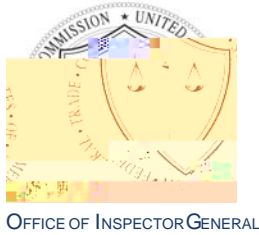




**Federal Trade Commission**  
**SEMIANNUAL REPORT**  
**TO CONGRESS**

**Office of Inspector General**  
April 1, 2010 – September 30, 2010  
**Report No. 44**





UNITED STATES OF AMERICA  
**FEDERAL TRADE COMMISSION**

WASHINGTON, D.C. 20580

## A Message From the Inspector General

On behalf of the Federal Trade Commission Office of Inspector General (OIG), I am pleased to present our Semiannual Report to Congress for the period ended September 30, 2010.

During the semiannual period, we issued an audit of the FTC's travel program and issued Management Challenges for inclusion in the FTC FY 2010 Performance and Accountability Report. Our report can be found at [www.ftc.gov/oig](http://www.ftc.gov/oig).

The OIG processed 44 consumer inquiries and allegations of possible wrongdoing. We opened three new investigations and closed two criminal investigations. We closed 17 complaints during the current reporting period and referred 18 complaints to appropriate FTC programs and two to other federal agencies. Some new complaints are still ongoing.

As in the past, FTC management has been responsive in working with the OIG to resolve all proposed recommendations. I appreciate management's support and look forward to working with management in our ongoing efforts to promote economy and efficiency in agency programs.

John M. Seeba  
Inspector General

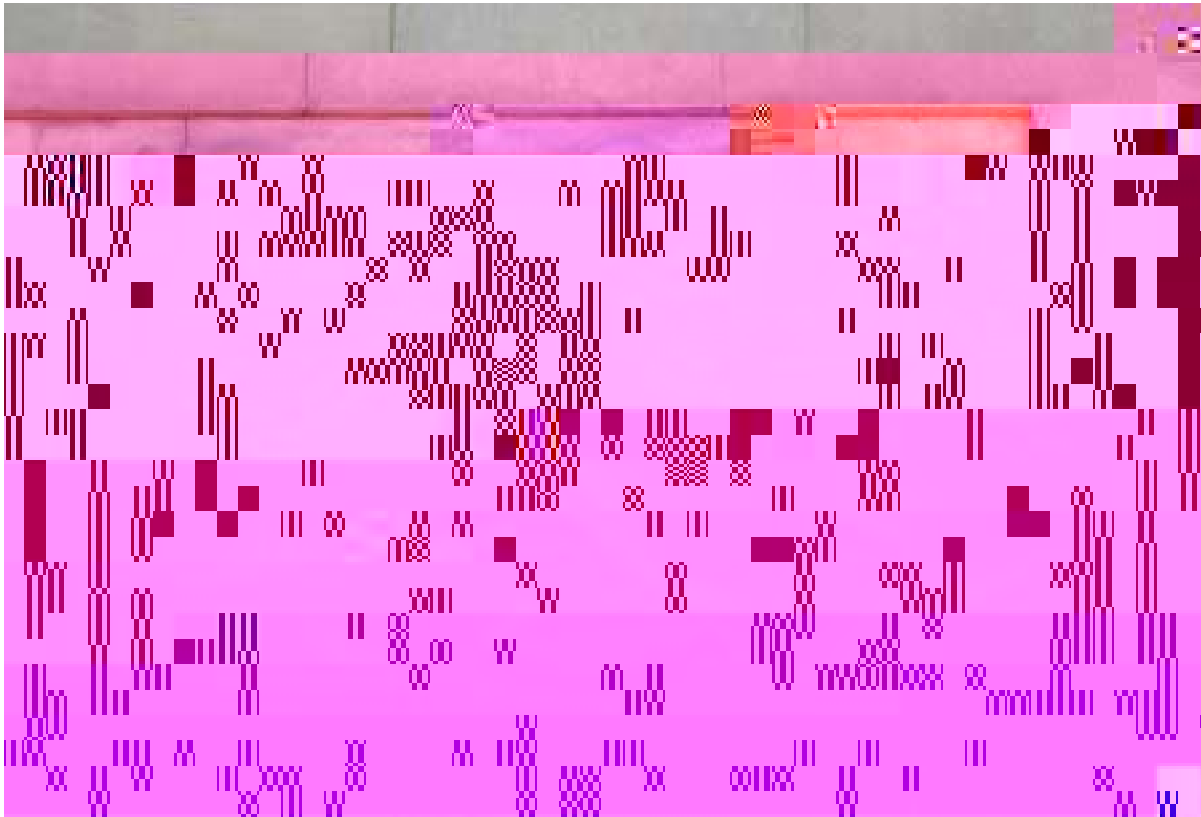


Photo above: The Federal Trade Commission building 600 Pennsylvania ave. NW, Washington DC.

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Above: this relief entitled "Agriculture" was created by artist Concetta Scaravaglione in 1938. It is one of four limestone reliefs above the entrance doors of the Federal Trade commission building 600 Pennsylvania ave. NW, Washington DC.

## Introduction and Definitions

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THE MISSION OF THE OFFICE OF INSPECTOR GENERAL IS TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS BY DETECTING AND PREVENTING WASTE, FRAUD, AND ABUSE.

In compliance with the Inspector General Act Amendments of 1988 (5 U.S.C. app.), the Office of Inspector General (OIG) was established in 1989, as an independent and objective organization within the FTC.

Under the Inspector General Act, the OIG is responsible for conducting audits and investigations relating to the programs and operations of the FTC. Audits are conducted for the purpose of finding and preventing fraud, waste and abuse and to promote economy, efficiency and effectiveness within the agency. OIG investigations seek out facts related to allegations of wrongdoing on the part of FTC employees and individuals or entities having contracts with or obtaining benefits from the agency.

Individuals who wish to file a complaint about the business practices of a particular company or entity, or allegations of identity theft, deceptive advertising practices or consumer fraud should file a complaint with the FTC Bureau of Consumer Protection.

Complaints to the OIG from the public or from an FTC employee can be made anonymously. The identity of an FTC employee who reports waste or wrongdoing to the OIG will be protected from disclosure consistent with provisions of the Inspector General Act. In addition, the Inspector General Act and the Whistleblower Protection Act prohibit reprisals against employees for complaining to or cooperating with the OIG.

The OIG is required by law to prepare a semiannual report summarizing the activities of the Office during the immediately preceding six-month period. The report is sent to the FTC Chairman, the President of the Senate, the Speaker of the House and FTC's appropriating and authorizing committees. The dual reporting requirement facilitates and ensures the independence of the Office. The OIG has a budget of \$1,102,900 for fiscal year 2010.

## WE PERFORM THE FOLLOWING SERVICES:

**ATTESTATIONS** involve examining, reviewing, or applying agreed-upon procedures on a subject matter, or an assertion about a subject matter. Attestations can have a broad range of financial or nonfinancial objectives as the FTC's compliance with laws and regulations, validation of performance against performance measures; or reasonableness of cost.

**PERFORMANCE AUDITS** address the efficiency, effectiveness, and economy of the FTC's programs, activities, and functions; provide information to responsible parties to improve public accountability; facilitate oversight and decision making; and initiate corrective actions as needed.

**FINANCIAL AUDITS** provide an independent assessment of whether financial statements are presented fairly in accordance with generally accepted accounting principles. Reporting on financial audits in accordance with Government Auditing Standards also includes reports on internal control, and compliance with provisions of laws, regulations, and contracts as they relate to financial transactions, systems and processes.

**INVESTIGATIONS** are conducted based on alleged or suspected fraud, waste, abuse or gross mismanagement, employee and contractor misconduct, and criminal and civil violations of law that have an impact on FTC's programs and operations. **OIG** refers matters to the U.S. Department of Justice whenever the **OIG** has reasonable grounds to believe there has been a violation of federal criminal law. **OIG** also identifies fraud indicators and recommends measures to management to improve the agency's ability to protect itself against fraud and other wrongdoing.



## Completed Audits

During this period, we issued an audit report on the Federal Trade Commission travel program.

### AR 10-003 – Audit of the FTC Travel Program

The objective of this audit was to determine if the FTC is properly administering its travel program in accordance with applicable laws and regulations.

The use of federal travel charge cards was mandated by the Travel and Transportation Reform Act of 1998 (TTRA) (P.L. 105-264) in an effort to reduce travel costs and streamline the process of administering agency travel programs. All federal employees must now use federal travel cards for official business travel if they travel 6 or more times per year. Since the enactment of TTRA, the number of travel card transactions at the FTC increased 94% (from 7,594 to 14,722) and dollar volume increased 67% from \$1.2 million in FY 2000 to approximately \$2 million in FY 2009.

Reports by the General Accountability Office and agency Inspectors General, with their disclosures of waste, fraud, and abuse, have prompted congressional hearings and press reports. Audits have found that employees have used their travel cards for personal use and have traveled premium class without proper authorization. Audits have also found that agencies have failed to ensure that they claim reimbursement for unused airline tickets. These reports have raised serious concerns regarding the internal control systems that monitor the use of the more than 2.6 million Government travel cards in circulation.

We found that overall, the FTC had followed the policies and procedures promulgated in the Federal Travel Regulations. We found that the Financial Management Office (FMO) had a system of internal controls in place to minimize the possibility of unauthorized use of the travel card, to correctly reimburse travelers in accordance with the regulations, and to comply with federal regulations limiting premium travel. We did find that some improvements were needed to enhance the controls over the FTC travel program. Management agreed with and has initiated corrective actions in response to the following recommendations.

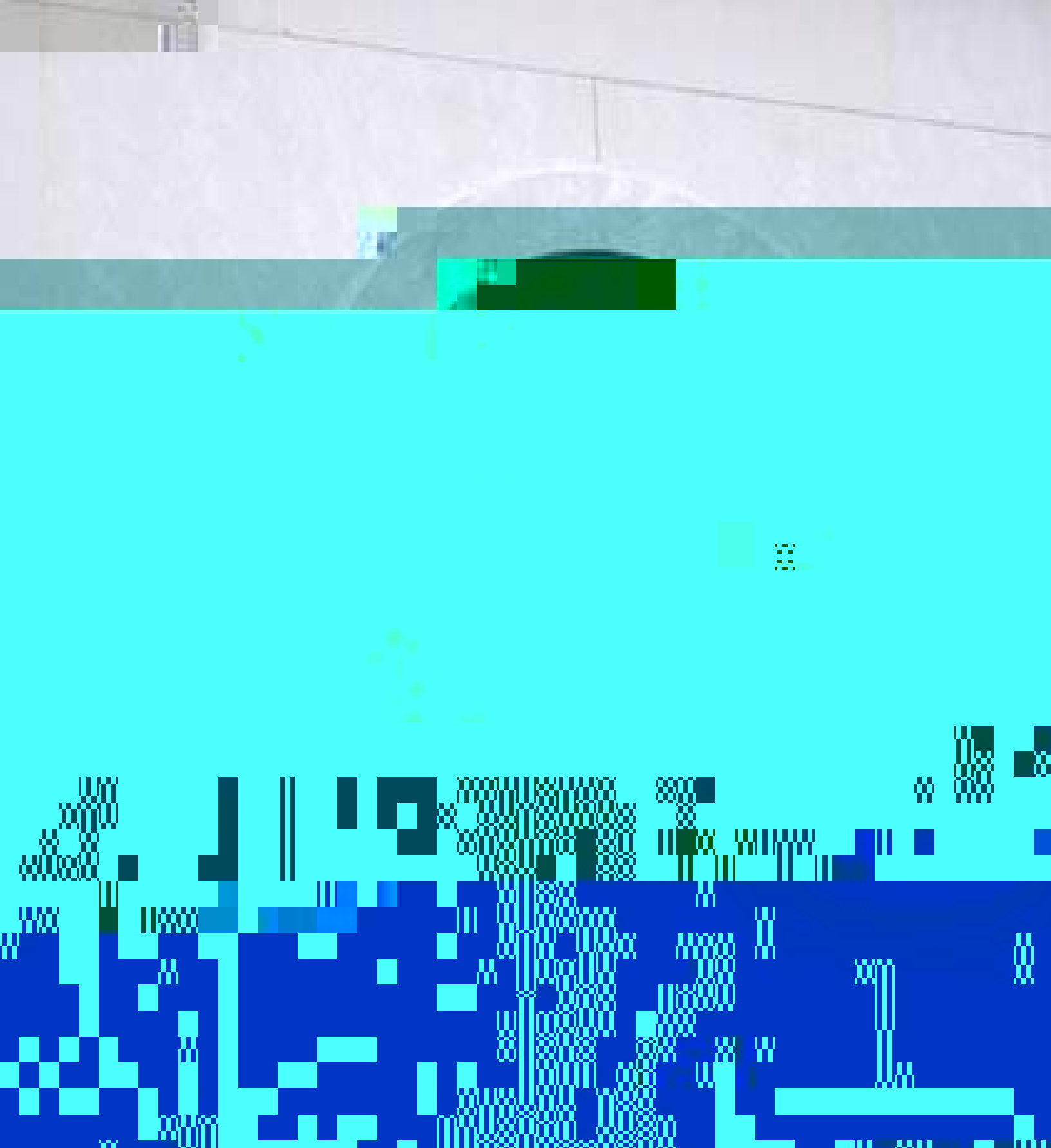
We recommended:

#### 1. Reconciliation of the Central Billing Account

FMO implement a procedure to identify and review the Centrally Billed Account for potentially erroneous outstanding charges.

#### 2. Tracking Reimbursements of non-Federal Sponsored Travel

FMO document all reimbursable expenditures for FTC staff for non-Federal source travel, and coordinate with the Designated Agency Ethics



*Photo above: "American Eagles" One of two limestone reliefs located on the side of The Federal Trade Commission building Created in 1938 by artist Sidney Waugh (1904-1963).*

## External Peer Review of the FTC OIG Audit Operations by the Smithsonian Institution OIG

The most recent external peer review of the FTC Office of Inspector General was conducted by the Smithsonian Institution (SI) OIG, that issued its report dated December 2009. The SI OIG reviewed the system of quality control of the FTC OIG in effect for the two-year period ended March 31, 2009 in accordance with generally accepted government auditing standards (GAGAS) and the guidelines established by the Council of the Inspectors General on Integrity and Efficiency. Under GAGAS, audit organizations that conduct audits or attestations in accordance with those standards must have an appropriate system of quality control and undergo external peer reviews at least once every three years.



## Investigative Activities

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The Inspector General is authorized by the IG Act to receive and investigate allegations of employee misconduct as well as fraud, waste and abuse occurring within FTC programs and operations. Matters of possible wrongdoing are referred to the OIG in the form of allegations or complaints from a variety of sources including FTC employees, other government agencies and the general public. Reported incidents of possible fraud, waste and abuse can give rise to administrative, civil or criminal investigations.

Of the remaining complaints, the OIG opened three new investigations and 17 complaints were closed with no further OIG action. Two of the remaining complaints involved a preliminary OIG inquiry that consumed considerable OIG resources but did not result in a full phase OIG investigation. Two complaints to the OIG were referred to another federal or state agency with appropriate jurisdiction. Two allegations are currently being evaluated to determine whether further OIG action is warranted.

### Investigative Summary

During this reporting period, the OIG received 44 consumer and other inquiries and reports of possible wrongdoing. Of the 44 complaints, 18 involved issues that fall under the jurisdiction of FTC program components (e.g., identity theft, credit repair, etc.). These matters were referred to the appropriate FTC component for disposition.

In addition to the complaints described above, the OIG received more than 200 complaints from individuals who reported fraudulent misuse of the name of the FTC and/or impersonations of the FTC staff as part of a



## Liaison with Other Agencies

During this reporting period, our Lead Investigator continued to assist the prosecution of a matter handled by the Assistant United States Attorney in the Western









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