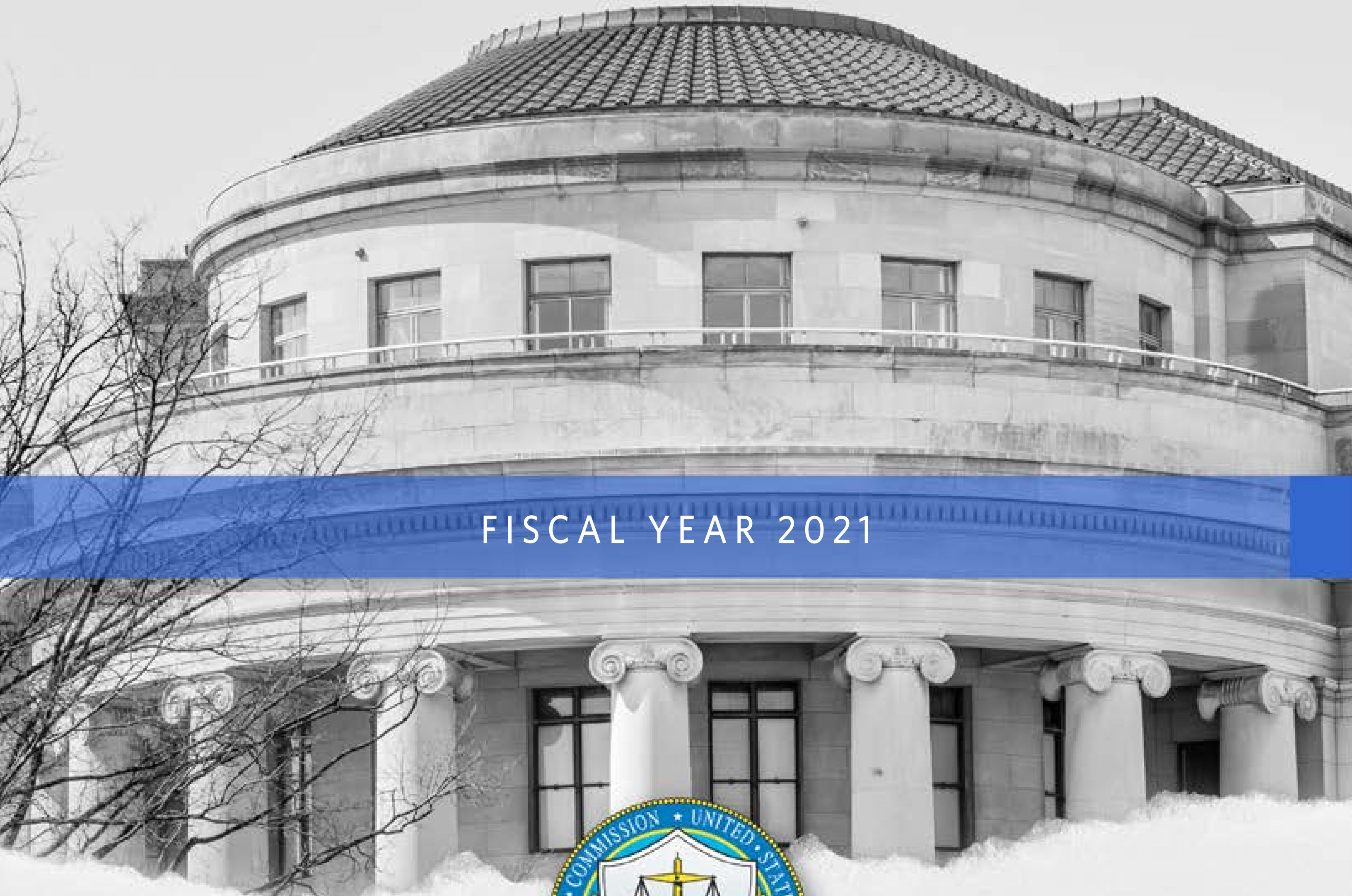
FEDERAL TRADE COMMISSION



FISCAL YEAR 2021

AGENCY FINANCIAL REPORT

INTRODUCTION

ABOUT THIS REPORT

The Federal Trade Commission's (FTC) fiscal year (FY) 2021 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
- Payment Integrity Information Act of 2019

The FTC publishes both an AFR and an Annual Performance Report (APR). The FY 2021 APR will be combined with the FY 2023 Annual Performance Plan (APP) and included in the FY 2023 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

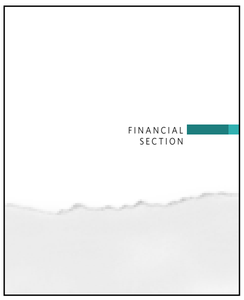
The FTC received the Association of Government Accountants' Certificate of Excellence in Accountability Reporting for its FY 2020 AFR. The FTC also received a Special Recognition "Best-in-Class" Award for creative use of graphics to depict the rise in consumer complaints and mergers to the FTC's budget and employee resources over the last 8 years. The FY 2020 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.

HOW THIS REPORT IS ORGANIZED

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

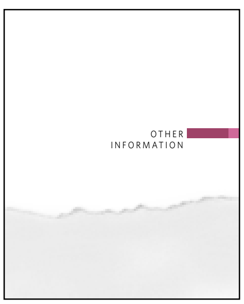
1. MANAGEMENT'S DISCUSSION AND ANALYSIS

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



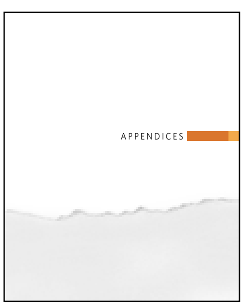
2. FINANCIAL SECTION

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



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, and a schedule of civil monetary penalties' adjustments for inflation.



4. APPENDICES

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

THE FTC AT-A-GLANCE

HISTORY

The Federal Trade Commission was created on September 26, 1914, when President Woodrow Wilson signed the Federal Trade Commission Act into law. The original purpose of the FTC was to prevent unfair methods of competition in commerce as part of the battle to "bust the 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 eight regions across the United States.

The agency had 1,123 full-time equivalent employees at the end of FY 2021.

Total new budget authority for FY 2021 is $383 million, which comprises $30.4 million in funding under the American Rescue Plan Act of 2021 to address complaints and respond to unfair or deceptive practices related to COVID-19, $188 million in general fund appropriations, and $165 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 Franklin D. Roosevelt'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.

Lina M. Khan, *Chair*

Congress created the FTC to foster fair competition and a thriving economy by rooting out unlawful business practices that harm Americans. A confluence of factors over the last year has made our work particularly challenging. A surge in merger activity absent any notable increase in agency resources means that we are struggling to keep pace and ensure we are fully investigating potentially illegal transactions. At the same time, the ongoing COVID-19 pandemic has created ripe opportunity for fraud and misinformation to proliferate, targeting vulnerable families in a time of crisis. The Supreme Court's decision in *AMG Capital Management* curbed one of the agency's mainstay tools for returning money to victims and preventing lawbreakers from pocketing any profits, challenging our ability to address the harms from illegal practices and deter future violations. As this report lays out, the Commission has persisted despite these challenges, redoubling our commitment to our mission and our legislative mandate. I am deeply grateful for the FTC staff's perseverance and diligence, especially given the extreme stresses and uncertainties posed by the global pandemic.

On the consumer protection side, the Commission's enforcement efforts resulted in more than $300 million in redress returned to consumers who had been harmed and an additional $284 million in civil penalties collected. For the second year, the agency focused on responding to various COVID-19-related scams, including businesses selling cleaning and protective products that were never delivered and businesses advertising bogus treatments and cures. At the first of a new tradition of open Commission meetings, the Commission voted to enact the Made in USA Labeling Rule, which will allow the agency to seek a variety of remedies, including civil penalties, against companies that make false "Made in USA" claims. The Commission also issued policy statements signaling heightened scrutiny of manufacturer repair restrictions and privacy breaches by health apps and devices.

On the competition side, the FTC responded to the near-doubling of merger filings by passing a number of process reforms to streamline our investigations. In FY 2021, the agency concluded 19 matters in which we took action to check anticompetitive practices. Additionally, 10 ongoing litigations are still active, including cases against Facebook and against Vyera Pharmaceuticals and Martin Shkreli. The agency has also taken steps to ensure we are empowered to use the full set of authorities and tools given to us by Congress, including Section 5 of the FTC Act, to deter and police unlawful business practices. We also recently announced with the Department of Justice that we will together be reviewing the merger guidelines to determine whether and how they can be updated to better reflect empirical learning and market realities.

The Commission is focused on updating its practices to meet the challenges of today, which will result in an agency better prepared for the challenges of the future. We strive to be an agency that is focused on tackling urgent problems, learning from new evidence, and course-correcting where needed.

FINANCIAL MANAGEMENT

The FTC takes very seriously our commitment of responsible stewardship of the public resources entrusted to us by the American taxpayers and Congress. The agency's FY 2021 independent financial audit yielded our 25th 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. 31).

MANAGEMENT AND PERFORMANCE CHALLENGES

The Office of Inspector General (OIG) identified five management and performance challenges this year: (1) securing information systems and networks from destruction, data loss, or compromise; (2) seeking monetary relief for consumers; (3) controlling expert witness costs; (4) ensuring mission success following the expiration of current evacuation orders; and (5) understanding fraudulent identity theft complaints. In addition, the OIG highlighted managing records and sensitive agency information as a "watch list" item that, while not a serious management challenge, still requires 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. 86).

The Commission is committed to vigorously enforcing the law to protect all Americans and to working with federal and state government partners to achieve our mission.

Lina Khan

Lina M. Khan, *Chair*
November 12, 2021

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.

WHAT WE DO

The FTC is a bipartisan federal agency with a unique dual mission to protect consumers and promote competition. For one hundred years, our collegial and consensus-driven agency has championed the interests of American consumers. As we begin our second century, the FTC is dedicated to advancing consumer interests while encouraging innovation and competition in our dynamic economy.

The FTC develops policy and research tools through hearings, workshops, and conferences. We collaborate with law enforcement partners across the country and around the world to advance our crucial consumer protection and competition missions. And beyond our borders, we cooperate with international agencies and organizations to protect consumers in the global marketplace.

PROTECTING CONSUMERS

The FTC protects consumers by stopping unfair, deceptive or fraudulent practices in the marketplace. We conduct investigations, sue companies and people that violate the law, develop rules to ensure a vibrant marketplace, and educate consumers and businesses about their rights and responsibilities. We collect reports on hundreds of issues from data security and deceptive advertising to identity theft and Do Not Call violations, and make them available to law enforcement agencies worldwide for follow-up. Our experienced and motivated staff uses 21st century tools to anticipate – and respond to – changes in the marketplace.

PROMOTING COMPETITION

Competition in America is about price, selection, and service. It benefits consumers by keeping prices low and the quality and choice of goods and services high. By enforcing antitrust laws, the FTC helps ensure that our markets are open and free. The FTC will challenge anticompetitive mergers and business practices that could harm consumers by resulting in higher prices, lower quality, fewer choices, or reduced rates of innovation. We monitor business practices, review potential mergers, and challenge them when appropriate to ensure that the market works according to consumer preferences, not illegal practices.

OUR ORGANIZATION

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. Lina M. Khan was sworn in as Chair on June 15th, 2021. The four Commissioners at the end of FY 2021 are Noah Phillips, Rohit Chopra, Rebecca Slaughter, and Christine Wilson who were all sworn in during 2018.

Lina M. Khan
Chair
Sworn in: June 15, 2021

Noah Joshua Phillips
Commissioner
Sworn in: May 2, 2018

Rohit Chopra
Commissioner
Sworn in: May 2, 2018

Rebecca Kelly Slaughter
Commissioner
Sworn in: May 2, 2018

Christine S. Wilson
Commissioner
Sworn in: September 28, 2018

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

The Bureau of Competition (BC) seeks to prevent anticompetitive mergers and other anticompetitive business practices in the marketplace. 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 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 ongoing 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.

The Office of Public Affairs mission is to reach, inform, educate, and engage consumers and businesses through media and digital technologies and in collaboration with our internal partners to advance consumer protection and competition. The office is the primary point of contact for all news media inquiries.

The Office of the Chief Privacy Officer manages the FTC's internal privacy program and is responsible for ensuring that the Commission complies with all applicable privacy laws and guidance. The Office of the Chief Privacy Officer identifies the privacy risks, controls, and mitigating solutions when making decisions involving the collection, use, sharing, retention, disclosure and destruction of personally identifiable information. It is also responsible for investigating and mitigating privacy incidents, supporting the FTC mission with an evolving privacy program, and promoting a culture of privacy among FTC staff, contractors, and third parties.

The Office of Policy Planning assists the Commission to develop and implement long-range competition and consumer protection policy initiatives and advises staff on cases raising new or complex policy and legal issues. One of the Office of Policy Planning's primary roles involves advocacy, submitting filings supporting competition and consumer protection principles to state legislatures, regulatory boards, and officials; state and federal courts; other federal agencies; and professional organizations. The Office also organizes public workshops and issues reports on cutting-edge competition and consumer protection topics, addressing questions of substantive antitrust law, industry-specific practices, and significant national and international policy debates.

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 prompt processing of all matters presented to the Commission, 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, financial management, administrative services, and legal document processing and records management activities.

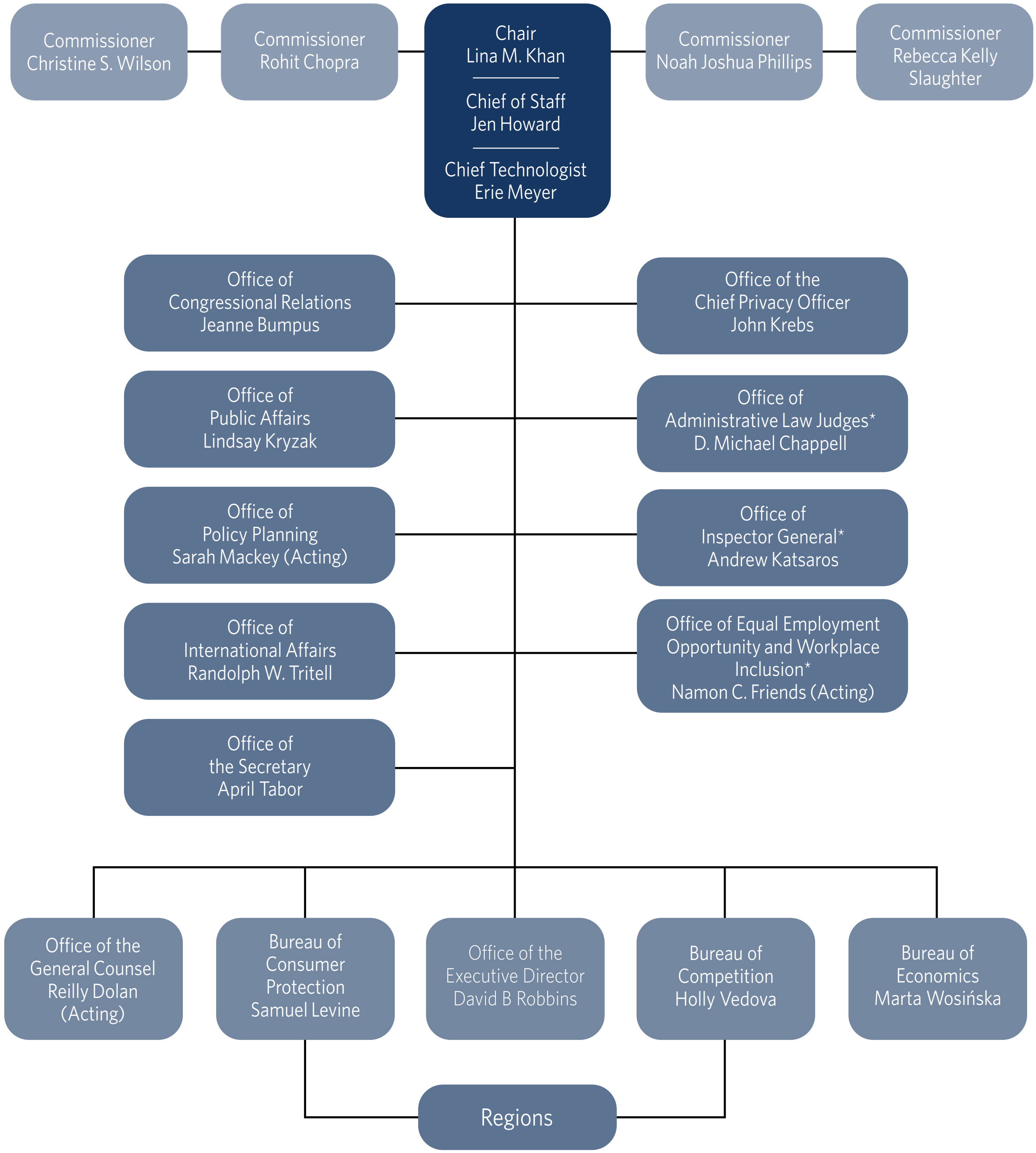
The Office of Administrative Law Judges performs the initial adjudicative fact-finding in Commission administrative complaint proceedings, guided by the FTC Act, the Administrative Procedure Act, relevant case law interpreting these statutes, and the FTC's Rules of Practice. Administrative Law Judges 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 ensures that the FTC maintains 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



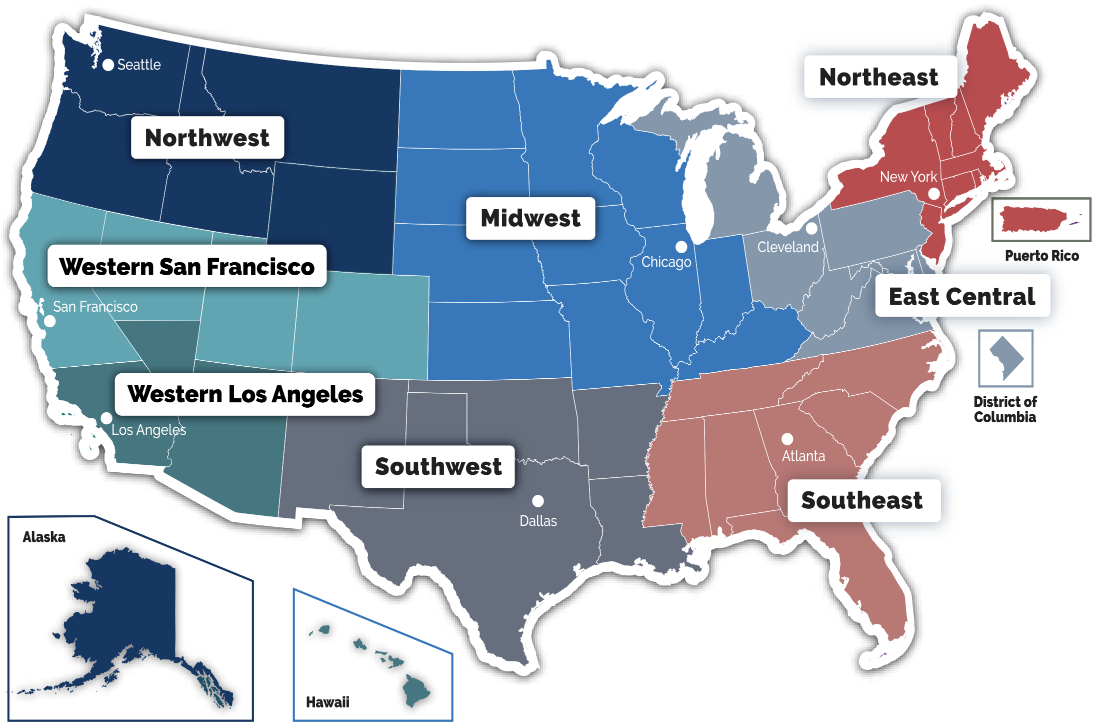
* An independent organization within the FTC

REGIONAL OFFICES

Protecting America's consumers

Since 1918, regional offices have played an integral role in fulfilling the FTC's consumer protection and competition missions. 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.

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

The FTC has chosen to produce an AFR and a separate Annual Performance Report (APR) for FY 2021. The APR will be included as part of the FTC's Congressional Budget Justification and will also be available on 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 to 2022. The FTC's strategic goals, objectives, and performance measures articulate what the agency intends to accomplish to meet its mission, demonstrate the highest standards of stewardship, 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	OBJECTIVES
GOAL 1: Protect consumers from unfair and deceptive practices in the marketplace. Net Costs: $180 million	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.
	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. Net Costs: ($68 million)	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.
	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. 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.	3.1 Optimize resource management and infrastructure.
	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 (PMRO), 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 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. Quarterly reports are sent to senior managers throughout the agency, allowing for adjustments to agency strategies based on the interim results.

VERIFICATION AND VALIDATION OF PERFORMANCE DATA

The following outlines how the agency ensures the performance information it reports is complete, reliable, and accurate:

- The FTC has adopted a central internal repository for performance data entry, reporting, and review. The electronic data tool reduces human error, increases transparency, and facilitates review of the agency's performance information.
- Each PMRO is responsible for updating the data quality appendix (DQA) at least once per year. The DQA serves as a process document, laying out data sources, and collection methods for performance information, as well as how metrics are calculated.
- PMROs must provide all supporting documentation for their performance results at both the midpoint and end of the fiscal year. This allows FMO Performance Staff to "dig beneath the surface" and see the data underlying the metrics.
- After reviewing the underlying data, several measures are selected each year to investigate more thoroughly, including interviewing the staff responsible for data collection, asking about alternative methods, and comparing data collection and calculations to those reported in the DQA.

PERFORMANCE GOALS OVERVIEW

In the FY 2018 to 2022 Strategic Plan, the FTC has established 36 performance goals and targets for assessing program performance against agency strategic goals and objectives. 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.

The following tables summarize actual performance during FY 2021 against established targets for the FTC's nine key performance goals. The tables also include results from the prior five fiscal years as well as a description of how performance results are calculated for that performance goal. The FTC met or exceeded FY 2021 targets on seven of nine key performance goals and missed targets on two goals.

LEGEND FOR UPCOMING TABLES

✔ Signifies that the target was met or exceeded

X Signifies that the target was not met

STRATEGIC GOAL 1: PROTECT CONSUMERS FROM UNFAIR AND DECEPTIVE PRACTICES IN THE MARKETPLACE.

The FTC uses an interdisciplinary approach to protect the public from unfair and deceptive practices in the marketplace. The FTC conducts investigations, sues companies and people that violate the law, develops rules to protect the public, and educates consumers and businesses about their rights and responsibilities. The agency also collects reports about a host of consumer issues, including fraud, identity theft, financial matters, and Do Not Call violations. The FTC makes these reports available to law enforcement agencies worldwide.

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 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
$8.80 in consumer savings per $1 spent	$35.20 in consumer savings per $1 spent	$39.00 in consumer savings per $1 spent	$38.60 in consumer savings per $1 spent	$14.40 in consumer savings per $1 spent	$13.00 in consumer savings per $1 spent	$7.00 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 plus the amount of redress distributed to consumers without FTC contractors (if refund check cashed information is not available).

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.

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).[2]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
$95.2 million	$2.69 billion	$3.25 billion	$3.52 billion	$2.79 billion	$2.39 billion	$65 million	✔

[2] Calculation/Formula: Sum of refund checks cashed by consumers, plus the amount of redress distributed to consumers without FTC contractors (if refund check cashed information is not available), 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. The amount reported is a three-year rolling average (average of the current year and two prior year totals).

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

$61.7 MILLION SETTLEMENT WITH AMAZON

Amazon agreed to pay more than $61.7 million to settle FTC charges that it failed to pay Amazon Flex drivers the full amount of tips they received from Amazon customers. The FTC alleged that in its app and numerous marketing materials, Amazon advertised that drivers could earn $18 to $25 per hour plus 100% of customer tips. According to the FTC, during a two-and-a-half year period from 2016 to 2019, Amazon used about $61.7 million in tips to subsidize drivers' base pay. Customers thought they were tipping drivers, not Amazon, and drivers were left shortchanged. The FTC's complaint alleges that the company stopped its behavior only after becoming aware of the FTC's investigation in 2019. The $61.7 million represents the full amount that Amazon allegedly withheld from drivers and will be used by the FTC to compensate drivers.

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.[3]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
76	77	76.5	77.7	76.2	72.9	74.6 (average rate for websites)	X

[3] Calculation/Formula: When visiting consumer.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.

HALTING COVID-RELATED FRAUDS

The FTC has worked vigorously to halt COVID-related scams. It has sued entities for allegedly breaking promises to quickly ship personal protective equipment and cleaning products, as well as tricking consumers into paying for sanitizing products that were never delivered, falsely claiming that their products could treat and/or prevent COVID-19, and making deceptive claims regarding stimulus benefits. The FTC made quick use of the civil penalty authority granted under the COVID-19 Consumer Protection Act, filing two cases within months of its passage. The FTC complemented these efforts by alerting the public about these scams and sending cease and desist orders warning marketers to stop making unsubstantiated claims that their products and therapies can prevent or treat COVID-19. The FTC will continue to bring enforcement actions against companies that make false claims related to COVID-19 and will continue to work closely with other enforcement authorities and stakeholders to halt this fraud. For more information on the FTC's response to COVID-19, please visit https://www.ftc.gov/coronavirus.

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 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.[4]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
53	50	43	48	42	39	32	✔

[4] 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.

FTC ISSUES RULE TO DETER RAMPANT "MADE IN USA" FRAUD

The FTC finalized a new rule that will crack down on marketers who make false, unqualified claims that their products are "Made in the USA." Under the rule, marketers making unqualified Made in USA claims on labels must prove that their products are "all or virtually all" made in the United States. The new rule codifies a broader range of remedies by the FTC, including the ability to seek redress, damages, penalties, and other relief from those who lie about a Made in USA label. It will enable the Commission for the first time to seek civil penalties of up to $43,280 per violation of the rule. The rule prohibits marketers from including unqualified Made in USA claims on labels unless: 1) final assembly or processing of the product occurs in the United States; 2) all significant processing that goes into the product occurs in the United States; and 3) all or virtually all ingredients or components of the product are made and sourced in the United States.

FTC MOVES TO BLOCK ANTICOMPETITIVE MERGERS

Cancer Detection Tests: In March 2021, the Commission challenged Illumina's proposed acquisition of Grail, makers of DNA-sequencing-based, non-invasive early detection liquid biopsy tests used in screening for multiple types of cancer. According to the complaint, Illumina is the only provider of these multi-cancer early detection (MCED) testing services in the United States, and the deal would likely diminish innovation in the U.S. market for MCED services, which have the potential to identify up to 50 types of cancer and save millions of lives. This matter is pending in administrative adjudication.

Health Care Providers: This year, the FTC challenged two anticompetitive mergers amongst competing health care providers. In November 2020, the Commission challenged Methodist Le Bonheur Healthcare's proposed $350 million acquisition of two Memphis-area hospitals from Tenet Healthcare Corporation. The Commission's complaint alleged that the transaction would have lessened competition for inpatient general acute care services in the Memphis area by reducing from four to three the number of hospital systems operating in the area, leading to higher prices and reduced quality. Shortly after the FTC issued its complaint, the parties abandoned their proposed transaction. In December 2020, the FTC opposed Hackensack Meridian Health's proposed acquisition of Englewood Health. According to the complaint, the deal would eliminate close competition between the health care providers in the Bergen County, NJ area, giving the combined hospital system increased leverage with insurers, leading to higher insurance premiums, co-pays, deductibles, and other out-of-pocket expenses. The court granted the FTC a preliminary injunction in August 2021, while the case continues.

Apartment Rental Listing Services: In November 2020, the Commission sued to block CoStar's proposed acquisition of competitor RentPath. The two firms both operate online platforms such as Apartments.com (CoStar) or Rent.com (RentPath) for renters to identify available apartments. According to the complaint, the acquisition would significantly increase concentration for internet listing services advertising for large apartment complexes (more than 100 units) in 49 metropolitan areas throughout the United States. After the Commission issued its complaint, the parties announced the abandonment of the proposed merger.

Shaving Razors: In December 2020, the FTC challenged Procter & Gamble's proposed acquisition of nascent rival Billie, a direct-to-consumer seller of women's shaving and body care products. According to the complaint, the acquisition would have allowed Procter & Gamble, the leader in both women's and men's wet shave razors, to eliminate the threat to its business posed by the growing rival firm, and return to its dominant position to the detriment of consumers. The parties abandoned the merger after the FTC action.

Cement Makers: In May 2021, the FTC challenged Lehigh Cement Company's proposed acquisitions of rival cement producer Keystone Cement Company. The complaint alleged the deal would have harmed competition in the market for gray Portland cement, a key ingredient used to make concrete, in the eastern Pennsylvania and western New Jersey areas by reducing the number of significant competitors in the market from 4 to 3. Cement markets are generally local or regional due to the substantial transportation costs driven by the extreme weight of the products. Shortly after the Commission issued its complaint, the parties abandoned the proposed merger.

STRATEGIC GOAL 2: MAINTAIN COMPETITION TO PROMOTE A MARKETPLACE FREE FROM ANTICOMPETITIVE MERGERS, BUSINESS PRACTICES, OR PUBLIC POLICY OUTCOMES.

The FTC's efforts to maintain competition focus on preventing anticompetitive mergers and business practices through enforcement. The FTC also engages in policy research and development, advocacy, and education to deter anticompetitive practices and encourage federal, state, and local governments to evaluate the effects of their policies on competition. The FTC advances these goals internationally by fostering enforcement and policy convergence and through cooperation with counterpart foreign enforcement authorities. This work is critical to protect and strengthen free and open markets – the cornerstone of a vibrant economy.

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. Not counted in the percentage are investigations that the Commission chooses not to take action, as well as defeats in litigation.[5]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
54.6%	49.1%	67.9%	62.9%	77.1%	67.9%	50%-80%	✔

[5] 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.

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

THE FTC SUES FACEBOOK FOR MONOPOLIZATION

In December 2020, the Commission filed a landmark monopolization case against Facebook in federal court alleging the company has engaged in a systematic buy-or-bury scheme, including the acquisition of nascent competitors and monitoring of promising app developers, to maintain its monopoly, allowing Facebook to impose anticompetitive terms on innovative competitors. In August 2021, the Commission filed an amended complaint that includes additional data and evidence to support the FTC's contention that Facebook is a monopolist that abused its excessive market power to eliminate threats to its dominance. This matter is pending in federal court.

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).[6]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
$46.40 in consumer savings per $1 spent	$55.60 in consumer savings per $1 spent	$50.30 in consumer savings per $1 spent	$65.90 in consumer savings per $1 spent	$25.70 in consumer savings per $1 spent	$27.00 in consumer savings per $1 spent	$35.00 in consumer savings per $1 spent	X

[6] Calculation/Formula: Estimated consumer savings generated under goal 2.1.2 are divided by the amount of resources spent on the merger program for the current fiscal year. When available, staff uses case-specific data 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.

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

FTC STOPS CASH ADVANCE FIRM

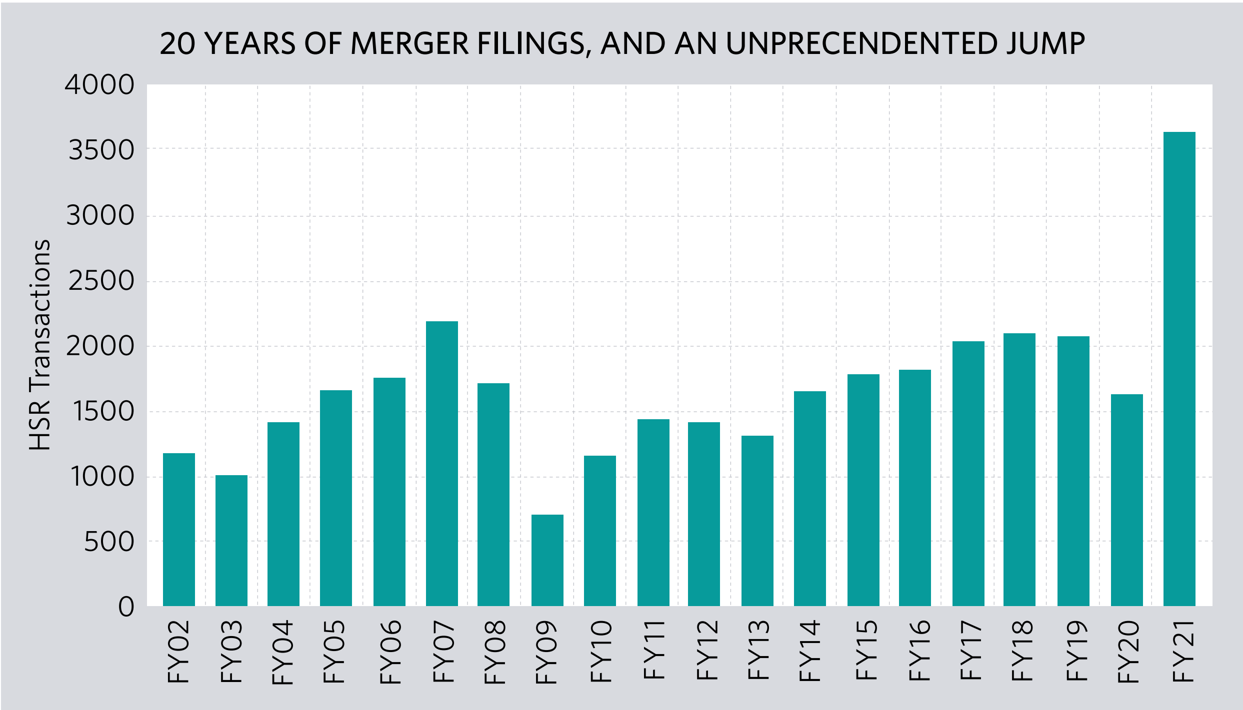
Yellowstone Capital, a provider of merchant cash advances, agreed to pay more than $9.8 million to settle FTC charges that it took money from businesses' bank accounts without permission and deceived them about the amount of financing business owners would receive and other features of its financing products. Merchant cash advances are a form of financing in which a company provides money to a small business up front in exchange for a larger amount repaid through daily automatic payments. In this case, the FTC alleged that Yellowstone and its owners continued withdrawing money from businesses' bank accounts after their balance had been repaid. The complaint alleged that these unauthorized withdrawals left businesses without needed cash and that any refunds from the company could take weeks or months. In addition to the monetary judgment, the settlement permanently prohibits the defendants from misleading consumers about the terms of their financing, including the amount and timing of any fees and whether business owners are required to be personally liable for the financing. The defendants will also be prohibited from making withdrawals from consumers' bank accounts without their express informed consent.

FTC REINVIGORATES ENFORCEMENT AMIDST MERGER WAVE

The Hart-Scott-Rodino (HSR) Act requires that companies provide the FTC and Department of Justice (DOJ) with advance notice of certain transactions above a certain threshold (currently transactions exceeding $92 million). The law provides the agencies 30 days to conduct an initial investigation and to determine whether additional information is needed to assess the legality of the transaction. If the FTC or DOJ seeks additional information through what is known as a "second request," the law prohibits merging firms from consummating a transaction until the companies have substantially complied with the second request.

In FY 2021, HSR transactions reported have reached their highest level since the filing thresholds were amended by Congress in 2001, straining the agency's ability to act within statutory time constraints.

The Commission has moved quickly to adapt to the record setting volume of transactions, shifting its limited resources to accommodate the wave of reported acquisitions, and implementing a series of process reforms aimed at streamlining the investigative process while increasing the analytical rigor of investigations. Additionally, the agency has acknowledged that in certain instances, it may not be able to rigorously investigate transactions ahead of statutory deadlines but has reasserted its authority to determine a merger is unlawful, even after the companies have merged, and even if a merger was subject to premerger review.



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).[7]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
$52.30 in consumer savings per $1 spent	$39.60 in consumer savings per $1 spent	$40.10 in consumer savings per $1 spent	$75.80 in consumer savings per $1 spent	$46.00 in consumer savings per $1 spent	$46.00 in consumer savings per $1 spent	$35.00 in consumer savings per $1 spent	✔

[7] Calculation/Formula: Estimated consumer savings generated under goal 2.1.4 are divided by the amount of resources spent on the nonmerger program for the current fiscal year. When available, staff uses case-specific data 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.

PHARMACEUTICAL COMPANIES SUED AGAIN FOR ANTICOMPETITIVE AGREEMENT

The Commission sued Endo Pharmaceuticals and Impax Laboratories this year alleging that a 2017 agreement between them violated the antitrust laws by eliminating competition in the market for oxymorphone ER. According to the complaint, after withdrawing its reformulated version of Opana ER due to FDA safety concerns, Endo entered into an agreement with Impax to share their monopoly profits, as the only version of the drug on the market, rather than relaunching a competing product. This matter is pending in federal court. The FTC previously found that a 2010 agreement between the parties in which Endo paid Impax not to compete by launching a generic version of Opana ER was an illegal reverse-payment settlement. In April 2021, that decision was upheld on appeal.

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.[8]

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Actual	FY 2021 Target	FY 2021 Status
100%	96%	98%	100%	100%	100%	95%	✔

[8] 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(ies) 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(ies).

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

FTC LAUNCHES INITIATIVE TO ENCOURAGE LOWER-INCOME COMMUNITIES TO REPORT FRAUD

The FTC launched a new initiative aimed at partnering with community legal aid organizations to expand its outreach to lower-income communities to encourage them to report fraud and provide them with advice to help recover. The Community Advocate Center initiative provides a new way for organizations that provide free and low-cost legal services to report fraud and other illegal business practices their clients have experienced directly to the FTC on behalf of their clients. By participating with the FTC's Community Advocate Center, organizations can connect members of their communities to specific, concrete steps they can take to try to get their money back. They also will receive aggregated data detailing the types of fraud and other illegal business practices affecting their communities, such as the methods scammers use to defraud consumers, the methods they use to demand payment, and the amount of money consumers report losing. Information about the Community Advocate center is available at ReportFraud.ftc.gov/community.

STRATEGIC GOAL 3: ADVANCE THE FTC'S PERFORMANCE THROUGH EXCELLENCE IN MANAGING RESOURCES, HUMAN CAPITAL, AND INFORMATION TECHNOLOGY.

The FTC believes that advancing organizational effectiveness and performance at all levels creates a strong foundation for overall mission success. The agency's work in Strategic Goal 3 highlights ongoing efforts to improve the management of agency staffing, finances, information, and physical assets, in order to create a more efficient and more agile agency.

KEY PERFORMANCE GOAL 3.2.3:

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

Description: The Employee Engagement Index 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.[9]

Note regarding results: Due to the 2020 FEVS Survey being delayed, we did not have results to publish in our FY 2020 AFR. This year, with the results from the 2021 FEVS survey being delayed, we are publishing the FY 2020 results, which came out in April 2021.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2020 Target	FY 2020 Status
82%	83%	83%	84%	87%	82% (Government average +10 points)	✔

[9] Calculation/Formula: The FEVS Employee Engagement Index 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.

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 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 to include fraud reduction initiatives. 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 2021 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, the FTC's profile identified risk associated with the Supreme Court ruling in *AMG Capital Management, LLC v. Federal Trade Commission*, 593 U.S.__, 141 S. Ct. 1341 (2021), removing the FTC's authority to seek monetary relief for consumers per Section 13(b). In addition, the 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 the FTC's technology initiatives. Risks related to creating a new work environment following the expiration of the COVID-19 pandemic emergency evacuation orders have also been noted. The 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 2021 included executing an annual segment of the multi-year internal control assessment plan, monitoring existing risk registers, identifying and analyzing risk, assessing entity level control, and monitoring corrective actions, as well as performing Digital Accountability and Transparency Act of 2014 (DATA Act) control assessments and OMB-directed Internal Control Over Reporting assessments. In determining if there were any management control deficiencies or nonconformance that must be disclosed in the annual assurance statement, the SAT and the FTC Chair 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 Chair's assurance statement below is supported by the processes and reviews described above, which were performed in FY 2021. Management assurance tables appear in the Other Information section.

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

Office of the Chair

CHAIR'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, 2021, 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 LINA KHAN Digitally signed by LINA KHAN Date: 2021.10.27 22:13:22 -04'00'

Lina M. Khan
Chair
October 31, 2021

SUMMARY OF MATERIAL WEAKNESS AND NONCONFORMANCES

As noted in the Chair's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2021. No new material weaknesses or significant nonconformances have been identified for over ten years, 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 guidance. During FY 2021, the FTC decommissioned one system and performed four assessment and authorization efforts. The FTC currently has six systems authorized to operate. The FTC leverages twenty-two Federal Risk and Authorization Management Program 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 to 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 2021, the FTC processed 2,159 invoices totaling $91.6 million that were subject to prompt payment. Of these invoices, 99.4 percent were paid on time. During FY 2021, the FTC paid a total of $67.27 in interest penalties, or 0.000074 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.

Through FY 2019, the Department of the Interior's Interior Business Center (IBC) provided financial management system services for the FTC. Beginning in FY 2020, the FTC moved its needs for financial management systems and support services to the Department of the Treasury's Administrative Resource Center (ARC) to improve operational efficiencies and effectiveness. The IBC continues to provide personnel and payroll support services for the FTC, which it has been providing for the agency since 1998.

The FTC uses the Oracle Federal Financials (OFF) system as its core financial management system and the Oracle Business Intelligence reporting capabilities to produce timely reports that support agency requirements. The FTC also uses several systems that integrate with OFF to support agency operations, including the Invoice Processing Platform (IPP) for efficient and secure processing of invoices, the Concur

Government Edition to manage travel transactions, and the Procurement Information System for Management for contract actions.

Since migrating to the new shared services provider, the agency continued its efforts to maintain and enhance financial management systems to promote operational effectiveness, efficiency, reliability, and timeliness of data to support the agency's strategic goals. The FTC redesigned and improved several financial management business processes and procedures and developed new tools and reports to assess its financial management operations that ultimately contribute to its mission success.

The FTC recognizes the importance of financial management systems and oversight as part of serving as a good steward of taxpayer dollars entrusted to it. Accordingly, in FY 2021, the FTC will continue to work to refine its financial management processes and procedures to optimize the performance of operations and reporting. In addition, the agency will work with the Department of the Treasury to implement G-invoicing, the long-term sustainable solution to improve the quality of Intragovernmental Transactions.

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 several 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 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 Fiscal Year 2021, 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.

ANTIDEFICIENCY ACT

The Antideficiency Act prohibits federal agencies from spending or obligating funds in excess of amounts and purposes approved by Congress, and from accepting voluntary services. The FTC's funds controls and continuing reviews of funds usage and availability ensure it complies with requirements of the Antideficiency Act.

FORWARD LOOKING INFORMATION

The Federal Trade Commission's (FTC) mission is to protect consumers and competition by preventing anticompetitive, deceptive, and unfair business processes through law enforcement, advocacy, and education without unduly burdening legitimate business activity.

The FTC appreciates the five Management Challenges identified by the Inspector General (IG) and agrees that these are critically important areas to focus on and to improve in FY 2022. These include: Securing Information Systems and Networks from Destruction, Data Loss, or Compromise; Seeking Monetary Relief for Consumers; Controlling Expert Witness Costs; Ensuring Mission Success Following the Expiration of Current Evacuation Orders; and Understanding Fraudulent Identify Theft Complaints. In FY 2021 the FTC took numerous steps to address the challenges and will continue going forward into FY 2022. Regarding securing our information systems, the FTC will continue to manage essential supporting IT activities by taking a risk-based, cost-effective approach. To continue controlling Expert Witness costs the FTC will continue to leverage in-house economist resources when possible.

In addition, the IG is currently conducting a performance audit of the FTC's Contracting Officer's Representative program. In FY 2022, the FTC management will evaluate any findings and recommendations and, if appropriate, will incorporate changes into our Contracting Officer's Representative program.

FY 2021 was the second year the FTC received financial management services from the Department of the Treasury's Administrative Resource Center. Since migrating to the new shared services provider, the agency continued its efforts to maintain and enhance financial management systems to promote operational effectiveness, efficiency, reliability, and timeliness of data to support the agency's strategic goals. In FY 2021, The FTC leveraged reporting tools to automate several financial management business processes. In FY 2022, we will continue efforts to document end to end business processes and identifying opportunities to improve.

FINANCIAL HIGHLIGHTS

INTRODUCTION

The FTC's accounting practices continue to be accurate and transparent, directly supporting the agency's dual mission to police unfair methods of competition and target unfair or deceptive practices across the economy, and consistently demonstrating the FTC's commitment to responsible stewardship of resources and sound financial operations. For the 25th 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, 2021 AND 2020

(Dollars in Millions)	FY 2021	FY 2020	% Change
Entity Assets			
Fund balance with Treasury	$ 233	$ 114	104%
General property, plant, and equipment	22	25	-12%
Total Entity Assets	255	139	83%
Non-Entity Assets			
Fund balance with Treasury	385	677	-43%
Accounts receivable	51	628	-92%
Total Non-Entity Assets	436	1,305	-67%
Total Assets	$ 691	$ 1,444	-52%
Entity Liabilities			
Employee related liabilities	31	30	3%
Accounts payable and other	11	12	-8%
Total Entity Liabilities	42	42	0%
Non-Entity Liabilities			
Redress collections not yet disbursed	385	677	-43%
Liability for amounts to be collected	51	628	-92%
Total Non-Entity Liabilities	436	1,305	-67%
Total Liabilities	$ 478	$ 1,347	-65%
Unexpected Appropriations	27	-	100%
Cumulative results of operations	186	97	92%
Total Net Position	213	97	120%
Total Liabilities and Net Position	$ 691	$ 1,444	-52%

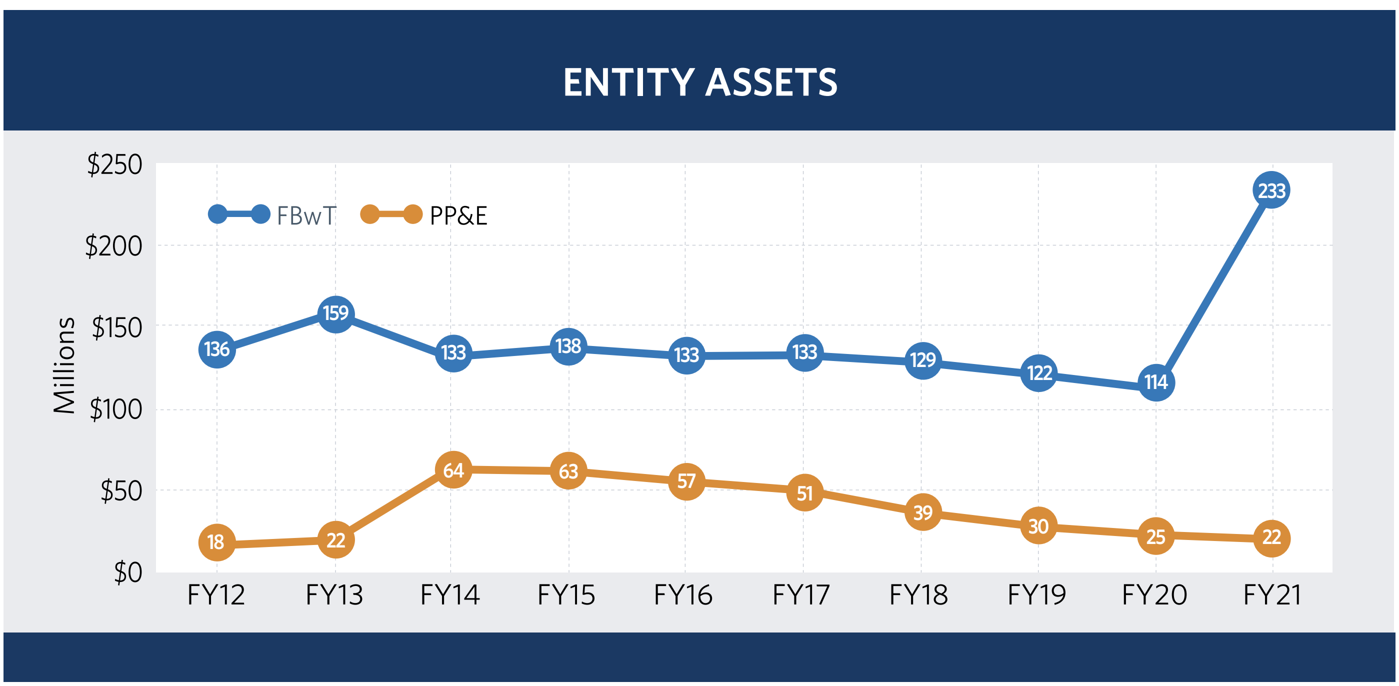
BALANCE SHEET – ENTITY

Entity assets totaled $255 million, or 37 percent of all FTC assets, as of September 30, 2021, an increase of $116 million, or 83 percent, from the FY 2020 total of $139 million.

The Fund Balance with Treasury (FBwT) of $233 million comprises $123 million that is temporarily unavailable for expenditure and $110 million available to the FTC to make expenditures and pay liabilities. FBwT has increased by $119 million, or 104 percent, from the FY 2020 total of $114 million. At the end of FY 2021, the FTC's FBwT contained $119 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 $119 million, $6 million was temporarily reduced by the FY 2013 sequestration.

PP&E, net of accumulated depreciation/amortization, is $22 million, which consists of $20 million in leasehold improvements, $1 million in equipment, and $1 million in software. Of the total PP&E, $18 million in leasehold improvements is associated with the FY 2014 relocation of staff to office space at the Constitution Center. Total PP&E decreased by $3 million compared to FY2020. This decrease 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 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 increased by $119 million and is primarily caused by an increase in premerger filing fee collections. The FTC received more than 3,400 Premerger notifications in FY 2021 and represents an increase of more than 110 percent from FY 2020. This resulted in $87 million of excess offsetting collections above the annual Congressional authorized amount, which is precluded from obligation. In addition, the FTC received a $30.4 million appropriation under the American Rescue Plan Act of 2021, of which, $27 million is unexpended at the end of FY 2021.

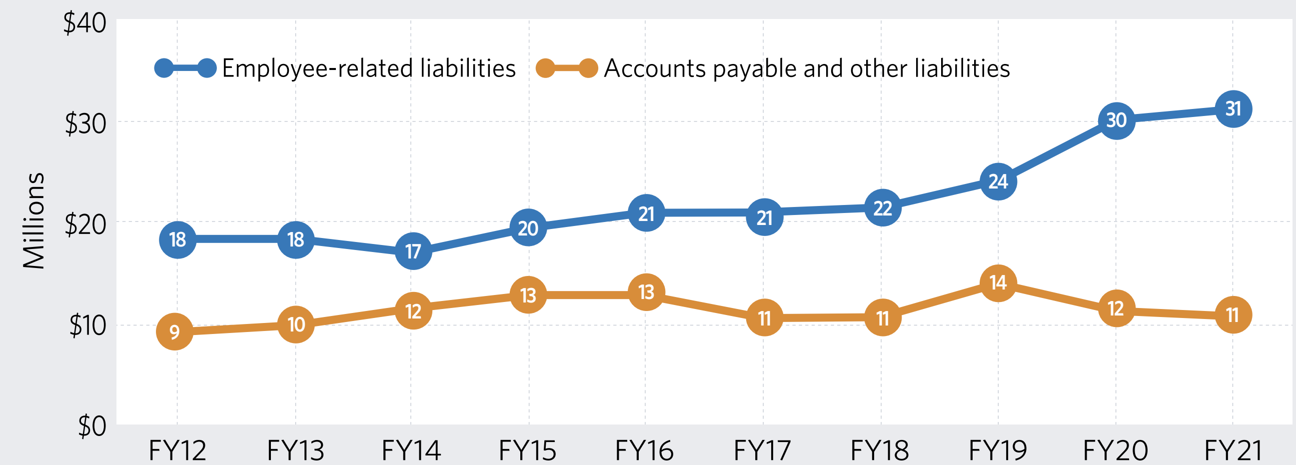


Entity liabilities totaled $42 million, or 9 percent of all FTC liabilities, as of September 30, 2021, equaling the total entity liabilities of FY 2020.

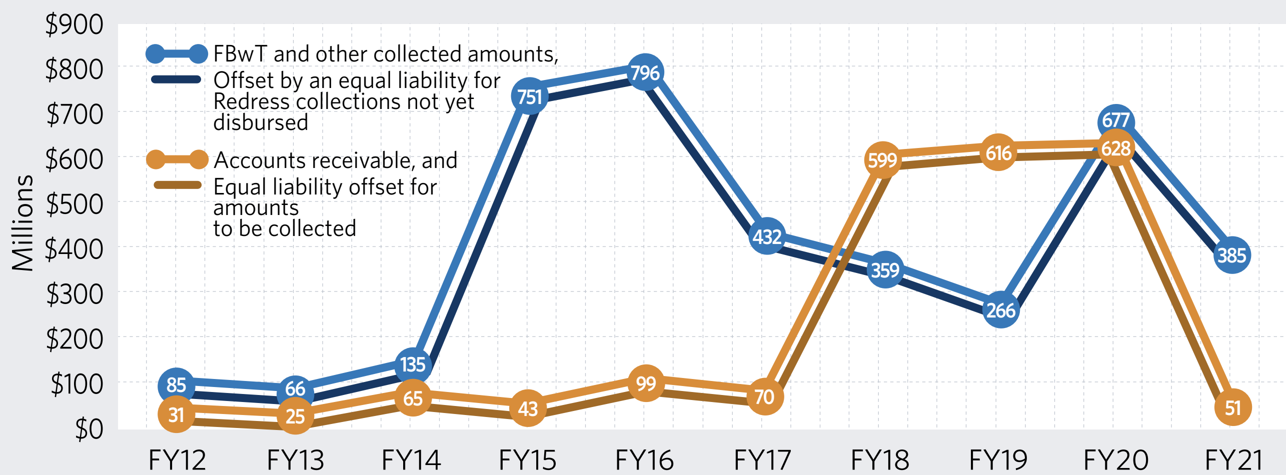
Employee-related liabilities of $31 million consist of accrued payroll and benefits, accrued annual leave wages earned by employees but not yet paid, and the Federal Employees Compensation Act (FECA) liability. Accounts payable and other liabilities totaling $11 million consist of amounts owed, but not yet paid, for goods or services the FTC has received.

Entity liabilities have a smaller range of fluctuation in comparison to entity assets. Accounts payable balances fluctuate more significantly when capitalized purchases are involved. Employee-related liabilities fluctuate based on the FTE count and the timing of the payroll disbursement cycle. At the end of FY 2014, the payroll and benefit liability included 7 days of unpaid wages while the FY 2021 year-end payroll accrual included 14 days of unpaid wages, which is 1 more day than the FY 2020 year-end payroll accrual of 13 days of unpaid wages. The uptick in employee-related liabilities in FY 2021 is attributable to the additional payroll accrual. The $1 million decrease in Accounts payable and other liabilities is primarily due to timing differences on payment of invoices. Fewer invoices are outstanding at the end of FY 2021 and the total outstanding invoices plus accrued expenses at FY 2021 year end is slightly lower than the total at the end of FY 2020.

ENTITY LIABILITIES



NON-ENTITY ASSETS & LIABILITIES



BALANCE SHEET - NON-ENTITY

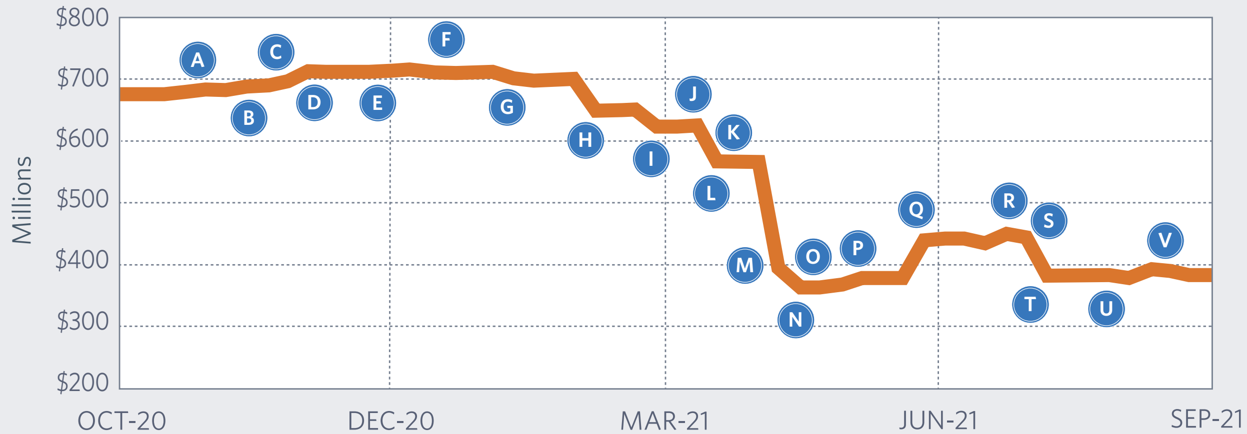
Non-entity assets totaled $436 million, or 63 percent of all FTC assets, as of September 30, 2021. This represents a decrease of $869 million, or 67 percent, from the FY 2020 total of $1,305 million.

Non-entity assets are equal to, and offset by, non-entity liabilities. The $51 million net accounts receivable balance is offset by the $51 million liability for amounts to be collected, while the $385 million FBwT is offset by the $385 million liability for redress collections.

The FY 2021 ending net accounts receivable balance of $51 million reflects amounts to be paid to the FTC from court-ordered judgments in the consumer redress program. This represents a $577 million decrease in net accounts receivable from the FY 2020 total of $628 million. This decrease is primarily due to adjustments to accounts receivable as a result of the Supreme Court decision on April 22, 2021, in the AMG Capital Management, LLC v. FTC case that eliminated the FTC's longstanding authority under Section 13(b) of the FTC Act, 15 U.S.C. § 53(b) to recover money for harmed consumers.

The remaining ending net accounts receivable balance of $51 million primarily consists of amounts to be paid to the FTC from the following cases: AmeriDebt, Inc for involvement in the allegedly deceptive sale of real estate properties in Belize to U.S. consumers; Apex Capital Group, LLC for engaging in unlawful conduct that enabled a deceptive "free trial" offer scheme; AH Media Group LLC for luring consumers with supposedly "free trial" offers for cosmetics and dietary supplements, then enrolling them in subscriptions and billing them without their consent; Elegant Solutions, Inc. (Mission Hills Federal) for operating a student loan debt relief scheme; Jeremy Lee Marcus, et al. (Helping America Group) for allegedly selling phony debt relief and credit repair services, including fake loans; and I Works, Inc., et al. for deceptive "trial" memberships for bogus government-grant and money-making schemes. Sixteen additional matters account for the remainder of the balance.

NON-ENTITY ASSETS - FUND BALANCE WITH TREASURY FY 2021 ACTIVITY



FY 2021 Non-Entity Fund Balance with Treasury Timeline Activity

	$677.1M	**Beginning Balance - FY 2021 Non-Entity Fund Balance with Treasury**	
A	$7.6M	AT&T Mobility, LLC	Collected $7.6M from a 2019 settlement of allegations that AT&T Mobility, LLC misled millions of its smartphone customers by charging them for "unlimited" data plans while reducing their data speeds.
B	$5.5M	Stark Law, LLC	Collected $5.5M from a 2017 settlement with Stark Law, the operators of a Chicago-area fake debt collection scheme. Stark Law allegedly used a host of business names to target consumers who obtained or applied for payday or other short-term loans, pressuring them into paying debts they either did not owe or that the defendants had no authority to collect.
C	$10.0M	Indivior, Inc.	Collected $10.0M from a 2020 settlement with Indivior (a former division of Reckitt Benckiser) to settle FTC charges that it violated antitrust laws through a deceptive scheme to thwart lower priced generic competition with its branded opioid replacement therapy drug Suboxone.
D	$4.3M	Online Trading Academy	Collected $4.3M from a 2020 settlement with Online Training Academy (OTA) to settle FTC charges that OTA had deceived consumers with claims that purchases of OTA's investment training were likely to generate significant income.
E	($4.7M)	Digital Altitude, LLC	Disbursed $4.7M (10,249 payments) to individuals who lost money to the Digital Altitude business coaching scheme. The defendants promised consumers that they would receive individualized coaching from successful marketers to build a successful business, but, in reality, the coaches were merely salespeople selling higher membership levels in the scheme. Refunds result from 2018 and 2019 settlements.
F	($6.2M)	Cardinal Health, Inc.	Disgorged to U.S. Treasury $6.2M from a 2015 settlement against Cardinal Health, which resolved charges that it illegally monopolized 25 local markets for the sale and distribution of low-energy radiopharmaceuticals and forced hospitals and clinics to pay inflated prices for these drugs.

FY 2021 Non-Entity Fund Balance with Treasury Timeline Activity

G	($6.5M)	Fashion Nova, Inc.	Disbursed $6.5M (518,552 payments) to consumers affected by online retailer Fashion Nova's violations of the FTC's Mail, Internet, or Telephone Order Merchandise Rule. Refunds result from a 2020 settlement.
H	($49.7M)	The University of Phoenix, Inc.	Disbursed $49.7M (147,481 payments) to The University of Phoenix students who may have been lured by allegedly deceptive advertisements touting the university's relationship and job opportunities with companies such as AT&T, Yahoo!, Microsoft, Twitter, and the American Red Cross. Refunds result from a 2019 settlement.
I	($11.1M)	E.M. Systems & Services, LLC.	Disbursed $11.1M (over 11,000 payments) to consumers who lost money to a bogus credit card interest rate reduction scheme operated by E.M. Systems & Services. Refunds result from a 2020 settlement.
J	($9.7M)	Age of Learning, Inc. (ABCmouse)	Disbursed $9.7M (206,814 payments) to consumers who were automatically billed for ABCmouse renewals and consumers were prevented from cancelling their memberships. Refunds result from a 2020 settlement.
K	($4.1M)	Stark Law, LLC	Disbursed $4.1M (over 10,000 payments) to consumers who lost money to the Stark Law phantom debt collection scheme. Refunds result from a 2017 settlement.
L	($59.1M)	Reckitt Benckiser Group PLC & Indivior, Inc.	Disbursed $59.1M (51,875 payments) to consumers who were victims of an allegedly deceptive scheme by Reckitt Benckiser Group and Indivior, Inc. to thwart lower-priced generic competition with the branded drug Suboxone. Refunds result from a 2019 settlement with Reckitt Benckiser Group PLC and a 2020 settlement with Indivior, Inc.
M	($172.8M)	Progressive Leasing	Disbursed $172.8M (more than 2 million payments) to harmed consumers who overpaid for merchandise they purchased using rent-to-own plans provided by Progressive Leasing. Refunds result from a 2020 settlement.
N	($30.0M)	Career Education Corporation	Disbursed $30.0M (over 8,000 payments) to people tricked by agents working on behalf of Career Education Corporation, the operator of several post-secondary schools. CEC's lead generators tricked consumers into providing their information and enrolling at CEC schools using a variety of deceptive methods, according to the FTC's complaint. Refunds result from a 2019 settlement.
O	$4.8M	Vivint Smart Home, Inc.	Collected $4.9M from a 2021 settlement of FTC charges that Vivint Smart Home, Inc. misused credit reports to help unqualified customers obtain financing for its products and services.
P	$9.8M	Yellowstone Capital, LLC	Collected $9.8M from a 2021 settlement of FTC charges that Yellowstone Capital, LLC took money from businesses' bank accounts without permission and deceived them about the amount of financing business owners would receive.
Q	$61.7M	Amazon.com, Inc.	Collected $61.7M from a 2021 settlement of FTC charges that Amazon.com failed to pay Amazon Flex drivers the full amount of tips they received over a two and a half year period.
R	$18.0M	LendingClub Corporation	Collected $18.0M from a 2021 settlement of FTC charges that LendingClub deceived consumers about hidden fees that it charged and about whether their loan applications were approved.
S	($5.4M)	Online Trading Academy	Disbursed $5.4M (31,144 payments) to consumers who purchased an allegedly deceptively marketed investment training scheme offered by Online Trade Academy. Refunds result from a 2020 settlement.
T	($61.7M)	Amazon.com, Inc.	Disbursed $61.7M to a third party administer, who is in the process of issuing payments to Amazon Flex drivers who did not receive the full amount of their tips over a two and a half year period. Refunds are a result of a 2021 settlement.
U	($4.9M)	Hold Billing Services, Ltd.	Disbursed $4.9M (86,752 payments) to consumers who lost money to a cramming scheme that added charges to their home phone bills without their permission. Refunds are a result from 2016 settlement.

FY 2021 Non-Entity Fund Balance with Treasury Timeline Activity

V	$15.0M	MOBE Ltd., et al.	Collected $15.0M from a 2020 settlement of FTC charges that My Online Business Education (MOBE) lured consumers to join its online coaching program by promising a pathway to online entrepreneurship and vast riches on the internet, but then charged these consumers tens of thousands of dollars for worthless program membership upgrades.
	($3.1M)	Net of other collections $31.9M and disbursing ($35.0M) activities, related to over 190 additional matters.	
	$384.8M	**Ending Balances – FY 2021 Non-Entity Fund Balance with Treasury**	

Significant Contributors to the FY 2021 Non-Entity Fund Balance with Treasury Ending Balance

$150.1M	AdvoCare International, L.P.	$150M held by the FTC from a 2020 settlement of allegations AdvoCare deceived consumers into believing they could earn significant income as "distributors" of its health and wellness products.
$234.7M	The remaining Fund Balance with Treasury balance consists of funds held by the FTC from 169 separate matters.	
$384.8M	**Ending Balance - FY 2021 Non-Entity Fund Balance with Treasury**	

Historic trends of FBwT for consumer redress are primarily driven by several notable cases.

- In FY 2015, the FTC collected $458 million from a settlement resolving antitrust charges that Cephalon, Inc. 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, Inc. 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, Inc. 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, Inc.
- In FY 2020, the FTC collected $150 million from Advocare International, L.P., for deceiving consumers into believing they could earn significant income as "distributors" of its health and wellness products. Also in FY 2020, the FTC collected $175 million from Progressive Leasing for misleading consumers about the true price of its leasing plans.

STATEMENT OF NET COST

STATEMENT OF NET COST SUMMARY
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(Dollars in Millions)	FY 2021	FY 2020	% Change
Protecting Consumers:			
Gross costs	$ 193	$ 195	-1%
Less: earned revenue	(13)	(13)	0%
Protecting Consumers	180	182	-1%
Maintain Competition:			
Gross costs	$ 170	$ 167	2%
Less: earned revenue	(238)	(102)	133%
Maintaining Competition	(68)	65	-205%
Net Cost of Operations	$ 112	$ 247	-55%

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's net cost of operations was $112 million in FY 2021, which consists of $363 million in gross costs offset by $251 million in earned revenue.

The FY 2021 net cost of operations for the Protect Consumers strategic goal is $180 million, consisting of $193 million in gross costs offset by $13 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 2021 net cost of operations for the Maintain Competition strategic goal is ($68) million, consisting of $170 million in gross costs offset by $238 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 Department of Justice (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 decrease in overall net cost is primarily due to higher revenues from premerger filing fees. In FY 2021 the FTC received more than 3,400 Premerger notification filings which represents an increase of more than 110 percent from FY 2020. Increased premerger fee revenues significantly reduced the FTC's FY 2021 net cost of operations.

FTC NET COST OF OPERATIONS VS. BENEFIT TO AMERICAN PUBLIC

The FTC had gross costs of $363 million in FY 2021, offset by $251 million in earned revenue, resulting in a total net cost of operations of $112 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.

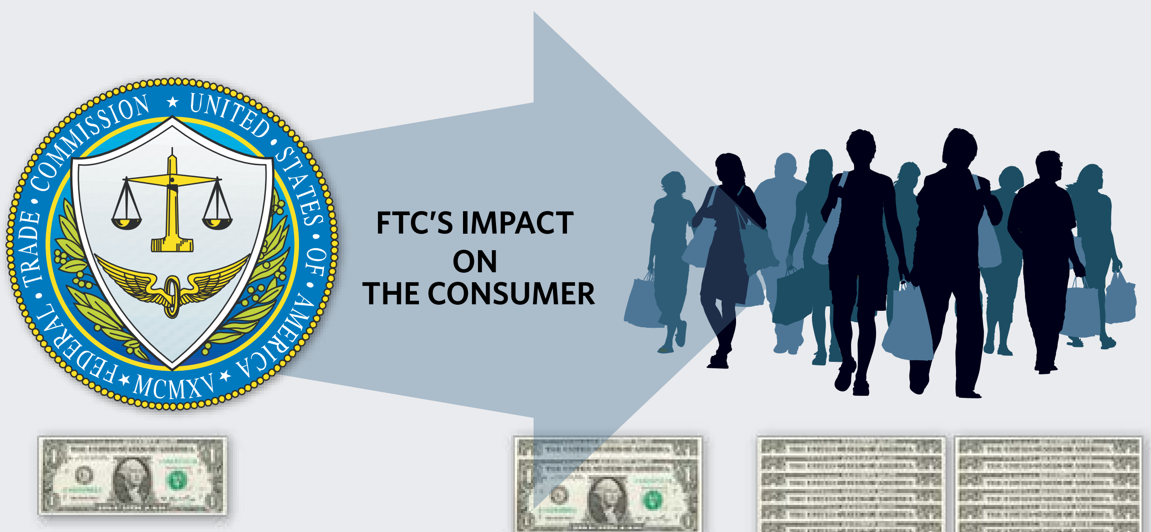
The Statement of Net Cost includes only entity activity. During FY 2021, the FTC returned $607 million in non-entity collections to consumers and the U.S. Treasury General Fund. Redress disbursements to harmed consumers during FY 2021 totaled $453 million with an additional $8 million in disgorgements to Treasury. Civil Penalty collections returned to Treasury totaled $146 million.

Throughout FY 2021, the FTC saved consumers an estimated $2.4 billion* through its merger and non-merger competition law enforcement actions and an estimated $1.5 billion* 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 2021, the FTC provided an estimated total of $ 4 billion in benefits to consumers. When this benefit is compared to the $112 million in net costs, it equates to every $1 of the FTC's cost returning an estimated $36 in FTC-provided benefits to consumers.

COST vs BENEFIT

For every $1 of the FTC's cost there is an estimated $36 in benefits provided to the consumer



FTC Net Cost of Operations
$112 Million

Non-entity funds disbursed to claimants, third party administrators, and the General Fund of the U.S. Government
$607 Million

Other benefits to consumers*
$3.4 Billion

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

STATEMENT OF CUSTODIAL ACTIVITY

CONDENSED STATEMENT OF CUSTODIAL ACTIVITY FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(Dollars in Millions)	FY 2021	FY 2020	% Change
Revenue Activity:			
Sources of collections:			
Premerger filing fees (net of refunds)	$ 16	$ 101	-84%
Civil penalties and fines	146	4,854	-97%
Consumer redress	8	7	14%
Other miscellaneous receipts	-	-	0%
Total cash collections	170	4,962	-97%
Accural adjustments	-	-	0%
Total Custodial revenue	$ 170	$ 4,962	-97%
Disposition of Collections:			
Transferred to others:			
Treasury general fund	$ 154	$ 4,861	-97%
Department of Justice	16	101	-84%
Amounts yet to be transferred	-	-	0%
Total Disposition of Collections	$ 170	$ 4,962	-97%
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. The FY 2021 total custodial revenue is $170 million, a decrease of $4,792 million or 97 percent from the FY 2020 amount. The decrease results from declines in both premerger filing fees and civil penalties. In FY 2021, the FTC implemented a new collection process for the Premerger filing fees to split collections evenly between the FTC and the DOJ upon receipt. Prior to FY 2021, the FTC collected the full amount of fees under the HSR premerger notification program and remitted half to the DOJ, which resulted in a custodial liability. A total of $16 million in Premerger fees were processed on behalf of the DOJ at the start of fiscal year 2021 before the process change was implemented. The FTC's revenue of $237 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.

The significant decrease in civil penalties and fines reflects the FY 2020 collection from the substantial civil penalty settlement that the FTC and the DOJ reached with Facebook in the amount of $5 billion that significantly raised the FY 2020 civil penalties and fines. The FTC's portion is $4,850 million. The settlement with Facebook relates to allegations that the company violated its 2012 FTC privacy order by deceiving users about their ability to control the privacy of user's personal information. The FY 2021 civil penalties returned to the Treasury General Fund include $122 million from DISH Network for violations of the Telemarketing Sales Rule and Telephone Consumer Protection Act.

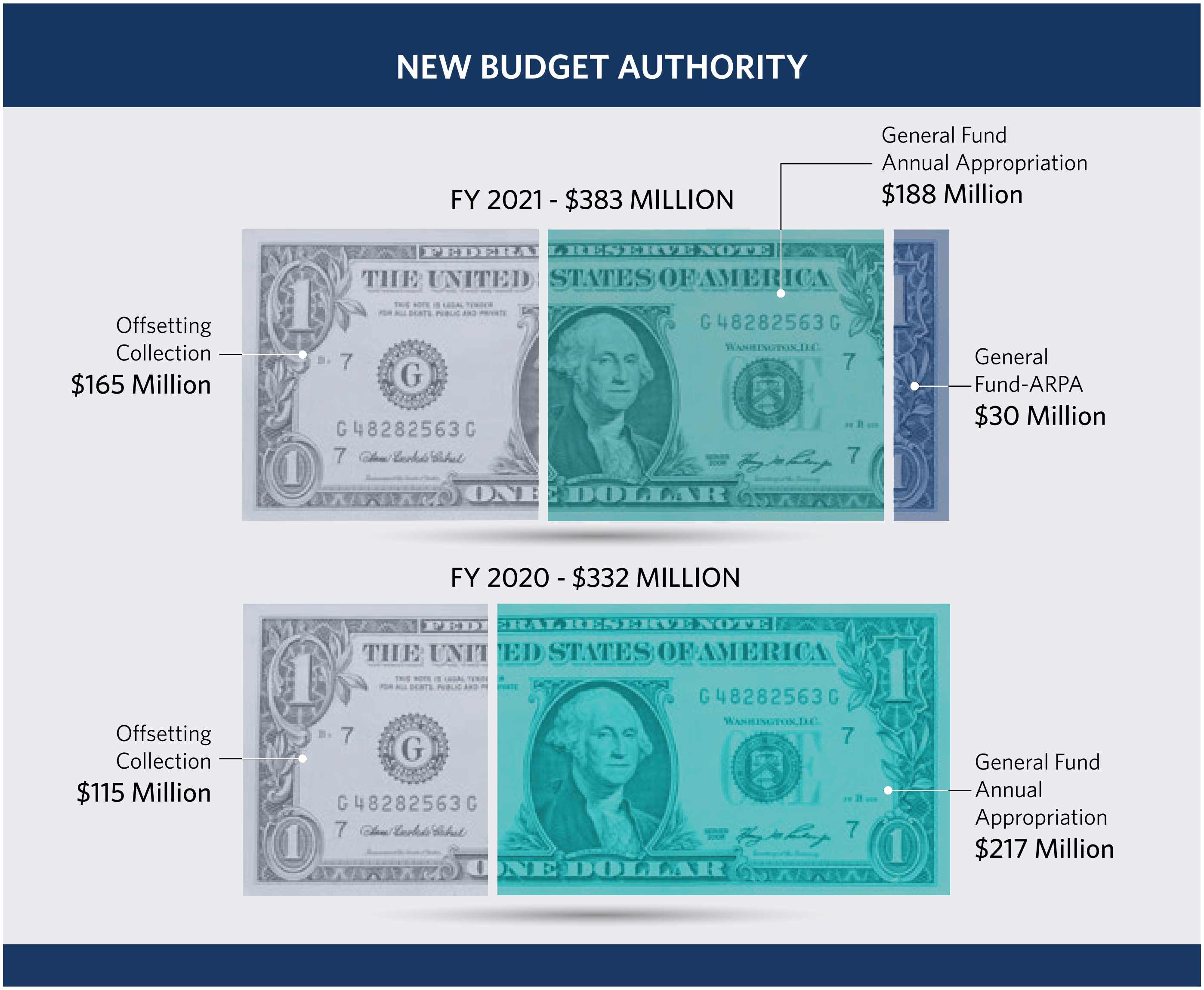
FTC BUDGETARY RESOURCES AND HOW THEY WERE USED

BUDGET AUTHORITY

The FTC receives an annual appropriation that is available until expended, subject to Office of Management and Budget (OMB) apportionment and Congressional restrictions on the expenditure of funds (see FTC's FY 2021 Congressional Budget Justification, pages 3 to 4, "Appropriations Language Provisions"). The FTC's budget authority is derived from a direct appropriation and offsetting collections.

In FY 2021, the FTC received an additional appropriation of $30.4 million under the American Rescue Plan Act of 2021 (ARPA), signed into law by President Biden on March 11, 2021, to remain available through FY 2026. This appropriation authorizes funding for the FTC to cover higher costs associated with the COVID-19 pandemic to include: $24 million for payroll expenses, $4.4 million for processing and monitoring of consumer complaints received through the Consumer Sentinel Network, and $2 million for consumer-related education.

Including the funds under the ARPA, the FTC's FY 2021 new budget authority totals $383 million, representing a $51 million increase from the FY 2020 amount. The FY 2021 budget authority comprised $218 million in general fund appropriations plus $165 million in spending authority from offsetting collections, consisting of $150

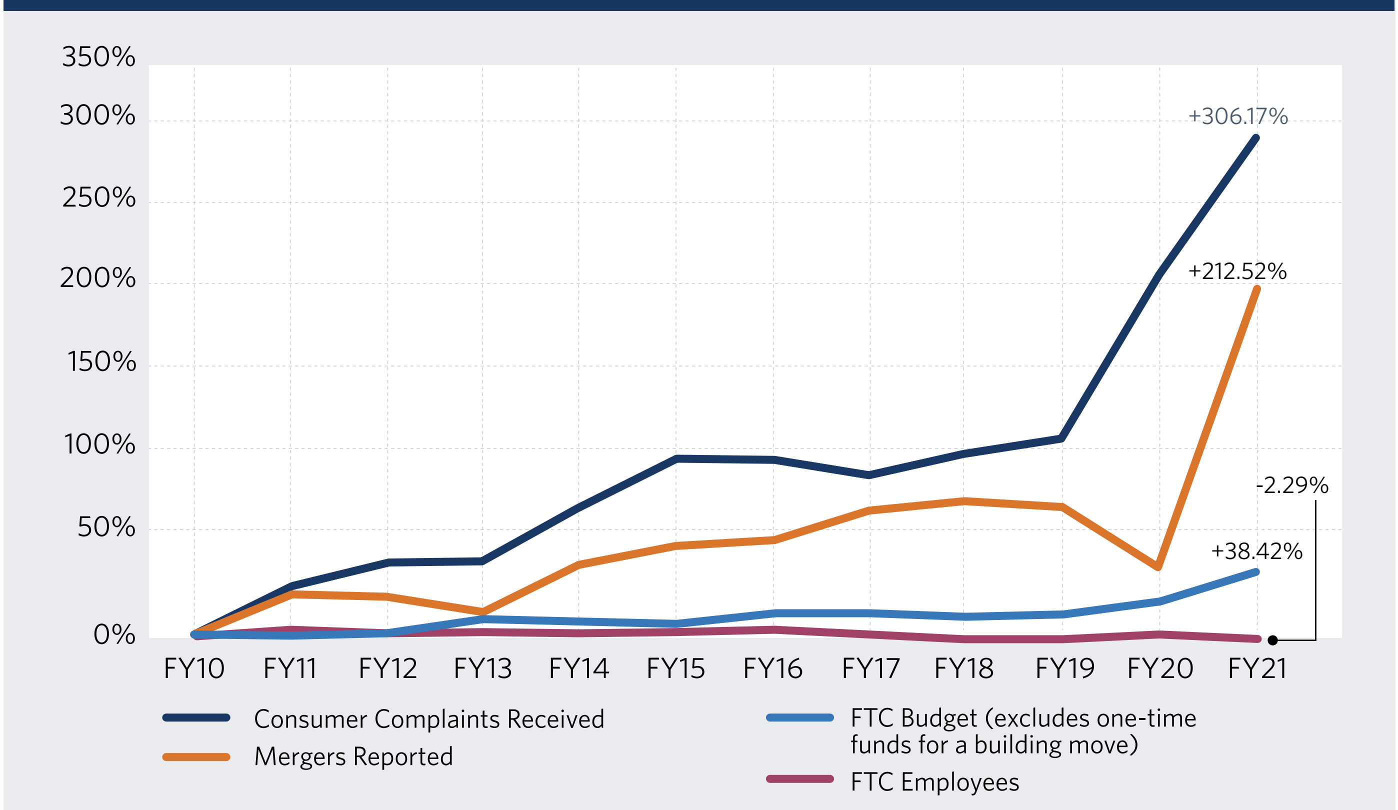


million from fees collected for premerger notification filings under the HSR Antitrust Improvements Act of 1976, $13 million from fees collected for the National Do Not Call Registry, and $2 million from reimbursable work on behalf of other Federal agencies.

Because current year offsetting collections up to the congressionally authorized amount are deducted from gross budget authority and outlays, only 57 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 $218 million, which is less than 1/10 of 1 percent of the total non-defense discretionary spending for FY 2021.

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 39 percent or $107 million change from FY 2010 ($276 million) to FY 2021 ($383 million).The modest increase in the FTC's budget authority over the last decade significantly lags behind the agency's increased responsibilities that result from rising expectations of the American public. For example, consumer complaints to the FTC rose by over 300 percent, and premerger filings rose by over 200 percent, among other measures of the FTC's increased workload in the past decade. In addition, the FTC continues facing profound impacts from the COVID-19 pandemic and resulting challenges during FY 2021. Consumer complaints increased by 26 percent and premerger filings increased by 114 percent in 2021 alone, compared to FY 2020 volumes. In FY 2021 the FTC incurred $4 million of obligations for payroll expenses and management and professional support services in support of agency initiatives to

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



process increased consumer complaints, provide consumer-related education, and address unfair or deceptive acts related to the COVID-19 pandemic.

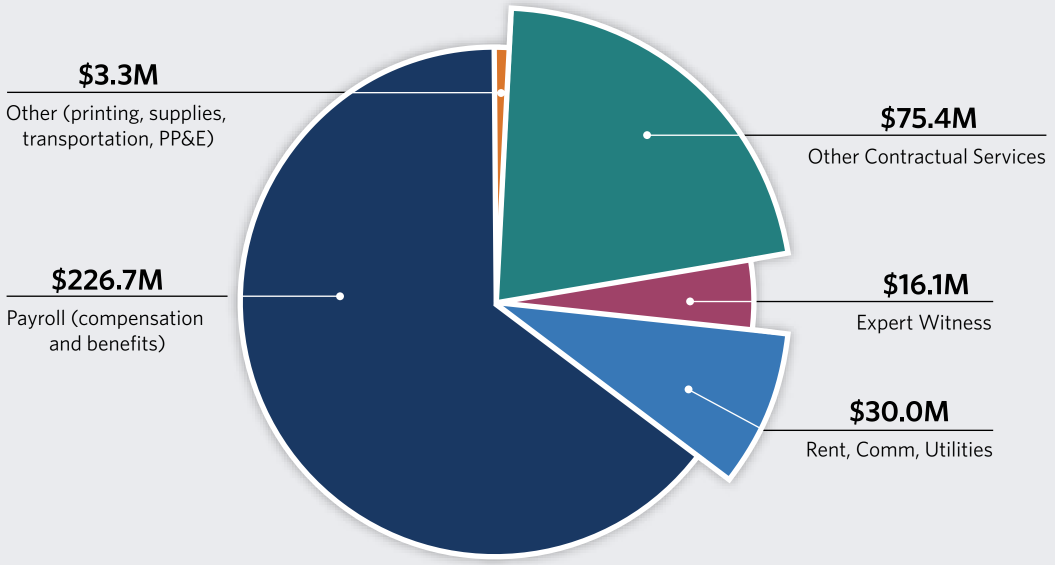
The FTC's increasing costs are also reflected in expert witness costs. The agency is engaged in a larger number of complex investigations and litigation matters that require the services of expert witnesses. In particular, expert witnesses are critical to the successful investigation and litigation of 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. Although spending on expert witness declined in FY 2021 from the previous year, rising costs for critical expert services in litigation matters continue to pose significant challenges on the FTC's limited budgetary resources and the FTC is currently exploring ways to reduce those costs.

Visit the FTC's Data and Visualizations page to view interactive dashboards on data collected from consumer complaints, and the Do Not Call program. Visit Premerger Notification page to learn more about the Premerger Notification Program.

THE FTC'S FY 2021 OBLIGATIONS:

In FY 2021, the FTC received $383 million in new budget authority and authority to obligate $5 million in its unobligated balance brought forward in addition to $5 million in recoveries of prior-year obligations. Pursuant to these authorities, the FTC obligated $351.5 million in FY 2021. This was an increase of $2.1 million, or 0.6 percent, compared to new obligations in FY 2020. The increase in obligations incurred in FY 2021 was mainly attributable to higher payroll costs offset by lower costs for travel, supplies, and utilities as well as lower costs for expert witnesses. Payroll spending has increased by 3.9 percent to $227 million in FY 2021 from $218 million in FY 2020. This is the result of the 1 percent pay raise for FY 2021, and higher cost factors associated with employee benefits. The reduction in travel costs is due to travel restrictions from the COVID-19 pandemic. The decrease in rent and utilities expenses compared to FY 2020 is also a continued impact from the pandemic as the agency's workforce continued the mandatory telework in place since Q3 of FY 2020. Finally, the FTC incurred lower obligations in FY 2021 for expert witness support services compared to FY 2020. While this demonstrates the FTC's efforts to limit costs on expert witness services, the agency continues to face pressure

FY 2021 FTC OBLIGATIONS BY CATEGORY

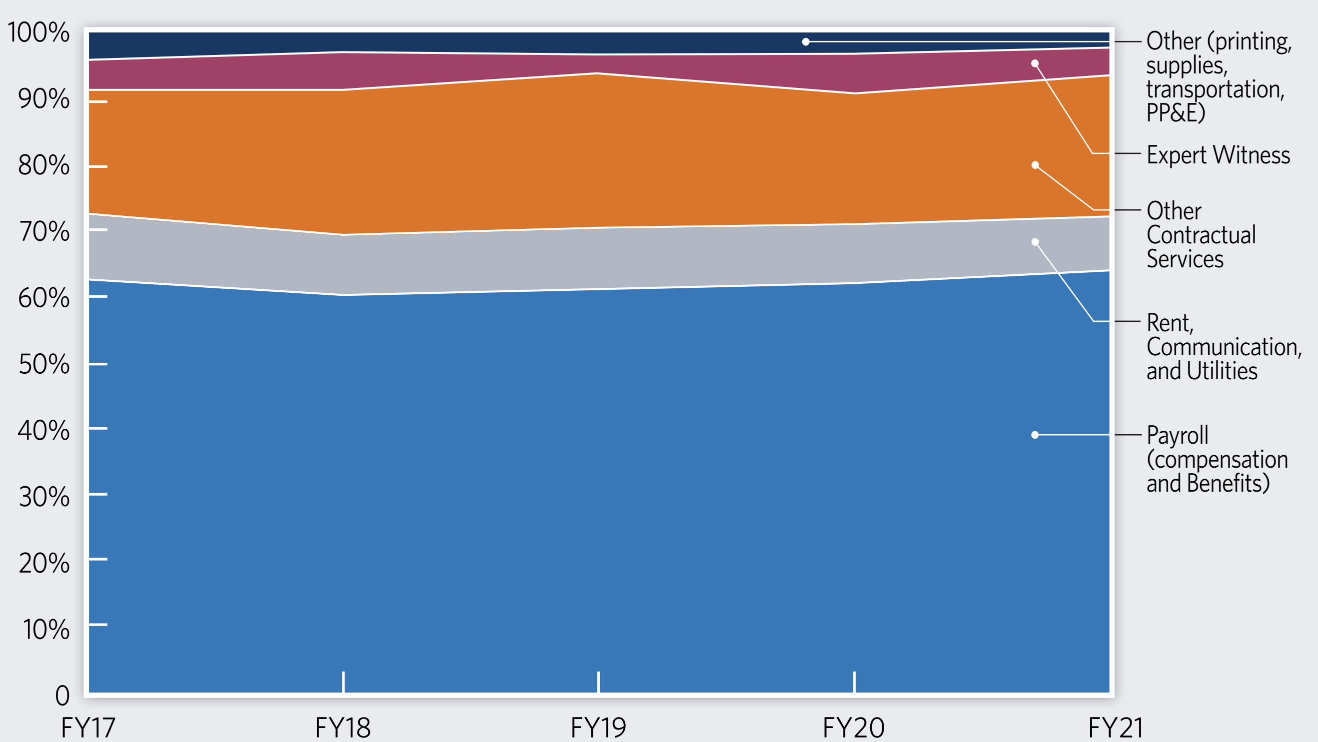


Total obligations incurred during FY 2021: $351.5M from resource constraints as it continues to perform mission-critical work and maintain fair competition in increasingly complex and pervasive technology markets that raise unique antitrust considerations.

Historically the FTC's obligations by category have remained relatively static when expressed as a percentage of all obligations incurred during a particular fiscal year. Between FY 2017 and FY 2021, there were several notable changes.

- Although expert witness costs may fluctuate year over year, the proportion of expert witness obligations relative to all obligations incurred during FY 2021 is in-line with the five-year trend from FY 2017 to FY 2021. During FY 2021, the expert witness obligations balance is 4.6 percent of total obligations while the five-year average of the percentage of expert witness to total obligations is 4.76 percent. Expert witness costs increased from $15.2 million in FY 2017 to $16.1 million in FY 2021. The services of these expert witnesses continue to be critical to the successful investigation and litigation of merger cases and are affected by the number and complexity of investigations and litigation matters in which the agency engages, including merger filings initiated by outside parties.
- Property, Plant, and Equipment obligations decreased from $3.8 million in FY 2017 to $1.1 million in FY 2021, or a decrease from 1.2 percent of total obligations in FY 2017 to 0.03 percent in FY 2021.
- Payroll costs have increased steadily each year over the past five years, starting at $197 million in FY 2017 and growing to $226.7 million in FY 2021, representing an increase of 15 percent over five years. The increase is mostly a result of pay raises and increases in benefits costs.

FTC OBLIGATIONS BY CATEGORY - 5 YEAR TREND



FTC PROFILE ON USA SPENDING:

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 is available for public consumption to ensure taxpayers can see how their money is being used in communities across America.

The below excerpt is taken from the FTC's Agency profile page on usaspending.gov.

Federal Trade Commission

Agency Mission

Protecting consumers and competition by preventing anticompetitive, deceptive and unfair business pratices 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

FINANCIAL MANAGEMENT INDICATORS FOR FY 2021

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)	99.44%
Percentage interest penalties paid to total dollars invoiced	.000074%
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 principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

FINANCIAL SECTION

David Rebich
Chief Financial Officer

I am pleased to present the Agency Financial Report (AFR) for Fiscal Year 2021. The AFR provides a comprehensive view of the FTC's financial activities and demonstrates the FTC's stewardship and management of public funds. The financial statements and corresponding financial analysis, together with the Agency's Performance Highlights, demonstrate how the FTC optimizes its financial resources to protect American consumers and maintain competition in the marketplace.

In FY 2021, the FTC has achieved, for the twenty-fifth consecutive year, an unmodified audit opinion from the independent auditors. We are very proud of this accomplishment. 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:

- No material weaknesses or significant deficiencies in Internal Controls Over Financial Reporting;
- No instances of noncompliance with laws and regulations that are required to be reported under Government Auditing Standards;
- Closed seventeen Corrective Action Plans (CAPs) in FMO, and collaborated within the agency to close an additional fifteen CAPs;
- Continued monitoring Fraud Risk by collecting and analyzing related fraud control data from FTC program areas;
- Continued work to streamline our internal processes to leverage efficiencies with our Shared Service provider, the Department of the Treasury's Administrate Resource Center (ARC) - reduced direct costs to process accounts receivable transactions by over 50 percent;
- Leveraged reporting tools to gain process efficiencies ensuring month end close within two business days compared to the previous five day close process;
- Updated the FTC risk profile to identify and monitor risk associated with the Supreme Court ruling that removed the authority to seek monetary relief for consumers per Section 13(b); and
- Completed a review of all agency performance metrics in preparation for the agency strategic planning process.

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 15, 2021

Office of Inspector General

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

November 12, 2021

MEMORANDUM

FROM: Andrew Katsaros
Inspector General

TO: Lina M. Khan, Chair

SUBJECT: Report on Audit of the FTC's Fiscal Year 2021 and 2020 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 2021 and 2020. We commend the FTC for attaining an unmodified (clean) opinion for the 25th 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, 2021 and 2020, and to provide reports on internal control over financial reporting and compliance with laws and other matters. The contract required the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual.*

In its audit, Brown & Company found that

- the FTC's financial statements as of and for the fiscal years ended September 30, 2021 and 2020, 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 2021 with provisions of applicable laws, regulations, contracts, and grant agreements tested.

Brown & Company is responsible for the attached auditor's report dated November 12, 2021, 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 2021 and 2020 financial statements of the Federal Trade Commission (FTC), we found:

- FTC's financial statements as of and for the fiscal years ended September 30, 2021, and 2020, 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 2021 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 the 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, 2021, and 2020; 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. 21-04, *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 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, 2021, and 2020, 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 the FTC's financial statements, we considered the FTC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the FTC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

FTC 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, 2021, 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 the FTC's internal control over financial reporting. Accordingly, we do not express an opinion on the 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 the 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.

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 the 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 management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the 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 2021 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.

Brown & Company

Greenbelt, Maryland
November 12, 2021

BROWN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

PRINCIPAL FINANCIAL STATEMENTS

FINANCIAL STATEMENT DESCRIPTIONS

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

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

Statement of Net Cost – Presents the annual cost of agency operations. The gross cost less 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, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 617,499	$ 790,507
Accounts receivable, Net (Note 4)	32	69
Advances and prepayments	6	153
Total intragovernmental assets	617,537	790,729
Other than intragovernmental:		
Accounts receivable, Net (Note 4)	51,166	628,049
General property, plant, and equipment, Net (Note 5)	22,262	25,604
Total other than intragovernmental assets	73,428	653,653
Total Assets	$ 690,965	$ 1,444,382
Liabilities (Notes 6 and 7):		
Intragovernmental:		
Accounts payable	$ 1,270	$ 830
Other liabilities (Note 7)	2,753	2,708
Total intragovernmental liabilities	4,023	3,538
Other than intragovernmental:		
Accounts payable	9,610	11,724
Other liabilities:		
Accrued redress due to claimants	51,116	628,026
Undisbursed redress collections (Note 13)	384,821	677,109
Other (Note 7)	28,351	27,272
Total other than Intragovernmental liabilities	473,898	1,344,131
Total Liabilities	477,921	1,347,669
Net position (Note 1(o)):		
Total unexpended appropriations	27,000	-
Total cumulative results of operations	186,044	96,713
Total Net Position	213,044	96,713
Total Liabilities and Net Position	$ 690,965	$ 1,444,382

The accompanying notes are an integral part of these statements.

STATEMENT OF NET COST

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(DOLLARS IN THOUSANDS)

	2021	2020
Strategic Goal 1: Protect Consumers:		
Intragovernmental costs	$ 48,723	$ 50,640
Public costs	144,410	144,239
Gross costs, protect consumers	193,133	194,879
Intragovernmental earned revenue	(268)	(5)
Public earned revenue	(12,936)	(12,470)
Earned revenue, protect consumers	(13,204)	(12,475)
Net Cost, Protect Consumers	179,929	182,404
Strategic Goal 2: Maintain Competition:		
Intragovernmental costs	42,861	43,486
Public costs	127,038	123,863
Gross costs, maintain competition	169,899	167,349
Intragovernmental earned revenue	(918)	(848)
Public earned revenue	(236,655)	(101,580)
Earned revenue, maintain competition	(237,573)	(102,428)
Net Cost, Maintain Competition	(67,674)	64,921
Net Cost of Operation	$ 112,255	$ 247,325

The accompanying notes are an integral part of these statements.

STATEMENT OF CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(DOLLARS IN THOUSANDS)

	2021	2020
Unexpended Appropriations:		
Beginning balance	$ -	$ -
Appropriations received	218,472	216,966
Appropriations used	(191,472)	(216,966)
Change in unexpended appropriations	27,000	-
Total Unexpended Appropriations	27,000	-
Cumulative Results of Operations:		
Beginning balance	$ 96,713	$ 113,716
Appropriations used	191,472	216,966
Imputed financing	10,131	13,373
Other	(17)	(17)
Net cost of operations	(112,255)	(247,325)
Change in Cumulative Results of Operations	89,331	(17,003)
Cumulative Results of Operations	186,044	96,713
Net Position (Note 1(o))	$ 213,044	$ 96,713

The accompanying notes are an integral part of these statements.

STATEMENT OF BUDGETARY RESOURCES

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(DOLLARS IN THOUSANDS)

	2021	2020
Budgetary Resources:		
Unobligated balance, brought forward, October 1	$ 4,969	$ 15,027
Recoveries of unpaid prior year obligations	8,607	7,114
Other changes in unobligated balance	92	125
Unobligated balance from prior year budget authority, net	13,668	22,266
Appropriations	218,472	216,966
Spending authority from offsetting collections	164,761	115,117
Total Budgetary Resources	$ 396,901	$ 354,349
Status of Budgetary Resources:		
New obligations and upward adjustments (total) (Note 10)	$ 351,526	$ 349,380
Unobligated balance, end of year:		
Apportioned, unexpired accounts	41,695	2,742
Unapportioned, unexpired accounts	3,680	2,227
Unexpired unobligated balance, end of year	45,375	4,969
Unobligated balance, end of year (total)	45,375	4,969
Total Budgetary Resources	$ 396,901	$ 354,349
Outlays, Net:		
Outlays, gross	$ 350,082	$ 340,159
Actual offsetting collections	(250,891)	(115,028)
Outlays, net	99,191	225,131
Distributed offsetting receipts	(8,143)	(6,705)
Agency outlays, net	$ 91,048	$ 218,426

The accompanying notes are an integral part of these statements.

STATEMENT OF CUSTODIAL ACTIVITY

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

(DOLLARS IN THOUSANDS)

	Protect Consumers	Maintain Competition	2021	2020
Revenue Activity (Note 12):				
Sources of collections:				
Premerger filing fees (net of refunds)	$ -	$ 16,460	$ 16,460	$ 101,573
Civil penalties and fines	146,197	-	146,197	4,854,148
Consumer redress	7,993	-	7,993	6,969
Other miscellaneous receipts	134	-	134	34
Total cash collections	154,324	16,460	170,784	4,962,724
Accrual adjustments	-	-	-	(236)
Total Custodial Revenue	$ 154,324	$ 16,460	$ 170,784	$ 4,962,488
Disposition of Collections (Note 12):				
Transferred to others:				
Treasury general fund	$ 154,324	$ -	$ 154,324	$ 4,861,151
Department of Justice	-	16,460	16,460	101,573
Amounts yet to be transferred	-	-	-	(236)
Total Disposition of Collections	$ 154,324	$ 16,460	$ 170,784	$ 4,962,488
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 reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the Federal Trade Commission may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. The financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. The accompanying financial statements and notes of the 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 Funds

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.)

Salaries and Expenses (TAS 29 0100): In FY 2021, the FTC received an appropriation under the American Rescue Plan Act (ARPA). ARPA provides funding to cover cost increases as a result of the COVID-19 pandemic of 2020-2021. Funding for the FTC under ARPA includes payroll costs, consumer education, and monitoring of consumer complaints received into the Consumer Sentinel Network. ARPA funds will remain available until the end of fiscal year 2026.

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 13, Consumer Redress Activities.) For reporting purposes, 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): Prior to a systems process change in the first quarter of FY 2021, fees collected for premerger notification filings under the HSR Act were 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). Premerger receipts are now split evenly upon collection between the FTC and the DOJ, eliminating the custodial activity transactions. The Budget Clearing and Suspense account is still used to process refund payments to vendors. (See Note 1(p), Revenues and Other Financing Sources.)

Receipt Accounts

Fines, Penalties, and Forfeitures, Customs, Commerce, and Antitrust Laws (TAS 29 1040): Collections of civil penalties imposed in court actions for violations of antitrust acts and FTC orders are deposited into this account. Penalties imposed but not yet collected are accrued as accounts receivable and recorded in this account. The cash balance in the 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 are recorded in this account. An example is fees collected under the Freedom of Information Act. Furthermore, collections for the consumer redress program for which redress to consumers is not practicable are also recorded in this account. These funds are ultimately disgorged to the U.S. Treasury. The Department of the Treasury automatically transfers all cash balances in this receipt account 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 August 2021). Transactions are recorded on both an accrual and a 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 primary fund to account for salaries and operating expenses. There are limited intra-entity transactions with any other fund (e.g., deposit fund) that require eliminating entries to present consolidated statements. Furthermore, the FTC does not currently have any funds classified as dedicated collections which require separate reporting under FASAB Statement of Federal Financial Accounting Standards (SFFAS) 43, Funds from Dedicated Collections. Accordingly, the proprietary financial 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 accruals for travel and interagency agreements. The FTC 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 2021 Congressional Budget Justification, page 3, "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 direct appropriations and offsetting collections. The FTC accounts for budget authority in its General Fund accounts (29X0100 and 29 0100) 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.

(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 and civil monetary penalties. 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

Fund Balance with Treasury (FBwT) is an asset of a reporting entity and a liability of the General Fund of the U.S. Government. Amounts reported for FBwT represent commitments by the federal government to provide resources to particular programs; however, they do not represent net assets to the government as a whole. When a reporting entity seeks to use FBwT to liquidate budgetary obligations, Treasury will finance the disbursements with current receipts or borrow from the public if a deficit exists. On the FTC's financial statements, FBwT represents the aggregate amount of undisbursed funds in the FTC's general funds, 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 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" as prescribed in SFFAS 1, Accounting for Selected Assets and Liabilities. 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 equipment used by the agency and capital improvements made to buildings leased from the General Services Administration (GSA) by the FTC for office space, as well as software leased and purchased from vendors. The FTC's capitalization policy, *Accounting for Property, Plant, and Equipment*, was updated with an effective date on or after October 1, 2014. PP&E placed in service prior to October 1, 2014, will continue to be accounted for based on the capitalization policy in effect at the time acquired, until fully depreciated or removed from service.

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). Non-entity liabilities represent claims against non-entity assets and include: undisbursed consumer redress collections, accrued redress amounts due to claimants, and the custodial liability for amounts owed to the General Fund of the U.S. Government.

(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. In accordance with FASAB SFFAS 5, Accounting for Liabilities of the Federal Government, the FTC recognizes the liability and associated expense for health and life insurance benefits at the time the employee's services are rendered.

(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 (FICA), 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. In calendar year 2021, the annual contribution limit is $19,500 and employees age 50 and over may contribute an additional $6,500 in catch-up contributions. 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. Contributions made by the FTC and its employees do not cover the full cost of retirement benefits. The FTC recognizes the excess of the true service cost over amounts contributed as an imputed cost to achieve compliance with SFFAS 5. This additional cost is financed by the OPM and has no impact on the budgetary resources of the FTC. Imputed costs are reported as expenses on the Statement of Net Cost with offsetting imputed financing sources reported on the Statement of Changes in Net Position. (See Note 14, 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 14, 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) Net Position

The portion of the FTC's budget authority funded by its no-year direct appropriation is fully expended during the year. Therefore, the remaining unexpended appropriation balance in net position at the end of the fiscal year reflects the unspent ARPA funds.

Cumulative results of operations represent the net results of operations since the agency's inception, the cumulative amount of prior period adjustments, the remaining net book value of capitalized assets, and future funding requirements. (See Statement of Changes in Net Position.)

(p) Revenues and Other Financing Sources

As a component of the Government-wide reporting entity, the FTC is subject to the federal budget process, which involves annual appropriations. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and Government-wide financial reports. In addition to an annual appropriation provided by the Congress, the FTC's activities are financed through exchange revenues it receives from others. Intragovernmental exchange revenues arise from reimbursable transactions with other federal entities. The FTC provides consulting and technical assistance aimed at developing sound competition policies under interagency agreements. Reimbursable revenue is recognized as expenses are incurred.

The majority of the FTC's exchange revenues are from the public, consisting of fees collected for premerger notification filings under the HSR Act and fees collected for the National Do Not Call (DNC) Registry. The HSR Act establishes a waiting period before mergers, acquisitions, or transfers of assets that meet or exceed certain thresholds may be completed. Entities must file premerger notifications with the FTC and the Antitrust Division of the DOJ. HSR fees are split equally between the FTC and the DOJ with fees determined by the values and sizes of involved parties. As mandated by an amendment to the Clayton Act, the FTC revises the jurisdictional threshold requirements annually based on the change in gross national product. The DNC Registry Fee Extension Act of 2007 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. Revenues for both HSR and DNC fees are recognized upon collection.

The reporting entity's budgetary resources reflect past congressional action and enable the entity to incur budgetary obligations, but they do not reflect assets to the federal government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions. After budgetary obligations are incurred, Treasury will make disbursements to liquidate the budgetary obligations and finance those disbursements in the same way it finances all disbursements, which, is to borrow from the public if there is a budget deficit.

(q) Methodology for Assigning Costs and Exchange Revenues

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

NOTE 2—ENTITY AND NON-ENTITY ASSETS

The FTC's entity assets are comprised of undisbursed general funds; accounts receivable; 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 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 consists of amounts held temporarily in a deposit fund pending disbursement to harmed consumers for redress. 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, 2021:

(Dollars in thousands)	2021 Entity	2021 Non-Entity	2021 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 232,678	$ -	$ 232,678
Deposit funds - consumer redress	-	384,821	384,821
Accounts receivable, net	32	-	32
Advances and Prepayments	6	-	6
Total intragovernmental assets	232,716	384,821	617,537
Accounts receivable, net	50	51,116	51,166
Property, plant and equipment, net	22,262	-	22,262
Total Assets	$ 255,028	$ 435,937	$ 690,965

Entity and non-entity assets consisted of the following as of September 30, 2020:

(Dollars in thousands)	2020 Entity	2020 Non-Entity	2020 Total
Intragovernmental:			
Fund balance with Treasury:			
General funds	$ 113,398	$ -	$ 113,398
Deposit funds - consumer redress	-	677,109	677,109
Accounts receivable, net	69	-	69
Advances and Prepayments	153	-	153
Total intragovernmental assets	113,620	677,109	790,729
Accounts receivable, net	23	628,026	628,049
Property, plant and equipment, net	25,604	-	25,604
Total Assets	$ 139,247	$ 1,305,135	$ 1,444,382

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, 2021, and 2020. In terms of the relationship to the budget, the FTC's Fund balance with Treasury 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 unobligated balance includes both available and unavailable balances. The higher unobligated balance available is primarily attributable to the receipt of the ARPA appropriation of $30.4 million in FY 2021. Furthermore, the FTC's direct appropriation has increased by $20 million in FY 2021 from the FY 2020 amount.

The large increase in Unavailable – Excess Offsetting Collections is due to HSR Premerger fees collected during FY 2021 in excess of the congressional authorized amount. Under the FTC statutory authorities, the agency is permitted to retain a specified amount of offsetting collections to use for the necessary expenses of its direct appropriation. For FY 2021, the maximum amount is $150 million and the agency collected $237 million in HSR Premerger filing fees. The volume of Premerger filings has more than doubled from FY 2020, which was severely impacted by the coronavirus pandemic. The unavailable-unapportioned balance is the result of recoveries of prior-year obligations that exceed apportioned amounts. 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.

Fund balance with Treasury consisted of the following as of September 30, 2021 and 2020:

(Dollars in thousands)	2021	2020
Status of Fund Balance with Treasury:		
Unobligated balance:		
Available - apportioned	$ 41,695	$ 2,742
Unavailable - unapportioned	3,680	2,227
Unavailable - excess offsetting collections	112,651	26,004
Unavailable - temporary reduction	6,450	6,450
Total Unobligated balance:	164,476	37,423
Obligated balance not yet disbursed	68,202	75,975
Non-budgetary fund balance with Treasury	384,821	677,109
Total Status of Fund Balance with Treasury	$ 617,499	$ 790,507

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.

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 decrease in gross receivables is primarily due to a vacated 2018 judgment against AbbVie for $493,716 thousand. 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.

Net interest and the related allowance for doubtful accounts balance was recorded as of September 30, 2021. Accumulated unrecognized interest on receivables deemed uncollectible totaled $41,886 thousand and $23,983 thousand as of September 30, 2021, and 2020.

Accounts receivable, net consisted of the following as of September 30, 2021:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2021 Net
Entity Accounts Receivable:			
Intragovernmental	$ 32	$ -	$ 32
With the public	50	-	50
Total entity accounts receivable	82	-	82
Non-Entity Accounts Receivable:			
Consumer redress	2,403,071	(2,351,955)	51,116
Civil penalties	-	-	-
Total non-entity accounts receivable	2,403,071	(2,351,955)	51,116
Total Accounts Receivable	$ 2,403,153	$ (2,351,955)	$ 51,198

Accounts receivable, net consisted of the following as of September 30, 2020:

(Dollars in thousands)	Gross Receivables	Allowance for Uncollectible Accounts	2020 Net
Entity Accounts Receivable:			
Intragovernmental	$ 69	$ -	$ 69
With the public	23	-	23
Total entity accounts receivable	92	-	92
Non-Entity Accounts Receivable:			
Consumer redress	2,977,274	(2,349,248)	628,026
Civil penalties	151	(151)	-
Total non-entity accounts receivable	2,977,425	(2,349,399)	628,026
Total Accounts Receivable	$ 2,977,517	$ (2,349,399)	$ 628,118

NOTE 5—GENERAL PROPERTY, PLANT, AND EQUIPMENT, NET

The following represents the FTC's capital assets and accumulated depreciation as of September 30, 2021, and 2020. No asset impairments were recognized in either year. The net book value of capitalized assets has declined from the previous fiscal year as a result of continual depreciation and amortization expenses. Current year depreciation and amortization expense is $3,803 thousand, as presented in Note 14 "Reconciliation of Net Operating Cost and Net Budgetary Outlays." The capitalized asset value has declined from the prior year as a result of asset disposals. Assets disposed of include WAN circuits, data storage expansions, software, and system enhancements. All assets disposed of have been fully depreciated to a zero net book value. Asset purchases during the last 12 months total $462 thousand, the majority of which is attributable to leasehold improvements in relation to the San Francisco office relocation.

Property, plant, and equipment, net consisted of the following as of September 30, 2021:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 20,361	$ (19,515)	$ 846
Leasehold improvements	15 Years	46,959	(26,360)	20,599
Software	5 Years	18,064	(17,247)	817
Total Property, Plant, and Equipment		$ 85,384	$ (63,122)	$ 22,262

Property, plant, and equipment, net consisted of the following as of September 30, 2020:

Asset Class (Dollars in thousands)	Service Life	Acquisition Value	Accumulated Depreciation/ Amortization	Net Book Value
Equipment	5-20 Years	$ 20,813	$ (19,439)	$ 1,374
Leasehold improvements	15 Years	46,542	(23,459)	23,083
Software	5 Years	20,709	(19,562)	1,147
Total Property, Plant, and Equipment		$ 88,064	$ (62,460)	$ 25,604

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 not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the Congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to use current receipts in the event of a budget surplus or borrow from the public in the event of a budget deficit. These liabilities include unfunded FECA liabilities and accrued annual leave.

Liabilities Not Requiring Budgetary Resources

Liabilities that do not require the use of budgetary resources are covered by monetary assets that are not budgetary resources to the entity (non-entity assets). These include:

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.

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2021:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2021 Total
Intragovernmental Liabilities:			
FECA liability	$ 170	$ -	$ 170
Total Intragovernmental Liabilities	170	-	170
Non-Federal Liabilities:			
Accrued leave	17,294	-	17,294
Actuarial FECA	1,966	-	1,966
Undisbursed redress collections	-	384,821	384,821
Accrued redress due to claimants	-	51,116	51,116
Total Non-Federal Liabilities	19,260	435,937	455,197
Total Unfunded Liabilities	19,430	435,937	455,367
Liabilities Covered by Budgetary Resources			22,554
Total Liabilities			$ 477,921

Liabilities Not Covered by Budgetary Resources consisted of the following as of September 30, 2020:

(Dollars in thousands)	Not Covered by Budgetary Resources	Not Requiring Budgetary Resources	FY 2020 Total
Intragovernmental Liabilities:			
FECA liability	$ 380	$ -	$ 380
Total Intragovernmental Liabilities	380	-	380
Non-Federal Liabilities:			
Accrued leave	16,278	-	16,278
Actuarial FECA	2,442	-	2,442
Undisbursed redress collections	-	677,109	677,109
Accrued redress due to claimants	-	628,026	628,026
Total Non-Federal Liabilities	18,720	1,305,135	1,323,855
Total Unfunded Liabilities	19,100	1,305,135	1,324,235
Liabilities Covered by Budgetary Resources			23,434
Total Liabilities			$ 1,347,669

NOTE 7 – OTHER LIABILITIES

As of September 30, 2021, and 2020, components of amounts reported on the Balance Sheet as Other Intragovernmental Liabilities and Other Liabilities (Other Than Intragovernmental) are presented below. FECA liabilities are long-term in nature and are not funded with budgetary resources while accrued employee benefits and accrued funded payroll and leave are covered by budgetary resources. For Government-wide reporting, the liabilities for Accrued Redress Due to Claimants and Undisbursed Redress Collections are reported as Other Liabilities in the Financial Report of the U.S. Government. Because these liabilities are material to the FTC, they are displayed as separate line-items on the agency's Balance Sheet. (See Note 6, Liabilities Not Covered by Budgetary Resources.)

Other Liabilties consisted of the following as of September 30, 2021 and 2020:

(Dollars in thousands)	2021	2020
Intragovernmental liabilities:		
Accrued employee benefits	$ 2,583	$ 2,328
FECA liability	170	380
Total intragovernmental liabilities	2,753	2,708
Other than intragovernmental liabilities:		
Accrued funded payroll and leave	26,385	24,830
Actuarial FECA	1,966	2,442
Total other than intragovernmental liabilities	28,351	27,272
Total Other Liabilities	$ 31,104	$ 29,980

NOTE 8—LEASES

Leases of government-owned and commercial-owned property are made through and managed by the GSA. 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 seven commercial properties totaling approximately 591 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. In addition, the FTC is committed under short-term operating leases with commercial vendors for parking and telecommunications equipment. Total short-term lease obligations are $1,284 thousand as of September 30, 2021 and these contracts expire in fiscal year 2022 with options to renew. Future minimum lease payments on contracts with remaining terms in excess of one year are presented in the tables below.

Future minimum lease payments due under leases of government-owned property for the fiscal year ended September 30, 2021:

Fiscal Year 2021 (Dollars in thousands)	
2022	$ 8,232
2023	8,084
2024	8,096
2025	8,108
2026	8,121
Thereafter	23,313
Total Future Minimum Lease Payments	$ 63,954

Future minimum lease payments due under leases of commercial-owned property for the fiscal year ended September 30, 2021:

Fiscal Year 2021 (Dollars in thousands)	
2022	$ 15,679
2023	15,790
2024	7,506
2025	2,012
2026	1,687
Thereafter	5,020
Total Future Minimum Lease Payments	$ 47,694

NOTE 9 – 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 10—UNDELIVERED ORDERS AT THE END OF THE PERIOD

In addition to future lease commitments discussed in Note 8, the FTC is committed under obligations for goods and services that have been ordered but not yet received. Aggregate undelivered orders are presented in the table below.

Undelivered obligations consisted of the following as of September 30, 2021 and 2020:

(Dollars in thousands)	2021	2020
Non-Federal Undelivered Orders Unpaid	$ 40,374	$ 47,561
Non-Federal Undelivered Orders Paid	-	-
Total Non-Federal Undelivered Orders	40,374	47,561
Federal Undelivered Orders Unpaid	6,478	5,574
Federal Undelivered Orders Paid	6	153
Total Federal Undelivered Orders	6,484	5,727
Total Undelivered Orders	$ 46,858	$ 53,288

NOTE 11—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 2022 President's Budget, which contains FY 2020 actual results. Detailed information on the FTC is available in the Appendix to the President's Budget under Other Independent Agencies. There are no material differences between amounts reported in the FY 2020 Statement of Budgetary Resources and the FY 2020 actual amounts as reported in the FY 2022 President's Budget; however, the Statement of Budgetary Resources includes Distributed Offsetting Receipts, which are excluded from the President's Budget. The FY 2023 Budget of the United States Government is not available to compare FY 2021 actual amounts to the FY 2021 Statement of Budgetary Resources. The expected availability for this report is February 2022 on the OMB's website.

NOTE 12—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. In FY 2021, the FTC implemented a new collection process for the Premerger filing fees. Collections are now split evenly between the FTC and the DOJ upon receipt. Under the previous method, the FTC collected the full amount and remitted half to the DOJ, which resulted in a custodial liability and custodial transfers. A total of $16 million in Premerger fees were processed on behalf of the DOJ at the start of fiscal year 2021 before the process change was implemented. As of September 30, 2021 and 2020, the FTC collected $236,648 and $101,573 thousand in HSR premerger filing fees. Filings have more than doubled in FY 2021 as the onset of the COVID-19 pandemic severely impacted the prior year's volume.

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. In FY 2021, DISH Network paid a penalty of $122 million for violations of the Telemarketing Sales Rule and Telephone Consumer Protection Act. In FY 2020, the FTC collected $4,850 million from Facebook as part of a settlement agreement related to allegations the company violated a 2012 privacy order by deceiving users about their ability to control personal information. The penalty against Facebook is the largest ever imposed on a company for violating consumers' privacy and ranks among the largest penalties ever assessed by the U.S. government for any violation.

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 $7,993 thousand as of September 30, 2021 and $6,969 thousand as of September 30, 2020.

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 13—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 $453,345 and $130,301 thousand as of September 30, 2021, and 2020.

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, 2021 and 2020:

(Dollars in thousands)	2021	2020
Consumer Redress:		
Fund Balance with Treasury		
Beginning balance	$ 677,109	$ 265,432
Collections	169,050	548,947
Disbursements to claimants and third party administrators for redress, net	(453,345)	(130,301)
Disgorgements to Treasury, net	(7,993)	(6,969)
Total Fund Balance with Treasury, Ending	$ 384,821	$ 677,109
Accounts Receivable, Net		
Beginning balance	$ 628,026	$ 616,306
Net activity	(576,910)	11,720
Total Accounts Receivable, Ending	$ 51,116	$ 628,026

NOTE 14 — RECONCILIATION OF NET OPERATING COST AND NET BUDGETARY OUTLAYS

In accordance with the requirements of SFFAS 7, Accounting for Revenue and Other Financing Sources, as amended by SFFAS 53, Budget and Accrual Reconciliation, the 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, 2021, and 2020. Net cost is calculated on an accrual basis while net outlays consist of the receipt and use of cash from a budgetary basis. This reconciliation assures the integrity of relationships between proprietary and budgetary accounting.

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Year Ended September 30, 2021:

(Dollars in thousands)	FY 2021		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 90,398	$ 21,857	$ 112,255
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(3,803)	(3,803)
Losses on Asset Dispositions	-	-	-
Increase/(Decrease) in Assets	(185)	28	(157)
(Increase)/Decrease in Liabilities	(485)	1,035	550
Imputed Costs	(10,131)	-	(10,131)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(10,801)	(2,740)	(13,541)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	417	44	461
Total Components of Budgetary Outlays Not Part of Net Operating Cost	417	44	461
Other Reconciling Items			
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	-	-
Miscellaneous Receipts	-	(8,127)	(8,127)
Total Other Reconciling Items	-	(8,127)	(8,127)
Net Outlays (Calculated)	$ 80,014	$ 11,034	$ 91,048
Budgetary Agency Outlays, Net - Statement of Budgetary Resources			$ 91,048

Reconciliation of Net Operating Cost and Net Budgetary Outlays for the Year Ended September 30, 2020:

(Dollars in thousands)	FY 2020		
	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 93,273	$ 154,052	$ 247,325
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Depreciation and Amortization	-	(5,587)	(5,587)
Losses on Asset Dispositions	-	(617)	(617)
Increase/(Decrease) in Assets	(68)	16	(52)
(Increase)/Decrease in Liabilities	(642)	(3,695)	(4,337)
Imputed Costs	(13,373)	-	(13,373)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	(14,083)	(9,883)	(23,966)
Components of Budgetary Outlays Not Part of Net Operating Cost			
Purchases of Assets	17	1,738	1,755
Total Components of Budgetary Outlays Not Part of Net Operating Cost	17	1,738	1,755
Other Reconciling Items			
Deposits in Clearing Funds - Pre-Merger Refunds Due	-	315	315
Miscellaneous Receipts	-	(7,003)	(7,003)
Total Other Reconciling Items	-	(6,688)	(6,688)
Net Outlays (Calculated)	$ 79,207	$ 139,219	$ 218,426
Budgetary Agency Outlays, Net - Statement of Budgetary Resources			$ 218,426

NOTE 15 — COVID-19 ACTIVITY

In FY 2021, the FTC received an appropriation of $30,400 thousand through the American Rescue Plan Act (ARPA), signed into law by President Biden on March 11, 2021. This appropriation authorizes funding for the FTC to cover higher costs associated with the COVID-19 pandemic to include: $24,000 thousand for payroll expenses, $4,400 thousand for processing and monitoring of consumer complaints received through the Consumer Sentinel Network, and $2,000 thousand for consumer-related education. In FY 2021 the FTC incurred $4,390 thousand of obligations for payroll expenses and management and professional support services in support of these initiatives to combat the rising costs of the agency due to COVID-19. Funds are available through the end of FY 2026. Summarized financial information is provided below as of the end of FY 2021.

Summarized COVID-19 financial activity for the fiscal years ended September 30, 2021 and 2020:

(Dollars in thousands)	2021	2020
Total Assets	$ 27,000	$ -
Total Liabilities	-	-
Unexpended Appropriations	27,000	-
Net Operating Cost	$ 3,400	$ -
Budgetary Resources	$ 30,400	$ -
Obligations Incurred	4,390	-
Unobligated Balance	26,010	-
Net Outlays	$ 3,400	$ -

OTHER INFORMATION

Summary of the Top Management and Performance 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.[1]

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

Guarding information technology (IT) systems remains a continuing challenge for the FTC. Our FY 2020 Federal Information Security Modernization Act of 2014 (FISMA) evaluation concluded that the FTC's information security program and practices were effective—however, data breaches, ransomware attacks, and other forms of cyber intrusion remain an ever-present concern.

FTC Progress in Addressing the Challenge. The Commission reports that it continues to manage essential supporting IT activities by taking a risk-based, cost-effective approach. It describes improvements that include the augmentation of security services, addressing staffing challenges, mitigating the risk of ransomware and supply chain attacks through updated controls and reporting, and continuing to implement TIC 3.0-compliant services.

2. Seeking Monetary Relief for Consumers

This year's unanimous Supreme Court ruling in *AMG Capital Management, LLC v. Federal Trade Commission,* 593 U. S. __, 141 S. Ct. 1341 (2021), stripped the FTC of its authority, exercised for more than 4 decades, to seek monetary relief for consumers per Section 13(b). For the past few years, the FTC has lobbied Congress to pass legislation affirming the FTC's ability to seek monetary relief in federal court. Without the passage of legislation, the FTC will continue to have challenges in obtaining monetary relief in a significant portion of its cases.

FTC Progress in Addressing the Challenge. Since the Supreme Court issued its decision in AMG, the Commission has described for the OIG how it has taken steps to mitigate the loss of its equitable monetary relief authority under Section 13(b). First, the Commission reports that it continues to provide support and technical assistance to Congress on proposed legislation to restore the Commission's authority to obtain monetary relief under 13(b)—as well as taking other steps to retain maximum ability to return money to harmed consumers. In addition, in several cases filed prior to AMG and pending at the time of the ruling, the Commission reports that it negotiated settlements that included some amount of monetary relief notwithstanding the Commission's loss of its equitable monetary relief authority under Section 13(b). .

3. Controlling Expert Witness Costs

The escalating costs of expert witness services represents a significant and continuing risk to the FTC: between FYs 2014 and 2020, the FTC's costs for expert witness services rose from $7.7 million to $21.3 million. In the FTC's FY 2022 budget request, the agency identified a need to allocate an additional $10,200,000 in FY 2021 for competition-related expert witness needs due to the increased numbers of complex investigations and litigations. This highlights the difficulties that unpredictable case demands present as the FTC decides whether or not to commit initially to the use of FTC resources for expert services.

FTC Progress in Addressing the Challenge. FTC management reports that, during the past year, the Bureau of Competition has performed monthly expert witness cost projections—consistently updating them with data from current, abandoned, and new cases. The FTC also describes how management is leveraging in-house economist resources, when possible, to help reduce the costs associated with contracting for expert witnesses. Finally, as noted in the FTC's FY 2022 budget request, an additional $10,200,000 was allocated in FY 2021 for competition-related expert witness needs.

4. Ensuring Mission Success Following the Expiration of Current Evacuation Orders

In March 2020, the COVID-19 pandemic caused the FTC, along with many federal agencies, to abruptly transform its works environment from primarily in-person to almost entirely remote. Despite the challenges brought on by this sudden shift in the work environment, the FTC was able to continue functioning successfully. In creating this new work environment, the FTC, like other federal agencies, will face the challenge of continually evolving public health conditions, as well as IT-related challenges.

FTC Progress in Addressing the Challenge. FTC management has described how its Pandemic Response Team has ensured the continuity of all operations under changing conditions. In addition, OCIO informs the OIG that it intends to update the agency's Information Resource Management Plan and IT Strategy to ensure that the agency's investments in IT infrastructure can support management's considerations for indefinite operations in a hybrid environment.

5. Understanding Fraudulent Identity Theft Complaints

As first mentioned in our FY 2020 top management and performance challenges report, the FTC faces challenges in addressing an increasing number of potentially fraudulent complaints submitted to IdentityTheft.gov. The FTC has continued to experience a significant increase in the volume of identity theft complaints compared to the same period in 2020. As the number of all complaints in Sentinel rise, so does the number of fraudulent ones; the FTC's challenge is in determining the legitimacy of these identity theft complaints. A high volume of fraudulent complaints could require considerable FTC resources in identifying and implementing countermeasures—and, more broadly, could affect the FTC's data and reputational integrity.

FTC Progress in Addressing the Challenge. The FTC reports that it is continuously analyzing IdentityTheft.gov for patterns in complaints to identify those that are potentially fraudulent. It also indicates that it is taking steps to mitigate the harm, such as disallowing system users from downloading and printing suspect complaints. The FTC describes how it is actively collaborating with the OIG and external law enforcement on investigations of IdentityTheft.gov abuse.

Watch List Item

The OIG also maintains a "watch list," which currently contains one issue that does not meet the threshold of a serious management or performance challenge, but nevertheless warrants the vigilant attention of agency officials.

Managing Records and Sensitive Agency Information

The success of the FTC's consumer protection and competition missions increasingly depends on ingesting and integrating, large volumes of complex data into Commission activities—and protecting the data from misuse. The FTC needs a more consistent application of standard procedures over the collection, organization, and standardization of data.

Agency Status. The FTC reports exploring ways to eliminate organizational silos and implement a unified agency-wide method for managing matters, information, and records. For example, the FTC has informed the OIG that it is considering establishing and implementing an agency-wide matter management work flow and recordkeeping system used to conduct and preserve all information and records in National Archives and Records Administrations-approved formats throughout the lifecycle of each matter.

[1]The entire FY 2021 report is available at https://www.ftc.gov/system/files/documents/reports/final-oig-fy-2021-report-ftcs-top-management-performance-challenges/oig_fy_2021_ftc_top_management_challenges_final_report_9-30-21.pdf

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 the FY 2021 risk assessment for all major payment programs including payroll, procurement, redress payments to consumers, travel, purchase card, premerger filing fee refunds, training, and two miscellaneous payment processes. 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 extent and significance of recent changes in program payment amounts or volume of payments
- 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 performed its FY 2021 quantitative risk assessment which 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 FY 2021 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.

The FTC also reviews potential matches on an on-going basis and incorporates a pre-award check on potential contractors against the Do Not Pay databases to prevent improper payments. 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 which served as the baseline for the FY 2021 risk assessment. In addition, the FTC regularly conducts assessments over the internal controls over payment processes. In 2021, the FTC performed an assessment of the Redress payments to consumers program to assess the effectiveness of controls over the proper authorization, approval, and processing of payments.

For programs with more than $1 million of expenditures, the FTC determined and documented that performing recapture audits were not cost effective. The FTC's analysis had two parts; first the error rates determined during the FY 2015 quantitative risk assessment, and second 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. Recent management assessments of each payment process determined sufficient controls to detect and prevent improper payments were in place and operating effectively. 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.

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 lists 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
16 CFR 1.98(a): 15 U.S.C. 18a(g)(1)	Premerger filing notification violations	1976	January 13, 2021	$ 43,792	BC	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(b): 15 U.S.C. 21(l)	Violations of cease and desist orders	1959	January 13, 2021	$ 23,266	BC	Federal Register Vol.86, January 13, 2021, pages 2539-2541
6 CFR 1.98(c): 15 U.S.C. 45(l)	Unfair or deceptive acts or practices	1973	January 13, 2021	$ 43,792	BC and BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(d): 15 U.S.C. 45(m)(1)(A)	Unfair or deceptive acts or practices	1975	January 13, 2021	$ 43,792	BC and BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(e): 15 U.S.C. 45(m)(1)(B)	Unfair or deceptive acts or practices	1975	January 13, 2021	$ 43,792	BC and BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(f): 15 U.S.C. 50	Failure to file required reports	1914	January 13, 2021	$ 576	BC and BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(g): 15 U.S.C. 65	Failure to file required statements	1918	January 13, 2021	$ 576	BC	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(h): 15 U.S.C. 68d(b)	Failure to maintain required records	1940	January 13, 2021	$ 576	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(i): 15 U.S.C. 69a(e)	Failure to maintain required records	1951	January 13, 2021	$ 576	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541

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
16 CFR 1.98(j): 15 U.S.C. 69f(d)(2)	Failure to maintain required records	1951	January 13, 2021	$ 576	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(k): 42 U.S.C. 6303(a)	Knowing violations	1975	January 13, 2021	$ 474	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(l): 42 U.S.C. 6395(a)	Recycled oil labeling violations	1975	January 13, 2021	$ 23,266	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(l): 42 U.S.C. 6395(b)	Willful violations	1975	January 13, 2021	$ 43,792	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(m): 15 U.S.C. 1681s(a)(2)	Knowing violations	1996	January 13, 2021	$ 4,111	BCP	Federal Register Vol.86, January 13, 2021, pages 2539-2541
16 CFR 1.98(n): 21 U.S.C. 355 note	Non-compliance with filing requirements	2003	January 13, 2021	$ 15,482	BC	Federal Register Vol.86, January 13, 2021, pages 2539-2541
T16 CFR 1.98(o): 42 U.S.C. 17304	Market manipulation or provision of false information to federal agencies	2007	January 13, 2021	$ 1,246,249	BC	Federal Register Vol.86, January 13, 2021, pages 2539-2541

APPENDICES

APPENDIX A: ACRONYMS

Because many of the acronyms in this document are not commonly used, or have multiple meanings, this Appendix is provided as a reference. This is not all-inclusive, and only meant to show how these acronyms are used in the context of this AFR.

Acronym	Definition
AFR	Agency Financial Report
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Administrative Resource Center
ARPA	American Rescue Plan Act of 2021
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
CAP	Corrective Action Plan
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DNC	Do Not Call
DOJ	Department of Justice
DOL	Department of Labor
DQA	Data Quality Appendix
ERM	Enterprise Risk Management
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
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
FEVS	Federal Employee Viewpoint Survey
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FMO	Financial Management Office
FTC	Federal Trade Commission
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GSA	General Services Administration
HSR	Hart-Scott-Rodino Act

Acronym	Definition
IBC	Department of the Interior Business Center
IG	Inspector General
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IT	Information Technology
MCED	Multi-Cancer Early Detection
MOBE	My Online Business Education
NIST	National Institute of Standards and Technology
OCASO	Office of the Chief Administrative Services Officer
OFF	Oracle Federal Financials
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OTA	Online Trading Academy
PMRO	Performance Measure Reporting Official
PP&E	Property, Plant, and Equipment
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SMC	Senior Management Council
TAS	Treasury Account Symbol
TSP	Thrift Savings Plan

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 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

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