



OFFICE OF
THE CHAIRMAN

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

December 17, 2003

The President
The White House
Washington D.C. 20500

Dear Mr. President:

I am pleased to report for the period ending September 30, 2003, that the Federal Trade Commission's (FTC) management control and financial systems provided reasonable assurance that the objectives of the Federal Managers Financial Integrity Act (FMFIA) are being achieved. The FTC has no FMFIA material weaknesses or deficiencies to report.

This annual report is based on a variety of information provided from various sources. These include FTC managers, Office of Inspector General (OIG) reports, Chief Information Officer (CIO) reports, consistent unqualified audit opinions on the FTC's financial statements, and related U. S. Department of the Interior's Federal Financial System (FFS) audits. The U.S. Department of the Interior hosts the FTC's financial accounting, payroll, and personnel systems. Further, FTC program officials have attested that their management controls comply with the accountability and control guidance found in Office of Management and Budget (OMB) Circular A-123, and related guidance found in the General Accounting Office's (GAO) November 1999 release of "Standards for Internal Control in the Federal Government".

Internal Control Reviews under Section 2 of the FMFIA -

The audit results, management reviews, and statements provided by agency officials and external financial service providers furnish reasonable assurance under Section 2 of the FMFIA that the FTC's internal accounting and administrative controls generally conform to the principles and standards developed by the Comptroller General of the United States (CG), OMB, JFMIP, and the Department of the Treasury.

The agency's OIG conducted a review of the FTC's computer security program required under the Federal Information Security Management Act of 2002 (FISMA). In this review, the OIG identified two areas related to computer security that he characterized as significant deficiencies. The identified deficiencies were that the "FTC's Systems were not Certified and Accredited" and its "Plan of Action and Milestones (POAM) tracking did not meet OMB requirements." Both weaknesses have been resolved and are in the process of being corrected. Neither our IG nor CIO believes that either of these deficiencies meet the criteria of a material weakness under FMFIA.

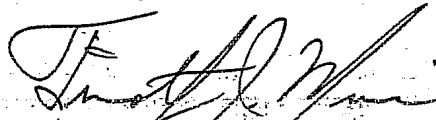
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Accounting System Review under Section 4 of the FMFIA -

The audit results, management reviews, and statements provided by agency officials and external financial service providers, provide reasonable assurance under section 4 of the FMFIA that the FTC's financial systems generally conform to the principles and standards developed by the Comptroller General of the United States (CG), OMB, JFMIP, and the Department of the Treasury. Pursuant to Section 4 of the FMFIA, OIG audits have included selected Commission accounting and financial systems in use over the past fiscal year. Separately, each FTC financial management systems' manager and service provider has attested to the systems under his or her control.

In conclusion, the FTC is managing its programs, policies, organizations structure, and administrative procedures effectively with the goal of better serving its customers at less cost. The FTC internal control review program, OIG audits, and other independent reviews, play a significant role in ensuring effective and responsive agency operations. Our strategic and performance planning efforts further enable us to identify steps to obtain efficiencies.

Sincerely,



Timothy J. Muris
Chairman

Enclosures

Federal Trade Commission FMFIA Statistics

Section Two: Integrity Act Statistics						
Agency	Adequate and effective Management Controls		Pending as of 09/30/02	Newly Reported in 2003	Corrected in 2003	Pending as of 09/30/03
	Yes	No				
FTC	X		1	None	0	1

Section four: Integrity Act Statistics						
Agency	Compliance of Financial management Systems with Government-wide Requirements		Number of Material Non-Conformances			
			Pending as of 09/30/02	Newly Reported in 2003	Corrected in 2003	Pending as of 09/30/03
	Yes	No				
FTC	X		None	None	None	None

**Federal Trade Commission
Statistical Summary of Performance**

Section 2. Internal Control

Material Weakness Statistics

	Number reported for the first time	For that year, number that have been corrected	For that year, number still pending
Prior Years	None	N/A	N/A
2002 Report	None	N/A	N/A
2003 Report	None	N/A	N/A
Total	0	0	0

Of the total number corrected how many were corrected in 2003: N/A

Section 4. Financial Management Systems

Material Non Conformance Issues statistics

	Number reported for the first time	For that year, number that have been corrected	For that year, number still pending
Prior Years	None	N/A	N/A
2003 Report	None	N/A	N/A
Total	None	N/A	N/A

Of the total number corrected, how many were corrected in 2003: N/A