and offset by, non-entity liabilities. The $616 million net accounts receivable balance is offset by the $616 million liability for amounts to be collected, while the $266 million FBwT is offset by the $266 million liability for redress collections.

The FY 2019 ending net accounts receivable of $616 million reflects amounts to be paid to the FTC from court-ordered judgments in the consumer redress program. This represents a $17 million increase in net accounts receivable from the FY 2018 total of $599 million. The majority of the receivables balance for both fiscal years consists of a 2018 judgment against AbbVie, Inc. for $494 million (80 percent of the ending FY 2019 balance). A federal district court ruled that AbbVie used sham litigation to illegally maintain its monopoly over the testosterone replacement drug Androgel, and the court ordered $494 million in monetary relief to consumers who were overcharged for Androgel as a result of AbbVie's conduct. This court order represents the largest monetary award ever in a litigated FTC antitrust case.

The remaining ending net accounts receivable balance of $122 million primarily consists of amounts to be paid to the FTC from the following cases: AMG Services

NON-ENTITY ASSETS & LIABILITIES



for a payday lending scheme that deceived consumers; Helping America Group for allegedly selling phony debt relief and credit repair services, including fake loans; I Works for deceptive "trial" memberships for bogus government-grant and money-making schemes; and Liberty Publishers for a deceptive newspaper subscription scheme. Thirty-five additional matters account for the remainder of the balance.

The FY 2019 ending FBwT for consumer redress of $266 million is being held temporarily by the FTC until it is distributed to consumers, other harmed parties, or redress third party administrators (for distribution to consumers on behalf of the FTC), or disgorged to Treasury (if consumer redress is not practicable). The decrease of $93 million in FBwT consists of $259 million in collections offset by $352 million in disbursements. Coincidentally, the largest collection and disbursement during FY 2019 each relate to allegations that a pharmaceutical company violated antitrust laws by stifling competition from lower priced generic drugs. In August 2019, the FTC collected $50 million from Reckitt Benckiser Group PLC to settle allegations that Reckitt prevented generic drugs from competing with its branded drug Suboxone. Also during FY 2019, the FTC disbursed more than $194 million to harmed parties from a 2015 settlement with Cephalon, Inc., which allegedly used "pay for delay" practices to illegally block generic drug competition to its drug Provigil.

Five large judgments account for almost two-thirds of the FY 2019 ending FBwT of $265 million. The graphic on the following page illustrates the major collections and disbursements that occurred throughout the fiscal year.

Historic trends of FBwT for consumer redress are primarily driven by a few select cases.

- In FY 2015, the FTC collected $458 million from a settlement resolving antitrust charges that Cephalon illegally blocked generic competition to its drug Provigil by engaging in "pay for delay" conduct.
- In FY 2016, the FTC collected $200 million from Herbalife International of America, Inc. to settle FTC charges that Herbalife deceived consumers as part of a multi-level marketing operation. This large collection was primarily offset by a $120 million disbursement to harmed parties as a result of the Cephalon settlement.
- In FY 2017, the FTC disbursed $200 million from the Herbalife settlement to claimants. Additionally, the FTC disbursed $125 million to harmed parties as a result of the Cephalon settlement.
- In FY 2018, the FTC collected $471 million from AMG Services from a 2016 judgment for a payday lending scheme that deceived consumers across the country and illegally charged them inflated and undisclosed fees. The FTC disbursed $505 million to consumers harmed by this scheme during FY 2018 ($47 million had been collected prior to FY 2018).
- In FY 2019, the FTC disbursed $194 million to harmed parties as a result of the 2015 settlement agreement with Cephalon.

NON-ENTITY ASSETS - FUND BALANCE WITH TREASURY
FY 2019 ACTIVITY

FY 2019 Non-Entity Fund Balance with Treasury Timeline Activity

	$358.8M	Beginning Balance - FY 2019 Non-Entity Fund Balance with Treasury	
A	$5.2M	Alliance Document Preparation	Collected $5.2M from a 2018 settlement against a student loan debt relief scam that bilked millions from consumers by falsely claiming to enroll consumers in loan forgiveness programs.
B	($3.6M)	Universal City Nissan, Inc./Sage Auto Group	Disbursed $3.6M (43,456 refund checks) to consumers subjected to deceptive and unfair sales and financing tactics. Refunds are from a 2017 settlement with Sage Auto Group.
C	$29.9M	AMG Services Inc.	Collected $29.9M from a 2016 judgment related to a payday lending scheme that violated the FTC Act and Truth in Lending Act where consumers were illegally charged undisclosed and inflated fees.
D	($6.2M)	Tarr, Inc.	Disbursed $6.2M (227,995 refund checks) to consumers from a 2017 settlement against defendant for selling weight-loss, muscle-building, and wrinkle-reduction products using unsubstantiated health claims, fake magazine and news sites, bogus celebrity endorsements, and phony consumer testimonials.
E	$2.4M	J. William Enterprises, LLC	Collected $2.4M from a 2018 settlement against Florida-based operators behind a deceptive timeshare resale scheme.
F	($3.5M)	Direct Alternatives and Original Organics, LLC	Disbursed $3.5M (104,612 refund checks) to consumers who bought weight-loss supplements from a 2016 settlement. The defendants claimed that users of their products would lose weight quickly and easily and results were scientifically proven. Further, "risk-free" trials enrolled consumers in programs without their consent and charged them for additional products.
G	$11.6M	Standard Industries, LLC	Collected $11.6M from a 2014 settlement against a Maryland-based office supply operation. The FTC alleges that the operation tricked companies and non-profits into paying for light bulbs and cleaning supplies they never ordered.
H	($7.1M)	Advertising Strategies, LLC	Disbursed $7.1M (10,365 refund checks) as part of a 2016 settlement to consumers who lost money to bogus online investment opportunities which were marketed to seniors living on a fixed income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FY 2019 Non-Entity Fund Balance with Treasury Timeline Activity

I	$21.6M	Next-Gen, Inc.	Collected $21.6M from a 2019 settlement involving operators of a sweepstakes scam that tricked millions of people, including many senior citizens, into paying money to collect prizes that never materialized.
J	$35.0M	Office Depot, Inc.	Collected $25M from Office Depot and $10M from its software supplier Support.com, Inc. from a 2019 settlement agreement. The FTC alleged that these companies tricked consumers into buying computer repair and technical services by deceptively claiming their software had found malware symptoms on customers' computers.
K	$2.7M	A1 Janitorial Supply Corp.	Collected $2.7M from a 2019 judgment where FTC alleged defendants targeted small businesses and charged them for supposedly free samples of cleaning supplies and other products; and that defendants tricked small businesses into paying for products they did not order.
L	($77.3M)	Cephalon, Inc.	Disbursed $77.3M to harmed parties as part of a 2015 settlement resolving antitrust charges that Cephalon engaged in "pay for delay" conduct to illegally block generic competition of the drug Provigil.
M	$3.9M	Avant, LLC	Collected $3.9M from a 2019 settlement against Avant, LLC for engaging in deceptive and unfair loan servicing practices, such as imposing unauthorized charges on consumers' accounts and unlawfully requiring consumers to consent to automatic payments from their bank accounts.
N	$7.5M	Triangle Media, Corp.	Collected $7.5M from a 2019 judgment where defendant deceptively advertised risk free trial offers for only costs of shipping and handling. Consumers were charged full price for trial products and enrolled in expensive, ongoing continuity plans without their knowledge or consent.
O	$50.0M	Reckitt Benckiser Group PLC	Collected $50M from a 2019 settlement against Reckitt Benckiser Group, PLC for violating antitrust laws through a deceptive scheme to thwart lower-priced generic competition to its branded drug Suboxone.
P	($11.6M)	Standard Industries, LLC	Disbursed $11.6M (29,333 refund checks) to small businesses and other organizations defrauded by a Maryland-based office supply operation, pursuant to a 2014 settlement. The FTC alleges that the operation tricked companies and non-profits into paying for light bulbs and cleaning supplies they never ordered.
Q	($3.3M)	Cardinal Health, Inc.	Disbursed $3.3M from a 2015 settlement against Cardinal Health, which unlawfully monopolized the market for low-energy radiopharmaceuticals in 25 geographic areas throughout the United States.
R	($31.3M)	Lifelock, Inc.	Disbursed $31.3M related to a 2015 settlement to resolve FTC's contempt charges that Lifelock violated the terms of a 2010 federal court order that requires it to secure consumers' personal information and prohibits Lifelock from deceptive advertising.
S	$3.0M	Strategic Student Solutions, LLC	Collected $3M from a 2018 settlement as part of a coordinated federal-state law enforcement initiative targeting deceptive student loan debt relief scams.
T	($5.4M)	Alliance Document Preparation	Disbursed $5.4M to nearly 40,000 consumers who lost money to a student loan debt relief scam. Refunds are a result of a 2018 settlement.
U	($117M)	Cephalon, Inc.	Disbursed $117M to harmed parties as part of a 2015 settlement resolving antitrust charges that Cephalon, Inc. engaged in "pay for delay" conduct to illegally block generic competition of the drug Provigil.
	$0.1M	Net of other collections $85.7M and disbursing ($85.6M) activities, related to over 158 additional matters.	
	$265.4M	**Ending Balance – FY 2019 Non-Entity Fund Balance with Treasury**	

Significant Contributors to the FY 2019 Non-Entity Fund Balance with Treasury Ending Balance

$50.0M	Reckitt Benckiser Group PLC	$50M held by the FTC from a 2019 settlement of allegations it violated antitrust laws through a deceptive scheme to thwart lower-priced generic competition to its branded drug Suboxone.
$40.8M	AMG Services Inc.	$40.8M held by the FTC from a 2016 judgment (and earlier settlements) against a payday lending scheme that deceived consumers across the country and illegally charged them undisclosed and inflated fees. As of the end of FY 2019, the FTC has collected $548.3M from the defendants and disbursed $507.5M to harmed consumers.
$35.0M	Office Depot, Inc.	$35M held by the FTC from a 2019 settlement of allegations it tricked consumers into buying computer repair and technical services by deceptively claiming their software had found malware symptoms on customers' computers.
$21.6M	Next-Gen, Inc.	$21.6M held by the FTC from a 2019 settlement involving operators of a sweepstakes scam that tricked millions of people, including many senior citizens, into paying money to collect prizes that never materialized.
$18.5M	Cephalon, Inc.	$18.5M held by the FTC from a 2015 settlement resolving antitrust charges that Cephalon, Inc. engaged in "pay for delay" conduct to illegally block generic competition to its drug Provigil. The settlement made available $1.2 billion to harmed parties. The FTC collected $458M from the settlement, with the remaining $742M directly paid to harmed parties. Of the $458M the FTC collected, a total of $439.5M was disbursed between FY 2016 and FY 2019. The remaining funds will be used to pay future claims. At the end of the settlement term, any remaining funds will be disgorged to the U.S. Treasury General Fund.
$99.5M	The remaining FBWT balance consists of funds held by the FTC from 139 separate matters.	
$265.4M	**Ending Balance - FY 2019 Non-Entity Fund Balance with Treasury**	

STATEMENT OF NET COST

STATEMENT OF NET COST SUMMARY

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Dollars in Millions)	FY 2019	FY 2018	% Change
Protecting Consumers:			
Gross costs	$ 194	$ 184	5%
Less: earned revenue	(12)	(12)	0%
Protecting Consumers	182	172	6%
Maintain Competition:			
Gross costs	$ 151	$ 156	-3%
Less: earned revenue	(131)	(133)	-2%
Maintaining Competition	20	23	-13%
Net Cost of Operations	$ 202	$ 195	4%

The Statement of Net Cost presents the FTC's gross costs less revenue earned for two of the FTC's strategic goals: Protect Consumers and Maintain Competition. The third goal, Advance Organizational Performance, has its costs distributed to the other two strategic goals based on the percentage of dollars directly traceable to each of these two goals. The FTC net cost of operations was $202 million in FY 2019, which consists of $345 million in gross costs offset by $143 million in earned revenue.

The FY 2019 net cost of operations for the Protect Consumers strategic goal is $182 million, consisting of $194 million in gross costs offset by $12 million in earned revenue, which is mostly revenue from fees collected for the National Do Not Call (DNC) Registry. The FTC receives fees from telemarketers who pay an annual subscription fee to download telephone numbers of consumers who do not wish to receive calls. The DNC fees are based on the number of area codes that a telemarketer downloads.

The FY 2019 net cost of operations for the Maintain Competition strategic goal is $20 million, consisting of $151 million in gross costs offset by $131 million in earned revenue, which is mostly revenue from fees collected for premerger notification filings, with a small portion (about $1 million) from multiple reimbursable agreements with other federal agencies. Premerger notification filings are made under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, which gives the federal government the opportunity to investigate and challenge certain mergers that are likely to harm consumers before injury occurs. The HSR Act requires the filing of premerger notifications with the FTC and the DOJ Antitrust Division. The filing fees are determined by the size of the merging parties and the value of the proposed transaction. By law, the FTC retains one-half of all premerger filing fees collected and remits one-half to the DOJ Antitrust Division.

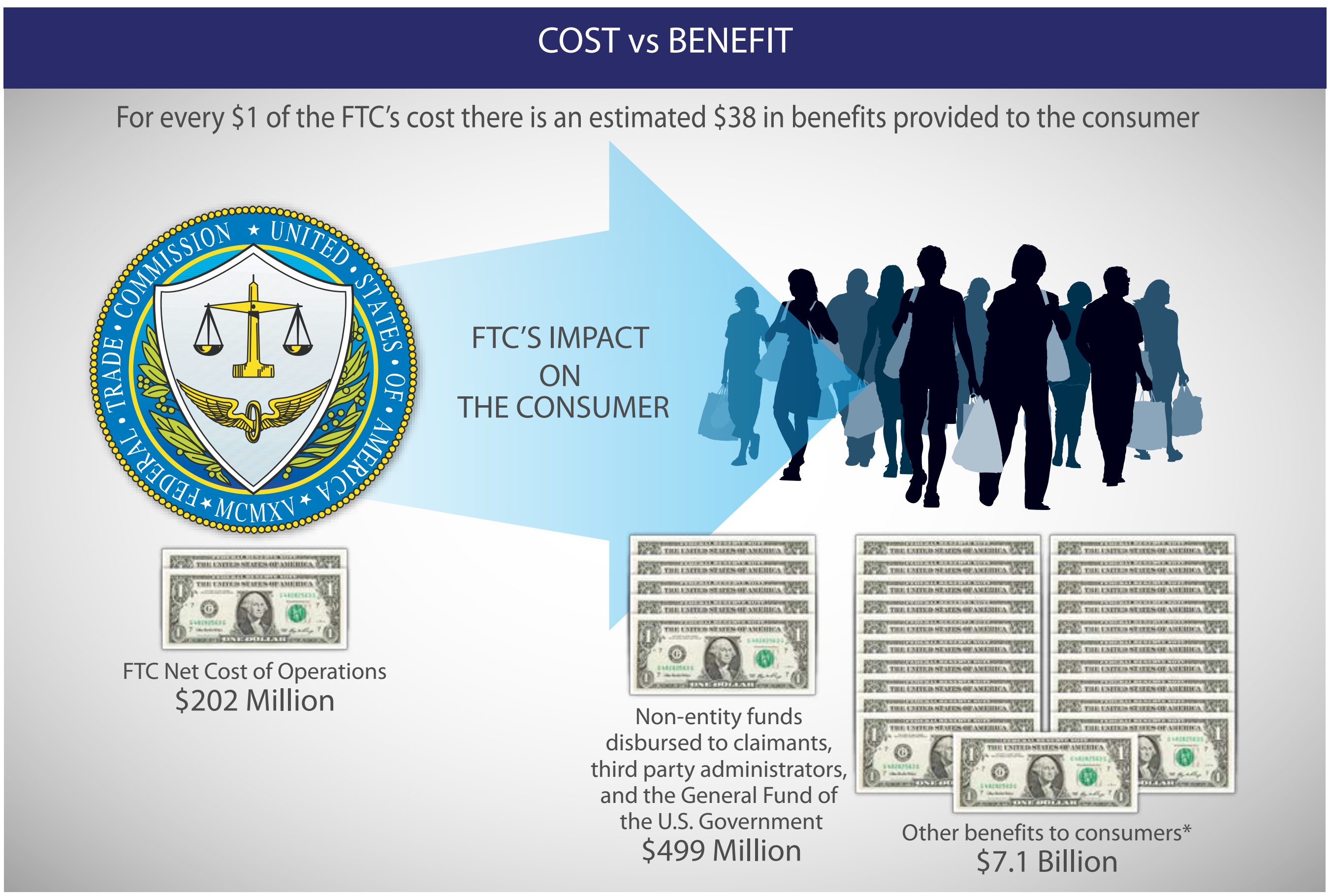
The increase in the overall gross costs is primarily attributable to higher expenses for personnel salaries and benefits. Total payroll expenses have increased from $198 million in FY 2018 to $204 million in FY 2019. This results from a 1.4 percent general schedule increase in employee salaries, a rise in pension and post-retirement benefit expenses, and higher cost factors for employee benefit programs. Rent expense has increased by nearly $1 million in FY 2019 from the prior year due to higher property taxes on commercially-owned space. Finally, revenues for premerger notification filings have declined slightly from the prior year, which ultimately has the effect of raising the net cost of operations.

FTC NET COST OF OPERATIONS VS. BENEFIT TO CONSUMERS

The FTC had gross costs of $345 million in FY 2019, offset by $143 million in earned revenue, resulting in a total net cost of operations of $202 million. However, a large portion of the FTC's operations result in activity whose benefits are not reflected on the Statement of Net Cost. These important benefits to the public should be considered in determining the overall impact of the agency's strategic goals.

The Statement of Net Cost includes only entity activity. During FY 2019, the FTC returned $499 million in non-entity collections to consumers and the U.S. Treasury General Fund. Redress disbursements to harmed consumers during FY 2019 totaled $350 million with an additional $2 million in disgorgements to Treasury. Civil Penalty collections returned to Treasury totaled $147 million. This figure includes $136 million received from Google and YouTube as part of a settlement agreement for allegedly violating the Children's Online Privacy Protection Act (COPPA). Throughout FY 2019, the FTC saved consumers an estimated $6.2 billion* through its merger and non-merger competition law enforcement actions and an estimated $900 million* through its consumer protection law enforcement actions.

The FTC's cost to protect consumers and maintain competition is a small fraction of the amount the FTC has saved consumers. For FY 2019, the FTC provided an estimated total of $7.6 billion in benefits to consumers. When this benefit is compared to the $202 million in net costs, it equates to every $1 of the FTC's cost returning an estimated $38 in FTC-provided benefits to consumers.



*These estimates were calculated based on performance measures 1.1.3 (consumer savings from consumer protection law enforcement), 2.1.3 (consumer savings from merger enforcement), and 2.1.5 (consumer savings from non-merger enforcement). See Appendix A – Data quality information on these measures and how these estimates were calculated. While the performance measures are based on 3-5 year rolling averages, the statistics presented above are based on only the FY 2019 activity.

STATEMENT OF CUSTODIAL ACTIVITY

CONDENSED STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

(Dollars in Millions)	FY 2019	FY 2018	% Change
Revenue Activity:			
Sources of collections:			
Premerger filing fees (net of refunds)	$ 129	$ 133	-3%
Civil penalties and fines	147	3	4153%
Consumer redress	2	8	-77%
Total Custodial revenue	$ 278	$ 144	93%
Disposition of Collections:			
Transferred to others:			
Treasury general fund	$ 149	$ 11	1220%
Department of Justice	129	133	-3%
Total Disposition of Collections	$ 278	$ 144	93%
Net Custodial Activity	$ -	$ -	0%

The Statement of Custodial Activity displays the custodial revenue recognized during the fiscal year in comparison to the disposition or transfer out of cash held on behalf of other entities. Fees collected under the Hart-Scott-Rodino (HSR) premerger notification program are distributed equally to the FTC and the Antitrust Division of the Department of Justice (DOJ). Premerger filing fees are determined by the value and size of parties contemplating a merger. The FTC's revenue of $129 million for premerger filing fees is reported on the Statement of Net Cost under the Maintain Competition strategic goal. Civil penalties and fines are collected in connection with the settlement or litigation of the FTC's administrative or federal court cases. At the end of each fiscal year, all civil penalties collected are transferred to the Treasury General Fund. Collections held for consumer redress will also be transferred, or disgorged, to the Treasury General Fund in the event redress is determined to be not practicable.

Overall custodial revenues and transfers have nearly doubled from the previous fiscal year due to a large increase in civil penalty collections. Civil penalties and fines returned to the Treasury General Fund have increased from $3 million in FY 2018 to $147 million in FY 2019. In September 2019, Google LLC and its subsidiary YouTube LLC agreed to pay a record $170 million to settle allegations by the FTC and the New York Attorney General that the YouTube video sharing service illegally collected personal information from children without their parents' consent. The settlement required Google and YouTube to pay $136 million to the FTC and $34 million to New York for alleged violations of the Children's Online Privacy Protection Act (COPPA). The COPPA rule requires that child-directed websites and online services provide notice of their information practices and obtain parental consent prior to collecting personal information from children under the age of 13. Since 1998 when the law was enacted by Congress, the $136 million penalty is by far the largest amount the FTC has obtained in a COPPA case. The previous record of $5.7 million occurred earlier in FY 2019 in a settlement against the operators of the video social networking app Musical.ly, Inc. which is now known as TikTok.

BUDGETARY RESOURCES AND HOW THEY WERE USED

BUDGET AUTHORITY

The FTC receives an annual appropriation that is available until expended, subject to OMB apportionment and Congressional restrictions on the expenditure of funds (see **FTC's FY 2019 Congressional Budget Justification**, pages 3-4, "Appropriations Language Provisions"). The FTC's budget authority is derived from a direct appropriation and offsetting collections.

In FY 2019, the FTC received $311 million in new budget authority, representing a $5 million increase from the FY 2018 amount. The FY 2019 budget authority comprised $168 million in general fund appropriations plus $143 million in spending authority from offsetting collections, consisting of $130 million from fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, $12 million from fees collected for the National Do Not Call Registry, and $1 million from reimbursable work on behalf of other federal agencies.

Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 54 percent of the FTC's net budget authority comes from Treasury General Fund appropriations. This reduces the burden the FTC places on the federal budget to $168 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2019.

NEW BUDGET AUTHORITY

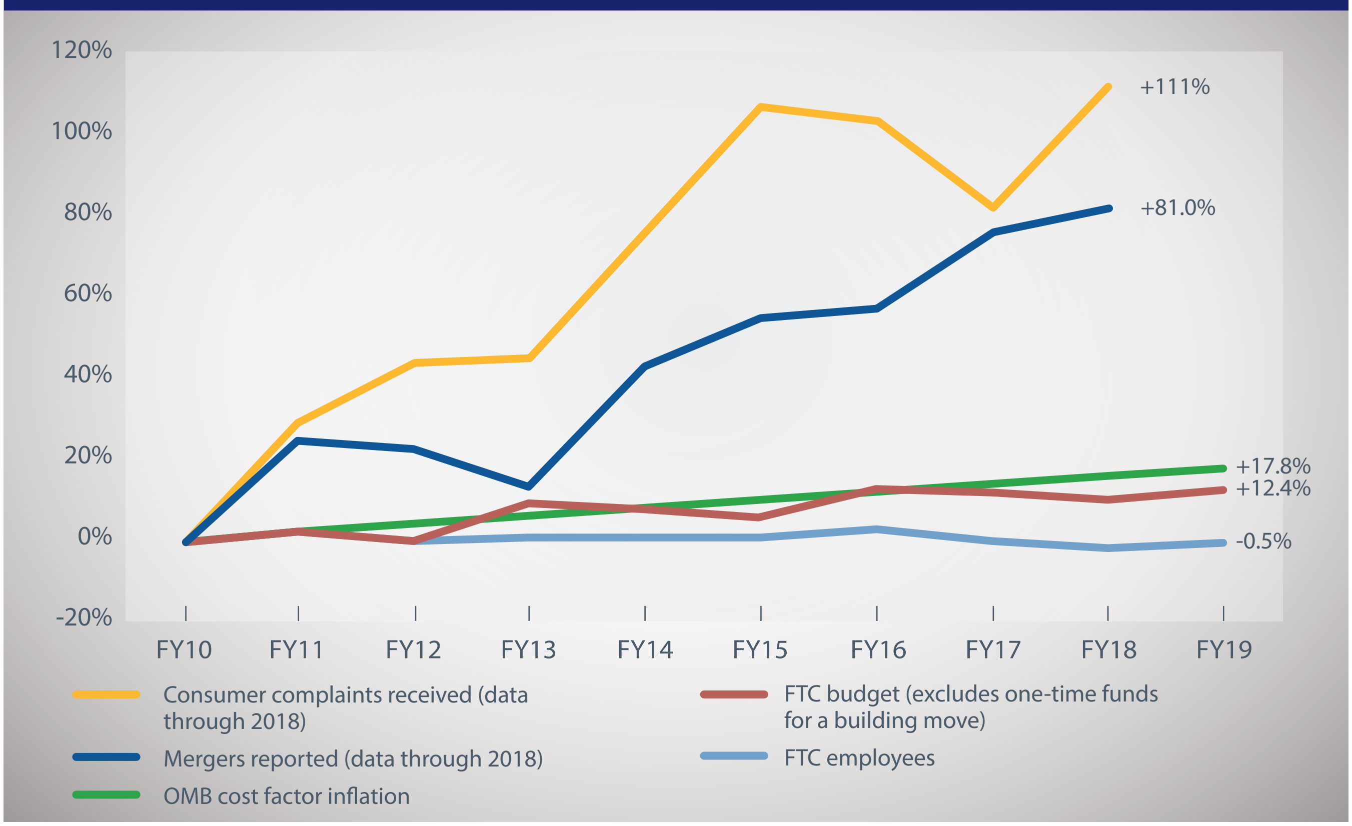
MANAGEMENT'S DISCUSSION AND ANALYSIS

Historically, the FTC's budget authority has been relatively static. From FY 2010 through FY 2014, the FTC received an OMB category B apportionment for the relocation of staff to office space at the Constitution Center. Excluding the category B funding, the FTC had a 13 percent or $35 million change from FY 2010 ($276 million) to FY 2019 ($311 million). As shown in the figure below, the agency's FY 2019 budget authority would have had to increase a total of $49 million (or 17 percent) just to keep pace with OMB's annual escalation factors.

The constraints from stagnant financial resources are further magnified by increasing costs and rising expectations from the American public. During this same time period, for example, consumer complaints to the FTC rose by over 100 percent, and premerger filings rose by over 75 percent, among other measures of the FTC's increased workload. While the FTC continues to do more with less, the gap between the actual budget authority that the FTC has received and the inflation-adjusted amount is apparent, and continues to widen as the agency's competition and consumer protection workloads increase.

The FTC's increasing costs are also reflected in expert witness costs. As a direct result of the FTC's highly regarded law enforcement activities, the agency is engaged in a larger number of complex investigations and litigation matters related to both the competition and consumer protection missions, and many of these matters require the retention of experts. For example, the services of expert witnesses are critical to the successful investigation and litigation of merger cases, as experts provide insight on proper definition of product and geographic markets, assess the likelihood of entry by new competitors, and develop models to evaluate merger efficiencies as compared to potential competitive harm. While overall spending on expert witnesses declined in FY 2019 from the previous year, costs for experts in litigation matters continue to pose significant challenges on the FTC's limited budgetary resources. The FTC is currently exploring ways to reduce expert witness costs without compromising its core missions or jeopardizing the success of its litigation program.

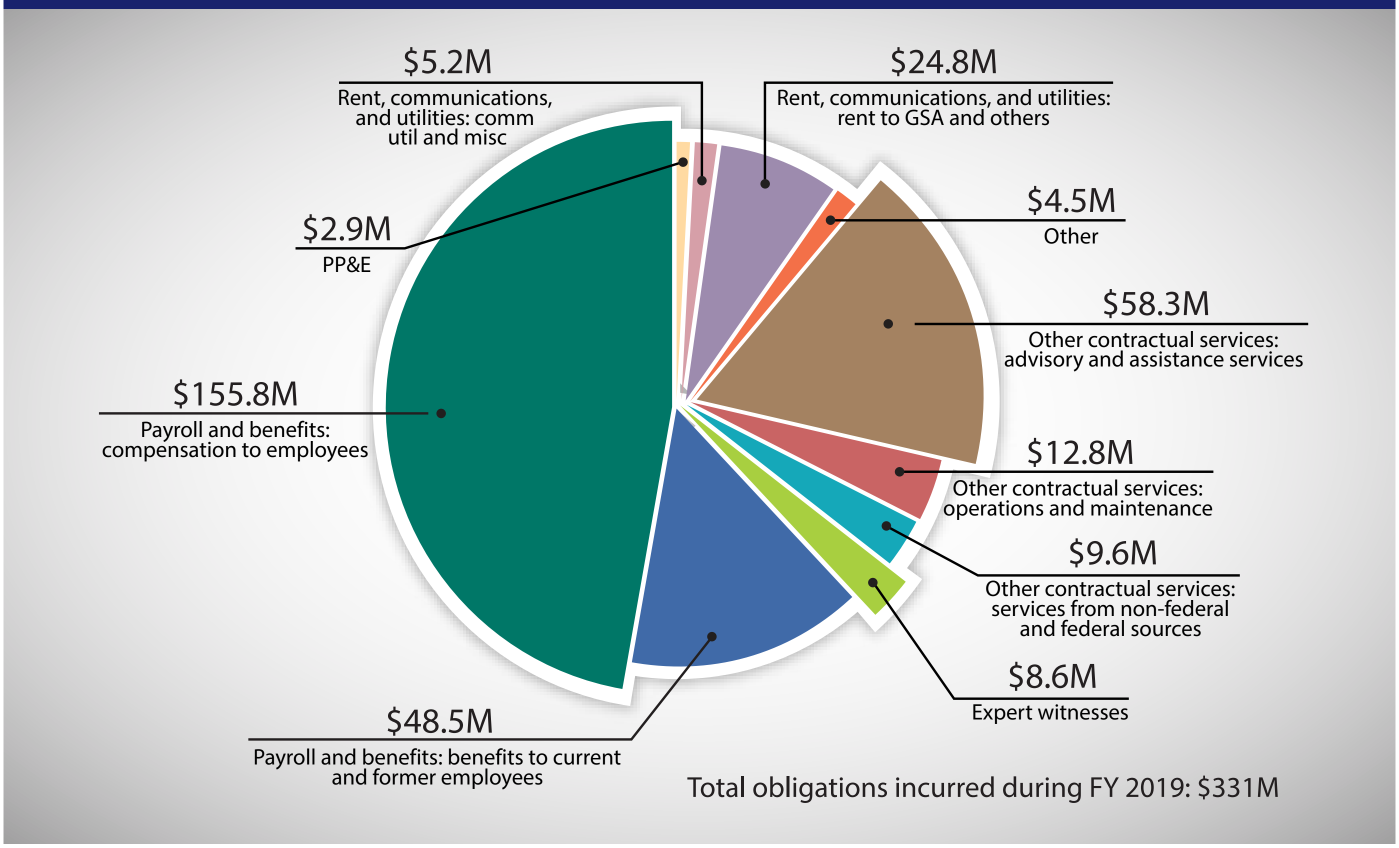
PERCENTAGE CHANGE IN CONSUMER COMPLAINTS, MERGERS, AND FTC RESOURCES SINCE 2010



THE FTC'S FY 2019 OBLIGATIONS:

In FY 2019, the FTC received $311 million in new budget authority, as well as authority to obligate $23 million in its unobligated balance brought forward and $5 million in recoveries of prior-year obligations. Pursuant to this authority, the FTC obligated $331 million in FY 2019. This was an increase of $4.8 million, or 1 percent, compared to new obligations in FY 2018. The increase in obligations incurred in FY2019 was mainly attributable to higher payroll costs as well as higher spending for rent, communications, and utilities. Payroll spending has increased by 2.5 percent to $204 million in FY 2019 from $199 million in FY 2018. This is the result of the 1.4 percent pay raise for FY 2019, a rise in pension and post-retirement benefit expenses and higher cost factors associated with employee benefits. Rent expenses paid to GSA have increased over the past few years due to inflation and a rise in property taxes on commercially-leased space. Higher obligations for communications and utilities are related to software licenses and wireless communications. Finally, the FTC incurred higher obligations in FY 2019 for information technology (IT) support services as part of the agency's initiative to transition its IT infrastructure to a cloud-based environment.

FY 2019 FTC OBLIGATIONS BY CATEGORY

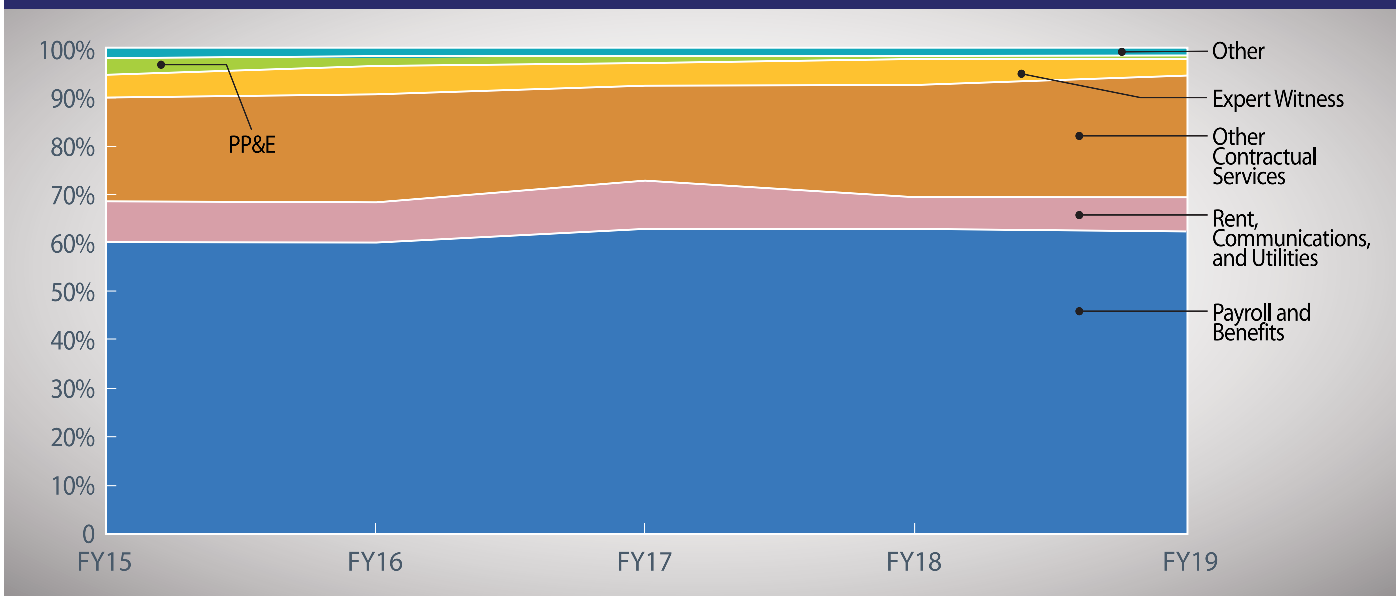


MANAGEMENT'S DISCUSSION AND ANALYSIS

Historically the FTC's obligations by category have remained relatively steady when expressed as a percentage of all obligations during a particular fiscal year. Between FY 2015 and FY 2019, however, there were several notable changes.

- Expert witness obligations increased from $14.2 million in FY 2015 to $18.4 million in FY 2018 before declining to $8.6 million in FY 2019.
- Property, Plant, and Equipment obligations decreased from $11.1 million in FY 2015 to $2.8 million in FY 2019, or a decrease from 3.5 percent of total obligations in FY 2015 to 0.9 percent in FY 2019.
- Payroll costs have increased steadily each year over the past five years, starting at $188.1 million in FY 2015 to $204.3 million in FY 2019, representing an increase of 8.6 percent over five years.

FTC OBLIGATIONS BY CATEGORY - 5 YEAR TREND



*Excludes obligations from the OMB category B apportionment for the relocation of staff to office space at Constitution Center

FTC PROFILE ON USA SPENDING:

The FTC has been granted $346 million in budget authority to carryout its mission in FY 2019. The agency obligated $331 million as of the end of FY 2019. Additional details of agency spending are captured on **usaspending.gov** where beginning in FY 2017, federal agencies have certified to the accuracy of data. Federal spending information is available to the public to ensure taxpayers can see how their money is being used in communities across America.

Federal Trade Commission

Agency Mission

Protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

Website

https://www.ftc.gov/

Congressional Justification of Budget (CJ)

https://www.ftc.gov/cj

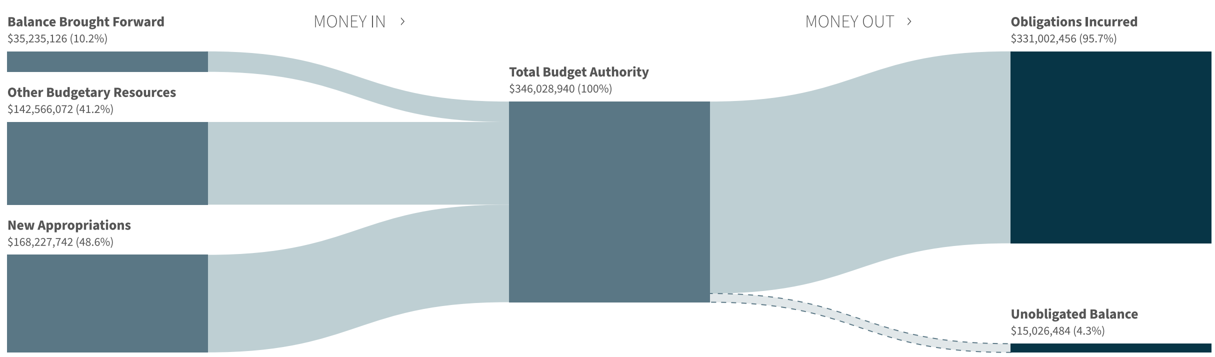
Budgetary Resources for FY 2019

FY 2019 data reported through September 30, 2019

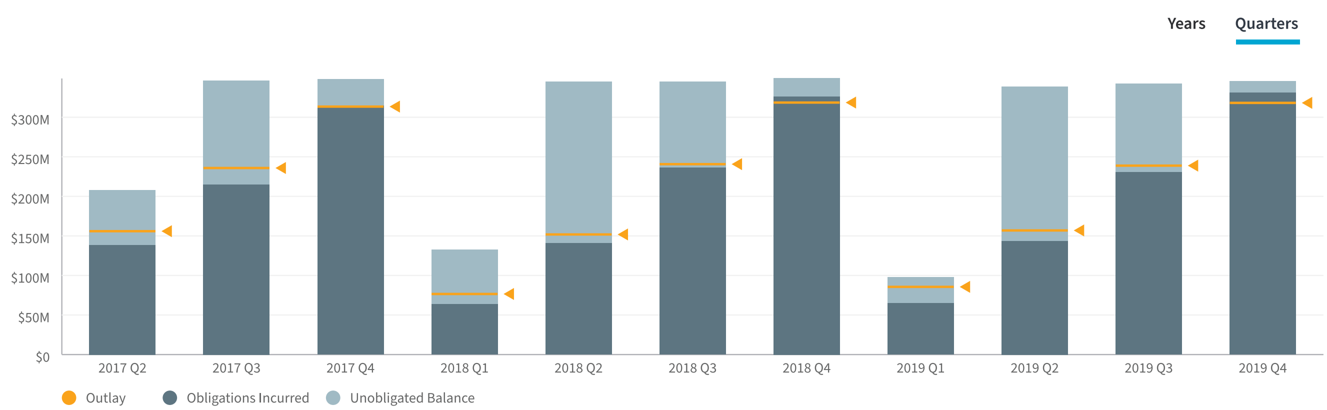
$346.0 Million

This is **0.0%** of the total U.S. federal budgetary resources for FY 2019.

FY 2019 Snapshot



Spending Over Time



SUBSEQUENT EVENTS

Three significant litigation cases are not included in the FTC's FY 2019 financial statements as the final judgments were unsigned as of September 30, 2019.

To settle allegations that Facebook, Inc. violated a 2012 FTC order by deceiving users about their ability to safeguard the privacy of personal information, the Department of Justice filed a proposed order in the United States District Court for the District of Columbia on July 24, 2019. The FTC negotiated a settlement, pursuant to which Facebook, Inc. will pay a record-breaking $5 billion penalty, and submit to new restrictions and implement a modified corporate structure. The settlement is currently pending final ruling of the district court.

A permanent injunction and monetary judgment was filed on October 9, 2019 by the FTC with the United States District Court, Eastern District of Texas, against multi-level marketer AdvoCare International, L.P. along with its former CEO and top promoters regarding an illegal pyramid scheme that mislead consumers about their income potential. AdvoCare and its former CEO have agreed to pay $150 million and will be banned from the multi-level marketing business. In addition, two promoters have agreed to a $4 million suspended judgment upon the surrender of substantial assets as equitable monetary relief. The promoters are also banned from the multi-level marketing business.

Also occurring on October 9, 2019, a judgment was signed by the United States District Court, Northern District of Illinois Eastern Division, against Career Education Corporation and its subsidiaries, operators of several post-secondary schools. Under the settlement, $30 million will be paid for consumer redress to settle FTC charges that the operators used sales leads from lead generators that falsely told consumers they were affiliated with or recommended by the U.S. military, and that consumers' personal information would not be shared.

FINANCIAL MANAGEMENT INDICATORS FOR FY 2019

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

DEBT MANAGEMENT	
Eligible debt transferred to Treasury	100%
FUNDS MANAGEMENT	
Fund balance with Treasury (identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger)	100% reconciled
PAYMENT MANAGEMENT	
Percentage invoices paid on time (per Prompt Payment Act)	93.77%
Percentage interest penalties paid to total dollars invoiced	.0061%
Percentage of total dollars outstanding in current status (good standing) for individually billed travel account holders	100%
Percentage of total dollars outstanding in current status (good standing) for centrally billed travel accounts	100%
Percentage of total dollars outstanding in current status (good standing) for purchase cards	100%

LIMITATIONS OF FINANCIAL STATEMENTS

The FY 2019 financial statements have been prepared from the books and records of the agency in accordance with OMB Circular A-136, financial reporting requirements, as amended. The financial statements represent the financial position and results of operations of the agency pursuant to the requirements of Chapter 31 of the U.S. Code Section 3515(b). While these statements have been prepared from the agency's books in accordance with GAAP for federal entities and 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.

FEDERAL TRADE COMMISSION ★ UNITED STATES OF AMERICA ★ MCMXV ★

Financial Section

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

David Rebich
Chief Financial Officer

The Federal Trade Commission (FTC) is proud to present its Fiscal Year (FY) 2019 Agency Financial Report (AFR). The AFR presents a combination of the FTC's financial and programmatic performance for FY 2019, relative to its mission and goals as set forth in its Strategic Plan for FYs 2018 - 2022 and the Addendum thereto for FYs 2019 - 2022. Insofar as the AFR also includes the Agency's performance highlights, it integrates the agency's financial and program performance to demonstrate stewardship and accountability, highlighting FY 2019 achievements and challenges.

As a good steward of the American taxpayers' money, the FTC is committed to transparency and the reporting of tested data and credible information in support of its fiscal operations. We take this commitment seriously, and are proud of the recognition we have received from the Association of Government Accountants over the years, which once again awarded the FTC with a Certificate of Excellence in Accountability Reporting (CEAR) Award and a "Best In Class" CEAR Award for the "Creative and Effective Use of Graphics" for our FY 2018 AFR. The FTC further demonstrates stewardship of its resources and accountability for results through compliance with the Government Performance and Results Act Modernization Act of 2010 and accounting of its business operations in accordance with U. S. Generally Accepted Accounting Principles for federal agencies, as prescribed by the Federal Accounting Standards Advisory Board. The AFR highlights the FTC's efficient and effective management of the taxpayer dollars entrusted to it to accomplish the agency's mission. The FTC's operational effectiveness, financial stewardship, and use of internal controls, as set forth in the AFR, demonstrate the substantial value the FTC delivered to the American public in FY 2019. The financial statements and corresponding financial analysis, coupled with the Agency's Performance Highlights, show how the FTC optimizes use of its financial resources to meet its mission to protect American consumers and maintain competition in the marketplace.

The FTC has jurisdiction in broad sectors of the economy. By taking law enforcement action against anticompetitive mergers and business conduct, fraud, deception and unfair acts and practices, and through study, advocacy, and consumer and business education, the FTC protects consumers by ensuring that markets work well, providing lower prices, more choice, and more innovation for the future. The FTC's greatest asset is its employees, who work tirelessly on behalf of the American public to achieve the agency's mission. Their dedication and commitment are evident in the FTC's Employee Viewpoint Survey Scores. For the third year in a row, in 2019, the FTC ranked the highest among 36 departments and large agencies for Employee Engagement, with an Employee Engagement Score of 84 percent in 2019.

The FTC could not accomplish its mission without strong management practices. To ensure we have the trust of the American consumers we serve, the agency places particular emphasis on sound financial management practices to ensure that our resources are well managed and wisely used. For the 23rd consecutive year, an independent auditor issued an unmodified opinion on the FTC's Financial Statements, with no material weaknesses or significant deficiencies. This sustained achievement is due to the efforts of the Financial Management Office (FMO) staff, as supported by fund managers and a cadre of Contracting Officer Representatives throughout the agency. This past year, the FTC has demonstrated its commitment to continuous improvement with the following accomplishments:

- Successfully changed Shared Service Providers (SSP) from the Department of the Interior's Business Center to the Department of the Treasury's Administrative Resource Center for the agency's financial, travel, and acquisition systems and services;
- Updated the FTC risk profile to include additional program areas and the monitoring of high severity risks;
- Increased the use of the FTC risk profile in strategic and resource decision-making;
- Monitored the Fraud Risk Register by collecting and analyzing related fraud control data;
- Revised the FTC Strategic Plan, replacing one of the performance measures with two new measures meant to better track progress in records management (Addendum FY 2019 - 2022);
- Focused resources on closing four Corrective Action Plans (CAPs) in FMO, and encouraged collaboration throughout the agency to close an additional 15 CAPs identified from previous internal and external audits and reviews.

At the end of FY 2018, FMO leadership determined that the FTC had to become more efficient when implementing OMB and Treasury mandated financial systems. FMO leadership also determined that the FTC needed to offer more user friendly and efficient financial management systems to customers. The FTC decided to change SSP, and the transition was complete by the end of FY 2019. Beginning in FY 2020, the FTC will work with its new SSP to refine the processes and procedures to optimize the effectiveness and efficiency of the operations and reporting systems. In addition, the FTC will work with Treasury to implement G-invoicing, the long-term sustainable solution to improve the quality of Intragovernmental Transactions.

The FTC's Enterprise Risk Management (ERM) program identifies the highest risks to achievement of the agency's mission, along with strategies to mitigate those risks. Increased demands on the FTC Budget for both IT modernization and expert witness contracts are on the FTC's Risk Profile, and both issues are noted in the *FY 2019 OIG Report on the FTC's Top Management Challenges*, dated September 27, 2019, issued by the FTC Inspector General. Current technologies and the economy make the cases that the FTC pursues more complex and costly to bring relief to American consumers. These cases involve anticompetitive practices and fraud, as well as cases in emerging technologies, privacy and data security, and deceptive advertising in new media channels. All of these factors require better and increased data storage and analytic capacity, in addition to an ever-increasing need for additional resources for expert witnesses. The FTC has taken action to make more efficient use of its budget resources with regard to these two issues by:

- Awarding a Blanket Purchase Agreement to more efficiently procure IT products and services that address modernization and secure IT systems and networks;
- Awarding a new contract for litigation data management; and
- Undergoing a multi-office review, led by the Chairman's Office, to identify cost savings and/or efficiencies that might be gained with respect to expert witnesses: in the procurement process; through the use of internal expert witness resources; and through other cost reduction efforts.

While these efforts are making the FTC more efficient, these issues will continue to pose risks to the FTC for a number of reasons. The cost of experts has risen substantially and continues to rise. With the rapidity with which technology changes, new security threats emerge, and new tools are created to address those threats, the cost of technology will also increase. Nonetheless, the agency remains vigilant in its ERM efforts and continues to explore risk mitigation strategies.

The accomplishments outlined in this report are the result of the FTC employees' hard work and dedication. The unmodified audit opinion and financial accomplishments reflect an organizational commitment to sound financial management and accountability that the agency hopes earns the trust of the American public. This agency is steadfastly committed to its mission, returning substantial value to the American consumer, and being an exemplary steward of the funds entrusted to it.

David Rebich, *Chief Financial Officer*
November 19, 2019

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

Office of Inspector General

November 19, 2019

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Joseph J. Simons, Chairman
Noah Joshua Phillips, Commissioner
Rohit Chopra, Commissioner
Rebecca Kelly Slaughter, Commissioner
Christine S. Wilson, Commissioner

SUBJECT: Report on Audit of the FTC's FY 2019 and 2018 Financial Statements

I am pleased to provide you with the attached audit report required by the Accountability of Tax Dollars Act of 2002, which presents an unmodified opinion on the Federal Trade Commission's (FTC) financial statements for fiscal years 2019 and 2018. We commend the FTC for attaining an unmodified (clean) opinion for the 23rd consecutive year.

We contracted with the independent certified public accounting firm of Brown & Company CPAs and Management Consultants, PLLC (Brown & Company) to audit the financial statements of the FTC as of and for the fiscal years ended September 30, 2019 and 2018, and to provide reports on internal control over financial reporting and compliance with laws and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office's *Financial Audit Manual.*

In its audit, Brown & Company found:

- the FTC's financial statements as of and for the fiscal years ended September 30, 2019 and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures performed; and
- no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

Brown & Company is responsible for the attached auditor's report dated November 19, 2019, and the conclusions expressed in the report. We do not express opinions on FTC's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation given by management to Brown & Company and the Office of Inspector General during the audit. If you have any questions or would like to discuss the report, please contact me at (202) 326-3527.

Attachment

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

Inspector General
Federal Trade Commission
Washington, D.C.

In our audits of the fiscal years 2019 and 2018 financial statements of the Federal Trade Commission (FTC), we found

- FTC's financial statements as of and for the fiscal years ended September 30, 2019, and 2018, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2019 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on internal control over financial reporting; and (3) our report on compliance with laws, regulations, contracts, and grant agreements.

Report on the Financial Statements

In accordance with the provisions of Accountability of Tax Dollars Act of 2002 (ATDA) (Pub. L. No. 107-289), we have audited FTC's financial statements. FTC's financial statements comprise the balance sheets as of September 30, 2019, and 2018; the related statements of net cost, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and the provisions of OMB Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility

FTC's management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including 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.

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Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements 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 auditor's 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 of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, FTC's financial statements present fairly, in all material respects, FTC's financial position as of September 30, 2019, and 2018, and its net cost of operations, changes in net position, budgetary resources, and custodial activity for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

FTC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on FTC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of FTC's financial statements, we considered FTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for maintaining effective internal control over financial reporting, including 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

In planning and performing our audit of FTC's financial statements as of and for the year ended September 30, 2019, in accordance with U.S. generally accepted government auditing standards, we considered the FTC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FTC's internal control over financial reporting. Accordingly, we do not express an opinion on FTC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

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.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of FTC's internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of FTC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the FTC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of FTC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to FTC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to FTC that have a direct effect on the determination of material amounts and disclosures in FTC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to FTC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2019 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to FTC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

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

Brown & Company

Greenbelt, Maryland
November 19, 2019

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

FINANCIAL SECTION

PRINCIPAL FINANCIAL STATEMENTS

FINANCIAL STATEMENT DESCRIPTIONS

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

Balance Sheet – Presents the combined amounts the agency had to use or distribute (assets) versus the amounts the agency owed (liabilities), and the difference between the two (net position).

Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less offsetting revenue is used to determine the net cost.

Statement of Changes in Net Position – Reports the accounting activities that caused the change in net position during the reporting period.

Statement of Budgetary Resources – Reports how budgetary resources were made available and the status of those resources at fiscal year-end.

Statement of Custodial Activity – Reports collections and their disposition by the agency on behalf of the Treasury General Fund and one other Federal agency. The FTC acts as custodian and does not have use of these funds.

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

BALANCE SHEET

As of September 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 387,310	$ 487,600
Accounts receivable, net (Note 4)	85	18
Advances and prepayments	205	232
Total intragovernmental	387,600	487,850
Accounts receivable, net (Note 4)	616,549	598,971
Property, plant, and equipment, net (Note 5)	30,053	38,529
Total Assets	$ 1,034,202	$ 1,125,350
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 737	$ 560
Other liabilities (Note 7)	2,395	2,296
Total intragovernmental	3,132	2,856
Accounts payable	12,529	10,169
Accrued redress due to claimants	616,306	598,515
Undisbursed redress collections (Note 15)	265,432	358,776
Other (Note 7)	23,087	19,673
Total Liabilities	920,486	989,989
Net Position (Note 1(p)):		
Unexpended appropriations	-	-
Cumulative results of operations	113,716	135,361
Total Net Position	113,716	135,361
Total Liabilities and Net Position	$ 1,034,202	$ 1,125,350

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Costs by Strategic Goal (Note 10):		
Strategic Goal 1: Protect Consumers:		
Gross costs	$ 194,138	$ 184,553
Less: earned revenue	(12,031)	(12,311)
Net cost	182,107	172,242
Strategic Goal 2: Maintain Competition:		
Gross costs	150,689	156,580
Less: earned revenue	(130,548)	(133,481)
Net cost	20,141	23,099
Net Cost of Operations	$ 202,248	$ 195,341

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Unexpended Appropriations:		
Beginning balance	$ -	$ -
Budgetary Financing Sources:		
Appropriations received	168,228	168,023
Appropriations used	(168,228)	(168,023)
Total budgetary financing sources	-	-
Total Unexpended Appropriations	-	-
Cumulative Results of Operations:		
Beginning balance	$ 135,361	$ 152,168
Budgetary Financing Sources:		
Appropriations used	168,228	168,023
Other Financing Sources (Non-Exchange):		
Imputed financing	12,375	10,511
Total financing sources	180,603	178,534
Net cost of operations (Note 10)	(202,248)	(195,341)
Net change	(21,645)	(16,807)
Cumulative Results of Operations	113,716	135,361
Net Position (Note 1(p))	$ 113,716	$ 135,361

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

For the Years ended September 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 22,817	$ 33,167
Recoveries of unpaid prior year obligations	12,241	9,454
Other changes in unobligated balance	177	94
Unobligated balance from prior year budget authority, net	35,235	42,715
Appropriations	168,228	168,023
Spending authority from offsetting collections	142,566	138,317
Total Budgetary Resources	$ 346,029	$ 349,055
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 11)	$ 331,002	$ 326,238
Unobligated balance, end of year:		
Apportioned, unexpired accounts	7,455	18,285
Unapportioned, unexpired accounts	7,572	4,532
Unexpired unobligated balance, end of year	15,027	22,817
Unobligated balance, end of year (total)	15,027	22,817
Total Budgetary Resources	$ 346,029	$ 349,055
Outlays, Net:		
Outlays, gross	$ 318,179	$ 318,589
Actual offsetting collections	(142,690)	(145,907)
Outlays, net	175,489	172,682
Distributed offsetting receipts	(2,283)	(7,816)
Agency outlays, net	$ 173,206	$ 164,866

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

For the Years Ended September 30, 2019 and 2018

(Dollars in thousands)

	Protect Consumers	Maintain Competition	2019	2018
Revenue Activity (Note 14):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 129,585	$ 129,585	$ 132,923
Civil penalties and fines	146,745	-	146,745	2,450
Consumer redress	1,778	-	1,778	7,612
Other miscellaneous receipts	190	-	190	204
Total cash collections	148,713	129,585	278,298	143,189
Accrual adjustments	(202)	-	(202)	434
Total Custodial Revenue	$ 148,511	$ 129,585	$ 278,096	$ 143,623
Disposition of Collections (Note 14):				
Transferred to others:				
Treasury general fund	$ 148,713	$ -	$ 148,713	$ 10,266
Department of Justice	-	129,585	129,585	132,923
Amounts yet to be transferred	(202)	-	(202)	434
Total Disposition of Collections	$ 148,511	$ 129,585	$ 278,096	$ 143,623
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 accompanying financial statements and notes of the Federal Trade Commission (FTC) include financial activity recorded in all funds under the FTC's control. The FTC maintains these funds including appropriations received for salaries and necessary expenses, as well as non-entity funds that are primarily collections derived from court ordered judgments and settlements held for subsequent distribution to approved claimants.

The FTC records and tracks financial activities using Treasury Account Symbols (TAS). Each TAS included in the agency's fund accounting structure is described below:

GENERAL FUND

Salaries and Expenses (TAS 29X0100): Each year, this account receives budget authority from an appropriation and offsetting collections, up to a limit set by Congress, to fund necessary expenses of the agency. Offsetting collections include fees collected for premerger notification filings under the Hart-Scott-Rodino (HSR) Antitrust Improvement Act of 1976, and fees collected for the National Do Not Call Registry, which operates under Section 5 of the FTC Act. Collections in excess of congressional limits are unavailable by law and are included in the FTC's unavailable – excess offsetting collections. (See Note 3, Fund Balance with Treasury.)

DEPOSIT FUND

Consumer Redress Escrow (TAS 29X6013): This account consists of money collected as a result of court ordered judgments related to the consumer redress program and held temporarily by the FTC until distributed (either directly by the FTC or through a third-party agent) to consumers or harmed entities, or transferred to the General Fund of the U.S. Government. Judgments imposed but not yet collected are accrued as accounts receivable and recorded in this account. Accrued receivables and funds collected are considered non-entity assets under the FTC's custody or management. They do not affect the FTC's net position and are not reported on the agency's Statement of Changes in Net Position. (See Note 3, Fund Balance with Treasury and Note 15, Consumer Redress Activities.) Funds held by redress third party administrators outside of the U.S. Treasury on behalf of harmed consumers are not part of the FTC reporting entity.

CLEARING/SUSPENSE ACCOUNT

Budget Clearing and Suspense (TAS 29F3875): Fees collected for premerger notification filings under the HSR Act are deposited, initially, into the Budget Clearing and Suspense account, then distributed equally to the FTC (as an offsetting collection in the general fund) and the Department of Justice (DOJ). (See Note 1(q), Revenues and Other Financing Sources.)

RECEIPT ACCOUNTS

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited into this account. Penalties imposed but not yet collected are accrued as accounts receivable and recorded in this account. The cash balance in the account is transferred to the General Fund of the U.S. Government at the end of each fiscal year.

General Fund Proprietary Receipts (TAS 29 3220): Miscellaneous receipts that by law are not available for the FTC's use and collections for the consumer redress program for which redress to consumers is not practicable are transferred to the General Fund of the U.S. Government at the end of each fiscal year.

(B) BASIS OF PRESENTATION AND ACCOUNTING

The accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC, and have been prepared from the accounting records of the FTC. These financial statements may differ from other financial reports submitted pursuant to the Office of Management and Budget (OMB) directives for the purpose of monitoring and controlling the use of the FTC's budgetary resources.

The FTC's financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for federal entities, as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and with OMB Circular A-136, Financial Reporting Requirements (as revised in June 2019). Transactions are recorded on both an accrual and budgetary basis. Accordingly, revenues are recognized when earned and expenses are recognized when incurred, without regard to the receipt or payment of cash. Accrual methods of accounting may differ from budgetary accounting principles, which are designed to facilitate compliance with legal requirements and controls over the use of Federal funds. 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(a), Reporting Entity, 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. FTC reconciles its intragovernmental activity and works with agency trading partners to reduce significant or material differences in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular A-136.

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

The FTC presents net cost of operations by its two major strategic 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.

(C) USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. For example, estimates are used in computing accounts payable for vendor service contracts, the allowance for uncollectible accounts, and the allocation of costs to strategic goals in the Statement of Net Cost. Actual results could differ from the estimated amounts. The vendor accounts payable accrual is an estimate, and is accrued separately from the accounts payable accrual for travel and interagency agreements. In FY 2018, the FTC enhanced its approach to estimating the accrual for vendor accounts payable. The agency uses statistical techniques to evaluate vendor accounts payable balances for previous fiscal years, averages the balances to obtain an accrual estimate, and then adjusts the estimate using a factor that represents the proportional change in obligations between the current and the previous fiscal year. Every year, the agency statistically validates that the year-end vendor accounts payable accrual was reasonable. The validated amount is subsequently used in calculating the following year's estimate, which also considers any changes to invoice payment timeframes that may affect the vendor accounts payable statistical assumptions.

(D) BUDGET AUTHORITY

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out program activities. These funds are available until expended, subject to the OMB apportionment and to congressional restrictions on the expenditure of funds (see FTC's FY 2019 Congressional Budget Justification, pages 3-4, "Appropriations Language Provisions"). In addition, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. The FTC's budget authority is derived from a direct appropriation and offsetting collections. The FTC accounts for budget authority in its General Fund account (29X0100) as reflected in the Statement of Budgetary Resources.

(E) CLASSIFIED ACTIVITIES

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. For fiscal years 2019 and 2018, FTC had no classified activities.

(F) ENTITY AND NON-ENTITY ASSETS

The FTC reports on both entity and non-entity assets in the financial statements. Assets that the agency is authorized to use in its operations are entity assets. Assets that the agency holds on behalf of another federal agency or a third party and are not available for the FTC's use are non-entity assets. Non-entity assets include collections and accounts receivable that arise from court-order judgments for monetary relief, 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 offsetting non-entity liabilities 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. The General fund cash balance includes a portion that is available to the FTC to make expenditures and pay liabilities and a portion that is unavailable. Deposit fund and clearing/suspense fund balances are non-entity funds that are temporarily held by the FTC until transferred to another federal agency (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) ACCOUNTS RECEIVABLE, NET

Accounts receivable, net of allowances, reflect the FASAB standard for the recognition of losses using the collection criterion of "more likely than not." This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. FASAB states that it is appropriate to recognize the nature of federal receivables, which, unlike trade accounts of private firms or loans made by banks, are not created through credit screening procedures. Rather, these receivables arise because of the assessment of fines from regulatory violations. In these circumstances, historical experience and economic realities indicate that these types of claims are frequently not fully collectible. Accounts receivable includes estimates of the net cash value from court appointed receivers for which the FTC anticipates the proceeds will be deposited in the Consumer Redress Escrow account (29X6013).

The method used to estimate the allowance for uncollectible accounts consists of individual case analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment history, and the probable recovery amount including the value of assets. Based on the litigation and collection status, cases may be referred to the Treasury for collection action. (See Note 4, Accounts Receivable, Net.)

(I) GENERAL PROPERTY, PLANT, AND EQUIPMENT

The FTC's property, plant, and equipment (PP&E) consists of general-purpose equipment used by the agency and capital improvements made to buildings leased from the General Services Administration (GSA) by the FTC for office space, as well as software leased and purchased from vendors. The FTC's capitalization policy, *Accounting for Property, Plant, and Equipment,* was updated with an effective date on or after October 1, 2014. PP&E placed in service prior to October 1, 2014, will continue to be accounted based on the capitalization policy in effect at the time acquired, until fully depreciated or removed from service.

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

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

The FTC reports property and equipment at historical cost and capitalizes acquisitions based on the above thresholds for items with a useful life of two or more years. Property and equipment that meet these criteria are depreciated or amortized using the straight-line method over the estimated useful life of the asset. An exception applies to leasehold improvements, which are amortized over the lesser of the useful life of the asset or the remaining lease term. Assets under development, such as internal use software and leasehold improvements with an estimated aggregate cost meeting the threshold criteria, are capitalized and then amortized once completed and placed into service. Normal repairs and maintenance, and PP&E that do not meet the capitalization criteria, are recognized as an expense in the current period. (See Note 5, General Property, Plant, and Equipment, Net.)

(J) ACCRUED LIABILITIES AND ACCOUNTS PAYABLE

Accrued liabilities and accounts payable represent a probable future outflow or other sacrifice of resources from past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. The FTC has both entity and non-entity liabilities. Entity liabilities cannot be liquidated without legislation that provides the resources to do so. In addition, the government, acting in its sovereign capacity, can abrogate the FTC's liabilities (other than contracts).

(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 the OPM. Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, were allowed to elect joining FERS or remaining in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's basic pay to the Civil Service Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 13.2 percent to the Federal Employees' Retirement Fund. New employees hired between January 1 and December 31, 2013, participate in FERS-RAE (Revised Annuity Employees). New employees hired on or after January 1, 2014, participate in FERS-FRAE (Further Revised Annuity Employees). The FTC contributes 11.1 percent for both FERS-RAE and FERS-FRAE. In addition, the FTC contributes the employer's matching share to the Social Security Administration under the Federal Insurance Contributions Act, which fully covers FERS participating employees. FTC contributions are recognized as current operating expenses.

The Thrift Savings Plan (TSP) is a defined contribution retirement savings and investment plan for employees covered by either CSRS or FERS. Participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar limit set by law. For those employees participating in FERS, the FTC makes a mandatory 1 percent contribution to this plan and, in addition, matches 100 percent of the first 3 percent contributed by employees and 50 percent of the next 2 percent of employee contributions. CSRS-participating employees do not receive a matching contribution from the FTC. The FTC contributions to the TSP are recognized as current operating expenses.

The FTC does not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. This information is reported by the OPM; however, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered using cost factors provided by the OPM that estimate the true service cost of providing the pension benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost. This additional cost is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(M) FECA AND OTHER POST-EMPLOYMENT BENEFITS

The Federal Employees' Compensation Act (FECA) administered by the U.S. Department of Labor (DOL) provides income and medical cost protection to covered Federal civilian employees injured on the job, and employees who have incurred a work-related injury or occupational disease. The DOL bills the FTC annually for the claims paid and the FTC recognizes the FECA liability for future payment. Payment is deferred for two years to allow for funding through the budget. The FTC also recognizes a FECA actuarial liability, which is an estimate for the future workers compensation as a result of past events using procedures developed by the DOL to estimate the liability. FECA liabilities are reported as not covered by budgetary resources. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The FTC recognizes a current cost of providing post-retirement benefits using cost factors provided by the OPM that estimate the true cost of providing these benefits to current employees. The cost of providing post-retirement benefits for the FEHBP and FEGLIP is financed by the OPM and recognized as an imputed financing source by the FTC. (See Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.)

(N) ANNUAL AND SICK LEAVE

The FTC accrues an annual leave liability when employees earn leave and reduces the liability when employees take leave. The balance in this account reflects the current leave balances and pay rates of the FTC employees. Budget execution rules do not allow this liability to be funded as earned. The liability is funded when leave is taken or when paid out as a lump sum at the end of employment. As a result, accrued annual leave is reported as not covered by budgetary resources. Sick leave is non-vested and expensed as used. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

(O) CONTINGENT LIABILITIES

Contingent liabilities are liabilities that may be incurred by the FTC depending on the outcome of an uncertain future event, such as pending or threatened litigation. Contingencies are classified into three categories: probable, reasonably possible, and remote. A contingency is considered probable when the future confirming events are likely to occur. Probable contingent liabilities are recognized in the financial statements provided the amount can reasonably be estimated. Contingencies are reasonably possible when the chance of the future confirming event occurring is more than remote but less than probable. Reasonably possible contingencies are disclosed in the notes to the financial statements, as well as probable contingencies that cannot reasonably be estimated. Remote contingencies are not recognized in the financial statements or disclosed in the notes to the financial statements. (See Note 9, Commitments and Contingencies.)

(P) NET POSITION

The portion of the FTC's budget authority 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.)

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

(Q) REVENUES AND OTHER FINANCING SOURCES

The FTC's activities are financed through exchange revenues 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 fees collected for the National Do Not Call Registry. Fees are payable to the FTC upon filing under premerger notifications and National Do Not Call Registry. Revenue is recognized as fees are collected. Additionally, exchange revenues include a small amount of reimbursements for services performed under inter-agency agreements. The FTC provides consulting and technical assistance aimed at developing sound competition policies. Reimbursable revenue is recognized as expenses are incurred.

(R) METHODOLOGY FOR ASSIGNING COSTS AND EXCHANGE REVENUES

The FTC allocates costs and exchange revenues on the Statement of Net Cost to its two major strategic goals: Protect Consumers and Maintain Competition. Costs and exchange revenues that are identified specifically with each of these two strategic goals are charged or credited directly. Costs not directly attributable to these two goals, including costs related to the FTC's third goal, Advance Performance, are allocated based on the percentage of dollars directly traceable to each of these two goals. (See Statement of Net Cost and Note 10, Exchange Revenues.)

NOTE 2—Entity and Non-Entity Assets

The FTC's entity assets are comprised of undisbursed general funds; accounts receivable; advances and prepayments; and property, plant, and equipment. Accounts receivable, net, represents amounts due from other Federal agencies, current and former employees, and vendors. Advances and prepayments include amounts paid to the Department of Transportation (DOT) for transit subsidies on behalf of FTC employees.

The FTC's non-entity assets include fund balance with Treasury and accounts receivable. The fund balance with Treasury consist of amounts held temporarily in deposit funds for the consumer redress program and collections of premerger filing fees held in clearing/suspense funds that will be transferred out in a subsequent period. 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, 2019:

(Dollars in thousands)	2019 Entity	2019 Non-Entity	2019 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 121,563	$ -	$ 121,563
Deposit funds - consumer redress	-	265,432	265,432
Clearing/Suspense funds - premerger filing fees	-	315	315
Accounts receivable, net	85	-	85
Advances and Prepayments	205	-	205
Total intragovernmental assets	121,853	265,747	387,600
Accounts receivable, net	7	616,542	616,549
Property, plant and equipment, net	30,053	-	30,053
Total Assets	$ 151,913	$ 882,289	$ 1,034,202

Entity and non-entity assets consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Entity	2018 Non-Entity	2018 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 128,824	$ -	$ 128,824
Deposit funds - consumer redress	-	358,776	358,776
Clearing/Suspense funds - premerger filing fees	-	-	-
Accounts receivable, net	18	-	18
Advances and Prepayments	232	-	232
Total intragovernmental assets	129,074	358,776	487,850
Accounts receivable, net	18	598,953	598,971
Property, plant and equipment, net	38,529	-	38,529
Total Assets	$ 167,621	$ 957,729	$ 1,125,350

NOTE 3—Fund Balance with Treasury

There are no differences between amounts reported by the FTC and those reported to U.S. Treasury as of September 30, 2019, and 2018. In terms of the relationship to the budget, the FTC's Fund balance with Treasury (FBwT) consists of undisbursed appropriated funds, which are either unobligated or obligated, as well as non-budgetary deposit funds arising from amounts collected for consumer redress and not yet disbursed to disbursing agents or directly to claimants. The FY 2019 FBwT includes premerger fees in a clearing fund pending distribution. The unobligated balance includes both available and unavailable balances.

The unavailable - unapportioned balance of $7,572 thousand is the result of recoveries that exceeded anticipated and apportioned amounts. The unavailable - excess offsetting collections balance of $26,004 thousand are HSR fees collected above the yearly congressional authorized amount to collect and spend from prior fiscal years and comprises of $6,924 thousand in fiscal year 2018 collections and $19,080 thousand from fiscal years prior to 2018. The unavailable - temporary reduction of $6,450 thousand consists of $5,418 thousand HSR Premerger and $1,032 thousand National Do Not Call Registry offsetting collections sequestered from FY 2013. The difference of $32,454 thousand between the SBR unobligated balance, end of year of $15,027 thousand and the FBwT total unobligated balance of $47,481 thousand is the $26,004 thousand unavailable - excess offsetting collections and unavailable – temporary reduction of $6,450 thousand.

Fund balance with Treasury consisted of the following as of September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 7,455	$ 18,285
Unavailable - unapportioned	7,572	4,532
Unavailable - excess offsetting collections	26,004	26,004
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	47,481	55,271
Obligated balance not yet disbursed	74,082	73,553
Non-budgetary fund balance with Treasury	265,747	358,776
Total Status of Fund Balance with Treasury	**$ 387,310**	**$ 487,600**

NOTE 4—Accounts Receivable, Net

The majority of the FTC's accounts receivable are non-entity accounts receivable arising from the settlement or litigation of administrative and federal court cases in connection with the consumer redress program, and from civil monetary penalties imposed for violation of an FTC order and/or antitrust acts. Because of the nature of these receivables, they are frequently not fully collectible and are offset with a significant allowance. The allowance for uncollectible accounts is based on an analysis by a case manager who assesses the debtor's ability and willingness to pay, the defendant's payment history, and the probable recovery amount including the value of assets. These non-entity accounts receivable are included in the financial statements along with offsetting non-entity liabilities. Agency accounts receivable balances for both FY 2019 and FY 2018 do not include any amounts associated with criminal restitution.

Non-entity redress gross accounts receivable is the court ordered judgment amount, usually a calculated amount of ill-gotten gains by the defendant(s). The related allowance for uncollectible accounts is the estimate the FTC will not collect from the defendant(s), which often is a large percentage of the judgment. The majority of the net accounts receivable balance for both FY 2019 and FY 2018 is comprised of a judgment for $493,716 thousand against AbbVie, Inc. This judgment, recorded in the 4th quarter of FY 2018, currently has no allowance as a bond for the full amount of the judgment is with the court while the defendant's appeal is decided by the Court of Appeals.

Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2019. Accumulated unrecognized interest on receivables deemed uncollectible totaled $11,655 thousand and $6,412 thousand as of September 30, 2019, and 2018, respectively.

Accounts receivable, net consisted of the following as of September 30, 2019:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2019 Net
Entity Accounts Receivable:			
Intragovernmental	$ 85	$ -	$ 85
With the public	9	2	7
Total entity accounts receivable	94	2	92
Non-Entity Accounts Receivable:			
Consumer redress	2,556,346	1,940,040	616,306
Civil penalties	1,029	793	236
Total non-entity accounts receivable	2,557,375	1,940,833	616,542
Total Accounts Receivable	$ 2,557,469	$ 1,940,835	$ 616,634

Accounts receivable, net consisted of the following as of September 30, 2018:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2018 Net
Entity Accounts Receivable:			
Intragovernmental	$ 18	$ -	$ 18
With the public	57	39	18
Total entity accounts receivable	75	39	36
Non-Entity Accounts Receivable:			
Consumer redress	2,674,249	2,075,734	598,515
Civil penalties	39,826	39,388	438
Total non-entity accounts receivable	2,714,075	2,115,122	598,953
Total Accounts Receivable	$ 2,714,150	$ 2,115,161	$ 598,989

NOTE 5—General Property, Plant, and Equipment, Net

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2019, and 2018. No asset impairments were recognized in either year. The accumulated depreciation has increased by $2,548 thousand while the current year depreciation and amortization expense is $8,435 thousand (See Note 17, Reconciliation of Net Operating Cost and Net Budgetary Outlays.) Asset disposals during FY 2019 resulted in the removal of $6,396 thousand in capitalized acquisition costs and $5,887 thousand of accumulated depreciation and amortization. A loss of $509 thousand on asset disposition was recorded in FY 2019. Assets disposed of included desktops, laptops, wide-area network (WAN) circuits, data storage devices, and switching equipment, among others. In FY 2018, the FTC recorded asset disposals resulting in the removal of $4,386 thousand in capitalized acquisition costs and $4,286 thousand in accumulated depreciation and amortization.

Property, plant, and equipment, net consisted of the following as of September 30, 2019:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 years	$ 21,298	$ 18,249	$ 3,049
Leasehold improvements	15 years	46,301	20,563	25,738
Software	5 years	21,367	20,101	1,266
Total Property, Plant, and Equipment		$ 88,966	$ 58,913	$ 30,053

Property, plant, and equipment, net consisted of the following as of September 30, 2018:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 years	$ 25,802	$ 18,837	$ 6,965
Leasehold improvements	15 years	46,301	17,564	28,737
Software	5 years	22,791	19,964	2,827
Total Property, Plant, and Equipment		$ 94,894	$ 56,365	$ 38,529

NOTE 6—Liabilities Not Covered by Budgetary Resources

The FTC recognizes two categories of liabilities not covered by budgetary resources described below:

LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities 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, accrued annual leave, and contingencies.

LIABILITIES NOT REQUIRING BUDGETARY RESOURCES

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

Accrued Civil Penalties due to Treasury - offsetting liability to non-entity accounts receivable for civil penalties, net, that upon collection will be payable to the General Fund of the U.S. Government.

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

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

Deposits in Clearing Funds – refunds of premerger fees due to vendors not processed by the end of the reporting period.

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2019 and September 2018:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2019 Total
Intragovernmental Liabilities:			
FECA liability	$ 449	$ -	$ 449
Other employment related liability	-	-	-
Accrued civil penalties due to Treasury	-	236	236
Total Intragovernmental Liabilities	449	236	685
Non-Federal Liabilities:			
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Undisbursed redress collections	-	265,432	265,432
Accrued redress due to claimants	-	616,306	616,306
Contingencies	843	-	843
Deposits in Clearing Funds	-	315	315
Total Non-Federal Liabilities	16,008	882,053	898,061
Total Unfunded Liabilities	16,457	882,289	898,746
Liabilities Covered by Budgetary Resources			21,740
Total Liabilities			$ 920,486

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2018 Total
Intragovernmental Liabilities:			
FECA liability	$ 358	$ -	$ 358
Other employment related liability	3	-	3
Accrued civil penalties due to Treasury	-	438	438
Total Intragovernmental Liabilities	361	438	799
Non-Federal Liabilities:			
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	-	2,146
Undisbursed redress collections	-	358,776	358,776
Accrued redress due to claimants	-	598,515	598,515
Contingencies	-	-	-
Deposits in Clearing Funds	-	-	-
Total Non-Federal Liabilities	13,601	957,291	970,892
Total Unfunded Liabilities	13,962	957,729	971,691
Liabilities Covered by Budgetary Resources			18,298
Total Liabilities			$ 989,989

NOTE 7—Other Liabilities

As of September 30, 2019, and 2018, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities along with a categorization of current versus non-current are as follows:

Other liabilities consisted of the following as of September 30, 2019:

(Dollars in thousands)	2019 Non-Current	2019 Current	2019 Total
Other intragovernmental liabilities:			
Accrued employee benefits	$ -	$ 1,710	$ 1,710
FECA liability	449	-	449
Accrued civil penalties due to Treasury	-	236	236
Total Other Intragovernmental Liabilities:	449	1,946	2,395
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	6,764	6,764
Accrued leave	12,617	-	12,617
Actuarial FECA	2,548	-	2,548
Contingencies	843	-	843
Deposits in clearing funds	-	315	315
Total Other Non-Federal Liabilities	16,008	7,079	23,087
Total Other Liabilities	$ 16,457	$ 9,025	$ 25,482

Other liabilities consisted of the following as of September 30, 2018:

(Dollars in thousands)	2018 Non-Current	2018 Current	2018 Total
Other intragovernmental liabilities:			
Accrued employee benefits	$ -	$ 1,500	$ 1,500
FECA liability	358	-	358
Accrued civil penalties due to Treasury	-	438	438
Total Other Intragovernmental Liabilities:	358	1,938	2,296
Other Non-Federal liabilities:			
Accrued payroll and benefits	-	6,072	6,072
Accrued leave	11,455	-	11,455
Actuarial FECA	2,146	-	2,146
Contingencies	-	-	-
Deposits in clearing funds	-	-	-
Total Other Non-Federal Liabilities	13,601	6,072	19,673
Total Other Liabilities	$ 13,959	$ 8,010	$ 21,969

NOTE 8—Operating Leases

Leases of government-owned and commercial-owned property are made through and managed by the GSA. The FTC does not have any lease agreements with non-federal entities. While leases with the GSA are cancellable, the FTC's intention is to stay in the GSA leased space and disclose the amounts that will be paid in the future to the GSA under signed lease agreements.

The FTC currently leases spaces from four government-owned properties and six commercial properties totaling approximately 590 thousand square feet for use as offices, storage, and parking. The FTC's government leases expire on various dates through 2029, while the commercial leases expire at various dates through 2031. Future minimum lease payments are presented in the table below.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2019:

Fiscal Year 2019 (Dollars in thousands)		
2020	$	8,262
2021		8,274
2022		8,232
2023		8,084
2024		8,096
Thereafter		39,542
Total Future Minimum Lease Payments	$	80,490

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2019:

Fiscal Year 2019 (Dollars in thousands)		
2020	$	14,542
2021		14,864
2022		15,727
2023		15,719
2024		7,507
Thereafter		10,845
Total Future Minimum Lease Payments	$	79,204

NOTE 9—Commitments and Contingencies

The FTC is subject to potential liabilities in various administrative proceedings, legal actions, and claims brought against the agency. In the opinion of legal counsel and the FTC management, there are no "probable" or "reasonably possible" contingencies as of September 30, 2019, and 2018 that will require funding through the FTC's budget. Furthermore, there are no pending probable or reasonably possible claims where the probable loss cannot be estimated. Accordingly, no obligations are recorded in the agency's financial statements in relation to contingent liabilities.

Tort claims against federal agencies are administered and resolved by the DOJ with amounts necessary for resolution funded through the U.S. Treasury Judgment Fund. The Judgment Fund was enacted by Congress in 1956 as a permanent, indefinite appropriation for the payment of claims that did not have another funding source. The FTC recorded $843 thousand as of September 30, 2019 for probable contingencies that will require funding through the Judgment Fund. No probable contingencies were recorded on September 30, 2018. The recognition of claims to be funded through the Judgment Fund represents a claim against the federal government as a whole and should not be interpreted as claims against the assets of the FTC. The range for contingent liabilities subject to funding from the Judgment Fund where the risk of loss is either probable or reasonably possible is presented below:

Contingent Liabilities as of September 30, 2019:

(Dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2019:			
Legal Contingencies:			
Probable	843	843	1,700
Reasonably Possible	-	-	-

Contingent Liabilities as of September 30, 2018:

(Dollars in thousands)	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
FY 2018:			
Legal Contingencies:			
Probable	-	-	-
Reasonably Possible	-	-	-

NOTE 10—Exchange Revenues

The Statement of Net Cost presents the FTC's costs and exchange revenues for its two major strategic goals. The exchange revenues and related costs are presented by the major strategic goals they support and are further classified as "intragovernmental" or "public." Intragovernmental costs and exchange revenues arise from transactions with another federal entity and public costs and exchange revenues arise from transactions with non-federal entities.

The FTC's intragovernmental costs are for services received from other federal agencies under reimbursable agreements to carry out its programs. The federal agencies providing the services bill the FTC based on full cost recovery. The FTC recognizes costs based on the services it receives from other agencies.

FEDERAL EXCHANGE REVENUES

A small portion of the FTC's overall exchange revenue is intragovernmental arising from services provided to other federal agencies under interagency agreements. The FTC bills requesting agencies to recover the full cost of services, primarily employee salaries, and recognizes revenue at the time expenditures are incurred. The reimbursable revenue and costs are $965 thousand for FY 2019 and $575 thousand for FY 2018.

The majority 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 entities to file premerger notifications with the FTC and the Antitrust Division of the DOJ and establishes a waiting period before certain mergers, acquisitions, or transfers of assets may be completed. The filing fees are determined by the values and sizes of involved parties. By law, the FTC retains one-half of all premerger filing fees collected and remits the other one-half to the DOJ's Antitrust Division.

Subscription fees collected for the National Do Not Call Registry - The Do Not Call (DNC) Registry Fee Extension Act of 2007, which amended the Do Not Call Implementation Act, established a permanent fee structure for the DNC registry and provides that fees be reviewed annually and adjusted for inflation, as appropriate. Telemarketers must pay an annual subscription fee and download a list of telephone numbers of consumers who do not wish to receive calls. Fees are based on the number of area codes downloaded. The FTC recognizes revenue when collected and the telemarketers are given access to the requested data.

The HSR and DNC fees are determined based on their respective congressional authorities. Each year, language in the appropriations bill specifies the amount of fees collected that the FTC can use to offset its annual appropriation. While the fees relate to major strategic goals, the fees are not related to specific costs incurred. As a result, the information below presents the full cost of operations with related exchange revenues by the FTCs two primary strategic goals.

Exchange revenues and related costs by strategic goal for the fiscal years ended September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Strategic Goal 1: Protect Consumers		
Intragovernmental gross costs	$ 49,532	$ 44,845
Public costs	144,606	139,708
Gross costs, Protect Consumers	194,138	184,553
Intragovernmental earned revenue - reimbursements	(2)	(17)
Public earned revenue - Do Not Call registry fees	(12,029)	(12,294)
Earned revenue, Protect Consumers	(12,031)	(12,311)
Net Cost, Protect Consumers	182,107	172,242
Strategic Goal 2: Maintain Competition		
Intragovernmental gross costs	38,447	38,048
Public costs	112,242	118,532
Gross costs, Maintain Competition	150,689	156,580
Intragovernmental earned revenue - reimbursements	(963)	(558)
Public earned revenue - premerger filing fees	(129,585)	(132,923)
Earned revenue, Maintain Competition	(130,548)	(133,481)
Net Cost, Maintain Competition	20,141	23,099
Net Cost of Operations	$ 202,248	$ 195,341

NOTE 11—Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Obligations incurred consisted of the following for the fiscal years ended September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Obligations Incurred:		
Category A - direct obligations	$ 330,033	$ 325,871
Category B - reimbursable obligations	969	367
Total Obligations Incurred	$ 331,002	$ 326,238

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

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

The FTC does not have any activity exempt from apportionment or apportioned under Category AB.

NOTE 12—EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

The Budget of the United States Government (President's Budget) contains budget proposals for the upcoming fiscal year along with forecasted results for the current fiscal year and actual results for the previous fiscal year. The most current version of the President's Budget is the FY 2020 President's Budget, which contains FY 2018 actual results. There are no material differences between amounts reported in the FY 2018 Statement of Budgetary Resources and the FY 2018 actual amounts as reported in the FY 2020 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2021 Budget of the United States Government is not available to compare FY 2019 actual amounts to the FY 2019 Statement of Budgetary Resources. The expected availability for this report is February 2020 on the OMB's website.

NOTE 13—Undelivered Orders at the End of the Period

Undelivered obligations consisted of the following as of September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Non-Federal Undelivered Orders Unpaid	$ 46,393	$ 46,116
Federal Undelivered Orders Unpaid	6,329	9,463
Federal Undelivered Orders Paid	205	232
Total Federal Undelivered Orders	6,534	9,695
Total Undelivered Orders	$ 52,927	$ 55,811

NOTE 14—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. As of September 30, 2019 and 2018, the FTC collected $259,170 and $265,846 thousand in HSR premerger filing fees. One-half of the amounts collected in each year was distributed to the DOJ, as shown on the Statement of Custodial Activity.

CIVIL PENALTIES

Civil monetary penalties and antitrust violations collected in connection with the settlement or litigation of the FTC's administrative or Federal court cases are collected by either the FTC or the DOJ as provided by law. In those situations where the FTC collects the penalties, the funds are deposited in a receipt account with the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases that are held until final disposition of the cases. All civil penalties collected are transferred to the General Fund of the U.S. Government at the end of the fiscal year.

CONSUMER REDRESS

Collections for consumer redress reported on the Statement of Custodial Activity are limited to those collections that have been disgorged to the Treasury. Net disgorgements to the Treasury were $1,778 thousand as of September 30, 2019 and $7,612 thousand as of September 30, 2018.

Other line items on the Statement of Custodial Activity include:

ACCRUAL ADJUSTMENTS

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

AMOUNTS YET TO BE TRANSFERRED

Amounts yet to be transferred represent 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 15—Consumer Redress Activities

The FTC obtains funds for consumer redress in connection with the settlement or litigation of both administrative proceedings and Federal court cases. The FTC holds redress funds in a deposit fund at Treasury until a determination is made on the practicability of redress. The FTC attempts to distribute funds to injured parties whenever possible. If redress is determined to be practicable, funds are either directly disbursed by the FTC to claimants or are transferred to accounts at financial institutions from which redress third party administrators process claims and disburse proceeds to injured parties. Disbursements to claimants and third party administrators totaled $350,058 thousand and $591,345 thousand as of September 30, 2019, and 2018.

In those cases where consumer redress is not practicable, funds are transferred (disgorged) to the Treasury, or on occasion, used for consumer education or another purpose as directed by the final order issued by the court. Major components of the redress program include eligibility determination, claimant notification, and administration of redress to claimants.

Redress fund activities consisted of the following for the fiscal years ended September 30, 2019 and 2018:

(Dollars in thousands)	2019	2018
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 358,776	$ 431,573
Collections	258,492	526,160
Disbursements to claimants and third party administrators for redress, net	(350,058)	(591,345)
Disgorgements to Treasury, net	(1,778)	(7,612)
Total Fund Balance with Treasury, Ending	$ 265,432	$ 358,776
Accounts Receivable, Net		
Beginning balance	$ 598,515	$ 69,887
Net activity	17,791	528,628
Total Accounts Receivable, Ending	$ 616,306	$ 598,515

NOTE 16—Inter-Entity Costs

Goods and services may be received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. In accordance with accounting standards, certain costs of the providing federal entity that are not fully reimbursed are recognized as imputed costs in the Statement of Net Cost and are offset by imputed financing sources in the Statement of Changes in Net Position. Such imputed costs and financing sources relate to employee benefits paid by the OPM. No other unreimbursed costs of goods and services are included in the FTC's financial statements as imputed costs and imputed financing sources.

NOTE 17—Reconciliation of Net Operating Cost and Net Budgetary Outlays

The reconciliation schedules presented below bridge the gap between the net operating costs presented on the Statement of Net Cost and the net outlays presented on the Statement of Budgetary Resources for the fiscal years ended September 30, 2019, and 2018. The increase in agency outlays is primarily due to the reduction in redress amounts disgorged to the Treasury, which are displayed as distributed offsetting receipts.

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Years Ended September 30, 2019 and 2018:

	FY 2019		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 87,014	$ 115,234	$ 202,248
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(8,435)	(8,435)
Losses on Asset Dispositions	-	(509)	(509)
Increase/(Decrease) in Assets	40	(11)	29
(Increase)/Decrease in Liabilities	(881)	(5,056)	(5,937)
Imputed Costs	(12,375)	-	(12,375)
Expense Offsets for Capitalized Costs	-	-	-
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(13,216)	(14,011)	(27,227)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	468	468
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	(315)	(315)
Miscellaneous Receipts	-	(1,968)	(1,968)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(1,815)	(1,815)
Net Outlays (Calculated)	$ 73,798	$ 99,408	$ 173,206
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,179
Actual Offsetting Collections			(142,690)
Outlays, Net (SBR)			$ 175,489
Distributed Offsetting Receipts			(2,283)
Agency Outlays, Net (SBR)			$ 173,206

	FY 2018		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 82,318	$ 113,023	$ 195,341
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(9,907)	(9,907)
Losses on Asset Dispositions	-	(1,540)	(1,540)
Increase/(Decrease) in Assets	(55)	(63)	(118)
(Increase)/Decrease in Liabilities	557	(403)	154
Imputed Costs	(10,510)	-	(10,510)
Expense Offsets for Capitalized Costs	-	(629)	(629)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(10,008)	(12,542)	(22,550)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	-	(109)	(109)
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	-	-
Miscellaneous Receipts	-	(7,816)	(7,816)
Total Components of Budgetary Outlays Not Part of Net Operating Cost	-	(7,925)	(7,925)
Net Outlays (Calculated)	$ 72,310	$ 92,556	$ 164,866
Related Amounts on the Statement of Budgetary Resources (SBR)			
Outlays, Gross			$ 318,589
Actual Offsetting Collections			(145,907)
Outlays, Net (SBR)			$ 172,682
Distributed Offsetting Receipts			(7,816)
Agency Outlays, Net (SBR)			$ 164,866

Other Information

Summary of the Top Management Challenges Identified by the Office of Inspector General

As required by the *Reports Consolidation Act of 2000,* the Federal Trade Commission (FTC) Office of Inspector General (OIG) has identified the following issues as the most serious management and performance challenges facing the FTC. The entire FY 2019 report is available at https://www.ftc.gov/system/files/documents/reports/fy-2019-oig-report-ftcs-most-serious-management-challenges/fy_2019_ftc_management_challenges_oig_report.pdf.

1. Securing Information Systems and Networks from Destruction, Data Loss, or Compromise

As identified in its first community-wide report on the top management and performance challenges,[1] the Inspector General community cited (1) the protection of information technology (IT) systems from intrusion or compromise by external or internal entities, and (2) the planning and acquisition for replacing or upgrading IT infrastructure as two of the most frequently reported challenges facing federal agencies. The securing of information systems is similarly recognized as a complex challenge for the FTC.

2. Escalating Costs of Expert Witnesses

As identified in the FTC's risk register, the escalating costs of expert witnesses is one of the agency's top challenges. As an enduring and complicated challenge that does not lend itself to a simple solution, overcoming it will be critical to the success of the FTC's dual enforcement mission of competition and consumer protection.

The OIG also provided the following "watch list" issue areas that do not rise to the level of serious management and performance challenges, but nonetheless require management's continued attention.

1. Acquisition Planning and Contract Management

2. Impersonations of the FTC and its Employees

[1] *Top Management and Performance Challenges Facing Multiple Federal Agencies*, Council of Inspectors General on Integrity and Efficiency, April 2018.

OTHER INFORMATION

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	**Unmodified**				
Restatement	**No**				
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Ending Balance**
	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control Over Financial Reporting (Federal Managers' Financial Integrity Act (FMFIA) Para. 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control Over Operations (FMFIA Para. 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA Para. 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
	0	0	0	0	0	0
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)

	Federal Trade Commission	**Auditor**
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

PAYMENT INTEGRITY

The Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 requires agencies to annually report on all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in the susceptible programs and activities, and report the results of their improper payment activities. In accordance with the OMB A-123 Appendix C guidance, the FTC performed a FY 2018 risk assessment for nine payment processes including payroll, procurement, redress payments to consumers, travel, purchase card, premerger filing fee refunds, training, and two miscellaneous payment processes. Each payment program was defined by its own internal control framework. The FTC evaluated each payment program over $1 million using the following qualitative risk factors identified in OMB Circular A-123 Appendix C:

- The relative complexity of the program or activity operation
- The extent and significance of recent changes in the program that may be reason for improper payment in funding, authorities, practices and procedure
- The level, experience, and quality of training for personnel responsible for program eligibility determination or certifying that payments are accurate
- The inherent risks of improper payments due to the nature of programs or operation
- Known control deficiencies (i.e., reported by OIG, or GAO) that might hinder accurate payment certification

The FTC also performed a quantitative risk assessment and assessed risks related to the amounts of payments processed relative to the OMB specified threshold amounts that define payment programs susceptible to improper payments. As a result of the risk assessment, the FTC determined that the agency's programs and activities presented low risk of improper payments and that none of the agency's programs or activities were determined to be susceptible to significant improper payments.

In addition to the risk assessment of all payment processes, the Interior Business Center (IBC), the FTC's shared service provider, compares the FTC's payee records in the financial system with payee records in the Do Not Pay databases. To prevent improper payments, the FTC reviews potential matches on an on-going basis and incorporates a pre-award check on potential contractors against the Do Not Pay databases. In 2015, the FTC performed and documented testing of statistical samples from larger payment processes to verify that the FTC payment programs are not susceptible to significant improper payments. Per OMB guidance and the result of FY 2018 IPERIA risk assessments, no assessment was conducted during FY 2019 and the next is scheduled for FY 2021.

For programs with more than $1 million of expenditures, the FTC determined and documented that performing recapture audits were not cost effective. FTC's analysis had two parts. The first was the error rates determined during the FY 2015 quantitative risk assessment and the second was the documented management assessments of the effective operation of controls within the payment processes. The 2015 test work used statistical methods to project error rates to the population of payments for the larger payment processes. These larger payment amounts could have produced errors classifying the process as 'Significant'. This test work did not detect errors within the population of payments and, therefore, did not identify payments subject to recapture. As a result, the Office of the Chief Financial Officer determined and documented that projected amounts subject to recapture audits are "de minimis" and recapture audits are not cost-effective.

OTHER INFORMATION

PAYMENT INTEGRITY (CONTINUED)

	Number (#) of Payments Reviewed for Possible Improper Payments	Dollars ($) of Payments Reviewed for Possible Improper Payments	Number (#) of Payments Stopped	Dollars ($) of Payments Stopped	Number (#) of Potential Improper Payments Reviewed and Determined Accurate	Dollars ($) of Potential Improper Payments Determined Accurate
Reviews with the IPERIA specified databases	7,886	$ 552.6M	0	$ 0.00	0	$ 0.00
Reviews with databases not listed in IPERIA	0	$ 0.00	0	$ 0.00	0	$ 0.00

More information on Improper Payments can be found at https://paymentaccuracy.gov/.

"REDUCE THE FOOTPRINT" IMPLEMENTATION

The Federal Trade Commission is committed to reducing the total square footage of its office and warehouse inventory relative to the established FY 2015 baseline in accordance with Section 3 of the Office of Management and Budget (OMB) Memorandum 12-12, *Promoting Efficient Spending to Support Agency Operations: Reduce the Footprint.*

Reduce the Footprint Baseline Comparison	FY 2015 Baseline	FY 2019	Change (FY 2015 Baseline - FY 2019)
Rentable Square Footage	611,407	590,427	(20,980)

Total square footage decreased more than 3% in FY 2019 from the FY 2015 baseline year. The reduction in FY 2019 is due to relinquishing the warehouse in Landover, Maryland, which is consistent with Section 3, OMB M-12-12.

The FTC renovations aim to utilize space and energy in the most efficient manner possible in all buildings it occupies. The FTC continues to identify opportunities to reduce total square footage for consideration in future budget years while carrying out its mission.

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

FRAUD REDUCTION REPORT

During 2019, the FTC directed several efforts to implement the Fraud Reduction Data Analytics Act (FRDAA) of 2015 and made progress in implementing effective controls in financial and administrative processes, in implementing GAO's principles for addressing fraud risk, and in implementing OMB's Circular A123 leading practices for agencies.

This year, the FTC implemented several strategies and procedures, and took steps to prevent and detect fraud within the agency. These actions included:

- Implementing OMB's best practice to integrate fraud risk reduction activities within the agency's Enterprise Risk Management (ERM) Program. This included the CFO's written designation of the ERM program manager as the agency official Fraud Risk Coordinator. Responsibilities of the Fraud Risk Coordinator include: 1) coordinating agency-wide efforts to identify, assess and respond to fraud risks; 2) implementing the collection and analysis of available data to support managers' efforts to prevent, detect and respond to fraud risks; 3) conducting ongoing monitoring, audit and evaluations over fraud prevention, detection and response activities; and 4) incorporating fraud risk management into the broader ERM framework.
- The Fraud Risk Coordinator leading the chartered Fraud Risk Register Work Group to collect and analyze fraud risk measures to monitor select higher severity fraud risks identified by the work group in the agency's fraud risk register. This included monitoring:
  - the frequency of management over-ride of timekeeper certifications for payroll,
  - recipient eligibility for transit benefits,
  - traveler eligibility for travel benefits requiring special authorization and payments,
  - the delivery of ethics training to required employees, and
  - the effectiveness of controls intended to prevent and detect the misappropriation of agency property.
- The Fraud Risk Coordinator leading three fraud risk reduction activities during the year to achieve fraud reduction objectives. As part of a multi-year process review program, several financial process reviews were conducted, which identified fraud vulnerabilities within processes. Each year several special reviews are conducted which target specific processes where control weaknesses are suspected. In 2019, the interest payment process and reimbursable travel benefit payments were assessed for control weaknesses. The third activity is the agency-wide Fraud Risk Register Work Group, to identify and assess risks, select data to collect and analyze to monitor fraud risks, and the inclusion of fraud risks within the agency's risk registers.

During 2020, FTC plans to strengthen and extend agency level fraud risk management and monitoring by leveraging its cross-programmatic Fraud Risk Register Work Group, increasing data collection and analysis, conducting additional audit and evaluations to identify vulnerabilities and coordinating all of these activities within the overall ERM framework.

OTHER INFORMATION

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to improve the effectiveness of civil monetary penalties and to maintain their deterrent effect. The 2015 Act requires agencies to: (1) adjust the level of civil monetary penalties with an initial "catch-up" adjustment; and (2) make subsequent annual adjustments for inflation. Accordingly, the Federal Trade Commission increased its maximum civil penalty amounts to address inflation since the initial catch-up adjustment.

The following table are the civil monetary penalties that the FTC may impose, the authority for imposing the penalty, penalty description, year enacted, latest year of adjustment, current penalty level, the Bureau that administers the penalty, and location for penalty update details. Additional information about these penalties and the latest adjustment is available in the Federal Register.

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
The Clayton Act Section 7A(g)(1) 15 U.S.C. 18a(g)(1)	Premerger filing notification violations	1976	February 14, 2019	$ 42,530	BC	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Clayton Act Section 11(l) 15 U.S.C. 21(l)	Violations of cease and desist orders	1959	February 14, 2019	$ 22,595	BC	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The FTC Act Section 5(l) 15 U.S.C. 45(l)	Unfair or deceptive acts or practices	1973	February 14, 2019	$ 42,530	BC and BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The FTC Act Section 5(m)(1)(A) 15 U.S.C. 45(m)(1)(A)	Unfair or deceptive acts or practices	1975	February 14, 2019	$ 42,530	BC and BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The FTC Act Section 5(m)(1)(B) 15 U.S.C. 45(m)(1)(B)	Unfair or deceptive acts or practices	1975	February 14, 2019	$ 42,530	BC and BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The FTC Act Section 10 15 U.S.C. 50	Failure to file required reports	1914	February 14, 2019	$ 559	BC and BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Webb-Pomerene (Export Trade) Act Section 5 15 U.S.C. 65	Failure to file required statements	1918	February 14, 2019	$ 559	BC	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Wool Products Labeling Act Section 6(b) 15 U.S.C. 68d(b)	Failure to maintain required records	1940	February 14, 2019	$ 559	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION (CONTINUED)

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level ($ Amount or Range)	Sub-Agency/ Bureau/ Unit	Location for Penalty Update Details
The Fur Products Labeling Act Section 3(e) 15 U.S.C. 69a(e)	Failure to maintain required records	1951	February 14, 2019	$ 559	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Fur Products Labeling Act Section 8(d)(2) 15 U.S.C. 69f(d)(2)	Failure to maintain required records	1951	February 14, 2019	$ 559	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Energy Policy and Conservation Act Section 333(a) 42 U.S.C. 6303(a)	Knowing violations	1975	February 14, 2019	$ 460	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Energy Policy and Conservation Act Section 525(a) 42 U.S.C. 6395(a)	Recycled oil labeling violations	1975	February 14, 2019	$ 22,595	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Energy Policy and Conservation Act Section 525(b) 42 U.S.C. 6395(b)	Willful violations	1975	February 14, 2019	$ 42,530	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Fair Credit Reporting Act Section 621(a)(2) 15 U.S.C. 1681s(a)(2)	Knowing violations	1996	February 14, 2019	$ 3,993	BCP	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Medicare Prescription Drug Inprovement and Modernization Act of 2003 Public Law 108-173 Section 1115(a) 21 U.S.C. 355 note	Non-compliance with filing requirements	2003	February 14, 2019	$ 15,036	BC	Federal Register Vol.84, February 14, 2019, pages 3980-3982
The Energy Independence and Security Act of 2007 Section 814(a) 42 U.S.C. 17304	Market manipulation or provision of false information to federal agencies	2007	February 14, 2019	$ 1,210,340	BC	Federal Register Vol.84, February 14, 2019, pages 3980-3982

Appendices

APPENDICES

APPENDIX A: ACRONYMS

Acronym	Definition
AFR	Agency Financial Report
AIBL	Atlantic International Bank Limited
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
ATO	Authorized To Operate
ATU	Authorization to Use
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
CAP	Corrective Action Plan
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFPB	Consumer Financial Protection Bureau
COPA	Certificates of Public Advantage
COPPA	Children's Online Privacy Protection Act
CSRS	Civil Service Retirement System
DEB	Drug Eluting Beads
DNC	Do Not Call
DOJ	Department of Justice
DOL	Department of Labor
DOT	Department of Transportation
EEI	Employee Engagement Index
EFT	Electronic Funds Transfer
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FCC	Federal Communications Commission
FECA	Federal Employees' Compensation Act
FEVS	Federal Employee Viewpoint Survey
FedRAMP	Federal Risk and Authorization Management Program
FEGLIP	Federal Employees' Group Life Insurance Program
FEHBP	Federal Employees' Health Benefit Program
FERS	Federal Employees' Retirement System
FERS-FRAE	Federal Employees' Retirement System – Further Revised Annuity Employees
FERS-RAE	Federal Employees' Retirement System – Revised Annuity Employees
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Office
FRDAA	Fraud Reduction Data Analytics Act
FTC	Federal Trade Commission
FTE	Full-Time Equivalent

APPENDICES

Acronym	Definition
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
ICN	International Competition Network
ICOR	Internal Control Over Reporting
IG	Inspector General
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IRS	Internal Revenue Service
ISP	Internet Service Provider
IT	Information Technology
N/A	Not Applicable or Not Available
NIST	National Institute of Standards and Technology
OFF	Oracle Federal Financials
OIA	Office of International Affairs
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPA	Office of Public Affairs
OPM	Office of Personnel Management
PIO	Performance Improvement Officer
PMRO	Performance Measure Reporting Official
PP&E	Property, Plant, and Equipment
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SMC	Senior Management Council
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Service Provider
TAS	Treasury Account Symbol
TED	Technology Enforcement Division
TSP	Thrift Savings Plan
WAN	Wide-Area Network

APPENDIX B: 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/about-ftc/performance
FTC Press Releases	www.ftc.gov/news-events/press-releases

AGENCY FINANCIAL REPORT (AFR) SPECIFIC

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

AFR Internet Site	www.ftc.gov/about-ftc/performance
AFR Contact	Randall Salzer
AFR Telephone	202-326-2028
AFR Email Address	gpra@ftc.gov
AFR Fax Number	202-326-3529
AFR Mailing Address	Federal Trade Commission Attn: AFR, M/D H-701 600 Pennsylvania Avenue, NW Washington, D.C. 20580

CONSUMER RESPONSE CENTER

General Complaints	877-FTC-HELP (877-382-4357)
Identity Theft Complaints	877-ID-THEFT (877-438-4338)
TTY (Teletype Consumer Response Center)	866-653-4261
FTC Complaint Assistant	www.ftc.gov/complaint
Identity Theft Education, Complaints, and Recovery Plan	www.identitytheft.gov
National Do Not Call Registry	www.donotcall.gov

ACKNOWLEDGEMENTS

The FTC offers our sincerest thanks and acknowledges the following individuals who made significant contributions in producing this report: Tara Koslov of the Office of the Chairman; George Adam, Patricia Bak, Chris Bryan, Holly Frost, Kathryn Gillis, James Hale, Tonia Hill, Lonnie Johnson, Qi Li, Leonard Nadybal, Joseph O'Leska, David Rebich, David Robbins, Randall Salzer, Lori Walsh-Van Wey, and Michael Ward of the Office of the Executive Director; Nathan Hawthorne, Andria Jones and Kelly Signs of the Bureau of Competition; Frank Gorman and Jenny Kellogg of the Bureau of Consumer Protection; Philip Runco and Catherine Wayne of the Office of Congressional Relations; Mary Harmison and Andrew Katsaros of the Office of the Inspector General; Russell Damtoft and Kristina Mulligan of the Office of International Affairs; Jacob Hamburger of the Office of Policy Planning; and Rich Custer, Betsy Lordan, and Jason Wolf of the Office of Public Affairs. Finally, we offer thanks to AOC Solutions, Heartland Consulting, and Graphic Visions for their contributions in the design and production of this report.

THE WORK OF THE

FEDERAL TRADE COMMISSION

IS CRITICAL TO PROTECTING AND STRENGTHENING

FREE & OPEN MARKETS

AND PROMOTING INFORMED

CONSUMER CHOICE,

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