Federal Trade Commission

Performance and Accountability Report
Fiscal Year 2007

About this Report

The Federal Trade Commission's FY 2007 Performance and Accountability Report (PAR) provides the results of the agency's program and financial performance 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 www.ftc.gov/par, includes information that satisfies the reporting requirements contained in the following legislation:

- Federal Managers' Financial Integrity Act of 1982
- Government Performance and Results Act of 1993
- Government Management Reform Act of 1994
- Reports Consolidation Act of 2000
- Accountability of Tax Dollars Act of 2002
- Improper Payments Information Act of 2002

There are three major sections to this report. The first section, Management's Discussion and Analysis (MD&A), provides an overview of the FTC's organization, program, and financial performance centered around the Mission, Strategic Goals, and Objectives. The Performance Section contains a more detailed performance analysis of the FTC's programs relative to its Strategic Goals. The Financial Section provides the financial details, including the independent auditor's report and audited financial statements. The Financial Section also provides the management challenges identified by the Inspector General.

FTC At-A-Glance

History

- The FTC was originally established in 1903 as the Bureau of Corporations. In 1914, President Woodrow Wilson signed the Federal Trade Commission Act into law.

Laws Enforced

- The FTC is a law enforcement agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The agency administers a wide variety of laws and regulations. Some examples are: Federal Trade Commission Act, Telemarketing Sales Rule, Identity Theft Act, Fair Credit Reporting Act, and Clayton Act.

Did You Know?

- Consumers are affected every day by the FTC's activities as they, for example, receive fewer telemarketing calls, obtain free credit reports, receive less spam, receive identity theft victim assistance, access truthful information about health and weight loss products, pay lower prescription drug prices due to the availability of generic drugs, and enjoy competitive prices for goods as a result of merger reviews and actions taken by the FTC.
- The agency manages the National Do Not Call Registry, which gives consumers the opportunity to limit telemarketing calls. Since its launch in 2003, the Registry has logged over 150 million phone numbers.
- Over the past three years, the FTC has saved consumers $1.2 billion in economic injury by stopping illegal practices. FTC's jurisdiction ranges from misleading health claims and deceptive lending to weight loss schemes and business opportunity fraud.
- In Fiscal Year 2007, the FTC took action against mergers likely to harm competition in markets with a total of $42.6 billion in sales. The agency's efforts to maintain aggressive competition among sellers benefits consumers with lower prices, higher quality products and services, additional choice, and greater innovation.
- Consumer Information System, the FTC's fraud and identity theft complaint database, contains over 3.5 million fraud and identity theft complaints and is accessible to more than 1,650 other law enforcement agencies across the United States, Canada, and Australia via an encrypted website.

Profile

- The agency is headquartered in Washington, DC, and operates with seven regions across the U.S.
- Total full-time equivalents at the end of FY 2007 were 1,059.
- Total new budget authority for FY 2007 was $212 million.

Message from the Chairman

Deborah Platt Majoras
Chairman

The FTC's *Performance and Accountability Report* for Fiscal Year 2007 reflects the agency's program performance and financial activities over the past year and demonstrates our continued commitment to championing consumers by promoting competition and consumer welfare in U.S. markets. The accomplishment of our two Strategic Goals, *Protect Consumers* and *Maintain Competition,* is based on four objectives and related strategies for each goal:

- **Identify** illegal practices.
- **Stop** illegal practices through law enforcement.
- **Prevent** consumer injury through education of consumers and businesses.
- **Enhance** consumer welfare through research, reports, advocacy, and international cooperation and exchange.

As an agency with broad jurisdiction, the FTC is often at the forefront of new markets, new technologies, and, unfortunately, new illegal practices. We approach these challenges by applying our strategic framework to promote consumer welfare and competition in U.S. markets. Consumers calling our toll-free phone numbers or filing complaints online alert us to real-time scams and illegal practices entering the marketplace. We use aggressive law enforcement to react quickly and stop ever-changing schemes. Our consumer and business education staff issue alerts immediately to warn the public of emerging schemes, followed by web pages and brochures to make sure that consumers and businesses have good information to protect themselves and prevent further injury. We strive to enhance consumer welfare by working closely and cooperatively with our private, public, domestic, and international partners to research and share information, and advocate our positions on important consumer and competition issues.

In the past year, the FTC has targeted its consumer protection law enforcement and education to such areas as subprime mortgage lending practices, data security, identity theft, spam, spyware, health fraud, and childhood obesity. We have promoted competition and innovation in such areas as the energy, real estate, health care, retail, and technology industries. Sidebars describing the FTC's FY 2007 cases and activities are included in the MD&A and Performance sections of this report.

More information on the FTC's activities and our wealth of consumer and business education materials can be found at our website at www.ftc.gov. In addition, as part of our Hispanic law enforcement and outreach initiative, we have a Spanish version of our web page and have translated over 100 of our education publications. These materials can be found at www.ftc.gov/ojo.

Addressing the broad array of challenges facing the FTC in achieving its strategic goals rests on sound financial management, information technology, data security and privacy, and administrative support services. For example, resources are used to provide technological support to law enforcement and education initiatives, as well as performance-enhancing technologies that facilitate the transparent and accountable management of all resources. The FY 2007 independent financial audit resulted in the FTC's eleventh consecutive unqualified opinion, the highest audit opinion available. The audit of the FTC's financial statements, which includes tests of internal control and compliance with laws and regulations, is conducted in accordance with Government Auditing Standards and the Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements.

The Reports Consolidation Act of 2000 requires an assessment of the completeness and reliability of the program and financial data contained in this report. Based on criteria issued by OMB, I conclude that the data are complete and reliable. In addition, the FTC evaluated its management controls and financial management systems, as required by the Federal Managers' Financial Integrity Act (see page 19).

In FY 2007, we continued to move forward on the challenges previously identified by the Inspector General, and our responses to the specific challenges ahead are discussed in the Other Accompanying Information section. The areas of information technology security, redress administration (returning money from defendants under court orders to wronged consumers), and the protection of personally identifiable information continue to represent important management and performance challenges for the FTC. Agency management concurs with the Inspector General on the significant challenges management faces and on his assessment of the FTC's progress in addressing those challenges. Moving forward, we will continue our efforts to proactively tackle these challenges.

I look forward to working with agency staff, my fellow Commissioners, and our partners in the coming year to continue providing high-quality service to American consumers.

Deborah P. Majoras

Deborah Platt Majoras
November 14, 2007

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Management's Discussion and Analysis

Mission and Organization

The work of the FTC is critical to protecting and strengthening free and open markets and promoting informed consumer choice both in the United States 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.

FTC's Vision

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

FTC's Mission

To prevent business practices that are anticompetitive or deceptive or unfair to consumers; to enhance informed consumer choice and public understanding of the competitive process; and to accomplish these missions without unduly burdening legitimate business activity.

Our Organization

Consumers and businesses are likely to be more familiar with the work of the FTC than they think. In the consumer protection area, the care labels in clothes, product warranties, or stickers showing the energy costs of home appliances illustrate information that is required by the FTC. Likewise, businesses must be familiar with the laws requiring truthful advertising or prohibiting price fixing. These laws also are administered by the FTC.

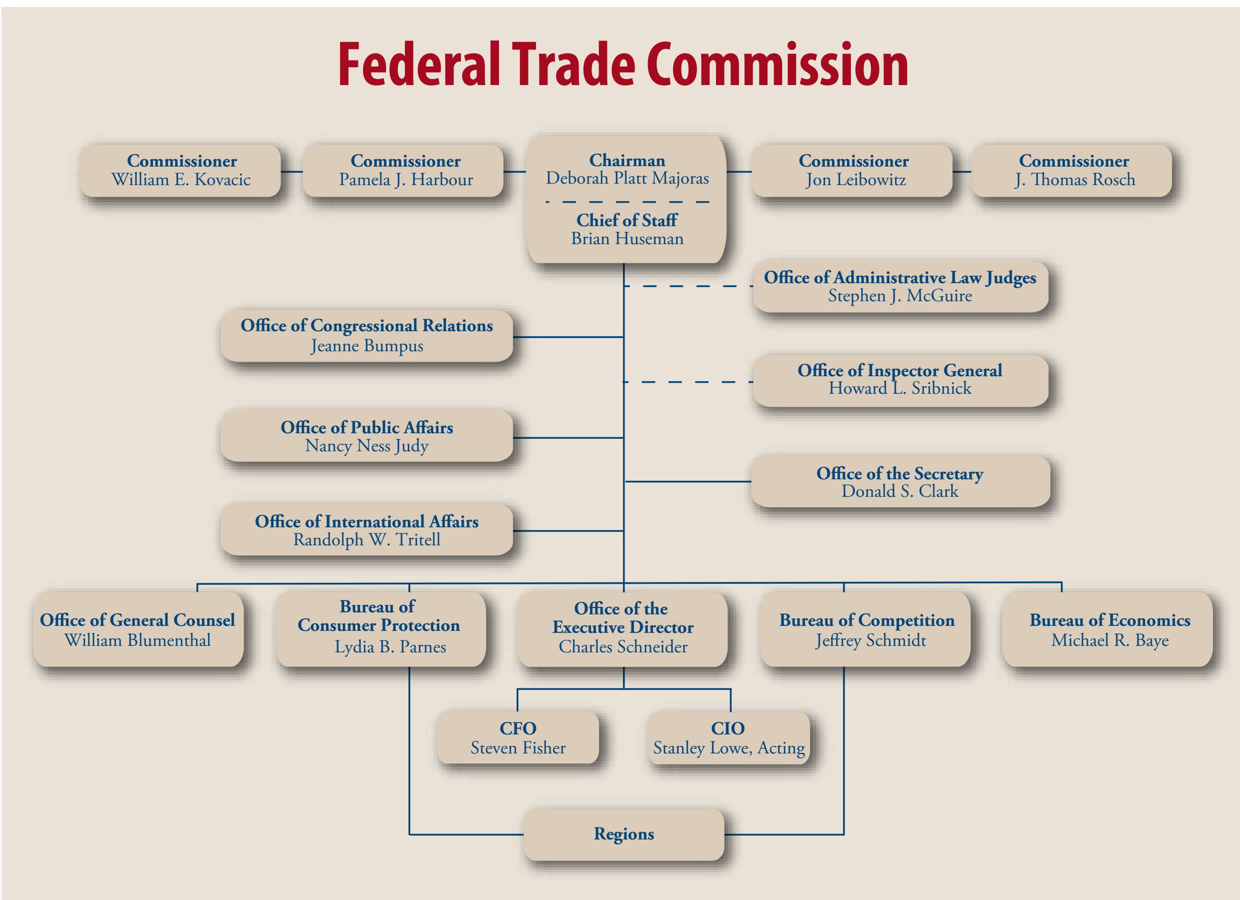
Photograph of the FTC Headquarters Building in Washington, DC. President Franklin D. Roosevelt personally laid the building's cornerstone in 1937. The photograph shows one of a pair of sculptures found outside of the building, entitled "Man Controlling Trade," completed in 1942 by New York sculptor Michael Lantz.

The FTC deals with issues that touch the economic lives of most Americans. In fact, the agency has a long tradition of maintaining a competitive marketplace for both consumers and businesses. When the FTC was created in 1914, its purpose was to prevent unfair methods of competition in commerce as part of the battle to "bust the trusts." Over the years, the Congress passed additional laws giving the agency greater authority over anticompetitive practices. In 1938, the Congress passed a broad prohibition against "unfair and deceptive acts or practices." Since then, the FTC also has been directed to administer a wide variety of other consumer protection laws and regulations, including the Telemarketing Sales Rule, the Identity Theft Act, and the Equal Credit Opportunity Act.

The FTC is an independent agency that reports to the Congress on its actions. These actions include pursuing vigorous and effective law enforcement, advancing consumers' interests by sharing its expertise with federal and state legislatures and U.S. and international government agencies, developing policy and research tools through hearings, workshops, and conferences, and creating practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

The FTC is headed by five Commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one Commissioner to act as Chairman. No more than three Commissioners can be of the same political party. The FTC's mission is carried out by three Bureaus consisting of the Bureau of Consumer Protection, the Bureau of Competition, and the Bureau of Economics. Work is aided by offices, including the Office of General Counsel, the Office of Inspector General, and the Office of the Executive Director, and seven regions.

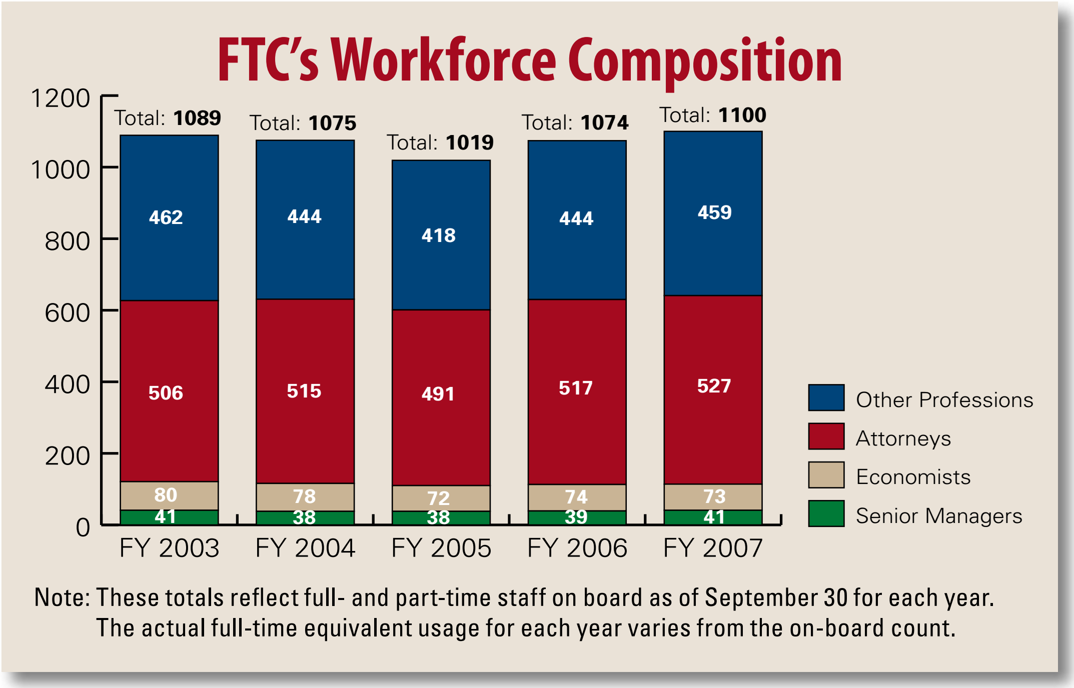
In FY 2007, the Office of International Affairs was created to handle the international aspects of the FTC's work, which include assisting the Bureaus of Competition and Consumer Protection with investigations that involve an international component; representing the FTC at meetings of international organizations (such as the International Competition Network, the International Consumer Protection Enforcement Network, and the Organization for Economic Cooperation and Development); and promoting cooperation and sound policy approaches to international antitrust and consumer protection issues. The chart below shows how the FTC is organized.



The agency is headquartered in Washington, DC, and operates with seven regions across the U.S. The graphic below illustrates the placement of the FTC's regions.

Our People

The FTC's workforce is its greatest asset. The agency's workforce consists of approximately 1,100 civil service employees dedicated to addressing the major concerns of American consumers. The chart below shows workforce composition by category.



Performance Overview

This section explains the FTC's performance planning framework and provides an overview of performance for the year. The Performance Section contains details of program performance results, trend data by fiscal year, resources, strategies, factors affecting performance, and verification and validation of performance data.

Strategic Planning Framework

Performance Measurement Methodology

The FY 2007 strategic planning framework originates from the FTC's FY 2006–2011 Strategic Plan available at www.ftc.gov/strategicplan and is supported by the FTC's Performance Plan available at www.ftc.gov/par.

Strategic Goals	Long-term statements of aim outlined in the Strategic Plan that defines how the agency carries out its mission.
Objectives	Statements of how the FTC plans to achieve the Strategic Goals.
Performance Measures	Indicators used to gauge success reaching Objectives. Key measures are those that address the most significant activities of an Objective.
Targets	Expressions of desired performance levels or specific desired results targeted for a given fiscal year. Targets are expressed in quantifiable terms.

As illustrated on the next page, the FTC's work is structured around two Strategic Goals and eight Objectives. Performance Measures within the eight Objectives are used to gauge each Objective's success.

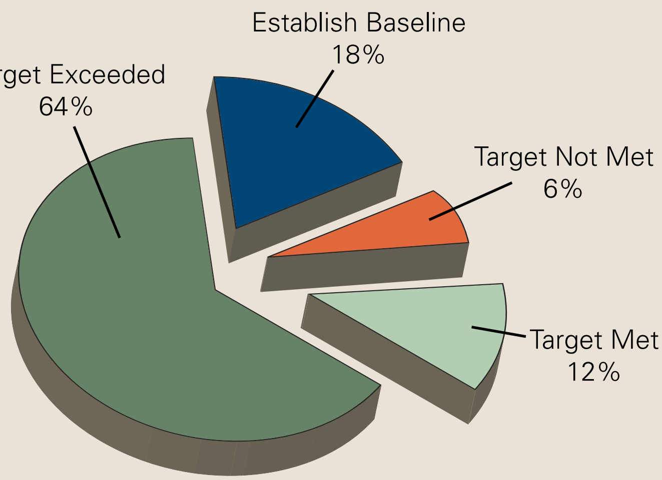
Strategic Goals and Objectives	
Strategic Goals	**Objectives**
Protect Consumers Prevent fraud, deception, and unfair business practices in the marketplace	***Identify*** fraud, deception, and unfair practices that cause the greatest consumer injury
	Stop fraud, deception, unfairness, and other unlawful practices through law enforcement
	Prevent consumer injury through education
	Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange
Maintain Competition Prevent practices through law enforcement anticompetitive mergers and other anticompetitive business practices in the marketplace	***Identify*** anticompetitive mergers and practices that cause the greatest consumer injury
	Stop anticompetitive mergers and business
	Prevent consumer injury through education
	Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange

FY 2007 Performance Summary

The chart below captures Performance Measure results. Of the 34 Performance Measures, 26 were met or exceeded, six were new measures in which data is being collected to establish a baseline for a FY 2008 target, and two were not met (2.2.4 and 2.2.5). Based on these results, the FTC has made significant progress toward reaching its eight Objectives.

Summary of FY 2007 Performance Results

Target Exceeded	22
Target Met	4
Target Not Met	2
Establish Baseline	6
Total Performance Measures	34



Strategic Goal 1: Protect Consumers			
Performance Measure	**FY 07 Target**	**FY 07 Actual**	**5-Year Target**
Objective 1.1 Identify Fraud, Deception, and Unfair Practices That Cause the Greatest Consumer Injury			
1.1.1 Collect and enter complaints and inquiries into the consumer database.	1 million complaints	**1.1 million ✔**	N/A
1.1.3 KEY MEASURE: Determine the percentage of the agency's consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency.	50%	**76% ✔**	N/A
Objective 1.2 Stop Fraud, Deception, Unfairness, and Other Unlawful Practices Through Law Enforcement			
1.2.1 KEY MEASURE: Stop economic injury to consumers each year through law enforcement.	$400 million	**$519 million ✔**	$2 billion ★
1.2.5 Stop fraudulent and deceptive practices by obtaining orders.	130 orders	**137 ✔**	N/A
Objective 1.3 Prevent Consumer Injury Through Education			
1.3.1 Track consumer protection messages accessed online or in print.	45 million messages	**47 million ✔**	N/A
1.3.2 Track consumer protection messages, related to identity theft, accessed online or in print.	8 million messages	**9.6 million ✔**	N/A
1.3.3 Track consumer protection messages, in Spanish, accessed online or in print.	2.2 million messages	**2.2 million ✔**	N/A
1.3.4 KEY MEASURE: Track a) the number of times print media publish articles that refer to the FTC consumer protection activities and b) the circulation of media that publish those articles.	Establish baseline	**a) 3,066** **b) 863 million**	N/A
Objective 1.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange			
1.4.1 KEY MEASURE: Convene or participate substantially in workshops and conferences on novel or challenging consumer protection problems or issues.	6 workshops and conferences	**10 ✔**	30 ★
1.4.2 Issue reports on novel or challenging consumer protection problems or issues.	8 reports	**8 ✔**	40 ★
1.4.3 File public and advocacy comments with other federal and state government agencies.	6 advocacy filings	**7 ✔**	30 ★
✔ Signifies that the target is considered met or exceeded			
★ Signifies that the FTC is on track to meet the 5-year target			
N/A Signifies that the Performance Measure does not have a 5-year target			

continued

Strategic Goal 1: Protect Consumers (continued)			
Performance Measure	**FY 07 Target**	**FY 07 Actual**	**5-Year Target**
1.4.4 Cooperate with foreign government agencies on enforcement matters with cross-border components.	20 foreign government agencies	**23** ✔	100 ★
1.4.5 Provide consumer protection related policy or technical input related to foreign government agencies or international organizations.	20 instances of input	**34** ✔	100 ★

✔ Signifies that the target is considered met or exceeded

★ Signifies that the FTC is on track to meet the 5-year target

N/A Signifies that the Performance Measure does not have a 5-year target

Strategic Goal 2: Maintain Competition			
Performance Measure	**FY 07 Target**	**FY 07 Actual**	**5-Year Target**
Objective 2.1 Identify Anticompetitive Mergers and Practices That Cause the Greatest Consumer Injury			
2.1.1 KEY MEASURE: Achieve positive outcomes in matters in which Hart-Scott-Rodino (HSR) requests for additional information are issued.	At least 90%	**100%** ✔	N/A
2.1.3 KEY MEASURE: Percent of significant nonmerger investigations that result in a positive outcome.	At least 90%	**100%** ✔	N/A
2.1.4 Track the number of enforcement actions for the total mission, for a) the merger and b) nonmerger programs.	Establish baseline	**a) 22** **b) 11**	N/A
2.1.5 Report the number of a) second requests, b) reportable transactions for which premerger notifications were received, c) HSR investigations that resulted in enforcement action, d) transactions in which antitrust issues were resolved through voluntary abandonment or restructuring because of FTC concerns, and e) investigations closed because the evidence indicated that a competitive problem was unlikely.	Establish baseline	**a) 31** **b) 2,108** **c) 20** **d) 5** **e) 11**	N/A
2.1.6 Track the number of significant nonmerger investigations closed each year, a) with enforcement action and b) without enforcement action.	Establish baseline	**a) 11** **b) 17**	N/A

✔ Signifies that the target is considered met or exceeded

★ Signifies that the FTC is on track to meet the 5-year target

N/A Signifies that the Performance Measure does not have a 5-year target

continued

Strategic Goal 2: Maintain Competition (continued)			
Performance Measure	**FY 07 Target**	**FY 07 Actual**	**5-Year Target**
Objective 2.2 Stop Anticompetitive Mergers and Business Practices Through Law Enforcement			
2.2.1 KEY MEASURE: Positive outcome of cases brought by the FTC due to alleged violations.	At least 80%	**100%** ✔	N/A
2.2.2 Achieve savings for consumers through merger enforcement.	$500 million	**$805 million** ✔	$2.5 billion ★
2.2.3 Take action against mergers likely to harm competition in markets with a total of at least $125 billion in sales over a five-year period; $25 billion in sales each year.	$25 million	**$42.6 million** ✔	$125 billion ★
2.2.4 Achieve savings for consumers through nonmerger enforcement.	$80 million	**$75 million**	$400 million ★
2.2.5 Take action against anticompetitive conduct in markets with a total of at least $40 billion in annual sales over a five-year period; $8 billion each year.	$8 billion	**$2.6 billion**	$40 billion ★
2.2.6 Save consumers at least six times the amount of agency resources allocated to the merger program over a five-year period. (Efficiency Measure)	600% (annual)	**2,500%** ✔	600% (cumulative) ★
2.2.7 Save consumers at least four times the amount of agency resources allocated to the nonmerger program over a five-year period. (Efficiency Measure)	400% (annual)	**424%** ✔	400% (cumulative) ★
Objective 2.3 Prevent Consumer Injury Through Education			
2.3.2 Quantify number of hits on antitrust information on the FTC's website.	At least 15 million hits	**15.7 million** ✔	N/A
2.3.5 KEY MEASURE: Track a) the number of times print media publish articles that refer to FTC competition activities and b) the circulation of media that publish those articles.	Establish baseline	**a) 2,982** **b) 635 million**	N/A
Objective 2.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange			
2.4.1 Convene or participate substantially in workshops, conferences, seminars, and hearings involving significant competition-related issues.	At least 4 workshops, conferences, seminars, and hearings	**7** ✔	20 ★
✔ Signifies that the target is considered met or exceeded			
★ Signifies that the FTC is on track to meet the 5-year target			
N/A Signifies that the Performance Measure does not have a 5-year target			

continued

Strategic Goal 2: Maintain Competition (continued)			
Performance Measure	**FY 07 Target**	**FY 07 Actual**	**5-Year Target**
2.4.2 KEY MEASURE: Issue studies, reports, and workings or issue papers on significant competition-related issues.	At least 8 studies, reports, and papers	**18** ✔	40 ★
2.4.3 KEY MEASURE: Make advocacy filings with other federal and state government agencies urging them to assess the competitive ramifications and costs and benefits to consumers of their policies.	At least 6 advocacy filings	**11** ✔	30 ★
2.4.4 Issue advisory opinions to persons seeking agency review of proposed business actions.	At least 2 to 3 opinions	**2** ✔	12 ★
2.4.5 File *amicus* briefs with courts addressing competition-related issues.	At least 2 to 3 briefs	**4** ✔	12 ★
2.4.6 Track the volume of traffic on www.ftc.gov relating to competition, research, reports, advocacy, and internal cooperation and exchange.	At least 1.1 million visitors	**1.1 million** ✔	N/A
2.4.7 KEY MEASURE: Track the a) number of cases on which the FTC cooperated with a foreign competition authority, b) number of consultations with or comments to foreign competition authorities, c) number of written submissions on international fora, d) number of international events attended, and e) number of leadership positions held by FTC staff in international competition organizations.	Establish baseline	**a) 61** **b) 70** **c) 19** **d) 48** **e) 8**	N/A
✔ Signifies that the target is considered met or exceeded			
★ Signifies that the FTC is on track to meet the 5-year target			
N/A Signifies that the Performance Measure does not have a 5-year target			

Management Challenges

The FTC stands prepared to face the challenges of today's marketplace as a champion for consumers and competition. As a law enforcement agency with a broad mandate, many of the FTC's challenges are defined by the conditions of the marketplace, and thus its challenges are ever changing. For example, as consumers and businesses encounter difficulties with identity theft, subprime mortgage lending, spam, anticompetitive business practices in the energy or real estate industry, or health care fraud or practices, the FTC steps forward to protect consumers and maintain competition. Many of the most serious challenges the FTC currently faces are summarized by Strategic Goal below, along with a brief description of the FTC's activities to address the challenges. (Note: these are mission-related challenges as opposed to the management challenges identified by the Inspector General, which are addressed in the Other Accompanying Information section of this report.)

Strategic Goal 1: Protect Consumers: Prevent Fraud, Deception, and Unfair Business Practices in the Marketplace

Improving Data Security. Identity theft exacts a heavy financial and emotional toll from its victims, and the FTC seeks to assist the millions of Americans who are victimized each year. The agency meets this challenge by combating identity theft primarily by bringing law enforcement actions against companies that fail to maintain reasonable safeguards to protect consumer information from identity theft, and educating consumers on how to avoid identity theft. The President's Identity Theft Task Force, co-chaired by Chairman Majoras, has released dozens of new recommendations for combating identity theft. Along with other agencies, the FTC is implementing these recommendations, including improving data security within federal agencies and departments, studying new methods of authenticating consumers' identities, studying the use of social security numbers, and training identity theft counselors and businesses on data security.

Stopping Technology Abuses. Technology provides countless benefits to consumers, including choice, convenience, and increased access to goods, services, and information. It also provides new vehicles for fraudulent, deceptive, and unfair practices in the marketplace. If consumers are not adequately protected, not only can they suffer economic injury, but they can lose confidence in these new technologies. For this reason, the FTC is active in bringing cases against those who abuse technology. Two of the FTC's highest priorities are to stop spyware and other deceptive and unfair practices that make it difficult or dangerous for consumers to operate their computers, and to bring law enforcement actions stopping deceptive or fraudulent spam email.

Protecting Consumers in the Financial Services Marketplace. Agency law enforcement actions target deceptive and other illegal practices involving mortgage lending, with a focus on the subprime market. These practices can have severe consequences for consumers, including unanticipated high-cost mortgages, ruined credit histories, loss of their homes, and unwarranted fears of arrest and incarceration for failure to pay on time. The FTC's challenge is to combat unfair and deceptive practices involving, among other things, mortgages, credit cards, payment cards, debt collection, and student loans.

Stopping Health Fraud and Childhood Obesity. Consumers can fall prey to fraudulent health marketing because they are desperate for help. The FTC takes on the challenges of the deceptive marketing of health products, particularly products making disease prevention or weight loss claims, and products targeted to children. At an FTC workshop on childhood obesity, leading food manufacturers released details of their pledges to voluntarily restrict their advertising to children under 12 and committed to limiting their advertising directed to children to food products that meet certain nutritional criteria or to refrain from advertising to children. Also, the companies committed to restricting their use of third-party licensed characters to products that meet the nutritional criteria and to websites promoting healthy lifestyles.

Beware of Spyware

www.onguardonline.gov/spyware.html

Spyware is software installed on your computer without your consent to monitor or control your computer use. Clues that spyware is on a computer include a barrage of pop-up ads, a browser that takes you to sites you don't want to go to, unexpected toolbars or icons on your computer screen, keys that don't work, random error messages, and sluggish performance when opening programs or saving files. To lower your risk of spyware infections: update your operating system and web browser software, and set your browser security high enough to detect unauthorized downloads; use anti-virus and anti-spyware software, as well as a firewall, and update them all regularly; download free software only from sites you know and trust, enticing free software downloads frequently bundle other software, including spyware; don't click on links inside pop-up windows; and don't click on links in spam that claim to offer anti-spyware software; you may unintentionally be installing spyware.

"Green" Marketing. New "green" claims, such as claims for carbon reduction, landfill reduction, and sustainable packaging, are entering the market daily. These claims can be extremely useful for consumers; however, the complexity of the issues involved creates the potential for confusing, misleading, and fraudulent claims. Given this potential, the FTC is conducting research, developing consumer and business outreach, and pursuing enforcement actions in this area.

Building International Partnerships. The FTC promotes market-oriented consumer protection and privacy policies globally, particularly in areas involving e-commerce and new technologies. Given the challenge of the increasingly cross-border nature of fraud, spam, spyware, and privacy issues, developing international partnerships is critical to the effective enforcement of laws to protect U.S. consumers. The FTC has begun to use the tools provided by the 2006 U.S. SAFE WEB Act to increase the effectiveness of its cross-border cooperation and enforcement.

Improving Data Collection. The FTC continues to target its law enforcement efforts in large part based on the analysis of consumer complaint data that it gathers in the agency's Consumer Information System (CIS) database. CIS enables the agency and its law enforcement partners to detect trends in consumer fraud as they occur. To meet the challenges of collecting and analyzing the increasing volume of consumer complaints, accommodating the added number of users of the CIS system, and meeting the increased demands on access to pertinent data, the FTC is updating the system to ensure that it is easier to navigate, more secure, and more reliable.

Strategic Goal 2: Maintain Competition: Prevent Anticompetitive Mergers and Other Anticompetitive Business Practices in the Marketplace

Preventing and Stopping Anticompetitive Mergers. Many mergers benefit consumers by allowing firms to operate more efficiently. Other mergers, however, may result in higher prices, fewer choices, or lesser quality. The challenge for the FTC is to analyze the likely effects of a merger on consumers and competition—a process that can take thousands of hours of investigation and economic analysis—

and identify those that may be harmful. The FTC has been facing a demanding merger review workload as merger volume has increased more than 50 percent since FY 2004, which can be considered the first representative baseline year after the filing threshold change. Based on current patterns, the high volume of merger work is projected to continue into FY 2008 and beyond. The efforts of the FTC in this area benefit consumers by keeping prices low, and the quality and choice of goods and services high.

Preventing Anticompetitive Activity in Energy Industries. The price of gasoline continues to be a concern for consumers, and is a commensurately high priority for the FTC. The FTC meets this challenge by focusing closely on gasoline markets and moving quickly to address any anticompetitive activity, whether merger or nonmerger activity. Nonmerger activity may include illegal agreements among competitors, agreements between manufacturers and product dealers, creating monopolies, and other anticompetitive activities.

Promoting Competition in Health Care and Prescription Drugs. The rapidly rising cost of health care is a matter of concern for consumers, employers, insurers, and the nation as a whole. Health-related products and services now account for more than 15 percent of gross domestic product, and that share has grown by 25 percent since 1990. Prescription drugs costs alone were projected to be more than $213 billion in 2006 (with the federal government paying more than 30 percent of that amount). Exclusion payment patent settlements, where the branded manufacturer pays the generic to stay off the market, pose a significant threat to competition by depriving consumers of low-cost generic drugs. Recent court decisions, however, have taken a benign view of these harmful agreements. Therefore, in addition to investigating, and challenging where appropriate, patent settlements between brand and generic companies, the FTC is also advocating for legislation to eliminate this problem. The agency also addresses rising prescription drug prices by monitoring pharmaceutical company mergers. In addition, the FTC stops anticompetitive agreements between physicians and hospital service organizations and monitors hospital and other mergers that may raise the cost of health care.

ANTICOMPETITIVE CONDUCT

In FY 2007, the FTC filed complaints against seven real estate associations—in the Bureau of Competition's first ever law enforcement sweep—to stop real estate multiple listing services from limiting competition from discount brokers. This number included five consents and two administrative complaints (one of which was settled by consent, the other of which remains in FTC administrative litigation). The Bureau also brought four other anticompetitive practices cases this year, which resulted in consent orders resolving the charges. These cases included: Advocate Health Partners (physician price fixing), Missouri State Board of Embalmers and Funeral Directors (limiting competition in the sale of caskets), Motor Oil Importers of Puerto Rico (a conspiracy to restrict the import of motor oil), and Colegio Optometras de Puerto Rico (optometrist price fixing).

Preventing and Stopping Anticompetitive Business Practices in the Real Estate Industry. Purchasing or selling a home is one of the most significant financial transactions most consumers will ever make, and anticompetitive industry practices can raise the prices of real estate services. The FTC investigates and challenges anticompetitive actions to preserve competition in the real estate industry, allowing consumers more choice, and ensuring that consumers who choose to use discount real estate brokers will not be handicapped by rules aimed at discouraging discount brokers.

Preventing and Stopping Anticompetitive Business Practices in High Technology. The growing importance of technology is a crucial marketplace challenge that is placing more and more demands on antitrust enforcement. The FTC's antitrust investigations increasingly involve high-technology sectors of the economy, such as computer hardware and pharmaceutical products. Furthermore, issues in antitrust matters increasingly intersect with intellectual property concerns, raising difficult questions about how to reconcile these two bodies of law, both of which have a goal of promoting innovation.

Increasing Consumer Outreach. The FTC is working to meet the challenge of educating consumers on the important role of competition in providing them the most valuable mix of price, choice, and innovation. The FTC staff develops specialized web pages on issues of interest and importance to consumers and industry, such as health care, oil and gas, and real estate; seeks opportunities to speak on competition issues; and submits articles on competition to consumer-oriented publications.

Preventing Misuse of Government Processes. An important part of the FTC's competition agenda includes efforts to identify, investigate, and, where appropriate, prosecute the misuse of government processes. Such misuse can take a variety of forms, including abusing government regulatory processes, making misrepresentations to government agencies, or enforcing intellectual property rights in bad faith. This can harm consumers by, for example, keeping lower-cost generic drugs from the marketplace. The FTC remains vigilant in meeting the challenge of stopping these practices, by seeking out and scrutinizing competitors' misuse of government processes to hamper rivals.

Promoting Sound Competition Policy at the International Level. Because antitrust enforcement increasingly involves cross-border issues, the FTC's work promoting international convergence toward sound policies is vital to meeting the challenge to maintain competition. Although antitrust laws generally support the operation of competitive market economies and antitrust laws and enforcement policies around the world share many goals, some differences among them may increase costs to firms that seek to merge, establish distribution channels, or pursue other business arrangements across borders. The FTC plays a leading role bilaterally and through international organizations to increase the procedural and substantive consistency of antitrust rules and their enforcement. The agency also broadens and deepens its strong cooperation with foreign antitrust agencies on cases and policy issues. In addition, the FTC provides technical assistance to foreign competition agencies, particularly in countries in the process of developing competition laws or enforcing newly adopted laws.

Advocating for Competition Before the Courts and Other Government Agencies. The FTC works to meet the important challenge of eliminating government-imposed impediments to a competitive marketplace by advising other government policymakers to apply sound competition principles as they make decisions affecting consumer welfare. Among its activities, the FTC continues to file comments on proposed government action (legislation, regulation, and other rules) affecting competition across many industries, such as the provision of legal services, real estate brokerage, the direct shipment of wine to consumers, and contractual relationships between product suppliers and distributors.

Management Assurances (on Internal Controls, Financial Systems, and Compliance with Laws and Regulations)

Implementation of the Federal Managers' Financial Integrity Act (FMFIA) at the FTC

The FTC considers internal controls to be an integral part of all systems and processes that the agency utilizes in managing its operations and carrying out activities toward achieving strategic goals and objectives. The FTC holds agency managers accountable for efficiently and effectively performing their duties in compliance with applicable laws and regulations and for maintaining the integrity of their activities through the use of controls.

Previously in FY 2006 the FTC established a Senior Assessment Team (SAT) whose role is to provide strategic direction and oversight over the agency's internal control program, to promote and facilitate compliance with applicable guidance (e.g., Office of Management and Budget (OMB) Circular A-123 "Management's Responsibility for Internal Control," and to communicate the results of reviews to senior management and the head of the agency.

Some of the functions that the SAT performs are developing and documenting an internal control review plan, identifying key processes and related control activities and performing a preliminary risk assessment of such processes, reviewing and assessing the overall control environment, helping to ensure the timely implementation of any corrective actions needed to address identified weaknesses, and establishing guidance for use by program managers in monitoring and assessing management controls within their areas of responsibility.

During FY 2007 the SAT performed the functions above and found that the FTC's overall control environment is strong. Additionally, the SAT updated guidance for program managers' use in completing self assessments relative to the processes and controls within their areas of responsibility. Senior managers throughout the agency completed self assessments that disclosed no significant control weaknesses. The SAT evaluated the results of the managers' assessments and concurred that no material weaknesses or non-conformances were identified. The results of these evaluations and other information, such as independent audits or reviews performed by the Office of Inspector General and 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 Auditing Standards (SAS) 70), internal analyses, and other relevant evaluations and control assessments, were considered by the SAT and the agency head in determining whether there are any management control problems or non-conformances must be disclosed in the annual assurance statement.

The Chairman's assurance statement that follows is supported by the processes and reviews described above, which were carried out in FY 2007.

Chairman's FMFIA Statement of Assurance

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

THE CHAIRMAN

FMFIA STATEMENT OF ASSURANCE

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires each executive agency to establish internal accounting and administrative controls in accordance with standards prescribed by the Comptroller General (CG). The CG standards require that such systems of internal control shall be designed to provide reasonable assurance that:

(i) obligations and costs are in compliance with applicable law;

(ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and

(iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets.

The FMFIA also requires that the head of each agency, on the basis of an evaluation conducted in accordance with OMB and CG guidelines, prepare an annual statement:

that the agency's systems of internal accounting and administrative control fully comply with the requirements described above; or

that such systems do not fully comply with such requirements.

The FTC conducted an evaluation of its systems of internal accounting and administrative control in accordance with OMB and CG guidelines, which included assessing the effectiveness of the entity's internal controls to support effective and efficient programmatic operations. Based on the results of our evaluation, I am able to provide reasonable assurance that the agency's systems of internal accounting and administrative control fully comply with the CG requirements above and meet the control objective to support effective and efficient programmatic operations.

Section 2 of the FMFIA requires that, in the event material weaknesses in the agency's systems of internal accounting and administrative control are identified, the agency head shall report the plans and schedule for correcting any such weakness. I am pleased to state that the FTC has no material weaknesses to report.

Section 4 of the FMFIA requires that I include in this statement, a separate report on whether the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General. Based on our evaluation of the entity's internal controls and independent reviews of the FTC's accounting system (that is operated and maintained by the Department of Interior National Business Center), the FTC's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller.

Signed Deborah P. Majoras
Deborah Platt Majoras
November 14, 2007

Summary of Material Weaknesses and Non-Conformances

As noted in the Chairman's statement, the FTC has no material weaknesses or non-conformances to report for FY 2007. Additionally, for the past three years, no new material weaknesses or significant non-conformances were identified nor were there any existing unresolved weaknesses requiring corrective action.

Federal Information Security Management Act (FISMA)

The FTC continues to stay vigilant in ensuring that there are no material weaknesses in administrative controls over information systems and is always seeking methods of improving its secure configuration. The OIG completed its review of the FTC's implementation of the FISMA for FY 2007, and in his semi-annual report to Congress, the Inspector General reported that "the FTC security environment is strong and robust and continues to evolve to expand its coverage and to address changing threats and requirements." As part of the agency's effort to meet or exceed the requirements of FISMA, 100 percent of agency systems have undergone certification and accreditation and the FTC's certification and accreditation policy conforms with the standards established by the National Institute of Standards and Technology (NIST). Additionally, the Information Technology Management Office is presently updating its security policies and procedures as an integrated effort relative to the agency's comprehensive review of privacy matters led by the Privacy Steering Committee.

Improper Payments Information Act

The Improper Payments Information Act (Public Law No. 107-300) defined requirements to reduce improper/erroneous payments made by the federal government. The Office of Management and Budget (OMB) also has established specific reporting requirements for agencies with programs that possess a significant risk of erroneous payments and for reporting on the results of recovery auditing activities. A significant erroneous payment as defined by OMB guidance is an annual erroneous payment in a program that exceeds both 2.5 percent of the program payments and $10 million.

The agency reviews controls and systems under the FMFIA to ensure that the agency has controls that can be relied on. In this review, the agency has not identified any programs where significant erroneous payments have occurred within the agency. The agency will continue to review programs on an annual basis to determine if any significant erroneous payments exist.

Debt Collection Improvement Act

The Debt Collection Improvement Act prescribes standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions and referrals to the proper agency for litigation. Although the Act has no material effect on the FTC since it operates with minimal delinquent debt, all debt more than 180 days old has been transferred to the U.S. Department of the Treasury for cross-servicing. In addition, recurring payments were processed by electronic funds transfer (EFT) in accordance with the EFT provisions of the Debt Collection Improvement Act of 1996.

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 fiscal year 2007, the FTC paid interest penalties on 67 invoices, or about 1 percent, of the 6,373 vendor invoices processed, representing payments of approximately $47,295,000. The FTC paid only $1 in interest penalties for every $23,014 disbursed in FY 2007.

Agency Financial Management Systems Plans

In FY 2004, the FTC developed a Financial Management Systems Five-Year Strategic Plan for the period 2004–2008. This plan called for modernizing the aging financial systems that support FTC operations. The most significant and challenging goal set forth in the plan was: "By 2008, the FTC will have a state-of-the-art, integrated core financial management system that encompasses accounting, budget, acquisitions, and Performance Measurement requirements." During FY 2007, the FTC initiated and completed all of the necessary groundwork to make this goal a reality. As a result, in October 2007 the FTC, working in partnership with the Department of Interior's National Business Center, successfully transitioned from a legacy core financial system to a state-of-the-art, integrated core financial system that encompasses accounting, budget, acquisitions, and performance measurement requirements.

The Financial Management Office led the agency-wide effort and in FY 2007 established: a project management office, a formal project governance structure that was endorsed by senior management, and a multi-year implementation plan. The core financial system that went live in October supports processing all transaction types from general ledger, accounts receivable, collections, budget (funding and execution), acquisition related (e.g. requisitions and purchase orders), and payments, and has the ability to capture non-financial data for linking performance and financial information. The new system is based on commercial off-the-shelf software that was approved by the Financial Systems Integration Office for its capability to satisfy mandatory financial system requirements. In FY 2008 and beyond, the FTC will continue its phased implementation approach and will leverage functionality offered by the new financial system. For example, future plans call for integrating more robust project and cost accounting functionality, property management, and budget formulation and personnel and payroll support using an Enterprise Resource Planning system approach.

Financial Highlights

Introduction

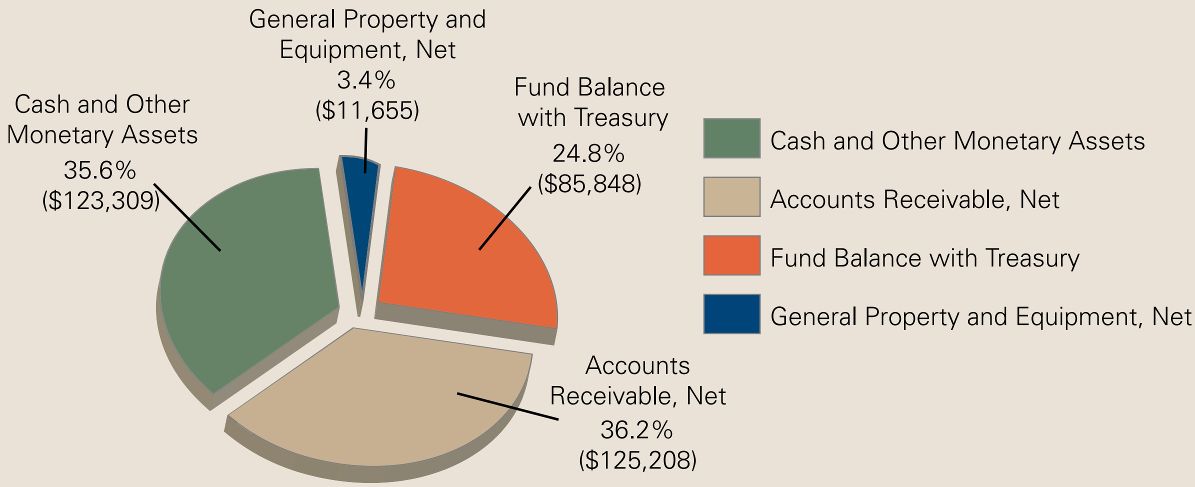
The financial highlights presented below are an analysis of the information that appears in the FTC's FY 2007 financial statements. The agency's financial statements, which appear in the Financial Section of this report, are audited by the Office of Inspector General. FTC management is responsible for the fair presentation of information contained in the principal financial statements. The financial statements and financial data presented below have been prepared from the agency's accounting records in accordance with Generally Accepted Accounting Principles (GAAP). GAAP for federal agencies are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). For the eleventh straight year, the FTC is proud to have received an unqualified (clean) opinion on our audited financial statements.

Note that the agency currently tracks cost at the strategic goal level, but the longer term objective is to capture cost at the objective level. The implementation of a new financial management system lays the groundwork for doing this, as future phases will have objective costing capability.

Overview of Financial Position (Balance Sheet Analysis)

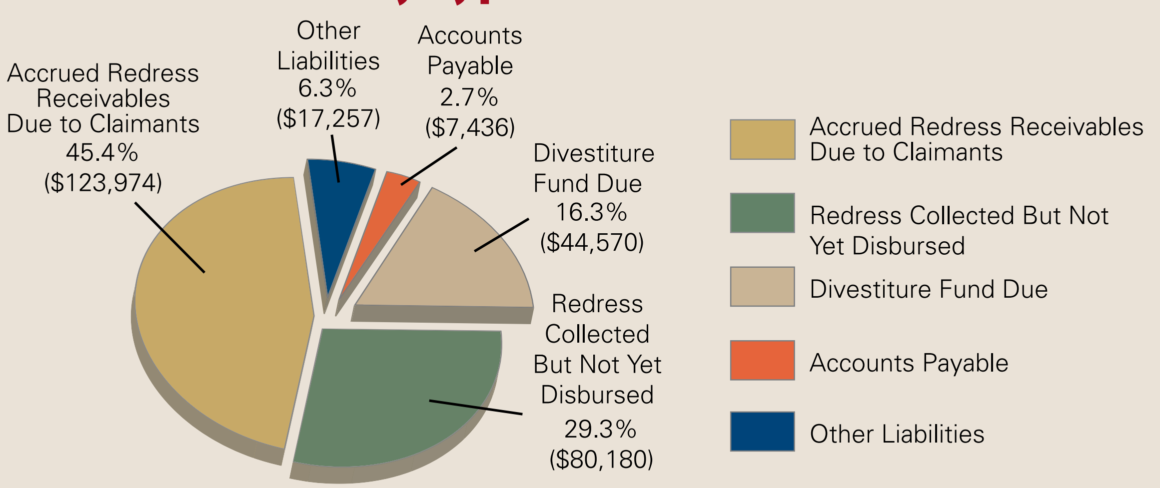
Assets. The FTC's Balance Sheet shows total assets of $346.0 million at the end of FY 2007. This is an increase of $23.9 million or 7.4 percent over FY 2006 total assets of $322.1 million. This increase is primarily due to increases in Fund Balance with Treasury of $15.7 million and Cash and Other Monetary Assets of $22.8 million, offset by decreases in Accounts Receivable and Property, Plant, and Equipment of $14.7 million. The increase in Fund Balance with Treasury is due to a 44 percent increase in receipt of Hart-Scott-Rodino (HSR) premerger filing fees. This increase reflects a higher overall volume of merger review activity, as opposed to an increase in fees. The increase in Cash and Other Monetary Assets primarily results from a $22 million (37 percent) increase in the amount of funds collected by the redress program agents under the agency's Consumer Protection strategic goal. The composition of the agency's assets is as follows:

Assets by Type *(Dollars Shown in Thousands)*



Liabilities. The agency's total liabilities at the end of FY 2007 were $273.4 million, increasing slightly at $442 thousand over the prior year's total liabilities of $273.0 million. Accrued Redress Receivables Due to Claimants and Redress Collected But Not Yet Disbursed represent 74.7 percent of all liabilities in FY 2007 versus 70.0 percent in FY 2006. These two liabilities are where the FTC obtains consumer redress in connection with settlement or litigation of both its administrative and its federal court cases. The liability for Divestiture Fund Due represents the contra account for the divestiture fund held by one of the FTC's redress agents until distribution of the funds are ordered per terms of the court case agreement.

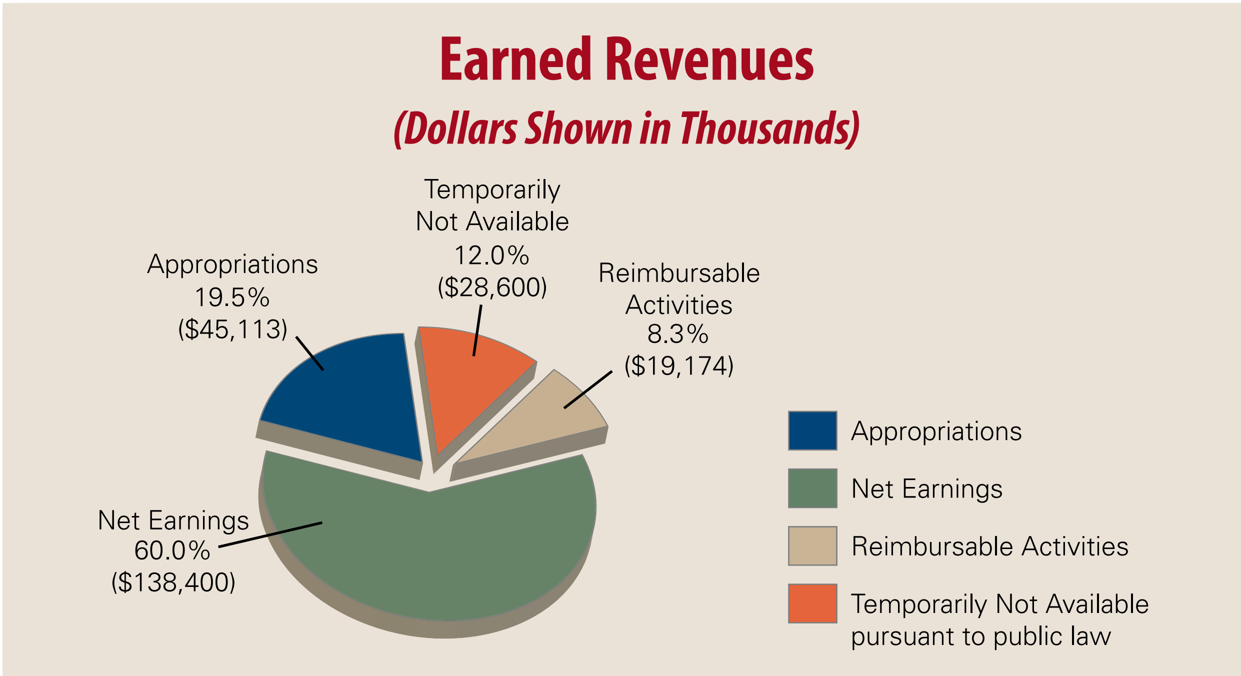
Liabilities by Type *(Dollars Shown in Thousands)*



Net Position. Net Position is the sum of Unexpended Appropriations and the Cumulative Results of Operations. At the end of FY 2007, the agency's Net Position on the Balance Sheet and the Statement of Changes in Net Position is $72.6 million, increasing 47.8 percent over the FY 2006 ending Net Position of $49.1 million due to the growth in the Cumulative Results of Operations. The increase of $24 million in Cumulative Results of Operations resulted from (1) a $16 million decrease in the Net Cost of Operations and a net reduction in Appropriations Used of $4 million for a net increase of $12 million and (2) a FY 2006 rescission of $12 million.

Results of Operations and Summary of Budgetary Resources

The Statement of Budgetary Resources provides information on budgetary resources made available to the agency for FY 2007 and the status of these resources at the end of the fiscal year. For FY 2007, total Budgetary Resources apportioned and available were about $224 million (including unobligated balances brought forward). This represents an increase of about 5 percent over the Total Budgetary Resources of $213.7 million in FY 2006. Earned Revenue of $167.0 million includes $28.6 million that is temporarily not available (per Public Law No. 110-5) to the agency as a budgetary resource. The remaining $138.4 million in earned revenues that were available in FY 2007 comprises 60 percent of the 2007 budgetary resources. The remaining 40 percent consists of appropriations from the general fund.



Limitations of Financial Statements

FTC management has prepared its FY 2007 financial statements from the books and records of the agency in accordance with the requirements of OMB Circular A-136, Financial Reporting Requirements, as amended. The financial statements represent the financial position and results of operations of the agency pursuant to the requirements of Chapter 31 of the U.S. Code section 3515(b). While these statements have been prepared from the agency's books in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. One implication is that unfunded liabilities cannot be liquidated without legislation that provides resources to do so.

End of Fiscal Year Balances
Comparison of FY 2007 and FY 2006

	% Change 2007 over 2006	FY 2007	FY 2006
CONDENSED BALANCE SHEET			
Accounts Receivable, Net	–9%	$125,208	$137,023
Cash and Other Monetary Assets	23%	123,309	100,548
Fund Balance with Treasury	16%	85,848	70,139
General Property & Equipment, Net	19%	11,655	14,400
Total Assets	7%	$346,020	$322,110
Redress Receivables Accrued Due to Claimants	–5%	$123,974	$130,513
Undisbursed Redress	35%	80,180	59,267
Divestiture Fund Due	4%	44,570	43,054
Accounts Payable and Other	–38%	24,693	40,141
Total Liabilities	0.00%	$273,417	$272,975
Unexpended Appropriations	–100%	—	14
Cumulative Results of Operations—Other Funds	48%	72,603	49,121
Total Net Position	48%	72,603	49,135
Total Liabilities and Net Position	13%	$364,020	$322,110
FOR THE YEAR			
Gross Cost	8%	$224,578	$207,705
Less: Earned Revenue	8%	166,960	133,444
Net Program Costs	–22%	$ 57,618	$ 74,261

Financial Management Indicators for FY 2007

Debt Transferred to Treasury	100%
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 on a net basis.)	0% Unreconciled
Invoice Payments	
Percentage Interest Penalties Paid to Invoices Processed	0.004%
On-Time Payments	99%
Credit Cards*	
Travel Card Delinquency Rates – Centrally Billed Accounts	0%
Purchase Card Delinquency Rate	0%

*The Office of Management and Budget threshold for delinquency is 61 days.

Performance Section

Introduction to Performance

This section contains program performance results details, a discussion of strategies and factors affecting performance, trend data, resources, verification and validation of performance data, and summaries of program evaluations.

In FY 2006, the FTC revised its Strategic Plan for the years 2006–2011. This effort encompassed updating the agency's performance framework to better define and measure its activities. As part of the update, a fourth Objective and associated Performance Measures were added to each of the Strategic Goals. Since FY 2007 is the first year these changes were applied, the majority of the FTC's Performance Measures have no trend data. This is indicated as "N/A" in the performance tables that follow. Likewise, some Performance Measure targets are to establish a baseline and will be evaluated or set based on first year results. Appendix A compares the FY 2007 Performance Measurement framework with the FY 2006 framework and shows the measures listed sequentially.

Relationship of Outputs to Outcomes

The goals of the FTC are to protect consumers and maintain and promote competition in the marketplace. The FTC has a number of desired outcomes of these goals including: (1) stopping fraud and anticompetitive mergers or conduct through strategic law enforcement actions; (2) educating consumers and businesses of their rights and responsibilities; and (3) influencing policymakers, legislators, and the judiciary to issue and interpret policies and laws that are pro-consumer and pro-competitive. It is difficult, if not impossible, to precisely measure the value, in monetary terms or otherwise, of deterrence, education, and advocacy, but the agency is confident, taking into account the information it gains through the performance measures it currently uses, that consumers benefit from the deterrence of unfair or deceptive acts and anticompetitive mergers or conduct, receiving accurate consumer information, and advocating agency positions. The agency's current performance measures include both output and outcome measures, however the FTC is continuously reviewing its performance measures with the aim of developing additional outcome measures. The agency also added two efficiency measures (measures 2.2.6 and 2.2.7) in FY 2007. Some examples that highlight the agency's focus towards measuring desired outcomes follow.

A measurable outcome of the FTC's goals is substantial financial savings to consumers through law enforcement actions to stop specific frauds and anticompetitive conduct or mergers.

The FTC has developed five long-term outcome performance measures directed at these law enforcement actions, as discussed below. Even so, the FTC strives to develop performance measures that directly support subsequently determining whether desired outcomes were achieved. For example, two new output measures (measures 1.4.3 and 2.4.3) were added in FY 2007 that count the number of advocacy comments filed by the agency. The FTC is looking to take the next step to measure the outcome of its advocacy, e.g., were proposed laws changed or abandoned in a way that benefitted or prevented harm to consumers and/or competition as a result of the FTC filing. Under its Consumer Protection goal, in addition to counting consumer complaints added to the FTC's database, a new measure (measure 1.1.3) was added to determine the percentage of agency's consumer protection law enforcement actions that were responsive to the consumer complaint information gathered by the agency. Although this is another output measure, it brings the FTC closer to determining its role in the ultimate desired outcome of a marketplace free of fraud, deception, and unfair practices that cause consumer injury.

In FY 2007, the FTC added two new outcome measures under its Maintain Competition goal. These two measures (2.2.2 and 2.2.4) seek to measure the consumer savings that result from merger and nonmerger enforcement. The FTC now measures its achievement of outcomes using five long-term performance measures: (1) the five-year consumer protection performance goal (measure 1.2.1) to save consumers approximately $2 billion through law enforcement actions stopping consumer fraud; (2) the five-year maintaining competition performance goal (measure 2.2.3) to take action against anticompetitive mergers in markets with a total of at least $125 billion in annual sales; (3) the five-year maintaining competition performance goal (measure 2.2.5) to take law enforcement action against anticompetitive nonmerger conduct in markets with a total of at least $40 billion in annual sales; (4) the five-year maintaining competition performance goal (measure 2.2.2) to achieve at least $2.5 billion in savings for consumers through merger enforcement; and (5) the five-year maintaining competition performance goal (measure 2.2.4) to achieve at least $400 million in savings for consumers through nonmerger enforcement. These five performance measures, in addition to its annual outcome performance measures, provide valuable indicators on how the FTC is progressing towards achieving its strategic goals to protect consumers and maintain competition.

Verification and Validation of Performance Data

The financial data and 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. In this regard, the FTC has taken the following steps to ensure the performance information it reports is complete, accurate, and consistent:

- Developed a policy and documented the procedures used to validate and verify the quality, reliability, and credibility of the FTC's performance results.
- Held program managers accountable for the performance results reported in the Performance and Accountability Report and for taking specific steps to improve measures and set meaningful targets that challenge the agency to leverage its resources.
- Worked with the FTC's Office of Inspector General to ensure an independent review of the systems and methodologies used for collecting performance data and worked with senior economists from the Bureau of Economics who reviewed statistical data as appropriate.
- Subjected Performance Measure results to periodic senior management and Commission review throughout the fiscal year.

Automated systems and databases that collect, track and store performance data are monitored and maintained by FTC program managers, with systems support provided by the Information and Technology Management Office. Each system, such as the Consumer Information System, incorporates internal program edits to control the accuracy of supporting data. The edits, typically, evaluate data for reasonableness, consistency, and accuracy. Cross-checks between other internal automated systems also provide assurances of data reasonableness and consistency. In addition to internal monitoring of each system, experts outside of the business units routinely monitor the data collection methodology. The Financial Management Office is responsible for providing direction and support on data collection methodology and analysis, monitoring and ensuring that data quality checks are in place, and reporting performance management data.

The FTC also uses results from financial statement audits to help verify and validate performance data. During the FY 2007 audit, various tests and reviews of the primary accounting system and internal controls, as required by Government Auditing Standards, were conducted. The Inspector General and auditors met with mission program managers to review FY 2007 performance results and supporting data. In their FY 2007 report, the auditors reported no material weaknesses in internal controls or material compliance violations. The auditors issued an unqualified opinion on the agency's FY 2007 financial statements. Additionally, the auditors reported that they had obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, with respect to the Performance Measures reported in the Management's Discussion and Analysis and Performance sections.

Strategic Goal #1: Protect Consumers

Prevent Fraud, Deception, and Unfair Business Practices in the Marketplace

I. Strategic View

As the nation's premier consumer protection agency, a primary goal of the FTC is to protect consumers by preventing fraud, deception, and unfair business practices in the marketplace. The agency applies four related objectives to achieve this broad-reaching goal:

Objective 1.1 Identify fraud, deception, and unfair practices that cause the greatest consumer injury.

The FTC identifies practices that cause consumer injury by analyzing the consumer complaint data collected in its Consumer Information System (CIS) database, holding public discussions, and monitoring the marketplace.

Objective 1.2 Stop fraud, deception, unfairness, and other unlawful practices through law enforcement.

The FTC uses information gathered under Objective 1.1 to target law enforcement efforts. Its law enforcement program aims to stop and deter fraud and deception, protect consumers' privacy, and increase compliance with its consumer protection statutes.

Objective 1.3 Prevent consumer injury through education.

The FTC targets its education efforts to give consumers the information they need to protect themselves from injury and to explain to businesses how to comply with applicable laws.

Objective 1.4 Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange.

The FTC complements its law enforcement and education efforts by gathering, analyzing, and making public certain information concerning the nature of business practices in the marketplace.

II. Strategic Analysis

Objective 1.1 Identify Fraud, Deception, and Unfair Practices That Cause the Greatest Consumer Injury

Identifying the practices that cause the greatest consumer injury is the first step in preventing fraud, deception, and unfair business practices in the marketplace.

Our Strategy

To identify consumer protection problems, the FTC collects and analyzes data from many sources. Its Consumer Response Center receives consumer complaints and inquiries via a toll-free number (1-877-FTC-HELP), mail, and the Internet. Partners such as the National Fraud Information Center of the National Consumers League, the Internet Fraud Complaint Center (a partnership between the FBI and the National White Collar Crime Center), Better Business Bureaus, and PhoneBusters (the Canadian fraud database) also share the consumer complaint data they collect with the FTC. The FTC continues to pursue new international partnerships to increase its collection of information from consumer agencies in other countries. For example, through the econsumer website (www.econsumer.gov), the agency partners with other members of the International Consumer Protection Enforcement Network, an international group that identifies and shares information about worldwide consumer protection issues.

All of this information is entered into the FTC's CIS database and then analyzed by FTC staff to identify current trends and target fraudulent, deceptive, and unfair business practices. The agency shares the more than 4.1 million fraud and identity theft complaints that it has collected through FY 2007 with more than 1,650 other law enforcement agencies across the United States, Canada, and Australia via an encrypted website. Although the FTC does not act on behalf of individual consumers, the consumer complaint database enables the FTC and its law enforcement partners to spot trends, target the most serious consumer frauds, and coordinate their enforcement efforts. The ongoing input and analysis of current complaint data have allowed the FTC to move quickly to stop illegal practices before they cause more harm to consumers.

Consumers can call the FTC's second toll-free number, 1-877-ID-THEFT, or view its website (www.consumer.gov/idtheft/) to obtain information about, and report, identity theft. In FY 2007, the agency received over 335,000 identity theft complaints and inquiries. The FTC uses this data to spot patterns that can help criminal law enforcement agencies prosecute identity theft and help businesses avoid the financial consequences of this crime. Criminal cases are identified by the joint FTC and U.S. Secret Service Case Referral Program, and strong leads are referred to regional task forces, many led by the Secret Service Financial Crimes Division. In addition, the FTC's Criminal Liaison Unit (CLU) identifies law enforcement agencies and case agents for referral of specific types of consumer fraud cases, educates criminal law enforcement authorities about the FTC and its mission, and coordinates training of FTC staff by criminal law enforcement authorities to help staff prepare cases for referral and ensure smooth progress of parallel prosecutions.

The FTC, along with the Secret Service and the Department of Justice (DOJ), initiated a training program in 2002 to provide local and state law enforcement officers with practical tools to enhance combined efforts to combat identity theft, including information about accessing consumer complaint data. In FY 2007, the FTC and its partners, which now include the U.S. Postal Inspection Service, the American Association of Motor Vehicle Administrators, and the FBI, have conducted 26 seminars, training more than 3,300 law enforcement officers from more than 1,100 agencies.

Performance Results

The key Performance Measure under this objective measures the percent of agency consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency (Measure 1.1.3). This measure was added in the 2006–2011 Strategic Plan to take the FTC a step beyond counting the number of complaints to examining whether complaints collected are used to set the consumer protection agenda under this objective.

Measure 1.1.1 under this objective requires that the FTC collect and enter complaints and inquiries into the consumer database. The large number of consumer complaints and inquiries added to the FTC's database gives the agency a broad view of what reporting consumers are experiencing. The database allows the FTC and its law enforcement partners to identify and develop cases against operators engaging in deceptive and fraudulent practices that cause the greatest consumer injury. By analyzing consumer complaints, the FTC refined its enforcement and education

ANNUAL LIST OF TOP TEN CONSUMER COMPLAINTS FOR CALENDAR YEAR 2006

Rank	Top Categories	% of Total 2006 Complaints
1	Identity Theft	36%
2	Shop-at-Home/Catalog Sales	7%
3	Prizes/Sweepstakes and Lotteries	7%
4	Internet Services and Computer Complaints	6%
5	Internet Auctions	5%
6	Foreign Money Offers	3%
7	Advance-Fee Loans and Credit Protection/Repair	2%
8	Magazines and Buyers Clubs	1%
9	Telephone Services	1%
10	Health Care	1%

For the seventh year in a row, identity theft tops the list, accounting for 36 percent of the 674,354 complaints received between January 1 and December 31, 2006 (the latest data available). For more information go to www.ftc.gov/opa/2007/02/topcomplaints.shtm.

efforts to target the top consumer complaints. Not only did the FTC's database help identify the most serious and commonly reported consumer protection problems, but it also quickly informed the agency of emerging scams so that the agency could move rapidly to stop consumer injury.

In FY 2007, the FTC's law enforcement and education efforts addressed the leading areas identified by the consumer complaint information gathered by the agency. Identity theft remained at the top of the list of consumer complaints in the FTC's CIS database, and the agency continued to focus law enforcement and education efforts on this area. In co-chairing the Presidential Identity Theft Task Force, the FTC helped lead the development of the coordinated strategic plan to address ID theft, and implement the 31 major recommendations.

The FTC also received more complaints about debt collectors than any other single industry. To address these complaints, the FTC engaged in aggressive law enforcement, bringing several cases involving debt collection this year. For example, in January 2007, the FTC charged a collection agency, Rawlins & Rivera, Inc., and its principals with falsely threatening and illegally harassing consumers to pay their debts. The FTC also alleged the defendants had improper communications with third parties about consumers' debts, used abusive and obscene language in calls, and continued collection activities after receiving timely dispute letters from the consumers. In March 2007, the FTC obtained a preliminary injunction to halt the unlawful and abusive practices. In June 2007, at the request of the FTC, a federal court stopped an operation that allegedly victimized Spanish-speaking consumers nationwide by posing as debt collectors seeking payments consumers did not owe.

The following Performance Measures ensure that the agency's enforcement activities are targeted at areas of greatest consumer concern, thus making the agency responsive to consumer needs and changes in the marketplace and efficient in its consumer protection efforts. They also help ensure that the agency effectively leverages law enforcement resources by sharing this important information.

Performance Measure 1.1.1

Collect and enter complaints and inquiries into the consumer database. (Numbers shown in thousands.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
1,000	1,100	950	1,011	700	1,015	700	994	450	944

Target Exceeded. To aid in assessing its effectiveness in identifying fraudulent and deceptive practices, the FTC measures the number of consumer complaints and inquiries added to its CIS database. The FTC added 1,100 thousand entries into its database, 110 percent of the target of 1 million.

Key Measure: Performance Measure 1.1.3

Determine the percentage of the agency's consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
50%	76%	N/A	N/A	N/A	N/A

Target Exceeded. Seventy-six percent, or 42 out of 55, of the agency's actions were responsive to the consumer complaint information. The agency considers its actions responsive if consumer complaints were used in developing law enforcement actions.

Actual performance significantly exceeded the target of 50 percent. The target for this new Performance Measure was based on a 2006 estimated percentage. Based on the FY 2007 results, the target will be adjusted upward and monitored over the next few years to determine a target that best represents the optimum use of these complaints.

Objective 1.2 Stop Fraud, Deception, Unfairness, and Other Unlawful Practices Through Law Enforcement

Once fraud, deception, and unfair business practices are identified in the marketplace, the FTC focuses its law enforcement efforts on areas where it can have the greatest impact for consumers.

Our Strategy

Through its law enforcement efforts, the FTC stops fraudulent, deceptive, and unfair practices by obtaining court-ordered injunctions against defendants. Enforcement efforts include cases covering a range of topics—from data security to spyware to fraudulent spam to deceptive lending practices and credit counseling services to misleading health claims.

The FTC plays a vital role in protecting consumers' privacy, emphasizing both enforcement and education. It focuses on telemarketing, spam, identity theft, spyware and unauthorized adware, and financial privacy, through enforcement of the CAN-SPAM Act, FACT Act, the Gramm-Leach-Bliley Safeguards Rule, the Telemarketing Sales Rule, and Section 5 of the FTC Act.

With advances in technology, spammers, spyware operators, fraudulent telemarketers, and other scam artists can strike quickly on a global scale. An increasing number of complaints the FTC receives involve international transactions, and an increasing number of law enforcement investigations the FTC undertakes involve some international component. As a result, the FTC has implemented a comprehensive program to combat cross-border consumer protection law violations. The FTC continues to develop new bilateral and multilateral enforcement partnerships and to strengthen existing ones.

In the nonfraud area, the FTC works to ensure compliance with the consumer protection statutes that it enforces. Given its broad jurisdiction and limited resources, it focuses on the most serious identified problems, using varied enforcement tools and encouraging self-regulation in appropriate situations.

Performance Results

Two Performance Measures fall under this objective. The key Performance Measure (Measure 1.2.1) is to save consumers more than $400 million by stopping fraudulent,

NATIONAL DO NOT CALL REGISTRY

NATIONAL DO NOT CALL REGISTRY

The National Do Not Call Registry is open for business, putting consumers in charge of the telemarketing calls they get at home. The federal government created the national registry to make it easier and more efficient for consumers to stop getting telemarketing calls they don't want. More than 150 million telephone numbers have been registered since its inception in 2003. Consumers can register cell phone and home phones online at www.ftc.gov/donotcall or call toll-free, 1-888-382-1222 (TTY 1-866-290-4236), from the number they wish to register. Registration is free.

deceptive, and unfair practices in the marketplace. The second measure is new to the 2006–2011 Strategic Plan and requires the FTC to obtain 130 orders to stop fraudulent, deceptive, unfair, and other unlawful practices (Measure 1.2.5).

These measures of the number of orders obtained and dollars saved are important ones. The FTC's experience in most cases is that once it files a complaint in federal district court and obtains a court order, the defendants stop their practices. If they fail to comply to an order, they are subject to contempt proceedings. In stopping these practices, the agency directly stops further consumer losses caused by these defendants. By publicizing these law enforcement actions and distributing consumer education materials, it seeks to alert consumers to fraudulent and deceptive practices, educate them to avoid such practices in the future, and ultimately increase consumer confidence in the marketplace, while deterring similar behavior by would-be violators.

Key Measure: Performance Measure 1.2.1

Stop economic injury to consumers each year through law enforcement. (Dollars shown in millions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
$400	$519	$400	$293	$400	$366	$400	$349	$400	$606

Target Exceeded. The FTC saved consumers $519 million, 130 percent of its annual target of $400 million.

The agency estimates consumer savings by assessing the economic injury an entity caused with fraudulent, deceptive, or unfair trade practices. Staff use two ranges of economic injury: the 12 months prior to the FTC's filing of a complaint and the economic injury for the life of the business. To make such assessments, staff use company sales and other records, as well as information from employees and customers where applicable. Certain cases, such as Do Not Call and spyware cases, indicate less easily quantifiable economic injury and so require the incorporation of lost consumer time in accordance with appropriate measurements. The two ranges provide uniform, quantifiable measures for calculating savings and also minimize speculation about the likely duration of the practices. Due to the variance of savings on an annual basis, this measure has a five-year target of $2 billion.

Performance Measure 1.2.5

Stop fraudulent and deceptive practices by obtaining orders.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
130	137	N/A	N/A	N/A	N/A

Target Exceeded. The FTC obtained 137 orders, 105 percent of its target of 130 orders.

Because this is the first year the FTC has measured the number of consumer protection orders obtained, all final orders, plus all orders approved by the Commission, are included in the results.

Objective 1.3 Prevent Consumer Injury Through Education

An educated consumer and business community is a first line of defense against fraud and deception.

Our Strategy

The FTC is committed to using education and outreach as cost-effective methods to prevent consumer injury, increase business compliance, and leverage its law enforcement program. Virtually every consumer protection effort contains an educational component, from compliance Internet surfing and law enforcement sweeps to the announcement of new rules and regulations. Through FTC publications and websites, as well as external media, the agency reaches out to tens of millions of consumers and businesses every year on issues that directly impact their daily activities.

The CIS database helps the FTC tailor its education efforts to topical areas where fraud, deception, unfair practices, and information gaps are causing the greatest injury. Through the FTC's education efforts, consumers are given the tools they need to spot potentially fraudulent and other illegal promotions, and businesses are advised of how they can comply with the law. As with the agency's law enforcement activities, more of its educational efforts now involve the Internet. Use of the Internet to disseminate information about fraud and technology-related matters plays an integral role in the FTC's education, deterrence, and enforcement efforts, permitting the agency to reach vast numbers of consumers and businesses quickly, simply, and at low cost.

The FTC coordinates with hundreds of private and public partners to provide information about specific campaigns, products, and services. It continues to manage the www.consumer.gov website, with more than 180 agencies participating, which offers one-stop access to federal consumer information. The www.consumer.gov website is linked to the interagency www.firstgov.gov website.

To reach the growing population of Hispanic consumers in the United States, the FTC has expanded its Hispanic Outreach Program. The Spanish-language page, www.ftc.gov/ojo, on the FTC website continues to increase its library of translated consumer publications.

Going forward, the FTC will continue to focus consumer and business education efforts on subjects identified by its consumer complaint databases where information gaps cause the greatest injury, and on those that address the emerging issues of the day.

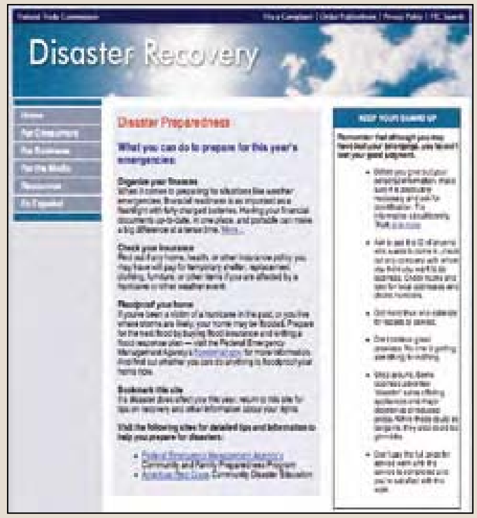
The FTC will continue to use technology creatively, including new interactive media, to extend the reach of consumer and business education.

Performance Results

The FTC's key Performance Measure under this objective gauges its impact by tracking the number of times print media publish articles that refer to FTC consumer protection activities and the circulation of media that publish those articles (Measure 1.3.4). This measure, added in the 2006–2011 Strategic Plan, takes a step beyond counting the number of hits on the FTC's consumer protection web pages.

The remaining three measures (Measures 1.3.1, 1.3.2, and 1.3.3) help the FTC gauge the impact of its education efforts by tracking the number of consumer and business education publications it distributes to the public in response to consumer requests. These Performance Measures help ensure that the agency is engaging in a sufficient amount of educational activity and that the educational materials are aimed at particularly vulnerable populations.

The FTC seeks to alert as many consumers as possible to the telltale signs of fraud, deception, and unfair business practices, and other critical consumer protection issues through dissemination of its education messages. Ideally, the agency would like to measure the extent to which its educational materials improve consumer understanding and help consumers get better value for their money. This effect would be extremely difficult to measure, but tracking the distribution of publications provides a rough idea of how many consumers the FTC is reaching. The measure of the number of publications distributed



DISASTER RECOVERY

The FTC helps protect consumers against fraud, deception, and unfair practices during and after disasters, a time when consumers are particularly vulnerable.

What you can do to prepare for emergencies:

- Organize your finances
- Check your insurance
- Floodproof your home

Remember that although you may have lost your belongings, you haven't lost your good judgment. Visit the following sites for detailed tips and information to help you prepare for disasters:

- Federal Emergency Management Agency's Community and Family Preparedness Program www.fema.gov
- American Red Cross Community Disaster Education www.redcross.org
- FTC Disaster Recovery www.ftc.gov/bcp/edu/microsites/recovery

by the FTC indicates its impact in educating consumers, although it does not fully capture the millions of FTC publications that are distributed to consumers by others.

Performance Measure 1.3.1

Track consumer protection messages accessed online or in print. (Numbers shown in millions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
45	47	25	53	20	35.3	15	26.5	14	28

Target Exceeded. The FTC accomplished 105 percent of its target of 45 million publications.

Of the 47 million consumer protection messages accessed, 38 million were accessed online and nine million were print publications distributed by the FTC. While the number of print publications distributed has remained relatively static over the last decade, the number of publications accessed through the Internet soared as more consumers and businesses have gone online.

Performance Measure 1.3.2

Track consumer protection messages, related to identity theft, accessed online or in print. (Numbers shown in millions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
8	9.6	3.3	9.4	3	3.7	2.5	3.7	2.5	3.0

Target Exceeded. The FTC accomplished 121 percent of its target of eight million. As a subset of the totals tracked in Performance Measure 1.3.1, the FTC tracks the number of consumer protection messages related to the high-profile and emerging issues of data security and identity theft. The 9.6 million actual result includes 6.4 million messages accessed online, and more than 3.2 million print publications distributed, including 35,000 consumer education how-to kits to community members interested in giving presentations on identity theft.

Performance Measure 1.3.3

Track consumer protection messages, in Spanish, accessed online or in print. (Numbers shown in thousands, unless otherwise noted.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
2.2 million	2.2 million	550	2.4 million	500	1.1 million	400	737	N/A	458

Target Met. The FTC accomplished 100 percent of its target of 2.2 million.

Using this data, the FTC evaluated whether it needed to reach new audiences, in light of any changes in demographics, advertising, and marketing practices, and what strategies or partnerships may allow the FTC to reach those audiences. In light of continued consumer fraud against Hispanics, the FTC released a new bilingual compendium of information for the Spanish-speaking population and Hispanic organizations, and continues to assess the consumer information needs of that audience.

Key Measure: Performance Measure 1.3.4

Track a) the number of times print media publish articles that refer to the FTC consumer protection activities and b) the circulation of media that publish those articles.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish Baseline	a) 3,066 b) 863 million	N/A	N/A	N/A	N/A

As this was a new measure in FY 2007, the actual results will be used to establish a baseline for the FY 2008 target. The target will be refined as more data is collected in future years.

Objective 1.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange

Research, reports, and advocacy complement law enforcement and education to enhance the welfare of consumers.

Our Strategy

This objective and its related Performance Measures are new additions to the FTC's 2006–2011 Strategic Plan. This objective was added to capture the FTC's use of a variety of strategies in addition to law enforcement and education to enhance consumer welfare. Notably, the agency convenes conferences and workshops through which experts and other experienced and knowledgeable parties identify novel or challenging consumer protection issues and discuss ways to address those issues. The FTC also issues reports that the Congress has mandated or that the agency has prepared on its own initiative that analyze consumer protection problems and suggest public and private sector policies to address them, such as self-regulatory efforts. Further, the FTC files comments with federal and state government bodies advocating policies that promote the interests of consumers and highlight the role of consumer and empirical research in their decision making. In particular, the agency testifies before the Congress on consumer protection issues.

The FTC also engages in a variety of international cooperation, exchange, and advocacy activities designed to promote market-based consumer protection policies and effective cross-border coordination. Finally, the FTC also files *amicus* briefs (friend of the court briefs) to aid courts' considerations of important consumer protection issues.

Going forward, the FTC will use the new Performance Measures under this objective to help ensure that it continues to augment its enforcement and education efforts by encouraging discussions among all interested parties, as well as careful study of and empirical research on novel or challenging consumer protection problems, such as green marketing and behavioral advertising. These activities will continue to enhance consumer welfare by guiding the FTC's consumer protection policy decisions, as well as the decisions of other state, federal, and international policymakers.

Performance Results

The key Performance Measure under this objective gauges the FTC's efforts to enhance consumer welfare by tracking the number of workshops on novel or challenging consumer protection problems or issues in which it convenes or substantially participates in workshops and conferences on novel or challenging consumer protection problems or issues (Measure 1.4.1). The industry has given great weight to the FTC's policy efforts. For example, the FTC has continued to encourage industry self-regulation in the area of childhood obesity. This summer, at an FTC workshop, leading food manufacturers released details of their pledges to voluntarily restrict their advertising to children under 12 and committed to limiting their advertising directed to children to food products that meet certain nutritional criteria or to refrain from advertising to children. Also, the companies committed to restricting their use of third-party licensed characters to products that meet these nutritional criteria and to websites promoting healthy lifestyles. The FTC also gauges the impact of its efforts to enhance consumer welfare by tracking the number of reports it issues on novel or challenging consumer protection issues (Measure 1.4.2) and tracking the number of public and advocacy comments it files with other federal and state government agencies (Measure 1.4.3). The agency tracks its international consumer protection efforts to cooperate with foreign government agencies on enforcement matters with cross-border components (Measure 1.4.4), and to provide consumer protection related policy or technical input related to foreign government agencies or international organizations (Measure 1.4.5).

Key Measure: Performance Measure 1.4.1

Convene or participate substantially in workshops and conferences on novel or challenging consumer protection problems or issues.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
6	10	N/A	N/A	N/A	N/A

Target Exceeded. The FTC exceeded its target and convened or participated substantially in 10 workshops and conferences on novel or challenging consumer protection problems or issues. This is a new Performance Measure and the five-year target is 30 workshops. This target will be studied to determine if it needs to be reset for future years.

Performance Measure 1.4.2

Issue reports on novel or challenging consumer protection problems or issues.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
8	8	N/A	N/A	N/A	N/A

Target Met. The FTC accomplished 100 percent of its target of eight reports. This is a new Performance Measure and the five-year target is 40 reports. The target will be monitored to determine if it needs to be reset for future years.

Performance Measure 1.4.3

File public and advocacy comments with other federal and state government agencies.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
6	7	N/A	N/A	N/A	N/A

Target Exceeded. The FTC exceeded its target by filing seven public and advocacy comments. This is a new Performance Measure and the five-year target is 30 advocacy filings. The target will be monitored to determine if it needs to be reset for future years.

Performance Measure 1.4.4

Cooperate with foreign government agencies on enforcement matters with cross-border components.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
20	23	N/A	N/A	N/A	N/A

Target Exceeded. As this is a new Performance Measure, the target will be monitored to determine if it needs to be reset for future years. The five-year target is 100 government agencies, or 20 per year.

Performance Measure 1.4.5

Provide consumer protection related policy or technical input related to foreign government agencies or international organizations.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
20	34	N/A	N/A	N/A	N/A

Target Exceeded. As this is a new Performance Measure, the target will be monitored to determine if it needs to be reset for future years. The five-year target is 100 instances, or 20 per year.

Resources Utilized—Strategic Goal 1

(Dollars Shown in Millions by Fiscal Year)

	2007	2006	2005	2004	2003
Full-Time Equivalents	570	548	546	555	559
Obligations	$126	$116	$115	$105	$100

Differences between these obligations and the Statement of Budgetary Resources are due to rounding.

Strategic Goal #2: Maintain Competition

Prevent Anticompetitive Mergers and Other Anticompetitive Business Practices in the Marketplace

I. Strategic View

A key function of the FTC is to protect and strengthen the free and open markets that are the cornerstone of a vibrant economy. Aggressive competition among sellers in an open marketplace gives consumers the benefit of lower prices, higher quality products and services, maximum choice, and innovation, leading to beneficial new products and services. The FTC seeks to promote vigorous competition by using the antitrust laws to prevent anticompetitive mergers and to stop business practices that diminish competition, such as agreements among competitors about prices or other aspects of competition (referred to as nonmerger enforcement). The agency applies four related objectives to achieve this broad-reaching goal.

Objective 2.1 Identify anticompetitive mergers and practices that cause the greatest consumer injury.

FTC Staff identify mergers and business practices that have resulted in or are likely to result in anticompetitive effects by conducting thorough factual investigations and applying economic analysis to distinguish between actions that threaten the operation of free markets and those that are benign or procompetitive.

Objective 2.2 Stop anticompetitive mergers and business practices through law enforcement.

When the FTC identifies a harmful or potentially harmful merger or business practice, it takes enforcement action under the antitrust laws to stop it, either through an administrative challenge or in federal court. In many instances, the agency is able to reach an agreement with the parties that remedies its competitive concerns and avoids litigation.

Objective 2.3 Prevent consumer injury through education.

The FTC seeks to prevent anticompetitive activity by educating businesses and consumers about the antitrust laws and its efforts to ensure competitive markets.

Objective 2.4 Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange.

The FTC seeks to advance its maintaining competition mission and to enhance consumer welfare by gathering, analyzing, and making public certain information concerning the nature of competition as it affects U.S. commerce.

II. Strategic Analysis

Objective 2.1 Identify Anticompetitive Mergers and Practices That Cause the Greatest Consumer Injury

Preventing anticompetitive mergers and anticompetitive business conduct is the first step in determining which mergers and business practices are anticompetitive.

Our Strategy

The FTC seeks to identify anticompetitive mergers and practices with as much accuracy as possible. While certain business conduct (such as price fixing among competitors) is clearly anticompetitive, mergers and many other forms of business conduct can benefit, harm, or have no effect on consumers. Consequently, both under- and over-enforcement can harm consumers' interests. The agency seeks to take enforcement action against transactions or conduct that harms or is likely to harm consumers, but at the same time, avoid taking enforcement action that prevents businesses from completing transactions or engaging in practices that fundamentally benefit consumers or would have no effect.

The FTC also tries to identify enforcement targets as efficiently as possible so that it can devote the bulk of its resources to further investigation of, and possible challenge to, the most problematic mergers and practices. A related, but important, consideration is to conduct the inquiry in a way that minimizes the cost or inconvenience to businesses, while still enabling the agency to gather sufficient information to support its enforcement decisions.

Merger Activities. The premerger notification requirements of the Hart-Scott-Rodino (HSR) Act provide the FTC with an effective starting point for identifying potentially anticompetitive mergers, acquisitions, and joint ventures (collectively referred to as mergers) before they are consummated. The HSR Act requires companies to report certain proposed mergers to the FTC and the DOJ (which jointly enforce the HSR Act) and wait for a specified period (usually 30 days) to allow for antitrust review.

The FTC staff examines each transaction to determine whether it poses a threat to competition. In most cases a reasonable judgement can be made about whether the merger has the potential to be anticompetitive based on the materials filed with the HSR Act notification. A formal request for additional information may be requested by the FTC. This is referred to as a "second request." Given that the HSR statute permits only one request for additional information, an investigation extended by the issuance of a second request typically requires a significant investment of FTC resources and the parties involved.

Despite filing thresholds that are now adjusted annually for inflation, and some decline in merger activity from the historic peak levels reached during the late 1990s, the FTC continued to face a demanding merger review workload in FY 2007. Steady economic growth, together with the increased pace of mergers experienced in the past three fiscal years, indicates that merger activity remains on the rise. The agency received 2,108 HSR filings, which represents a 21 percent increase compared with the same period in FY 2006. The dollar value of transactions increased by almost 50 percent while the number of second requests issued increased by approximately 10 percent from FY 2006 to FY 2007.

ENERGY

In FY 2007, the Commission challenged three mergers in the energy industry: Western Refining's acquisition of Giant Industries; the buyout of Kinder Morgan by its management and a group of investment firms, including The Carlyle Group and Riverstone Holdings; and Equitable Resources' proposed acquisition of The Peoples Natural Gas Company. The litigated a preliminary injunction actions in federal district court to block the merger of Western and Giant, but the injunction was denied. In the case against Equitable and Dominion, the Third Circuit granted the injunction pending appeal. The Kinder Morgan matter was resolved with a consent order that makes Carlyle's and Riverstone's investments in Kinder Morgan passive investments.

While the major HSR Act amendments in 2001 reduced the number of mergers subject to the advance reporting requirement, they did not change the standard of legality for mergers. The vast majority of potentially problematic mergers continue to be subject to the revised HSR filing requirements, but smaller merger transactions may still be anticompetitive. Consequently, the FTC continues to devote attention to the identification of unreported, usually consummated, mergers that could harm consumers. This effort involves monitoring the trade press, industry sources, and the Internet to stay informed of industry developments; following up on case leads from congressional offices, other Executive Branch agencies, and state and local governments; and encouraging consumers, businesses, and the bar to notify the FTC of possible anticompetitive mergers.

Nonmerger Activities. In the nonmerger area, agency staff review complaints received from consumers, businesses, congressional offices, and elsewhere to identify potentially anticompetitive nonmerger business practices. In addition to responding to complaints, the FTC has pursued a "positive agenda" of planned initiatives; that is, the agency has taken a systematic and proactive approach to identifying specific conduct likely to pose the greatest threat to consumer welfare. Fundamentally, the focus continues to be on the types of practices, such as agreements among competitors, that are most likely to harm consumers.

Other considerations include whether the relevant sector of the economy, such as health care, real estate, high technology, or energy, is one that has a significant impact on consumers' daily lives. Also, the agency considers the deterrent effects of antitrust enforcement on businesses, and whether the FTC has enforcement experience in an area that will enable the agency to make an impact quickly and efficiently. Finally, consideration is given to whether the matter presents an opportunity to contribute positively to the development of antitrust law.

Performance Results

The two key Performance Measures under this objective relate to obtaining a positive outcome in at least 90 percent of HSR requests for additional information (Measure 2.1.1) and to conclude at least 90 percent of significant nonmerger investigations (those with at least 150 hours of investigative effort) with a positive outcome (Measure 2.1.3). These two measures were added in the 2006–2011 Strategic Plan.

Success on these two key outcome measures indicates that the FTC is effectively screening HSR reported mergers and nonmerger investigations to identify those that raise significant antitrust issues and warrant further investigation and possible enforcement action.

The three remaining measures (2.1.4, 2.1.5, and 2.1.6) under this objective require that the FTC report detailed supplemental information on its merger and nonmerger activities. These measures are directly related to Measures 2.1.1 and 2.1.3 and are intended to facilitate evaluation of the results.

Key Measure: Performance Measure 2.1.1

Achieve positive outcomes in matters in which HSR requests for additional information are issued.

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
At least 90%	100%	60–80%	59%	60–80%	52%	60–80%	55%	60–80%	70%

Target Exceeded. The FTC obtained a positive outcome in 31 out of 31 second request investigations, or 100 percent. The FTC obtained 12 consent orders, authorized staff to file three preliminary injunctions in federal court seeking to block mergers, raised anticompetitive concerns causing the parties to withdraw five transactions, and finally, closed 11 investigations without subsequent events indicating that the transaction injured competition. In each of the three cases where staff was authorized to file a preliminary injunction, the Commission also issued an administrative complaint; however, for measurement purposes these investigations are counted only once.

For mergers, a positive outcome includes:

- Commission authorization of a complaint for preliminary injunction in federal court
- issuance of an administrative complaint
- acceptance of a consent agreement
- the parties' voluntary abandonment or restructuring of a proposed transaction based on FTC antitrust concerns
- closing of an investigation without subsequent events indicating that the transaction injured competition

Key Measure: Performance Measure 2.1.3

Percent of significant nonmerger investigations that result in a positive outcome.

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
At least 90%	100%	60–80%	40%	60–80%	50%	60–80%	63%	N/A	N/A

Target Exceeded. The FTC achieved a positive outcome in 28 out of 28 significant nonmerger investigations, or 100 percent. Specifically, the FTC obtained nine consent orders, issued two administrative complaints, and closed 17 significant nonmerger investigations without subsequent events indicating that the business practice injured competition.

For nonmergers, a positive outcome includes:

- Commission authorization to file a complaint in federal court
- issuance of an administrative complaint
- acceptance of a consent agreement
- resolution of antitrust concerns without enforcement action
- closing of an investigation without subsequent events indicating that the business practice injured competition

Performance Measure 2.1.4

Track the number of enforcement actions for the total mission, for the a) merger and b) nonmerger actions.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish Baseline	a) 22 b) 11	N/A	N/A	N/A	N/A

This measure includes Commission authorization of a complaint for preliminary injunction or permanent relief in federal court, issuance of an administrative complaint, and acceptance of a consent agreement, and, for mergers, the parties' voluntary abandonment or restructuring of a proposed transaction based on FTC antitrust concerns.

The FTC obtained 22 merger enforcement actions and 11 nonmerger enforcement actions. In addition to the 12 merger consent agreements accepted for comment that are cited under measure 2.1.1, which tracks the positive outcomes of second request investigations, the FTC obtained two consent agreements, in non-HSR investigations during FY 2007.

Performance Measure 2.1.5

Report the number of a) second requests, b) reportable transactions for which premerger notifications were received, c) HSR investigations that resulted in enforcement action, d) transactions in which antitrust issues were resolved through voluntary abandonment or restructuring because of FTC concerns, and e) investigations closed because the evidence indicated that a competitive problem was unlikely.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish Baseline	a) 31 b) 2,108 c) 20 d) 5 e) 11	N/A	N/A	N/A	N/A

This measure reports detailed supplemental information on FTC's merger (key measure 2.1.1) and nonmerger activities (key measure 2.1.3), and is intended to facilitate evaluation of the results of those measures.

Performance Measure 2.1.6

Track the number of significant nonmerger investigations closed each year, a) with enforcement action and b) without enforcement action.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish Baseline	a) 11 b) 17	N/A	N/A	N/A	N/A

This measure reports detailed supplemental information on FTC's merger (key measure 2.1.1) and nonmerger (key measure 2.1.3) activities, and is intended to facilitate evaluation of the results of those measures.

Objective 2.2 Stop Anticompetitive Mergers and Business Practices Through Law Enforcement

Law enforcement represents the most direct method by which the FTC pursues its goal of stopping mergers and business practices that significantly threaten competition and harm consumers.

Our Strategy

In both merger and nonmerger enforcement, the FTC focuses primarily on transactions or practices most likely to harm consumers, that is, mergers of firms competing in the same market or markets, and agreements among direct competitors. Other activities, such as unilateral action by a single firm, or a merger or agreement involving a supplier and customers or between a firm and a potential competitor, also may threaten competition and therefore are subject to FTC scrutiny.

Given the agency's scarce resources and given that the FTC and DOJ jointly enforce the antitrust laws, the FTC directs much of its attention and resources to certain segments of the economy that are particularly important to consumers and in which it has particular expertise. These include energy, health care, pharmaceuticals, real estate, and technology.

To stop potentially anticompetitive mergers and practices through law enforcement, the FTC seeks legal remedies under the antitrust laws, through federal court action, administrative proceedings, or negotiated settlements. For mergers, the preferred—that is, the most effective and cost-efficient—strategy has been to prevent anticompetitive mergers before they occur. The agency has implemented this strategy primarily through its authority to seek a federal court injunction preventing the transaction.

In many cases, the merging parties elect not to defend a court challenge and instead agree to resolve competitive concerns through a consent agreement. This

HEALTH CARE MERGER ENFORCEMENT ACTIONS

During FY 2007, the FTC challenged eight mergers in the health care products and services and medical device industries. In order for the transactions to proceed, the agency ordered the merging parties to divest assets that would have generated competitive problems or restructure their merger agreement to resolve the anticompetitive problems. These cases include: Barr/Pliva, Watson/Andrx, Hospira/Mayne, Actavis/Abrika, Merck/Mylan, Johnson & Johnson/Pfizer, Thermo Electron/Fisher Scientific, and Fresenius/American Renal Association.

approach is suitable when the competitive problem relates to only a portion of the transaction, such that a divestiture of assets will be sufficient to preserve or restore competition while allowing other competitively neutral or beneficial aspects of the merger to go forward. In other instances, the parties may abandon a transaction after assessing the likely outcome of an FTC court challenge. When a merger already has been consummated, the FTC generally relies on administrative litigation to restore competition lost as a result of the merger.

In nonmerger matters, the FTC seeks to stop ongoing activity that harms competition. The Commission may initiate administrative proceedings before an Administrative Law Judge to adjudicate the issues and establish a basis for an order that the parties to the proceeding "cease and desist" the conduct. The FTC also has authority to seek relief in federal courts, though it historically has used this option sparingly in nonmerger matters. Again, the agency is often able to negotiate a consent agreement with the parties that remedies the problem without need for litigation.

In both merger and nonmerger matters, thorough investigation, as well as sophisticated legal and economic analysis, are of critical importance to ensuring accurate assessment of the potential for competitive harm resulting from the transaction or conduct in question and, if necessary, demonstrating the likelihood of harm before an adjudicative body. When the FTC concludes that the likelihood of such harm indicates a law violation, and no settlement is possible, the Commission authorizes its staff to litigate the matter.

The frequency with which the agency obtains positive outcomes is an important indicator of its success in producing tangible benefits for consumers. This is not to say that the FTC, or any law enforcement agency, should win every case. Some cases involve very close issues, on which reasonable minds can and do differ. Other cases may be very difficult from a litigation standpoint, but are still worth pursuing. All of the FTC's antitrust challenges are defended by highly competent and well-financed counsel.

In addition, the FTC's responsibilities include taking action to help shape the development of the antitrust laws. To fulfill this duty, the agency inevitably must bring cases that pose litigation risks—especially where there is no clear precedent and the FTC is seeking to establish a new legal principle. The FTC also helps consumers by bringing cases to clarify, or improve upon, existing precedent.

The Commission issues complaints when, based on the findings of staff investigations, the Commission has "reason to believe" the merger or conduct is anticompetitive. The agency's complaints are also founded on sound policy considerations. However, the ultimate outcomes depend on legal determinations often made by courts following appeal of Commission decisions, as well as development of a full factual record. The FTC's mission includes bringing cases that highlight difficult issues and seeking to persuade the courts of the merit of its views on what the law should be. Bringing cases that test the boundaries of the law is an important part of the FTC's responsibilities, even though the results are far from certain. The target for this key Performance Measure reflects the reality that, even when the agency brings a meritorious case and litigates it well, success is not assured. In addition, setting the standard too high could be detrimental if the effect were to deter the agency from bringing important, but risky, cases.

WHAT IS ANTITRUST?

The word "antitrust" dates from the late 1800s, when powerful companies dominated industries, working together as "trusts" to stifle competition. Thus, laws aimed at protecting competition have long been labeled "antitrust." Fast forward to the 21st century: you hear "antitrust" in news stories about competitors merging or companies conspiring to reduce competition. The FTC enforces antitrust laws by challenging business practices that could hurt consumers by resulting in higher prices, lower quality, or fewer goods or services.

Performance Results

The key Performance Measure (Measure 2.2.1) under this objective tracks obtaining a positive result in matters in which it had reason to believe that a merger or a course of conduct was anticompetitive.

Additionally, for both merger and nonmerger enforcement, the agency measures the volume of commerce and estimates consumer savings in markets in which it takes successful enforcement action as an indicator of the scope of the FTC's antitrust enforcement activities. As noted in the FTC's 2006–2011 Strategic Plan, external factors, such as level of merger activity, may cause the results to fluctuate significantly from year to year. Consequently, the two volume-of-commerce targets (Measures 2.2.2 and 2.2.3) and the two consumer savings targets (Measures 2.2.5 and 2.2.6) are each expressed in terms of an aggregate target for the five-year strategic plan period, using annual targets as gauges of progress toward the five-year target. This is also a result of the fact that duration of nonmerger investigations is often measured in years.

In addition to measuring consumer savings in absolute terms, the strategic plan also establishes efficiency measures that state the FTC will try to save consumers more than the amount of agency resources allocated to the merger and nonmerger programs.

Key Measure: Performance Measure 2.2.1

Positive outcome of cases brought by the FTC due to alleged violations.

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
At least 80%	100%	60–80%	100%	80%	95%	60–80%	100%	Establish Baseline	100%

Target Exceeded. The agency exceeded its target, achieving relief through litigation, reaching a successful settlement agreement, or persuading parties not to proceed with an anticompetitive acquisition in 33 out of 33, or 100 percent, of enforcement matters brought to conclusion during the fiscal year. The FY 2007 actual results do not include cases that were not final as of September 30, 2007, or are on appeal. At the end of FY 2007, litigation was pending for one significant matter, and the decision of whether or not to continue litigation in two additional significant matters was pending. The outcomes of these three significant matters will be reflected in the actual results reported in appropriate future fiscal years.

Positive results include:

- the parties' abandonment of an anticompetitive transaction after antitrust concerns are identified
- an administrative consent agreement to resolve antitrust concerns
- a successful challenge in court

Negative results occurs when:

- parties refuse to settle antitrust concerns raised by the agency
- court action fails to achieve the agency's objectives

Performance Measure 2.2.2

Achieve savings for consumers through merger enforcement. (Dollars shown in millions.)

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
$500	$805	N/A	N/A	N/A	N/A

Target Exceeded. The five-year target for consumer savings in markets in which the agency took successful action to stop anticompetitive mergers is $2.5 billion, or $500 million per year. As in the case of the volume-of-commerce measure, 2.2.3 below, the FTC has surpassed the yearly target by a significant amount, saving consumers an estimated $805 million. If this trend continues to hold, the agency will exceed its five-year target, but yearly fluctuations in the level of enforcement activity and in the characteristics of the mergers investigated will ultimately determine the level of performance. During FY 2007, the agency also obtained an enforcement action in an abandoned merger transaction that produced an estimated consumer savings of $3.1 billion. The agency has not included this number in the FY 2007 actual value for measure 2.2.2 because of the unique nature of the markets involved in this case, which are national in scope and involve a relevant product that relates to health care, one of the largest domestic industries. The majority of merger enforcement investigations involve more limited geographic markets or involve much smaller relevant product markets. Given the anomalous nature of this single case, the agency proposes to closely monitor its performance on this measure to determine if the target needs to be adjusted.

Performance Measure 2.2.3

Take action against mergers likely to harm competition in markets with a total of at least $125 billion in sales over a five-year period; $25 billion in sales each year. (Dollars shown in billions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
$25	$42.6	$40	$13.4	$40	$61.8	$40	$8.5	N/A	N/A

Target Exceeded. The agency revised the target for this measure based on an analysis of historical trends in volume-of-commerce data from FY 1999 to FY 2006. The FTC's merger enforcement actions affected markets in which the total volume of commerce was $42.6 billion. This means that the FTC has achieved approximately one-third of the total five-year target during the first of the five years covered by the strategic plan. As explained above for measure 2.2.2, this does not mean necessarily that the overall five-year target will be exceeded, because historically the volume of commerce figure has fluctuated considerably from year to year. During FY 2007 the agency obtained an enforcement action in an abandoned merger transaction that produced an estimated volume of commerce of $158 billion. As explained above, the agency has not included this number in the FY 2007 actual value for measure 2.2.3 because of the unique nature of the markets involved in this case, which are national in scope and involve a relevant product that relates to health care, one of the largest domestic industries. The majority of merger enforcement investigations involve more limited geographic markets or involve much smaller relevant product markets. Given the anomalous nature of this single case, the agency proposes to closely monitor its performance on this measure to determine if the target needs to be adjusted.

Performance Measure 2.2.4

Achieve savings for consumers through nonmerger enforcement. (Dollars shown in millions.)

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
$80	$75	N/A	N/A	N/A	N/A

Target Not Met. The five-year target for consumer savings in markets in which the agency took successful action to stop anticompetitive conduct is $400 million, or $80 million per year. The FTC did not reach its yearly target, obtaining just over $75 million in estimated consumer savings in FY 2007, or approximately 95 percent of the yearly target. As in the case of the three previous measures, this result cannot be assessed autonomously, but must be considered in the context of the broader five-year target.

Performance Measure 2.2.5

Take action against anticompetitive conduct in markets with a total of at least $40 billion in annual sales over a five-year period; $8 billion each year. (Dollars shown in billions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
$8	$2.6	$20	$1.4	$20	$19.4	Establish baseline	$2.6	N/A	N/A

Target Not Met. The five-year target for the volume of commerce in markets benefitting from FTC nonmerger enforcement action is $40 billion, or $8 billion per year. The FTC's nonmerger enforcement actions affected markets in which the total volume of commerce was $2.6 billion, approximately 33 percent of the yearly target. However, it is difficult to extrapolate from this single data point what the performance will be for the next four years that are covered by the current strategic plan. This is especially true if one considers the degree to which this measure has fluctuated in the recent past, going from $2.6 billion in FY 2004 to $19 billion in FY 2005 and back down to $1.4 billion for FY 2006.

Performance Measure 2.2.6

Save consumers at least six times the amount of agency resources allocated to the merger program over a five-year period. (Efficiency Measure)

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
600%	2,500%	N/A	N/A	N/A	N/A

Target Exceeded. The ratio of merger enforcement related consumer savings to resources allocated to the merger program was approximately 2,500 percent. As in the case of the previously mentioned measures 2.2.2 and 2.2.3, the agency has far exceeded its yearly target and will likely exceed the five-year target as well, which is set at 600 percent. This result is determined by the presence of a single merger enforcement case involving a very large relevant product with a national geographic market. As in the case of measures 2.2.2 and 2.2.3, the agency has not included in the calculation of this ratio the amount of estimated consumer savings associated with the abandoned transaction that produced the volume of commerce of $158 billion, and $3.9 billion dollars in estimated consumer savings.

Performance Measure 2.2.7

Save consumers at least four times the amount of agency resources allocated to the nonmerger enforcement program over a five-year period. (Efficiency Measure)

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
400%	424%	N/A	N/A	N/A	N/A

Target Exceeded. The ratio of nonmerger enforcement related consumer savings to resources allocated to the nonmerger program was 424 percent. As in the case of the previously mentioned measures, since consumer savings is a five-year target, the FTC's performance with regard to this measure also cannot be fully evaluated on the basis of a single year's data.

COMPETITION IN THE HEALTH CARE MARKETPLACE

Competition in health care markets benefits consumers because it helps contain costs, improve quality, and encourage innovation. The FTC's job as a law enforcer is to stop firms from engaging in anticompetitive conduct that harms consumers. The agency also provides guidance to market participants—including physicians and other health professionals, hospitals and other institutional providers, pharmaceutical companies and other sellers of health care products, and insurers—to help them comply with the nation's antitrust laws.

Objective 2.3 Prevent Consumer Injury Through Education

In addition to its law enforcement activity, the FTC provides substantial information to the business community and consumers about the role of the antitrust laws and businesses' obligations under those laws.

Our Strategy

The FTC uses education and outreach to help prevent consumer injury, increase business compliance, and augment its law enforcement efforts. The agency pursues this strategy through guidance to the business community; outreach efforts to federal, state, and local agencies, business groups, and consumers; development and publication of antitrust guidelines, policy statements, and reports; and speeches and testimony. By using these mechanisms to signal its enforcement policies and priorities, the FTC deters would-be violators of the antitrust laws.

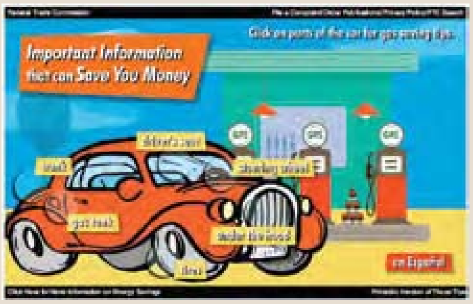
FTC law enforcement efforts also are made more effective by public awareness of what types of conduct are likely to be challenged as law violations. The FTC seeks to make its law enforcement presence visible and its enforcement policies transparent in order to serve its objectives through deterrence. Each successful enforcement action not only promotes competition in one or more relevant markets, but also serves to communicate to the business and legal communities that the FTC can and will move successfully to challenge similar transactions or conduct in the future. The agency explains the relevant facts and issues of cases in which it obtains a consent agreement in press releases and in published "Analyses To Aid Public Comment" so the nature of the problem is clear. Through press releases about FTC actions and publication of related materials on the agency website, www.ftc.gov, the public facts underlying FTC actions provide bases for companies to evaluate the likelihood that other transactions would face challenge.

The FTC filed five new administrative complaints and continued to pursue five other administrative cases that have reached various stages of adjudication and appeal. Each of these cases may provide (or has provided) an opportunity for the FTC to set out in detail its analysis of important legal issues, and to have that analysis tested in the federal courts. Understanding fully the types of transactions or conduct the FTC is likely to challenge, and the reasons for the agency's actions, greatly facilitates antitrust lawyers' counseling of their clients and prevents many anticompetitive mergers from being proposed or anticompetitive practices from being implemented.

In addition, the FTC educates the public through guidelines; congressional or other type of testimony (such as testimony to the U.S. Congress); conferences, hearings, and workshops (such as the energy markets conference or the hearings on Section 2 of the Sherman Act); advisory opinions (addressing issues such as clinical integration by physicians); and reports (such as the report on the competition policy and the real estate industry).

As a complement to FTC enforcement activity, the agency also advises, when asked, other federal and state government officials about the possible effect that various regulatory proposals may have on competition. By providing economic analysis and other informed guidance, the FTC can help policymakers better understand the impact of their decisions in creating, maintaining, or forestalling competitive markets. The FTC has a long and distinguished history in this area. The FTC advocates market-based solutions through the publication of studies and reports, as well as participation in state and federal legislative and regulatory fora. The agency also participates as an *amicus curiae* (friend of the court) in judicial proceedings when substantial questions of antitrust law or competition policy are involved, especially when the FTC may add a different perspective to the deliberations because of its specialized knowledge or experience.

Finally, in an increased effort to disseminate to a broader audience of consumers and businesses the message of why competition matters, in April 2007 the FTC released a brochure titled "Competition Counts: How Consumers Win When Businesses Compete." This publication aims to educate consumers and business people on the important role of competition in providing them the most valuable mix of price, choice, and innovation. The FTC also released a Bureau of Competition User's Guide and Internet mini-sites on health care, real estate, oil and gas, and technology.



HELPING CONSUMERS SAVE MONEY AT THE PUMP

Important variables, such as how drivers fuel, drive, and maintain their cars, can offer increased fuel efficiency and save consumers money at the pump. In May 2006, the FTC released a new website, www.ftc.gov/savegas, with a "bumper-to-bumper" interactive guide and tips for consumers on what they can do to conserve gasoline. The FTC also released a consumer alert entitled "Saving Money at the Pump." During the past year, the FTC released a series of columns at its mini-website, www.ftc.gov/ftc/oilgas/, summarizing current market conditions that may impact gas prices and the FTC's role in petroleum industry enforcement.

Performance Results

The FTC uses two measures to assess its performance in preventing consumer injury through education. The key measure (Measure 2.3.5) tracks the number of external print media, such as newspapers, magazines, business and trade journals, and professional journals that publish articles that refer to FTC competition activities, and the circulation of the media that publish those articles. The second measure (Measure 2.3.2) tracks the volume of traffic on the FTC website on antitrust-related pages that are relevant to policymakers, the business and legal communities, and the public at large. These measures are a "good indicator" of the flow of information provided to the public and are designed to keep abreast of the developments in the technology of information dissemination.

Successful outreach and education efforts, as reflected by the above measures, will help consumers because increased knowledge and understanding of the antitrust laws will help businesses stay in compliance. These measures also will help ensure that the agency engages in consumer, business, and international education that advances the culture of competition, which enhances consumer welfare.

The results of these two measures indicate a significant continued public interest in the FTC and its Maintain Competition Strategic Goal. In addition, the broad and increasing distribution of educational and policy materials through electronic channels represents important leveraging of the agency's resources. These measures also help ensure that the agency engages in consumer, business, and international education that advances the culture of competition, which enhances consumer welfare.

Performance Measure 2.3.2

Quantify the number of hits on antitrust information on the FTC's website. (Numbers shown in millions.)

2007		2006		2005		2004		2003	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
At least 15 million	15.7	10	10.6	10	9.8	Establish baseline	11.0	N/A	N/A

Target Exceeded. Though the current strategic plan does not set a target for this measure, the FTC identified a provisional target by extrapolating from information acquired in the past three fiscal years. Historical data suggest that setting a target of at least 15 million visits may be appropriate. However, since rapid changes in technology and in the patterns of Internet utilization by the general population may render this target obsolete, the FTC will closely monitor this measure and, if necessary, make adjustments on a more frequent basis than envisioned by the five-year plan.

Key Measure: Performance Measure 2.3.5

Track the a) number of times print media publish articles that refer to FTC competition activities and b) the circulation of the media that publish those articles.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish Baseline	a) 2,982 articles b) 635 million	N/A	N/A	N/A	N/A

This measure tracks the number of external print media, such as newspapers, magazines, business and trade journals, and professional journals that publish articles that refer to FTC competition activities, and the circulation of the media that publish those articles. The print media that published articles covering the competition-related activities of the FTC encompasses publications with varying degrees of territorial distribution (from local to national) and with circulation ranging from less than 50 thousand to more than one million copies.

Objective 2.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange

OIL & GAS INDUSTRY INITIATIVE

www.ftc.gov/ftc/oilgas

The FTC maintains competition in the petroleum industry, and has invoked all the powers at its disposal—including the investigation of possible antitrust violations, the prosecution of cases, the preparation of studies, and advocacy before other government agencies—to protect consumers from anticompetitive conduct and unfair or deceptive acts or practices in the industry. The FTC's website describes its oversight of the petroleum industry, with special sections on its activities related to merger enforcement, anticompetitive nonmerger activity, and gasoline price data. It also features reports and economic working papers, congressional testimony, advocacy work, conference proceedings, and studies. Check it often for updates and information on new initiatives.

As a complement to its activities aimed at preventing consumer injury through education, the FTC provides substantial information to the business community and consumers about the role of the antitrust laws and businesses' obligations under those laws.

Our Strategy

This objective and its related Performance Measures are new additions to the FTC's Strategic Plan, as first set forth in the FTC's 2006–2011 Strategic Plan. The FTC has unique jurisdiction to gather, analyze, and make public certain information concerning the nature of competition as it affects U.S. commerce. The FTC uses that authority to hold public hearings, convene conferences and workshops, conduct economic studies on competition issues of significant public importance, and issue reports of its findings. This authority advances the competition mission in numerous ways and is a fundamental component in the FTC's strategy to enhance consumer welfare.

The agency uses the information it develops internally to refine the theoretical framework for analyzing competition issues and the empirical understanding of industry practices, which contributes substantially to an effective response to changing marketplace conditions. The information gained through this authority, combined with the agency's professional expertise on competition issues, also contributes to a better understanding of business practices and their competitive and economic implications by various entities, including the business sector, the legal community, other enforcement authorities, the judiciary, foreign competition agencies, and governmental decision makers and policymakers at the federal, state, and local levels.

The FTC pursues its objective of enhancing consumer welfare by actively developing its international cooperation and exchange program. Staff regularly participate in dialogue with competition authorities of other countries and international organizations on transnational competition issues that affect American consumers and businesses and that promote sound consumer welfare-based competition policy. Part of this program includes participating in technical assistance missions to countries with new competition regimes.

Performance Results

The key measures used to gauge the FTC's success under this objective are the ones relating to the publication of reports and studies on competition issues (Measure 2.4.2), making advocacy filings (Measure 2.4.3), and international cooperation and exchange (Measure 2.4.7).

These measures, in conjunction with the four additional measures (2.4.1, 2.4.4, 2.4.5, and 2.4.6) specified under the enhancing consumer welfare objective, help to ensure that the agency is engaging in appropriate types and sufficient levels of research, reports, advocacy, and international cooperation and exchange and that they are relevant to consumers, policymakers, businesses, and the legal community. The Strategic Plan establishes the target for these measures by setting a minimum level of activity that the agency is expected to achieve. Thus, for example, in the case of Measure 2.4.1 the Plan states that the FTC shall "Convene, or participate substantively in, at least 20 workshops, conferences, seminars, and hearings involving significant competition-related issues over a five-year period." As expressed in these terms, the Strategic Plan recognizes that these output measures relate to processes or events whose upper limit is not intrinsically defined, as is instead the case for other relative outcome measures for which the Plan states, for example, that the FTC shall achieve between 80 to 100 percent of a certain goal.

Performance Measure 2.4.1

Convene or participate substantially in workshops, conferences, seminars, and hearings involving significant competition-related issues.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 4	7	N/A	N/A	N/A	N/A

Target Exceeded. The target is for the FTC to convene or participate substantially in at least 20 conferences, workshops, or hearings that are related to significant competition issues over a five-year period, or at least four per year.

Key Measure: Performance Measure 2.4.2

Issue studies, reports, and working or issues papers on significant competition-related issues.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 8	18	N/A	N/A	N/A	N/A

Target Exceeded. The target is for the FTC to issue at least 40 studies, reports, and working papers or issues papers on significant competition-related issues over a five-year period, which translates to at least eight such reports per year. The FTC issued a total of 12 staff reports, five working papers, and one issues paper on competition-related matters, thus meeting the target set by the strategic plan.

Key Measure: Performance Measure 2.4.3

Make advocacy filings with other federal and state government agencies urging them to assess the competitive ramifications and costs and benefits to consumers of their policies.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 6	11	N/A	N/A	N/A	N/A

Target Exceeded. The target is for the FTC to make at least 30 advocacy filings with other state and federal government agencies urging them to assess the competitive ramifications of their policies over a five-year period, or six per year. The FTC filed 11 advocacy filings, thus exceeding the yearly target of at least six filings.

Performance Measure 2.4.4

Issue advisory opinions to persons seeking agency review of proposed business actions.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 2 to 3	2	N/A	N/A	N/A	N/A

Target Met. The target is for the FTC to issue at least 12 advisory opinions over the five-year period covered by the Strategic Plan, or at least two or three per year. The FTC responded to two requests for an advisory opinion from a physician independent practice association regarding integrative activities by the participating physicians, efficiencies related to the integration, and aspects of the association's makeup and operations that related to the exercise of market power. Two limitations related to the FTC's performance under this goal are:

- First, the decision to issue advisory opinions is not entirely under the control of the Commission, as they are driven by requests made by private parties.
- Second, the target is set over a five-year period and, thus, assessing performance at this early stage of the Plan may be premature. Changes in the regulatory framework of specific industries or new developments in the business models adopted by private parties may generate temporary or transitory spikes in requests for advisory opinions.

Performance Measure 2.4.5

File *amicus* briefs with courts addressing competition-related issues.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 2 to 3	4	N/A	N/A	N/A	N/A

Target Exceeded. The target is for the FTC to file at least 12 *amicus* briefs with courts addressing competition-related issues in the five years covered by the Strategic Plan, or at least two to three per year. The FTC achieved significant advances in antitrust law, filing four *amicus* briefs, thus slightly exceeding the yearly quota of the five-year target.

Performance Measure 2.4.6

Track the volume of traffic on www.ftc.gov relating to competition research, reports, advocacy, and international cooperation and exchange. (Numbers in millions.)

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
At least 1.1	1.1	N/A	N/A	N/A	N/A

Target Met. This Performance Measure relates to the volume of traffic on FTC web pages that relate to research, reports, advocacy, and international cooperation. Though the Strategic Plan does not set a specific target for this measure, the FTC set a provisional target for each of the remaining years. In FY 2007, there were approximately 1.1 million visits that met the criteria of this measure. If the FTC continues to develop its activities in the area of research, advocacy, and international cooperation, it is plausible to assume that the target for the next four years should be set at a level that surpasses the current fiscal year results.

Key Measure: Performance Measure 2.4.7

Track the a) number of cases on which the FTC cooperated with foreign competition authority, b) number of consultations with or comments to foreign competition authorities, c) number of written submissions on international fora, d) number of international events attended, and e) number of leadership positions held by FTC staff in international competition organization.

2007		2006	2005	2004	2003
Target	Actual	Actual	Actual	Actual	Actual
Establish baseline	a) 61 d) 48 b) 70 e) 8 c) 19	N/A	N/A	N/A	N/A

The third key measure under this objective relates to international cooperation and convergence in the field of competition enforcement and policy development. Specifically, the Strategic Plan states that the Commission shall track the number of cases on which FTC staff cooperated with foreign competition authorities, the number of consultations with or comments to foreign competition authorities, the number of written submissions to international fora, the number of international events attended, and the number of leadership positions held by FTC staff in international competition organizations. During FY 2007, the FTC staff cooperated with foreign competition authorities in 61 instances, provided 70 consultations or comments to foreign competition authorities, presented 19 submissions to international fora, attended 48 international events, and held eight leadership positions in international organizations.

Resources Utilized—Strategic Goal 2

(Dollars Shown in Millions by Fiscal Year)

	2007	2006	2005	2004	2003
Full-Time Equivalents	489	457	470	498	489
Obligations	$94	$86	$86	$83	$76

Differences between these obligations and the Statement of Budgetary Resources are due to rounding.

Summary of Program Evaluations

This section summarizes program evaluations conducted during FY 2007. The first three are independently-conducted evaluations and the remaining are those conducted internally by FTC staff.

Independent Program Evaluations

Program Assessment Rating Tool (PART)

In FY 2007, the FTC received an Effective rating, the highest rating a program can achieve, on its first Office of Management and Budget (OMB) PART evaluation. OMB uses the PART to indicate how well a program is performing so the public can see how effectively tax dollars are being spent. According to OMB, programs rated Effective set ambitious goals, achieve results, are well-managed, and improve efficiency. Effective programs are categorized as "Performing" on ExpectMore.gov, a website developed by OMB and Federal agencies to assess the performance of every Federal program and hold themselves accountable for improvement. The FTC's PART assessment can be found at www.whitehouse.gov/omb/expectmore/summary/10003816.2006.html

The OMB found that the FTC:

- has developed meaningful Performance Measures and ambitious targets that will help to achieve its long term goals. The Performance Measures were developed to comply with the requirements of the Government Performance and Results Act and are included in the FTC Strategic Plan and the annual FTC Performance and Accountability Report.
- coordinates effectively with its partners to ensure consistency and prevent redundancy in the enforcement of federal laws to protect consumers. For example, the program has a memorandum of understanding in place with the Antitrust Division of the Department of Justice to ensure that the programs do not overlap.
- has good management practices. For example, the FTC has received eleven consecutive independent financial audit unqualified opinions, the highest audit opinion available.

OMB asks that an agency undertake actions to improve the performance of its program. In FY 2007, the FTC began to implement the program evaluations included in its FY 2006-2011 Strategic Plan. In addition, the FTC:

- monitors, reviews, and updates its Performance Measures and targets to ensure meaningful and relevant data is available and used by managers to achieve the strategic goals of the agency.
- works to ensure that program evaluations are comprehensive, conducted on a regular basis, and of sufficient scope to evaluate effectiveness and relevance of the program.
- uses the FTC's Bureau of Economics and Office of Policy Planning expertise in evaluations of certain of its cases and activities.
- undergoes annual financial audits, which include tests of internal control and compliance with laws and regulations, conducted by independent auditors under contract to the OIG cooperates with the OIG on audits of various FTC mission and administrative activities throughout the fiscal year.
- looks to evaluations of its programs and initiatives by outside groups for independent assessments of its activities.

The Antitrust Modernization Commission

After a three-year review of the U.S. antitrust laws, and the policies and practices of the FTC and the U.S. DOJ's Antitrust Division, in April of 2007, the Antitrust Modernization Commission (AMC) presented a report to the President and Congress analyzing the current statutory framework and identifying ways in which antitrust enforcement can be improved. The AMC concluded that the current set of antitrust laws achieves the appropriate focus on fostering innovation, promoting competition and consumer welfare, rather than protecting competitors, and aggressively punishing criminal cartel activity. According to the report, moreover, the laws are sufficiently flexible as written to allow for their continued modernization as the world continues to change and our understanding of how markets operate continues to evolve through decisions by the courts and enforcement agencies. The AMC also concluded that U.S. antitrust policy has achieved an appropriate focus.

The AMC made several recommendations for the antitrust agencies and among them are some broad objectives that the FTC also shares. For example, the FTC and the Antitrust Division should, in their merger enforcement policy, (1) take appropriate account of the scope and scale that might be needed for a company to innovate; and (2) give full weight to merger-specific efficiencies. The agencies should engage in merger policy research such as studying any new emerging evidence pertaining to the relationship between concentration and market performance and do retrospective studies using performance data following earlier enforcement decisions to see whether the enforcement decision was the correct one. Finally, the agencies should be transparent in merger enforcement.

Harris Interactive Poll

According to a recent Harris Interactive Poll, the FTC's National Do Not Call Registry continues to have great success. Just under three-quarters (72 percent) of Americans have registered their telephone numbers for the National Do Not Call Registry. Of those who have registered, very few people say they get as many telemarketing calls as before they signed up (6 percent) and only one percent say they get more than before they signed up. One in five (18 percent) report that they currently get no telemarketing calls with three in five (59 percent) reporting that they still get some, but far less than before they signed onto the Registry, and 14 percent saying they get some, but a little less than before they registered.

Internally Conducted Program Evaluations

Strategic Goal #1: Protect Consumers

Objective 1.1 Identify fraud, deception, and unfair practices that cause the greatest consumer injury.

1. Assess whether the FTC's law enforcement and education efforts are addressing the leading areas identified by the consumer complaint information gathered by the agency.

The large number of consumer complaints and inquiries added to the FTC's Consumer Information System (CIS) database in FY 2007 gave the agency a broad view of what consumers who report their complaints are experiencing. The database allowed the FTC and its law enforcement partners to identify and develop cases against fraudulent and deceptive operators that cause the greatest consumer injury. By analyzing consumer complaints, the FTC refined its enforcement and education efforts to target the top consumer complaints. Not only did the FTC's database help identify the most serious and commonly reported consumer protection problems, but it also quickly informed the agency of emerging scams so that the agency could move rapidly to stop consumer injury.

In FY 2007, the FTC's law enforcement and education efforts addressed the leading areas identified by the consumer complaint information gathered by the agency. Identity theft remained on top of the list of consumer complaints in the FTC's database, and the agency continued to focus law enforcement and education efforts on this area. For example, it unveiled a new business education guide on maintaining data security and released a new consumer education brochure on laptop security. In addition, the FTC received more complaints about debt collectors than any other single industry. To address these complaints, the FTC has engaged in aggressive law enforcement, bringing several cases involving debt collection this year.

2. Review current functions, determine what changes or upgrades to the database would be helpful, and implement those changes. Assess security and integrity protections for the database and proposed enhancements to the database and evaluate the policies in place.

In FY 2007, the FTC conducted a complete review of its CIS database as well as its secure website, Consumer Sentinel, that makes complaint information available to law enforcement agencies. As a result of that review, the agency concluded that both CIS and Sentinel needed to be redesigned and upgraded, primarily due to the age of the underlying infrastructure of the existing systems. As part of this system redesign, the agency is conducting a complete reassessment of the security and integrity protections of both CIS and Consumer Sentinel. In the interim, the FTC conducted an internal review of current policies and procedures involving Consumer Sentinel, particularly focused on the integrity of the personally identifiable information included in the database. As a result, the agency strengthened its procedures concerning access to and retention of the data. The FTC communicated those enhanced procedures to all of its Sentinel law enforcement members and posted those new procedures on the website. In addition to strengthening security, the upgrade of systems will ensure easier navigation and improved reliability. This in turn will create an added incentive for a broader array of partners to enter information into and use the database.

Objective 1.2 Stop fraud, deception, unfairness, and other unlawful practices through law enforcement.

1. Evaluate whether enforcement activities are tracking the areas of greatest concern and injury to consumers and whether there are new practices or technologies that require additional consumer protection law enforcement.

   In FY 2007, in response to marketplace developments, consumer protection management shifted resources and gave added priority to three areas: identity theft; lending and other credit practices, including unfair and deceptive practices in the subprime mortgage lending market; and the deployment of new technologies in the marketplace. The FTC brought cases involving each of these areas in FY 2007, and added staff time and resources in anticipation of continued, robust enforcement action in each of them. A workshop was planned in FY 2007, and held in October 2007, to provide information on a range of issues, including the effects of technological, economic, and legal changes on the debt collection industry and whether the Fair Debt Collection Practices Act and other laws have kept pace with the developments.

Objective 1.3 Prevent consumer injury through education.

1. Measure the number of education messages disseminated each year relating to high-profile or emerging issues where consumer and business education can help alleviate consumer injury.

   In FY 2007, the FTC measured the number of education messages disseminated relating to high-profile or emerging issues, such as data security and identity theft, where consumer and business education can help alleviate consumer injury. In FY 2007, the FTC distributed 9.6 million brochures and 35,000 education kits to address identity theft. The agency also reviewed the focus of FTC education efforts and adjusted them based on changing consumer and business needs. During the FY 2007, the agency disseminated new or revised information covering a full range of subjects including gift cards, credit issues, buying or selling a home, data security and identity theft, and helping victims of the earthquake in Peru.

2. Assess whether the appropriate mix of media is being used to communicate consumer education messages and whether the FTC is making the most efficient use of available media and technology.

   The FTC determined that an appropriate fix of media is being used to communicate consumer education messages. For example, in FY 2007, the FTC issued new electronic education tools such as a "teaser" website with tips on evaluating online health claims, a new website on information security, and new www.onguardonline.gov website modules on wireless and laptop security. The FTC also unveiled its new website this year, which is easier for consumers and businesses alike to navigate. Moreover, the FTC made innovative use of technology to gather information at its workshops. During its workshop on "Protecting Consumers in the Next Tech-ade," the FTC developed "person on the street" interviews highlighting technology issues and conducted real-time polling of audience members. The FTC also updated its ability to webcast its conferences and workshops, using technology to enable online viewers to follow speakers and slide shows. For the first time, the FTC also began recording quotes from press releases that could be used by radio stations across the country to get the FTC's messages to the public.

3. Determine whether the FTC needs to reach new audiences, in light of any changes in demographics, advertising, and marketing practices, and what strategies or partnerships may allow the FTC to reach those audiences. Continue to assess the consumer information needs of the Spanish-speaking population.

   In FY 2007, the FTC evaluated its efforts and strategies to reach new audiences. In one case, this resulted in a partnership between the FTC and the Washington Metropolitan Area Transit Authority to place signs from the FTC's identity theft campaign on the back of Metrobuses throughout DC, Virginia, and Maryland. Also, in light of continued consumer fraud against Hispanics, the FTC released a new bi-lingual compendium of information for the Spanish-speaking population and Hispanic organizations, and continues to assess the consumer information needs of that audience.

Objective 1.4 Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange.

1. Evaluate whether the FTC is filing comments or otherwise engaging in advocacy with state, federal, and foreign government bodies on consumer protection policies that will have a significant impact on consumers and whether the recipients of these comments give weight to the views expressed in these comments in making policy decisions that affect consumers.

In FY 2007, the FTC's advocacy comments continued to influence public policy. For example, the FTC staff submitted comments to the courts of the state of New York addressing proposed rules that would restrict attorney advertising. As originally drafted, the rules would have greatly restricted such advertising. In early January 2007, the court issued its revised rules, adopting nearly all of the recommendations made by the FTC staff. In addition, other federal agencies have recognized the FTC's expertise in various policy issues and invited the FTC staff to participate in several interagency projects. Notably, the President asked the FTC's Chairman Majoras to co-chair the President's Identity Theft Task Force. The Task Force released its recommendations in April 2007, and the FTC staff continues to be an active voice in an interagency group charged with implementing the recommendations. In addition, the FTC was invited to be part of the Secretary of Education's working group on student loans as well as a small working group convened by the Department of Defense (DOD) to work on a DOD rulemaking on military lending.

2. Assess whether industry gives weight to the FTC's evaluation, monitoring, and advocacy and whether market interests are affected.

Industry has given great weight to the FTC's policy efforts. For example, the FTC has continued to encourage industry self-regulation in the area of childhood obesity. In July 2007, at an FTC workshop, leading food manufacturers released details of their pledges to voluntarily restrict their advertising to children under 12 and committed to limiting their advertising directed to children to food products that meet certain nutritional criteria or to refrain from advertising to children. Also, the companies committed to restricting their use of third-party licensed characters to products that meet these nutritional criteria and to websites promoting healthy lifestyles.

3. Determine whether statutory deadlines for reports required by Congress have been met.

In FY 2007, the FTC determined that it had met its statutory deadlines. For example, the Energy Policy Act of 2005 required the agency to consider the effectiveness of its appliance labeling problem by August 8, 2007. The FTC did so, made some changes, and issued a final rule by the statutory deadline.

Strategic Goal #2: Maintain Competition

Objective 2.1 Identify anticompetitive mergers and practices that cause the greatest consumer injury.

1. Assess markets where investigations were closed without enforcement action, explore whether outcomes remain positive over time, and use this information to enhance the agency's ability to predict likely competitive consequences in future investigations.

In order to evaluate the extent to which markets may have been affected by investigations closed without an enforcement action and to explore whether outcomes remained positive over time, the agency reviews merger investigations that were closed after a significant investigation by agency staff. The purpose of this type of analysis is to determine whether staff's predictions that the mergers would not have anticompetitive effects were accurate and to ascertain if there are sufficient grounds to change the characterization of a closed investigation from a positive to a negative outcome as specified by measures 2.1.1 and 2.1.3. Specifically, the agency reviewed the post merger markets in several closed investigations, looking at the level of market prices, the number of competitors in the market, and the quality of products. For the past fiscal year the agency did not identify any significant anticompetitive effects in these markets.

2. Assess the burden imposed on merger parties by the Hart-Scott-Rodino (HSR) merger investigation process, explore ways of reducing that burden without compromising effectiveness of investigations, and explore methods of measuring HSR compliance burden. Assess the FTC's efficiency in conducting antitrust investigations, explore ways to increase efficient use of investigatory resources and reduce burdens on business, and explore whether efficiency in conducting investigations can more meaningfully be measured.

With regards to assessing the burden imposed on merger parties by the HSR investigation process, in FY 2007 the agency collected detailed data on key aspects of each investigation as an integral part of the Merger Review Process reforms announced in February of 2006. This process entails closely monitoring the type of burden placed on parties (if a voluntary information request was made, if a presumptive cap on the number of custodians searched was adopted, and if modifications to the second request were made), the amount and type of documentary evidence provided by parties (number of people for whom documents were submitted, number of boxes of documents received as well as an estimate of the Gigabyte equivalent of electronic documents), and the outcome of the process, that is for example, if the parties substantially complied and if the submission was produced on a rolling basis. Furthermore, in order to increase the efficient use of investigatory resources the agency has introduced new and innovative software solutions to facilitate the production of electronic documentary evidence.

Objective 2.2 Stop anticompetitive mergers and business practices through law enforcement.

1. Assess the scope of the FTC's annual merger enforcement activities, as reflected by the volume of commerce in markets in which the agency took merger enforcement action. Determine whether the total volume of commerce in such markets is likely to reach $200 billion over the five-year strategic plan period and determine whether the level of consumer savings is likely to reach $4 billion. Compare the likely consumer welfare impact in these markets to the resources spent on the mission.

Through its review process of merger enforcement actions and an analysis of the relevant economic data as it relates to Performance Measures 2.2.3 and 2.2.6, the agency is able to determine that the total volume of commerce in the markets affected by merger enforcement actions is likely to reach $200 billion in five years and that consumer savings is likely to reach $4 billion in the same period.

2. Assess the scope of the FTC's annual nonmerger enforcement activities, as reflected by the volume of commerce in markets in which the agency took nonmerger enforcement action. Determine whether the total volume of commerce in such markets is likely to reach $100 billion over the five-year strategic plan period and determine whether the level of consumer savings is likely to reach $1 billion. Compare the likely consumer welfare impact in these markets to the resources spent on the mission.

   Likewise, by analyzing the current fiscal year economic data for nonmerger enforcement actions, as specified under Performance Measures 2.2.4 and 2.2.5, the agency is able to estimate that the volume of commerce target of $100 billion and the consumer savings target of $1 billion is likely to be reached in five years.

3. Assess qualitatively the deterrence value and precedential significance of the enforcement actions brought during each year.

   The agency assesses the qualitative deterrence value of its enforcement actions brought during each year primarily by ensuring that its decisions and enforcement policies are disseminated to the relevant target audiences (both general and industry-specific media and, when relevant, geographically-specific media) and by subsequently monitoring the extent to which the print media publishes articles that cover FTC antitrust actions (Performance Measure 2.3.5). Keeping track of the number of speeches and presentations done by agency representatives and analyzing the characteristics of the individual target groups allows the agency to further assess the potential deterrence affect of its decisions.

4. Conduct periodic retrospective studies of past investigative and enforcement activity to determine the extent to which the FTC's case selection process is accurately identifying matters that require FTC intervention.

   As mentioned under Objective 2.1 above, as part of a retrospective analysis initiated to assess the current case selection process, the agency began a review of recent merger investigations that were closed after a significant investigation by agency staff in order to determine whether staff's predictions that the mergers would not have anticompetitive effects were accurate. The agency reviewed the post merger markets in several closed investigations, looking at the competitive dynamics of the affected markets. Additionally, in one industry, during FY 2007, the agency held a public conference in which it conducted a historical review of the FTC's actions in the grocery store industry, and surveyed current economic analysis of grocery and retail competition and recent work on new methods for analyzing grocery and retail competition.

5. Evaluate litigation performance for lessons that may be applicable to future litigation.

During FY 2007 and FY 2008 the agency conducted and will complete an analysis of the FY 2007 completed litigation matters to develop and refine a set of best practices staff should adhere to in the course of litigation and to identify those processes that can be improved. The litigation staff involved with FY 2007 cases prepared synopses of "lessons learned" from their cases, both as to trial processes/practices that should be adopted and retained to enhance litigation outcomes. Bureau management will continue to review these synopses and will develop Bureau-wide "best litigation practices" in FY 2008.

6. Review the results of major competition research initiatives to identify their usefulness in guiding FTC decisions and influencing other policymakers' approaches to competition issues.

The agency periodically conducts major competition-related research initiatives in specific industrial sectors (such as pharmaceuticals, energy markets, and real estate) or to analyze how certain provisions of the antitrust laws are interpreted and applied (e.g., Hearings on Section 2 of the Sherman Antitrust Act). One of the primary goals of these initiatives is for the agency to further develop its competence in specific sectors of the economy and to initiate dialogue with the private sector, the Bar and other government agencies to clarify how the agency intends to interpret the antitrust laws. As an example, the agency conducted a real estate workshop in FY 2006 and subsequently initiated a series of investigation to assess the effects of specific types of conduct on competition and consumer welfare.

Objective 2.3 Prevent consumer injury through education.

1. Evaluate what antitrust content on the FTC website generates the largest amount of public interest, and why, and use this information in setting future priorities.

In order to evaluate which antitrust content on the FTC website generates the largest amount of public interest the agency has initiated an analysis of web traffic to determine ways to better organize and present information to key consumer and business audiences. The analysis tries to identify current users of content-specific pages, and assess whether their information needs are being met with current offerings. One of the outcomes of this analysis has been to prepare individual "fact" sheets on specific topics based on questions or complaints that come in from consumers, businesses and the Congress.

Objective 2.4 Enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange.

1. Seek input from consumer groups, business groups, bar groups, international organizations, and others on the value of the agency's research, reports, advocacy submissions, and international activities relating to the competition mission.

The agency obtains input from its major stakeholders on the value of its reports, research, advocacy and international activities through a variety of means: the analysis of traffic on the competition-related web pages and tailoring of content to satisfy perceived demand; the active participation of private and public interest groups to workshops and hearings; the research into the effects of advocacy filings; and the filings of submissions on competition-related topics in international competition fora.

2. Evaluate whether the FTC is filing comments or otherwise engaging in advocacy with state, federal, and foreign government bodies on competition policies that will have a significant impact on consumers and whether the recipients of these comments have given weight to the views expressed in these comments in making policy decisions that affect consumers.

The agency's experience and research indicate that policymakers often give weight to the FTC's views, as expressed in its advocacy filings, and that they alter their final policy decisions accordingly. The results of a survey conducted with recipients of past advocacy filings shows that the majority of policymakers assessed the FTC's comments as useful and stated that the agency's comments affected the policy debate. Often the agency also receives informal feedback directly from the recipients of the advocacy filings.

Financial Section

Message from the Chief Financial Officer

Steven A. Fisher
Chief Financial Officer

Fiscal year (FY) 2007 was a year of significant accomplishment within the financial management arena for the FTC. I am pleased to report to the American taxpayers that the agency conducted its activities in protecting consumers and maintaining competition in a fiscally responsible manner.

This report summarizes the agency's overall performance relative to its Strategic Goals and Objectives and presents the financial results of operations for the fiscal year. The financial section that follows summarizes the FTC's financial position as of September 30, 2007, and how financial resources were expended in achieving the performance results that are presented in the Performance Section. I am grateful to the Chairman, the Commissioners, and senior managers for promoting a culture of accountability throughout the agency and am proud of the dedication and outstanding efforts of the financial management staff who are diligent stewards of public resources. To highlight some key achievements in financial management, during FY 2007 the FTC:

- Obtained an unqualified (clean) opinion on the agency's consolidated financial statements for the eleventh consecutive year. Additionally, in their reports on Internal Controls and Compliance with Laws and Regulations, the auditors confirmed they found no material weaknesses, significant control deficiencies, or "non-conformances" with the Federal Managers' Financial Integrity Act and other applicable laws and regulations.
- Collected and returned over $41 million to victims of fraud and scams following successful prosecution with court-ordered judgments or settlements.
- Made timely payments, per the Prompt Payment Act, for 99 percent of all invoices received from vendors.
- Obtained a green rating from the Department of Treasury on the accuracy and timeliness of financial reporting practices involving Fund Balance with Treasury transactions.

- Increased the utilization rate of the agency's automated travel management solution from 15 percent (at the beginning of the year) to an average of more than 50 percent of all agency travel transactions for the year. Each self-service travel transaction that is completed using the automated system costs less than 25 percent of the full-service costs utilizing the FTC's travel agent.
- Exceeded the goal set by Public Law No. 108-183 to allocate a minimum of 3 percent of total contract dollars to companies owned and controlled by service-disabled veterans.
- Strengthened controls and implemented recommendations from the Inspector General's audit of the purchase card program.

In FY 2007 the FTC partnered with the Department of the Interior's National Business Center (NBC) to migrate from a legacy accounting system (hosted by the NBC) to a modern financial system. Together the FTC and the NBC achieved all planned milestones for migrating to the new application (certified by the Financial Systems Integration Office for its capability to meet mandatory system requirements). In October 2007, the FTC successfully transitioned to a new core financial system that will address challenges that the legacy system presented in keeping pace with technology. The new system will improve the degree of integration and the accessibility and availability of real-time financial information for use by agency managers. During FY 2008, the FTC plans to build on success in modernizing business systems by further integrating other modules (e.g., procurement) with the core financial system.

Steven A. Fisher

Steven A. Fisher
Chief Financial Officer
November 14, 2007

Independent Auditor's Report

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

Office of Inspector General

November 14, 2007

Chairman Majoras:

In accordance with the Accountability of Tax Dollars Act of 2002, we are responsible for conducting audits of the financial statements of the Federal Trade Commission. In our audits of the Commission for fiscal years 2007 and 2006, we found:

- The financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- The Commission had no material weaknesses in internal control over financial reporting (including safeguarding assets);
- No reportable instances of noncompliance with laws and regulations we tested.

The following sections discuss in more detail these conclusions as well as our conclusions on Management's Discussion and Analysis and other supplementary information. They also present information on the objectives, scope, and methodology of our audit.

Objectives, Scope, and Methodology

Federal Trade Commission management is responsible for (1) preparing the financial statements in conformity with U.S generally accepted accounting principles; (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of FMFIA are met; and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; and (2) management maintained effective internal control that provides reasonable, but not absolute, assurance the following objectives are met:

- Financial reporting: Transactions are properly recorded, processed, and summarized to permit the timely and reliable preparation of financial statements in conformity with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

- Compliance with applicable laws and regulations: Transactions are executed in accordance with (1) laws governing the use of budgetary authority, (2) other laws and regulations that could have a direct and material effect on the financial statements, and (3) any other laws, regulations, or government-wide policies identified by OMB audit guidance.

We are also responsible for (1) testing compliance with selected provisions of laws and regulations that could have a direct and material effect on the financial statements and for which OMB audit guidance requires testing and (2) performing limited procedures with respect to certain other information appearing in the Commission's Performance and Accountability Report. In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by Commission management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the Commission and its operations, including its internal control related to financial reporting (including safeguarding of assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority), and performance measures reported in Management's Discussion and Analysis;
- tested relevant internal controls over financial reporting and compliance with applicable laws and regulations, and evaluated the design and operating effectiveness of internal control;
- considered the Commission's process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act (FMFIA); and
- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those required by OMB audit guidance and other laws and regulations that had a direct and material effect on the Commission's financial statements for the fiscal year ended

September 30, 2007. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Opinion on Financial Statements

The Commission's balance sheets as of September 30, 2007 and 2006, and its related statements of net cost, changes in net position, budgetary resources, and custodial activity, with accompanying notes for the fiscal years then ended, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Consideration of Internal Control

In planning and performing our audits, we considered the Federal Trade Commission's internal control over financial reporting and compliance. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance or on management's assertion on internal control included in Management's Discussion and Analysis.

However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance. A material weakness is a significant control deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. Our internal control work would not necessarily disclose all material weaknesses.

We found certain matters involving the control environment that we do not consider significant deficiencies. We are communicating these matters to the Commission's management, along with our recommendations for improvement, in a separate letter.

Compliance with Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Commission's Management's Discussion and Analysis, and other accompanying information contain a wide range of data, some of which are not directly related to the financial statements. We did not audit and do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement

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and presentation with Commission officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

We performed our work in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

While this report is intended solely for the information and use of the Federal Trade Commission, the Office of Management and Budget and the Congress, it is also a matter of public record, and its distribution is, therefore, not restricted.

Inspector General
Federal Trade Commission

Principal Financial Statements

FEDERAL TRADE COMMISSION
BALANCE SHEET

As of September 30, 2007 and 2006
(Dollars shown in thousands)

	2007	2006
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 85,848	$ 70,139
Accounts receivable, Net (Note 5)	23	55
Total intragovernmental	85,871	70,194
Cash and other monetary assets (Note 4)	123,309	100,548
Accounts receivable, Net (Note 5)	125,185	136,968
General property, plant, and equipment, net (Note 6)	11,655	14,400
Total assets	$ 346,020	$ 322,110
Liabilities:		
Intragovernmental:		
Accounts payable	$ 1,557	$ 2,213
Other (Note 8)	4,616	20,096
Total intragovernmental	6,173	22,309
Accounts payable	$ 5,879	$ 5,769
Accrued redress receivables due to claimants	123,974	130,513
Redress collected but not yet disbursed	80,180	59,267
Divestiture fund due	44,570	43,054
Other (Note 8)	12,641	12,063
Total liabilities (Note 7)	273,417	272,975
Net position:		
Unexpanded appropriations —other funds	—	14
Cumulative results of operations —other funds	72,603	49,121
Total net position	$ 72,603	$ 49,135
Total liabilities and net position	$ 346,020	$ 322,110

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF NET COST

For the Years Ended September 30, 2007 and 2006
(Dollars shown in thousands)

	2007	2006
Program costs		
Maintain Competition (MC) Strategic Goal:		
Gross costs	$ 97,916	$ 88,275
Less: earned revenue	(145,285)	(111,668)
Net program (revenue) costs (Note 11)	(47,369)	(23,393)
Consumer Protection (CP) Strategic Goal:		
Gross costs	126,662	119,430
Less: earned revenue	(21,675)	(21,776)
Net program (revenue) costs (Note 11)	104,987	97,654
Net cost of operations	$ 57,618	$ 74,261

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF CHANGES IN NET POSITION

For the Years Ended September 30, 2007 and 2006
(Dollars shown in thousands)

	2007	2006
Cumulative Results of Operations:		
Beginning balance, adjusted	$ 49,121	$ 50,936
Budgetary Financing Sources:		
Appropriations used	73,688	77,470
Less: Other—recission	—	12,000
Other Financing Sources (Non-Exchange):		
Imputed financing	7,412	6,976
Total financing sources	81,100	72,446
Less: Net cost of operations	57,618	74,261
Net change	23,482	(1,815)
Cumulative Results of Operations	**72,603**	**49,121**
Unexpended Appropriations:		
Beginning balance, adjusted	14	14
Budgetary Financing Sources:		
Appropriations received	74,608	78,390
Less: Appropriations transferred out	14	—
Less: Other adjustments (recission)	920	920
Less: Appropriations used	73,688	77,470
Total budgetary financing sources	(14)	—
Total unexpended appropriations	—	14
Net position	**$ 72,603**	**$ 49,135**

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION
STATEMENT OF BUDGETARY RESOURCES

For the Years Ended September 30, 2007 and 2006
(Dollars shown in thousands)

	2007	2006
Budgetary Resources:		
Unobligated balance, brought forward, October 1:	$ 10,875	$ 13,926
Recoveries of prior year unpaid obligations	8,299	1,043
Budget authority		
Appropriation	74,608	78,390
Spending authority from offsetting collections		
Earned		
Collected	166,992	133,475
Change in receivables from federal sources	(32)	(32)
Change in unfilled customer orders		
Without advance from federal sources	84	(167)
Subtotal	241,652	211,666
Nonexpenditure transfers, net, anticipated and actual	(14)	—
Temporarily not available	(28,561)	—
Permanently not available	(920)	(12,920)
Total budgetary resources	$ 231,331	$ 213,715
Status of Budgetary Resources:		
Obligations incurred (Note 13)		
Direct	81,710	69,653
Reimbursable	138,553	133,187
Subtotal	220,263	202,840
Unobligated balance		
Available	4,238	8,187
Not available	6,830	2,688
Total status of budgetary resources	$ 231,331	$ 213,715
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 47,250	$ 47,045
Less: Uncollected customer payments from federal sources, brought forward, October 1	(201)	(400)
Total unpaid obligated balance, net	47,049	46,645
Obligations incurred net	220,263	202,840
Less: Gross outlays	(214,399)	(201,592)
Less: Recoveries of prior year unpaid obligations, actual	(8,299)	(1,043)
Change in uncollected customer payments from Federal sources (+/–)	(52)	199
Obligated balance, net, end of period		
Unpaid obligations	44,815	47,250
Uncollected customer payments from federal sources	(253)	(201)
Net Outlays		
Net outlays:		
Gross outlays	214,399	201,592
Less: Offsetting collections	(166,992)	(133,475)
Less: Distributed offsetting receipts	(5,962)	(10,021)
Net outlays	**$** 41,445	**$** 58,096

The accompanying notes are an integral part of these statements.

FEDERAL TRADE COMMISSION

STATEMENT OF CUSTODIAL ACTIVITY

For the Years Ended September 30, 2007 and 2006
(Dollars shown in thousands)
(Refer to Note 16)

	MC Strat Goal	CP Strat Goal	2007	2006
Revenue Activity:				
Sources of collections:				
Premerger filing fees (net of refunds) (a)	$ 144,561	$ —	$ 144,561	$ 110,913
Civil penalties and fines (b)	—	5,562	5,562	20,458
Redress (c)	—	71,748	71,748	37,283
Divestiture fund (d)	1,516	—	1,516	970
Funeral rule violations	—	31	31	170
Court registry	—	359	359	—
Total cash collections	146,077	77,700	223,777	169,794
Accrual adjustments (e)	—	(11,783)	(11,783)	52,613
Total custodial revenue	$ 146,077	$ 65,917	$ 211,994	$ 222,407
Disposition of Collections:				
Transferred to others:				
Treasury general fund	—	11,436	11,436	29,402
Department of Justice	154,787	—	154,787	109,861
Receivers (f)	—	3	3	7
Redress to claimants (g)	—	41,304	41,304	14,367
Contractor fees net of interest earned (h)	—	3,826	3,826	905
Attorney fees	—	19	19	—
Court registry	—	199	199	1,600
(Increase)/decrease in amounts yet to be transferred	8,710	(9,130)	(420)	(66,265)
Net Custodial Activity	$ —	$ —	$ —	$ —

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 1—Summary of Significant Accounting Policies

(a) Reporting Entity

The Federal Trade Commission (FTC) is an independent United States (U.S.) government agency, established by the Federal Trade Commission Act of 1914. The FTC enforces a variety of federal antitrust and consumer protection laws. The agency is headed by five Commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one Commissioner to act as Chairman. No more than three Commissioners can be of the same political party.

The FTC has two Strategic Goals, maintain competition and consumer protection, which are supported by the Bureau of Competition (BC), the Bureau of Consumer Protection (BCP) and the Bureau of Economics (BE). Additionally, various offices provide mission support functions and services.

The majority of FTC staff is located in Washington, DC; however, the FTC's regions cover seven geographic areas. The regions 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 business persons; and coordinate activities with local, state, and regional authorities. FTC regions frequently sponsor conferences for small businesses, local authorities, and consumer groups.

The FTC seeks to ensure that the nation's markets function competitively and are vigorous, efficient, and free of undue restrictions. The FTC also works to enhance the smooth operation of the marketplace, by eliminating acts or practices that are unfair or deceptive.

(b) Fund Accounting Structure

The FTC's financial activities are accounted for using various funds (i.e., Treasury Account Symbols (TAS)). They include the TAS described below for which the FTC maintains financial records and consumer redress accounts for which the agency has management.

General Funds TAS 29X0100 consists of salaries and expense appropriation accounts used to fund agency operations and capital expenditures.

Deposit Funds TAS 29X6013 consists of monies held temporarily by the FTC as an agent for others (e.g., redress funds).

Suspense Funds TAS 29F3875 represent receipts awaiting proper classification, or held in escrow, until ownership is established and proper distributions can be made.

Miscellaneous Receipt Accounts TAS 29 1040 and 29 3220 reflect civil penalties and other miscellaneous receipts that by law are not retained by the FTC. Cash balances are automatically transferred to the general fund of the Treasury at the end of each fiscal year.

(c) Basis of Accounting and Presentation

The financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC, in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and the Financial Reporting Requirements of the Office of Management and Budget (OMB) prescribed in OMB Circular A-136, Financial Reporting Requirements (as revised June 2007). They have been prepared from the books and records of the FTC and include the accounts of all funds under the control of the FTC. Accounting principles generally accepted in the United States encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying financial statements are prepared on the accrual basis of accounting.

In addition, the accompanying statements include information on the activities of the agency's consumer redress program. Independent agents are contracted to administer the program under the oversight of FTC program offices, which maintain the financial records for consumer redress activity.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(d) Budget Authority

The Congress passes appropriations annually that provide the FTC with authority to obligate funds for necessary expenses to carry out mandated program activities. These funds are available until expended, subject to OMB apportionment and to congressional restrictions on the expenditure of funds. Also, the FTC places internal restrictions on fund expenditures to ensure the efficient and proper use of all funds. Appropriated funding is derived from various revenues and financing sources. The Statement of Budgetary Resources reflects the single fund (e.g., TAS) for which the FTC has budget authority and therefore cannot be disaggregated further. The FTC's deposit funds, suspense funds, and miscellaneous receipt funds do not provide budgetary resources for the FTC.

(e) Fund Balances with the U.S. Treasury

Fund balances with Treasury consist of appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments, and restricted funds, which include deposit and suspense funds. The FTC's fund balances with Treasury are carried forward until such time as goods or services are received and payment is made or until the funds are returned to the Treasury. Cash receipts and disbursements are processed by the Treasury, with the exception of (redress) funds received and subsequently distributed (in accordance with court orders) by FTC agents to claimants.

(f) Accounts Receivable

Accounts receivable consist of amounts due from other federal entities and from current and former employees and vendors. Non-entity accounts receivable include uncollected civil monetary penalties imposed as a result of the FTC's enforcement activities and uncollected redress judgments. Because the FTC does not retain these receipts, a corresponding liability is also recorded for non-entity accounts receivable. Gross receivables are reduced to Net Realizable value by an allowance for uncollectible accounts. (See Note 5 Accounts Receivable.)

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(g) Property and Equipment

The basis for recording purchased general Property and Equipment (P&E) is full cost, including all costs incurred to bring the P&E to and from a location suitable for its intended use. The FTC's P&E consists of equipment, leasehold improvements, and software. Leasehold improvements include all costs incurred during the design and construction phase of the improvement. These costs are amortized over the remaining life of the lease, or the useful life of the improvements, whichever is shorter. The FTC uses property owned by commercial vendors and the General Services Administration (GSA). Owners of commercial buildings charge rent based on rates negotiated by the GSA (on the FTC's behalf). For GSA-owned property, the GSA charges the FTC a Standard Level Users Charge that approximates the commercial rental rates for similar properties. FTC policy is to capitalize all P&E with an initial cost greater than $100,000 and a useful life over two years.

(h) Cash and Other Monetary Assets

With the exception of cash held in consumer redress custodial accounts by the FTC's contracted agents, the FTC does not maintain cash in commercial bank accounts. (See accompanying Statement of Custodial Activity.)

(i) Accrued Liabilities and Accounts Payable

Accrued Liabilities and Accounts Payable represents a probable future outflow or other sacrifices of resources as a result of past transactions or events. Liabilities are recognized when they are incurred, regardless of whether they are covered by budgetary resources. Liabilities cannot be liquidated without legislation that provides the resources to do so. Also, the government, acting in its sovereign capacity, can abrogate FTC liabilities (other than contracts). See Note 7 for information on "Liabilities Not Covered by Budgetary Resources" and Note 8 for information on "Other Liabilities."

(j) 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). The FTC contributes a percentage to each program to pay for current benefits.

(k) Post-Retirement Health Benefits and Life Insurance

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The Office of Personnel Management (OPM) has provided the FTC with certain cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The FTC recognizes a current cost for these and Other Retirement Benefits (ORB) at the time the employee's services are rendered. The ORB expense is financed by OPM, and offset by the FTC through the recognition of an imputed financing source on the Statement of Financing. During fiscal years 2007 and 2006, the cost factors relating to FEHBP were $5,572 and $5,229, respectively, per employee enrolled. During fiscal years 2007 and 2006, the cost factor relating to FEGLIP was 0.02 percent of basic pay per employee enrolled.

(l) Employee Retirement Benefits

FTC employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Employees hired after December 31, 1983, are covered by FERS and Social Security, while employees hired prior to January 1, 1984, may elect to either join FERS or remain in CSRS. Approximately 17 percent of FTC employees participate in CSRS. For employees participating in CSRS, the FTC contributes 7 percent of the employee's gross earnings to the CSRS Retirement and Disability Fund. For employees participating in FERS, the FTC contributes 11.2 percent to the Federal Employees' Retirement Fund. Employees participating in FERS are covered under the Federal Insurance Contributions Act (FICA) for which the FTC contributes a matching amount to the Social Security Administration. 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. CSRS and FERS participating employees may contribute any dollar amount or percentage of basic salary to the TSP, not to exceed an annual dollar amount of $15,500, for 2007. CSRS participating employees do not receive a matching contribution from the FTC. For FERS employees, the FTC contributes 1 percent of the employee's gross pay to the TSP. The FTC also matches 100 percent of the first 3 percent contributed and 50 percent of the next 2 percent contributed. FTC contributions are recognized as current operating expenses. Although the FTC contributes a portion for pension benefits and makes the necessary payroll withholdings, it is not responsible for contribution refunds, employee's retirement benefits, or the retirement plan assets. Therefore, the FTC financial statements do not report CSRS and FERS assets, accumulated plan benefits, or unfunded liabilities, if any, which may be applicable to employees. Such reporting is the responsibility of the OPM.

(All dollars are stated in thousands)

However, the FTC recognizes the full cost of providing future pension benefits to covered employees at the time the employees' services are rendered. OPM has provided the FTC with certain cost factors that estimate the true service cost of providing the pension benefits to covered employees. The cost factors used to arrive at the service cost are 25 percent of basic pay for CSRS covered employees and 12 percent of basic pay for FERS covered employees during fiscal years 2007 and 2006. The pension expense recognized in the financial statements equals this service cost to covered employees less amounts contributed by these employees. If the pension expense exceeds the amount contributed by the FTC as employer, the excess is recognized as an imputed financing cost. The excess total pension expense over the amount contributed by the agency must be financed by OPM and is recognized as an imputed financing source, non-exchange revenue.

Pension expenses in 2007 and 2006 consisted of the following:

	2007 Total Pension Expense	2006 Total Pension Expense
Civil Service Retirement System	$ 3,774	$ 4,029
Federal Employees Retirement System	9,617	8,548
Thrift Savings Plan	3,707	3,374
Total	$ 17,098	$ 15,951

(m) Net Position

The FTC's net position is composed of the following:

Unexpended appropriations include the amount of unobligated balances and undelivered orders. Unobligated balances are the amount of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation.

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

(n) Revenues and Other Financing Sources

The FTC's revenues are derived from spending authority from offsetting collections and from direct appropriation. Spending authority from offsetting collections is comprised of (1) amounts received for services performed under reimbursable agreements and (2) amounts received from collection of fees under the Hart-Scott-Rodino (HSR) Act and the National Do Not Call Registry. For amounts collected under reimbursable work performed, revenue is recognized (accrued) when services are performed. Relative to fees, revenues are recognized when fees are earned. (See Note 12.)

In addition to exchange revenue, the FTC receives financing sources through direct appropriation from the general fund of the Treasury to support its operations. A financing source, appropriations used, is recognized to the extent these appropriated funds have been consumed. In fiscal years 2007 and 2006, the FTC received a financing source in the form of a direct appropriation that represented approximately one-third of total revenues and financing sources realized.

(o) Methodology for Assigning Cost

Total costs were allocated to each Strategic Goal based on two components: a) direct costs to each Strategic Goal and b) indirect costs based on the percentage of direct FTE used by each Strategic Goal.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(p) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (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. Actual results could differ from those estimates.

Note 2—Non-Entity Assets

The following summarizes Non-Entity Assets as of September 30, 2007 and 2006:

	2007	2006
Intragovernmental:		
Fund balance with Treasury	$ 1,656	$ 12,214
Cash and other monetary assets (Note 4)	123,309	100,548
Accounts receivable	125,185	136,968
Total non-entity assets	250,150	249,730
Total entity assets	95,870	72,380
Total assets	$ 346,020	$ 322,110

Non-Entity Fund Balance with Treasury is comprised of undisbursed premerger filing fees and deposits held for the consumer redress program. Cash and Other Monetary Assets consist of amounts on deposit with FTC distribution agents and divestiture fund deposits.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 3—Fund Balances with Treasury

Fund balances with Treasury consisted of the following at September 30, 2007 and 2006:

	2007	2006
Fund Balances:		
Appropriated funds (general)	$ 84,192	$ 57,925
Suspense fund—undisbursed HSR filing fees	215	10,441
Deposit funds—redress	1,441	1,773
Total	$ 85,848	$ 70,139

Status of Fund Balance with Treasury:	2007	2006
Unobligated balance		
Available	$ 4,238	$ 8,187
Unavailable	6,830	2,688
Temporarily not available pursuant to public law	28,561	—
Obligated balance not yet disbursed	44,563	47,050
Non-budgetary fund balance with Treasury		
Suspense fund—undisbursed HSR filing fees	215	10,441
Deposit funds—redress	1,441	1,773
Total	$ 85,848	$ 70,139

The Obligated Balance Not Yet Disbursed includes accounts payable and undelivered orders that have reduced unexpended appropriations but have not yet decreased the cash balance on hand. Temporarily Not Available pursuant to Public Law represents offsetting collections in excess of appropriated resources.

Other Information Deposit and suspense funds stated above are not available to finance FTC activities and are classified as non-entity assets, and a corresponding liability is recorded.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 4—Cash and Other Monetary Assets

Cash and other monetary assets held as non-entity assets consist of redress judgment amounts on deposit with FTC's distribution agents and divestiture fund deposits. A corresponding liability is recorded for these assets.

Cash and other monetary assets consisted of the following as of September 30, 2007 and 2006:

	2007	2006
Other Monetary Assets		
Redress contractors	$ 78,739	$ 57,494
Divestiture fund	44,570	43,054
Total other monetary assets	$ 123,309	$ 100,548

Note 5—Accounts Receivable

Opening judgment receivable (consumer redress and civil penalties) balances reflect the Federal Accounting Standards Advisory Board (FASAB) standard for the recognition of losses using the collection criterion of "more likely than not." This criterion results in receivable balances that are more conservatively stated than those valued by the private sector under GAAP. The Board 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.

(All dollars are stated in thousands)

Accounts receivable consisted of the following as of September 30, 2007 and 2006:

	Currently Due	Allowance	2007 Net	2006 Net
Entity Assets:				
Intragovernmental—**Accounts receivable**	$ 23	$ —	$ 23	$ 55
Non-entity assets:				
Consumer redress	$ 780,121	$ 656,147	$ 123,974	$ 130,513
Civil penalties	6,667	5,456	1,211	6,455
Total non-entity assets	$ 786,788	$ 661,603	$ 125,185	$ 136,968

Note 6—Property and Equipment, Net

FTC policy is to capitalize all property and equipment with an initial cost greater than $100 and a useful life over two years. Such assets are depreciated using the straight-line method of depreciation with service lives range from five to 20 years. Additionally, internal use software development and acquisition costs of $100 or greater are capitalized as software development in progress until the development stage has been completed and the software successfully tested. Upon completion and testing, software development-in-progress costs are reclassified as internal use software costs and amortized using the straight-line method over the estimated useful life of three years. Purchased commercial software that does not meet the capitalization criteria is expensed. Capitalized property and equipment, net of accumulated depreciation, consisted of the following as of September 30, 2007 and 2006:

Asset Class	Service Life	Acquisition Value	Accumulated Depreciation	2007 Net Book Value	2006 Net Book Value
Equipment	5–20 yrs	$ 7,173	$ 5,702	$ 1,471	$ 2,419
Leasehold improvements	10–15 yrs	7,338	1,810	5,528	4,492
Software	3 yrs	13,206	9,550	3,656	3,059
Software-in-development		1,000	—	1,000	4,430
Total		$ 28,717	$ 17,062	$ 11,655	$ 14,400

(All dollars are stated in thousands)

Depreciation expense was $4,957 and $3,905 for fiscal years ending September 30, 2007 and 2006, respectively, and is contained in the accumulated depreciation.

Note 7—Liabilities Not Covered by Budgetary Resources

A breakout of Intragovernmental Liabilities and Liabilities with the Public not covered by budgetary resources as of September 30, 2007 and 2006 are shown below:

(a) Intragovernmental and with the Public

	2007	2006
Intragovernmental:		
Undisbursed premerger filing fees due to DOJ	$ 215	$ 10,441
Civil penalty collections due to Treasury	1,211	6,455
FECA liability	2,356	2,400
Total intragovernmental	3,782	19,296
Unfunded leave	8,206	7,696
With the public:		
Undisbursed redress	80,180	59,267
Divestiture fund due	44,570	43,054
Redress receivables accrued and due to claimants	123,974	130,513
Total liabilities not covered by budgetary resources	$ 260,712	$ 259,826
Total liabilities covered by budgetary resources	12,705	13,149
Total liabilities	$ 273,417	$ 272,975

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(b) Other Information

Undisbursed Premerger Filing Fees Liability represents undisbursed filing fees collected under the Hart-Scott-Rodino (HSR) Antitrust Improvements Act of 1976, which are due to the Department of Justice in a subsequent period.

Civil Penalty Collections Due to Treasury represents the corresponding liability relative to accounts receivable due for civil monetary penalties, which will be transferred to the general fund of the Treasury upon receipt.

FECA Liability consists of workers' compensation claims payable to the Department of Labor (DOL), which will be funded in a future period, and an unfunded estimated liability for future workers' compensation claims based on data provided from the DOL. Unfunded FECA liabilities for 2007 and 2006 were $391 and $390, respectively. The actuarial calculation is based on benefit payments made over the past 12 quarters, and calculates the annual average of payments. The actuarial FECA liabilities for 2007 and 2006 were $1,965 and $2,010, respectively. For medical expenses and compensation this average is then multiplied by the liability-to-benefit paid ratio for the whole FECA program.

Unfunded Leave represents a liability for earned leave and is reduced when leave is taken. At year end, the balance in the accrued annual leave account is adjusted to reflect the liability at current pay rates and leave balances. Accrued annual leave is paid from future funding sources and, accordingly, is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

Undisbursed Redress includes redress in the FTC's Treasury deposit account, or with FTC redress agents.

Divestiture Fund Due represents the contra account for the divestiture fund held by one of FTC's redress agents until distribution of the funds are ordered per terms of the agreement.

Redress Receivables Accrued and Due to Claimants represents the contra account for accounts receivable due from judgments obtained as a result of the agency's consumer redress litigation.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 8—Other Liabilities

The following summarizes Other Liabilities as of September 30, 2007 and 2006:

	2007 Non-Current	2007 Current	2007 Total
Intragovernmental:			
FECA liability	$ 2,356	$ —	$ 2,356
Civil penalty collections due to Treasury	104	1,107	1,211
Accrued benefits	—	834	834
Undisbursed premerger liability	—	215	215
Total Intragovernmental	2,460	2,156	4,616
Accrued leave	—	8,206	8,206
Accrued salary	—	4,435	4,435
Total other liabilities	$ 2,460	$ 14,797	$ 17,257

	2006 Non-Current	2006 Current	2006 Total
Intragovernmental:			
FECA liability	$ 2,400	$ —	$ 2,400
Civil penalty collections due to Treasury	0	6,455	6,455
Accrued benefits	—	800	800
Undisbursed premerger liability	—	10,441	10,441
Total Intragovernmental	2,400	17,696	20,096
Accrued leave	—	7,696	7,696
Accrued salary	—	4,367	4,367
Total other liabilities	$ 2,400	$ 29,759	$ 32,159

(All dollars are stated in thousands)

Note 9—Leases

Leases of commercial property are made through and managed by the GSA. The Commission has leases on four government-owned properties and 10 commercial properties. The FTC's current leases expire at various dates through 2017. Two leases provide for tenant improvement allowances totaling approximately $7,300 and provide that these costs be amortized over the length of the leases. Under the terms of the leases, the FTC agrees to reimburse the landlord for the principal balance of the unamortized portion of the tenant improvement allowance in the event the agency vacates the space before lease expiration. The FTC rents approximately 562,679 square feet of space in both commercial and government-owned properties for use as offices, storage, and parking. All FTC leases are operating leases.

Rent expenditures for the years ended September 30, 2007 and 2006, were approximately $17,412 and $17,583, respectively.

Future minimum lease payments due under leases of government-owned property as of September 30, 2007, are as follows:

Fiscal Year	
2008	$ 6,045
2009	5,605
2010	17
2011	4
2012	—
Total Future Minimum Lease Payments	$ 11,671

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Future minimum lease payments under leases of commercial property due as of September 30, 2007, are as follows:

Fiscal Year	
2008	$ 11,367
2009	11,422
2010	11,565
2011	11,716
2012	9,289
Thereafter	1,460
Total Future Minimum Lease Payments	**$ 56,819**

Note 10—Commitments and Contingencies

Commitments The FTC is obligated for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year end. Undelivered orders, net of unfilled customer orders from federal sources, were $31,400 and $33,956 as of September 30, 2007 and 2006, respectively.

Contingencies The FTC is a party in various administrative proceedings, legal actions, and claims brought by or against it. In the opinion of FTC management and legal counsel, the ultimate resolution of these proceedings, actions, and claims, will not materially affect the financial position or the results of operation of the FTC.

Note 11—Intragovernmental Costs and Exchange Revenues

For "exchange revenue with the public," the buyer of the goods or services is a non-federal entity. For "intragovernmental costs," the buyer and seller are both federal entities. If a federal entity purchases goods or services from another federal entity and sells them to the public, the exchange revenue would be classified as "with the public," but the related costs would be classified as "intragovernmental." The purpose of this classification is to enable the federal government to provide consolidated financial statements, and not to match public and intragovernmental revenue with costs that are incurred to produce public and intragovernmental revenue.

(All dollars are stated in thousands)

	2007	2006
Maintain Competition Strategic Goal:		
Intragovernmental gross costs	$ 24,449	$ 22,355
Public costs	73,467	65,920
Total Maintaining Competition Costs	97,916	88,275
Intragovernmental earned revenue	(723)	(755)
Public earned revenue	(144,562)	(110,913)
Total Maintaining Competition net earned revenue	(145,285)	(111,668)
Maintaining Competition Net (revenue) Costs	(47,369)	(23,393)
Consumer Protection Strategic Goal:		
Intragovernmental gross costs	31,626	30,244
Public costs	95,036	89,186
Total Consumer Protection Costs	126,662	119,430
Intragovernmental earned revenue	(73)	(79)
Public earned revenue	(21,602)	(21,697)
Total Consumer Protection net earned revenue	(21,675)	(21,776)
Consumer Protection Net (revenue) Costs	104,987	97,654
Net Cost of Operations	$ 57,618	$ 74,261

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 12—Exchange Revenues

Exchange revenues are earned through the collection of fees under the Hart-Scott-Rodino (HSR) Act. This Act, in part, requires the filing of premerger notifications with the FTC and the Antitrust Division of the Department of Justice (DOJ) and establishes a waiting period before certain acquisitions may be consummated. Mergers with transaction amounts over $50 million (adjusted annually based on the gross national product) require the acquiring party to pay a filing fee. The filing fees are based on the transaction amount and follow a three-tiered structure: $45, $125, and $280. The FTC retains one-half of the HSR premerger filing fees collected. Revenue is recognized when all required documentation under the HSR Act has been received by the agency. Fees not retained by the FTC are maintained in a suspense fund until transferred to the DOJ and not reported as revenue to the FTC.

Exchange revenues are also earned through the collection of fees for the National Do Not Call Registry. This registry operates under Section 5 of the FTC Act, which enforces the Telemarketing Sales Rule (TSR). The Do Not Call Implementation Act, Public Law No. 108-010, gives the FTC authority to establish fees for fiscal years 2003 through 2007 sufficient to offset the implementation and enforcement of the provisions relating to the Do Not Call Registry. Telemarketers are required to pay an annual subscription fee and download from the Do Not Call Registry database a list of telephone numbers of consumers who do not wish to receive calls. Fees are based on the number of area codes downloaded. The minimum charge was $56 dollars to download one area code. The maximum charge was $15,400 dollars for all area codes within the United States. Effective September 1, 2007, the new minimum charge is $62 dollars and the maximum charge is $17,050 dollars. Revenue is recognized when collected and the telemarketer is given access to download data from the Do Not Call database. Fees collected over total costs are retained for use in other FTC Strategic Goals.

Exchange revenue is also earned for services provided to other government agencies through reimbursable agreements. The FTC recovers the full cost of services, primarily salaries and related expenses. Revenue is earned at the time the expenditures are incurred against the reimbursable order. All exchange revenues are deducted from the full cost of the FTC's programs to arrive at net program cost.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Exchange revenue consisted of the following:

	2007	2006
HSR premerger filing feeds	$ 144,562	$ 110,913
Do Not Call registry fees	21,602	21,697
Reimbursable agreements	796	834
Total	$ 166,960	$ 133,444

Note 13—Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in 2007 and 2006 consisted of the following:

	2007	2006
Direct Obligations:		
Category A	$ 81,710	$ 69,653
Reimbursable Obligations:		
Category A	137,666	132,610
Category B	887	577
Total Reimbursable Obligations	138,553	133,187
Total	$ 220,263	$ 202,840

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 14—Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

There are no material differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the United States Government.

Note 15—Explanation of Differences Between Liabilities Not Covered by Budgetary Resources and Components Requiring or Generating Resources in Future Periods

FECA Liability and Accrued Leave The changes in both of these balances between FY 2007 and FY 2006 are reflected as part of Components Requiring or Generating Resources in Future Periods on the Statement of Financing. The increase in Accrued Leave of $511 is included in the increase in the Annual Leave Liability line on the Statement of Financing, and the increase in FECA Liability of $44 is included in the "Other" line as part of the resources that fund future periods.

Note 16—Custodial Activities

The FTC functions in a custodial capacity with respect to revenue transferred or transferable to recipient government entities or the public. These amounts are not reported as revenue to the FTC. The major components of the FTC's custodial activities are discussed below. For its custodial activities, FTC accrues accounts receivable and a corresponding liability when a judgment is received from courts or a settlement is reached. Administrative expenses are recognized when incurred.

(a) Premerger Filing Fees

All Hart-Scott-Rodino (HSR) premerger filing fees are collected by the FTC pursuant to section 605 of Public Law No. 101-162, as amended, and are divided evenly between the FTC and the DOJ. The collected amounts are then credited to the appropriations accounts of the two agencies (FTC's "Salaries and Expenses" and DOJ's "Salaries and Expenses, Antitrust Division"). During fiscal years 2007 and 2006, FTC collected $289,122 and $221,825, respectively, in HSR fees. Total collections in the amount of $144,561 were retained for distribution, of which $144,561 of this collection was transferred to DOJ in 2007 and $100,633 in 2006. As of September 30, 2007, the undistributed collections remaining in the amount of $215 represent amounts to be transferred to DOJ in a future period.

(b) Civil Penalties and Fines

Civil penalties collected in connection with the settlement or litigation of the FTC's administrative or federal court cases are collected by either the FTC or DOJ as provided for by law. The DOJ assesses a fee equivalent to 3 percent of amounts collected before remitting them to the FTC. The FTC then deposits these collections into the Treasury. Civil penalties collected also include amounts collected for undecided civil penalty cases held in suspense until final disposition of the case.

(c) Redress

The FTC obtains consumer redress in connection with the settlement or litigation of both its administrative and its federal court cases. The FTC attempts to distribute funds thus obtained to consumers whenever possible. If consumer redress is not practical, the funds are paid (disgorged) to the Treasury, or on occasion, other alternatives, such as consumer education, are explored. Major components of the program include eligibility determination, disbursing redress to claimants, and accounting for the disposition of these funds. Collections made against court-ordered judgments totaled $71,748 and $37,283 during fiscal years 2007 and 2006, respectively.

(All dollars are stated in thousands)

The sources of these collections are as follows:

	2007	2006
Agents	$ 22,761	$ 4,892
Receivers	6,740	1,712
FTC	42,247	30,679
Total	$ 71,748	$ 37,283

(d) Divestiture Fund

One judgment obtained by the FTC on behalf of its Maintain Competition Strategic Goal stipulates the divestiture of assets by the defendants into an interest-bearing account to be monitored by the agency. The account balance represents principal and related interest held in one of the FTC's agent accounts as stipulated in the judgment. A corresponding liability is recorded. Net interest earned in fiscal year 2007 and 2006, was $1,516 and $970 respectively.

Divestiture Fund activity in fiscal years 2007 and 2006 consisted of the following:

	2007	2006
Beginning Balance	$ 43,054	$ 42,084
Interest	2,228	1,838
Expense	(712)	(868)
Net Total	1,516	970
Ending Balance	$ 44,570	$ 43,054

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(e) Accrual Adjustments

These adjustments represent the difference between the agency's opening and closing accounts receivable balances. Accounts receivable are the funds owed to the agency (as a custodian) and ultimately to consumers or other entities. See Exhibit A for computation of accrual adjustments to the Statement of Custodial Activity.

(f) Receivers

Funds forwarded to receivers for distribution to consumers was $7 and $8 for fiscal years 2007 and 2006, respectively.

(g) Redress to Claimants

Redress to claimants consists of amounts distributed to consumers by the FTC, one of its contracted agents, the court appointed receiver, or the defendant. In FY 2007 a total of $41,304 was distributed to consumers: $34,564 was paid by the FTC and its contracted agents, and $6,740 was paid by receivers. In FY 2006, a total of $14,367 was distributed to consumers: $12,655 was paid by the FTC and its contracted agents, and $1,712 was distributed by receivers.

(h) Contractor Fees Net of Interest Earned

Collections against monetary judgments are often deposited with one of the agency's two redress agents until distributions to consumers occur. Funds are deposited in interest-bearing accounts, and the interest earnings are used to fund administrative expenses. Agent expenses for the administration of redress activities and funds management amounted to $6,896 and $2,514 during the years ended September 30, 2007 and 2006, respectively. Interest earned was $3,070 and $1,608 during fiscal years 2007 and 2006, respectively, with the difference of $3,826 and $905 representing net expense.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

(i) Change in Liability Accounts

Liability accounts contain funds that are in the custody of the agency or its agents, and are owed to others (consumers, receivers for fees, and/or the Department of Justice). See Exhibit B for the computation of liability account changes.

(j) Current Year Judgments

A judgment is a formal decision handed down by a court. Redress judgments include amounts that defendants have agreed, or are ordered, to pay for the purpose of making restitution to consumers deemed to have been harmed by the actions of the defendant(s) in the case. For purposes of presentation in Exhibit A, redress judgments include cases in which the FTC, or one of its agents, is directly involved in the collection or distribution of consumer redress. In fiscal years 2007 and 2006 the agency obtained and reported in Exhibit A monetary redress judgments against defendants totaling $250,076 and $315,195, respectively.

The FTC does not include in the presentation of Exhibit A current redress judgment cases in which the FTC, or one of its agents, is not directly involved with the collection or distribution of consumer redress. These are cases in which the defendant, or other third party, has been ordered to pay redress directly to the consumers. In most of these cases, the judgment has ordered redress in the form of refunds or credits.

The agency also obtained civil penalty judgments of $5,943 and $27,360 in fiscal years 2007 and 2006, respectively.

(k) Treasury Referrals and Prior Year Recoveries

Monetary judgments six months or more past due are referred to the Treasury for follow-up collection efforts in keeping with the Debt Collection Improvement Act of 1996 (DCIA). Treasury's Debt Management Services (DMS) administers the program, and deducts 18 percent from amounts ultimately collected for its fee. Collections, net of fees, are returned to the FTC for distribution either to consumers, in the form of redress, or to the general fund of the Treasury as disgorged amounts.

In fiscal years 2007 and 2006, approximately $200 and $93 (net of fees) were collected by the DMS based on FTC referrals and are reported as collections on the Statement of Custodial Activity. The FTC refers to the DMS only those cases as defined in DCIA. This excludes cases that are in receivership, or bankruptcy or foreign debt. During 2007 and 2006, approximately $600 and $176,700 were referred to the DMS for collection.

Prior year recoveries include amounts collected on cases that were written off in a previous year. In fiscal years 2007 and 2006, approximately $900 and $1,700 were collected.

(I) Adjustments to the Allowance

Adjustments to the allowance for redress, totaling $185,724, represent adjustments to the provision for uncollectible amounts. Adjustments to the allowance for civil penalty, totaling $5,456, represent adjustments to the provision for uncollectible amounts.

Note 17—Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2007 and 2006, is $32,110 and $33,189, respectively.

Notes to the Financial Statements

For the Years Ended September 30, 2007 and 2006
(All dollars are stated in thousands)

Note 18—Reconciliation of Net Cost of Operations to Budget

	2007	2006
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	$ 220,263	$ 202,840
Less: Spending authority from offsetting collections and recoveries	(175,344)	(134,319)
Obligations net of offsetting collections and recoveries	44,919	68,521
Other Resources		
Imputed financing from costs absorbed by others	7,412	6,977
Net other resources used to finance activities	7,412	6,977
Total resources used to finance activities	52,331	75,498
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided	2,552	(2,057)
Resources that finance the acquisition of assets	(2,495)	(3,208)
Total resources used to finance items not part of the net cost of operations	57	(5,265)
Total resources used to finance the net cost of operations	52,388	70,233
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in annual leave liability	511	113
Other	44	12
Total components of Net Cost of Operations that will require or generate resources in future periods	555	125
Components Not Requiring or Generating Resources:		
Depreciation and amortization	4,957	3,906
Losses on disposition of assets—other	(282)	—
Total components of Net Cost of Operations that will not require or generate resources	4,675	3,906
Total components of Net Cost of Operations that will not require or generate resources in the current period	5,230	4,031
Net Cost of Operations	$ 57,618	$ 74,264

FEDERAL TRADE COMMISSION

NOTES TO THE STATEMENT OF CUSTODIAL ACTIVITY

ACCRUAL ADJUSTMENTS *EXHIBIT A*

September 30, 2007 and 2006

(Dollars shown in thousands)

	CP Strat Goal				
	Civil Penalty	Redress	Subtotal CP	2007 Total	2006 Total
Part 1					
Judgments Receivable—Net Beginning	$ 6,455	$ 130,513	$ 136,968	$ 136,968	$ 84,355
Add:					
Current year judgments (Note 16j)	5,943	250,076	256,019	256,019	342,555
Prior year recoveries (Note 16k)	—	857	857	857	1,719
Less:					
Collections by FTC/contractors/receivers	(5,562)	(71,748)	(77,310)	(77,310)	(57,741)
Collections by DOJ for litigation fees/other	(169)	—	(169)	(169)	(631)
Less:					
Adjustments to allowance (Note 16 l)	(5,456)	(185,724)	(191,180)	(191,180)	(233,289)
Judgments Receivable—Net, Ending	$ 1,211	$ 123,974	$ 125,185	$ 125,185	$ 136,968
Part 2					
Judgments Receivable—Net Ending	$ 1,211	$ 123,974	$ 125,185	$ 125,185	$ 136,968
Judgments Receivable—Net Beginning	6,455	130,513	136,968	136,968	84,355
Accrual Adjustment	$ (5,244)	$ (6,539)	$ (11,783)	$ (11,783)	$ 52,613

FEDERAL TRADE COMMISSION

NOTES TO THE STATEMENT OF CUSTODIAL ACTIVITY

CHANGE IN LIABILITY

EXHIBIT B

September 30, 2007 and 2006

(Dollars shown in thousands)

	MC Strategic Goal				CP Strategic Goal			
	Premerger	Divestiture	Civil Penalty	Subtotal MC	Civil Penalty	Redress	Subtotal CP	Total
Liabilities @ 09/30/07	$ 215	$ 44,570	$ —	$ 44,785	$ 1,211	$ 204,154	$ 205,365	$ 250,150
Liabilities @ 09/30/06	10,441	43,054	—	53,495	6,455	189,780	196,235	249,730
Change in Liability Accounts	$ (10,226)	$ 1,516	$ —	$ (8,710)	$ (5,244)	$ 14,374	$ 9,130	$ 420

	MC Strategic Goal				CP Strategic Goal			
	Premerger	Divestiture	Civil Penalty	Subtotal MC	Civil Penalty	Redress	Subtotal CP	Total
Liabilities @ 09/30/06	$ 10,441	$ 43,054	$ —	$ 53,495	$ 6,455	$ 189,780	$ 196,235	$ 249,730
Liabilities @ 09/30/05	9,389	42,084	—	51,473	332	131,660	131,992	183,465
Change in Liability Accounts	$ 1,052	$ 970	$ —	$ 2,022	$ 6,123	$ 58,120	$ 64,243	$ 66,265

Other Accompanying Information

Inspector General-Identified Management Challenges

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

Office of Inspector General

October 5, 2007

MEMORANDUM

TO: Deborah Majoras
Chairman

FROM: Howard L. Sribnick
Inspector General

SUBJECT: FY2007 FTC Management Challenges

The Federal Trade Commission is required to submit a Performance and Accountability Report (PAR) to the Office of Management and Budget in November 2007. The PAR contains a number of sections that address issues ranging from performance to financial management. The Reports Consolidation Act of 2000 requires that the Inspector General provide the Agency head with a summary of the management and performance challenges facing the Agency and a brief assessment of the agency's progress in addressing those challenges. This summary is included in the FTC's submission of the PAR.

OIG comments on management challenges are limited to those areas where the office has performed audit work. Consequently, this summary does not address all possible vulnerabilities and/or management challenges.

After careful analysis, it is my assessment that the areas of information technology security, redress administration, and the protection of personally identifiable information continue to represent important management and performance challenges for the FTC. The rationale for this assessment is outlined in the attached document.

The Office of Inspector General has enjoyed strong support from Agency management and looks forward to working with you as we address matters of mutual concern. We also welcome any comments or reactions to our assessment.

Attachment

Office of Inspector General
Top Management Challenges at the Federal Trade Commission

Management Challenge: Safeguarding personally identifiable information (PII)

The protection of PII is a government-wide priority with particular import at the FTC, which provides guidance and advice on the issue of identity theft and protecting personal information. Accordingly safeguarding PII is, and will continue to be, an important management challenge.

Agency Progress in Addressing the Challenge Over the past year, FTC has taken significant action to assure that PII collected and stored electronically is protected, including measures to protect PII stored on portable equipment. The OIG believes that the agency's efforts in this area are among the most comprehensive in the Federal government. However, as the amount of PII collected, used and shared by the agency increases; the FTC must continue to take precautions to protect PII.

The Challenge Ahead: All FTC managers must continue to focus on the challenge of safeguarding the sensitive personal information, including measures to control the collection, use and transmission of PII.

Management Challenge: Securing the agency's information systems and networks from destruction, data loss, or compromise

As is true of all Federal agencies, information systems and networks have become increasingly important to the operations of the FTC. Securing the agency's information systems from external threats is an important agency challenge.

Agency Progress in Addressing the Challenge: The FTC's Information and Technology Management Office (ITM) has made significant progress in developing a mature information security program and has implemented or addressed OIG identified security vulnerabilities discussed in previous security reviews. As a result, the FTC security environment is strong and robust and continues to evolve to expand its coverage and to address changing threats and requirements. FTC management recognizes that continued vigilance and resource investment is required to protect the data entrusted to its care and secure the availability and integrity of the information technology (IT) systems that are critical to the agency's ability to successfully complete its missions.

The Challenge Ahead: The most significant vulnerability found in this years audit under the Federal Information Security Act involves agency and contractor employees rendering the IT system susceptible to incursion by social engineering techniques, such as pretexting. ITM has initiated a program that includes improved caller authentication protocol and expanded training to address this issue. The challenge for FTC managers is to remain focused on security controls as the agency becomes increasing dependent on technology to meet its mission.

1

Management Challenge: Improved Security in the agency Computer Lab operations

The Bureau of Consumer Protection Computer Lab is a stand alone system that does not interface with to the agency's information technology network. However, certain agency employees have used the Bureau of Consumer Protection Computer Lab to engage in computer misuse. Since such activity could undermine the reputation of the agency, adequate management control in the Computer Lab is an important management challenge.

Agency Progress in Addressing the Challenge: ITM and the Bureau of Consumer Protection have entered into an MOU whereby procedures have been established to discourage misuse of the Computer Lab by agency employees and to protect the agency's IT network from incursion through the Computer Lab.

The Challenge Ahead: Since the Computer Lab is a stand alone system that does not interface with the IT network it is considered a Minor Application. However to assure compliance with FISMA, ITM will create a modified System Security Plan and place it in the Infrastructure General Support System Certification and Accreditation documentation as an appendix. Rules of behavior will be created for personnel who use the BCP Computer Lab.

The effectiveness of this action will be reviewed by the OIG as part of next year's FISMA review.

Management Challenge: Improved tracking of judgments and collections in Bureau of Consumer Protection (BCP) cases

In the past, the OIG found that accounting and reporting on judgments, collections and redress distributions by the Bureau of Consumer Protection Redress Office contained errors and omissions. This is a significant management issue, because these figures form the basis of reports to Congress and the public on how well the agency is carrying out its programmatic responsibilities to fight consumer fraud.

Agency Progress in Addressing the Challenge: The Bureau of Consumer Protection has launched a new Redress/Enforcement database that incorporates data about orders, defendants, receivers, redress distributions, and other financial data for redress matters. This database promises to significantly improve BCP's ability to gather and use data to ensure efficient administration of redress to consumers as well as robust compliance monitoring and enforcement of the Commission's orders. New user friendly e-surveys will be used to make data collection easy and efficient so that the information in the system is current and accurate. In addition, powerful search capabilities, pre-programmed reports, and an automated alert system will improve the Bureau's performance of its reporting, redress administration and enforcement responsibilities.

The Challenge Ahead: The OIG will undertake a follow-up review of the tracking and reporting of judgments and collections by the Redress Office to assure that the goals of this important management challenge are achieved.

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

THE CHAIRMAN

COMMENTS ON MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

In his letter dated October 5, 2007, the FTC Inspector General (IG) identified four challenges facing management. He also assessed the agency's progress in addressing those challenges, as required by the Reports Consolidation Act of 2000. The FTC concurs with the IG on the significant challenges management faces and on his assessment of agency progress in addressing those challenges. Moving forward, FTC management will continue its efforts to proactively tackle these challenges. In addition to the progress made in addressing the challenges as described by the IG, FTC management plans to take additional action as follows:

Management Challenge: Safeguarding personally identifiable information (PII)

During Fiscal Year 2008, the Privacy Steering Committee (PSC), working with every component in the agency, will continue its efforts to strengthen the FTC's privacy and data security policies and to raise the awareness of agency staff about privacy issues. Safeguarding the agency's PII is at the core of these efforts.

In order to ensure that managers and staff continue to focus on safeguarding sensitive data, in FY 2008 the PSC will, among other things:

- Work with individual components across the FTC to review their own policies and update them as appropriate to meet or exceed agency-wide policies for safeguarding PII.
- Hold an agency-wide "Privacy Week," which will consist of a week-long series of seminars, activities, and awareness campaigns to make privacy a central focus at the FTC. As part of Privacy Week, the FTC will hold a mandatory "Clean-Up Day," when staff will be required to inventory their paper and electronic files and execute a mandatory compliance checklist for sensitive PII and sensitive health information (SHI).
- Use the FTC Daily notification system, newsletters, and component-specific training seminars to keep staff engaged on privacy issues throughout the year.
- Distribute a memorandum on an annual basis to managers and supervisors reminding them that, like those they supervise, they must understand and observe the FTC's procedures for the prevention and timely reporting of breaches.
- Conduct a comprehensive inventory of the agency's critical data, including PII, SHI, and other mission-critical information. One of the objectives of this initiative will be to reduce, where possible, the agency's holdings of sensitive PII.
- Continue to work on the Shared Network Space Policy (SNSP), which is changing the way the FTC manages electronic records. For example, pursuant to the SNSP, case files that have sensitive PII or SHI must have a "PII subfolder" to separate and restrict access to this data.

Management Challenge: Securing the agency's information systems and networks from destruction, data loss, or compromise

- The Information Technology Management Office (ITMO) concurs with the IG that social engineering techniques, such as "pretexting," present a challenge. In FY 2008, the ITMO will include the topic of social engineering in computer-based training for IT security and privacy. As noted by the IG, the ITMO will improve the Enterprise Service Desk (ESD) caller authentication protocol through implementation of a "secret question." Additionally, the ITMO will conduct awareness campaigns at various times throughout the year, including announcements in the FTC Daily notification system and IT Newsletter. The ITMO will, through the use of internal audits, check ESD operations regularly to ensure compliance and to identify additional training requirements.

Management Challenge: Improved Security in the agency Computer Lab operations

- FTC management concurs with the recommended actions as described in the "challenges ahead" set forth by the IG. In FY 2008, the ITMO will create a modified System Security Plan and place it in the Infrastructure General Support System Certification and Accreditation documentation as an appendix. Additionally, rules of behavior will be created for personnel who use the Bureau of Consumer Protection Computer Lab. The ITMO, in conjunction with the IG, will verify compliance with the rules of behavior through internal audits performed by the Chief Information Security Officer.

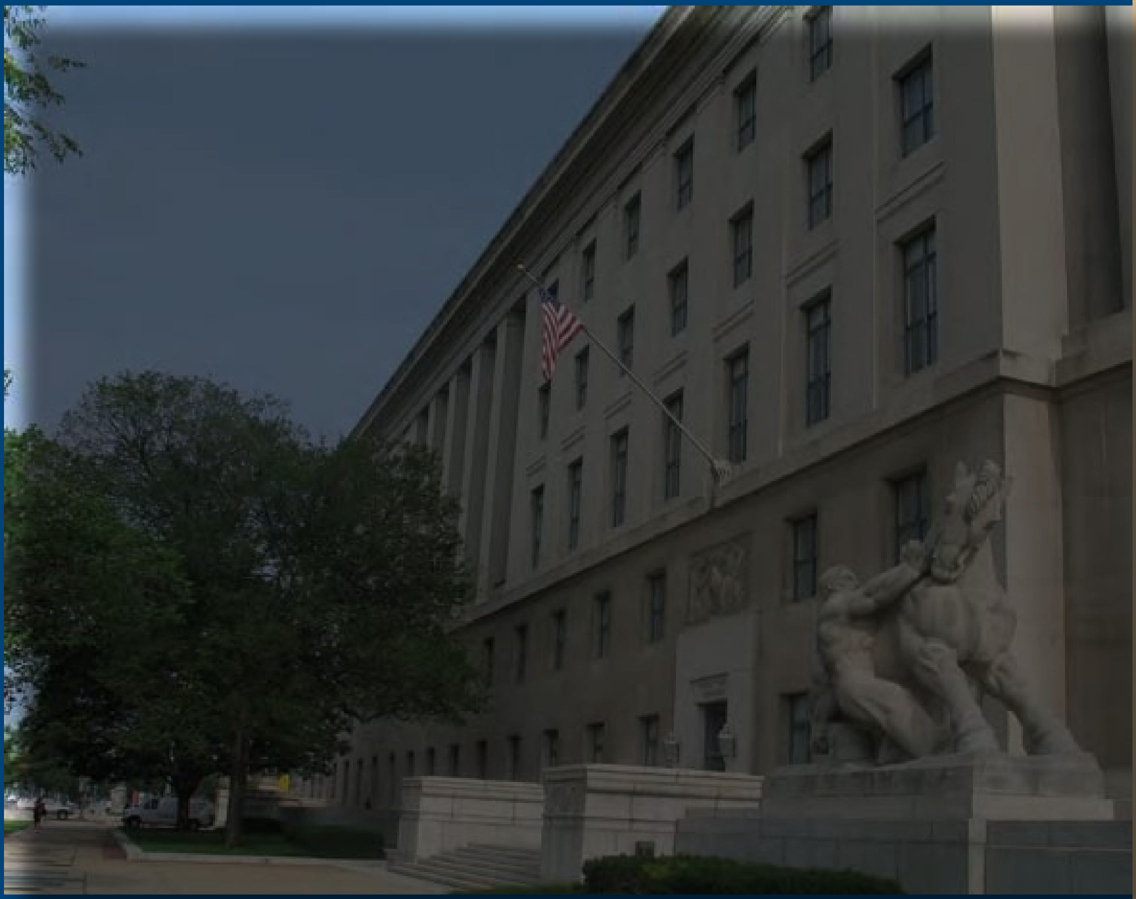
Management Challenge: Improved tracking of judgments and collections in Bureau of Consumer Protection cases

- The FTC recognizes the importance of accurate reporting, particularly with respect to information relating to the agency's redress program. Indeed, the new Redress/Enforcement Database, which went into production in the summer of 2007, is designed to improve the agency's reporting in this area. This new tool significantly improves the agency's ability to gather and use data to ensure efficient, timely administration of redress to consumers and to detail the status of individual redress matters, as well as to monitor compliance, track recidivist defendants, ensure compliance reports are filed, and enforce Commission orders. The database's data collection and reporting tools are an important part of strengthening agency processes, and FTC management look forward to the first full fiscal year reporting period using this system.

Signed Deborah P. Majoras

Deborah Platt Majoras
November 14, 2007

Appendix A



Appendix A: Performance Measures Comparison

Effective FY 2007, the FTC is operating with an updated performance framework that better defines and measures its activities. This appendix shows how the Performance Measures used to gauge success this fiscal year compare to those reported on in FY 2006.

Goal 1—Protect Customers

Objective 1.1 Identify Fraud, Deception, and Unfair Practices That Cause the Greatest Consumer Injury

Performance Measure	Text	Explanation
1.1.1	Collect and enter complaints and inquiries into the consumer database.	No change
1.1.2	Annual number of consumer complaints and inquiries related to identity theft entered into database.	Not in effect in FY 2007
1.1.3	KEY MEASURE: Determine the percentage of the agency's consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency.	New for FY 2007

Objective 1.2 Stop Fraud, Deception, Unfairness, and Other Unlawful Practices Through Law Enforcement

Performance Measure	Text	Explanation
1.2.1	KEY MEASURE: Stop economic injury to consumers each year through law enforcement.	No change
1.2.2	Total expenditures of deceptive or unfair advertising campaigns stopped.	Not in effect in FY 2007 (Removed prior to FY 2006 but included in this table to show a complete sequence)
1.2.3	Number of data searches conducted by FTC and law enforcement personnel of the FTC's Consumer Sentinel database.	Not in effect in FY 2007
1.2.4	Number of data searches conducted by law enforcement personnel of the FTC's identity theft database.	Not in effect in FY 2007

Performance Measure	Text	Explanation
1.2.5	Stop fraudulent and deceptive practices by obtaining orders.	New for FY 2007

Objective 1.3 Prevent Consumer Injury Through Education

Performance Measure	Text	Explanation
1.3.1	Track consumer protection messages accessed online or in print.	No change
1.3.2	Track consumer protection messages, related to identity theft, accessed online or in print.	No change
1.3.3	Track consumer protection messages, in Spanish, accessed online or in print.	No change
1.3.4	KEY MEASURE: Track a) the number of times print media publish articles that refer to the FTC consumer protection activities and b) the circulation of media that publish those articles.	New for FY 2007

NEW FOR FY 2007

Objective 1.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange

Performance Measure	Text	Explanation
1.4.1	KEY MEASURE: Convene or participate substantially in workshops and conferences on novel or challenging consumer protection problems or issues.	New for FY 2007
1.4.2	Issue reports on novel or challenging consumer protection problems or issues.	New for FY 2007
1.4.3	File public and advocacy comments with other federal and state government agencies.	New for FY 2007
1.4.4	Cooperate with foreign government agencies on enforcement matters with cross-border components.	New for FY 2007
1.4.5	Provide consumer protection related policy or technical input related to foreign government agencies or international organizations.	New for FY 2007

Goal 2—Maintain Competition

Objective 2.1 Identify Anticompetitive Mergers and Practices That Cause the Greatest Consumer Injury

Performance Measure	Text	Explanation
2.1.1	KEY MEASURE: Achieve positive outcomes in matters in which HSR requests for additional information are issued.	No change
2.1.2	Number of nonmerger investigations opened per year.	Not in effect in FY 2007 (Removed prior to FY 2006 but included in this table to show a complete sequence)
2.1.3	KEY MEASURE: Percent of significant nonmerger investigations that result in a positive outcome.	No change
2.1.4	Track the number of enforcement actions for the total mission, for the merger and nonmerger programs.	New for FY 2007
2.1.5	Report the number of a) second requests, b) reportable transactions for which premerger notifications were received, c) HSR investigations that resulted in enforcement action, d) transactions in which antitrust issues were resolved through voluntary abandonment or restructuring because of FTC concerns, and e) investigations closed because the evidence indicated that a competitive problem was unlikely.	New for FY 2007
2.1.6	Track the number of significant nonmerger investigations closed each year, a) with enforcement action and b) without enforcement action.	New for FY 2007

Objective 2.2 Stop Anticompetitive Mergers and Business Practices Through Law Enforcement

Performance Measure	Text	Explanation
2.2.1	KEY MEASURE: Positive outcome of cases brought by the FTC due to alleged violations.	No change
2.2.2	Achieve savings for consumers through merger enforcement.	New for FY 2007

Performance Measure	Text	Explanation
2.2.3	Take action against mergers likely to harm competition in markets with a total of at least $125 billion in sales over a five-year period; $25 billion in sales each year.	No change
2.2.4	Achieve savings for consumers through nonmerger enforcement.	New for FY 2007
2.2.5	Take action against anticompetitive conduct in markets with a total of at least $40 billion in annual sales over a five-year period; $8 billion each year.	No change
2.2.6	Save consumers at least six times the amount of agency resources allocated to the merger program over a five-year period. (Efficiency Measure)	New for FY 2007
2.2.7	Save consumers at least four times the amount of agency resources allocated to the nonmerger enforcement program over a five-year period. (Efficiency Measure)	New for FY 2007

Objective 2.3 Prevent Consumer Injury Through Education

Performance Measure	Text	Explanation
2.3.1	Quantify number of education and outreach efforts.	Not in effect in FY 2007 (Removed prior to FY 2006 but included in this table to show a complete sequence)
2.3.2	Quantify number of hits on antitrust information on the FTC's website.	No change
2.3.3	Measure and establish appropriate targets for the number of hits on the FTC antitrust website relevant to business and legal communities.	Not in effect in FY 2007 (Removed prior to FY 2006 but included in this table to show a complete sequence)
2.3.4	Measure and establish appropriate targets for the number of hits on the FTC antitrust website relevant to policymakers and the general public.	Not in effect in FY 2007 (Removed prior to FY 2006 but included in this table to show a complete sequence)

Performance Measure	Text	Explanation
2.3.5	KEY MEASURE: Track the number of times print media publish articles that refer to FTC competition activities and the circulation of the media that publish those articles.	New for FY 2007

NEW FOR FY 2007

Objective 2.4 Enhance Consumer Welfare Through Research, Reports, Advocacy, and International Cooperation and Exchange

Performance Measure	Text	Explanation
2.4.1	Convene or participate substantially in workshops, conferences, seminars, and hearings involving significant competition-related issues.	New for FY 2007
2.4.2	KEY MEASURE: Issue studies, reports, and workings or issues papers on significant competition-related issues.	New for FY 2007
2.4.3	KEY MEASURE: Make advocacy filings with other federal and state government agencies urging them to assess the competitive ramifications and costs and benefits to consumers of their policies.	New for FY 2007
2.4.4	Issue advisory opinions to persons seeking agency review of proposed business actions.	New for FY 2007
2.4.5	File *amicus* briefs with courts addressing competition-related issues.	New for FY 2007
2.4.6	Track the volume of traffic on www.ftc.gov relating to competition research, reports, advocacy, and international cooperation and exchange.	New for FY 2007
2.4.7	KEY MEASURE: Track the a) number of cases on which the FTC cooperated with a foreign competition authority, b) number of consultations with or comments to foreign competition authorities, c) number of written submissions on international fora, d) number of international events attended, and e) number of leadership positions held by FTC staff in international competition organizations.	New for FY 2007

Acronyms

AMC	Antitrust Modernization Commission
CAN-SPAM	Controlling the Assault of Non-Solicited Pornography and Marketing
CFO	Chief Financial Officer
CIO	Chief Information Officer
CIS	Consumer Information System
CLU	Criminal Liaison Unit
COPPA	Children's Online Privacy Protection Act
CSRS	Civil Service Retirement System
DCIA	Debt Collection Improvement Act
DMS	Debt Management Services
DNC	Do Not Call
DoD	Department of Defense
DOJ	Department of Justice
DOL	Department of Labor
EFT	Electronic Funds Transfer
ESD	Enterprise Service Desk
FASAB	Federal Accounting Standards Advisory Board
FEGLIP	Federal Employees Group Life Insurance Program
FEHBP	Federal Employees Health Benefit Program
FERS	Federal Employees Retirement System
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FTC	Federal Trade Commission
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GSA	General Services Administration
HSR Act	Hart-Scott-Rodino Act
IG	Inspector General
IT	Information Technology
ITM	Information and Technology Management
ITMO	Information and Technology Management Office
MD&A	Management's Discussion and Analysis

NIST	National Institute of Standards and Technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
ORB	Other Retirement Benefits
PAR	Performance and Accountability Report
PART	Program Assessment and Rating Tool
PII	Personally Identifiable Information
P&E	Property and Equipment
PSC	Privacy Steering Committee
SAS	Statement on Auditing Standard
SAT	Senior Assessment Team
SHI	Sensitive Health Information
SNSP	Shared Network Space Policy
TAS	Treasury Account Symbol
TSP	Thrift Savings Plan
TSR	Telemarketing Sales Rule
U.S.	United States

Contact Information and Acknowledgements

Federal Trade Commission

Address	Federal Trade Commission 600 Pennsylvania Avenue, NW Washington, DC 20580
General Information Number	202-326-2222
Internet Home Page	www.ftc.gov
FTC Spanish Home Page	www.ftc.gov/ojo
Strategic Plan Internet Site	www.ftc.gov/strategicplan

Performance and Accountability Report (PAR) Specific

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

PAR Internet Site	www.ftc.gov/par
PAR Contact	Darlene Cossette
PAR Telephone	202-326-3255
PAR Fax Number	202-326-2329
PAR Email Address	gpra@ftc.gov
PAR Mailing Address	Use above address with "Atten PAR, M/D H-774"

Regions

East Central (Cleveland, OH)	216-263-3426
Midwest (Chicago, IL)	312-960-5600
Northeast (New York, NY)	212-607-2822 or -2832
Northwest (Seattle, WA)	206-220-6366
Southeast (Atlanta, GA)	404-656-1379
Southwest (Dallas, TX)	214-953-3079
Western (San Francisco, CA)	415-848-5184
Western (Los Angeles, CA)	310-824-4380

Consumer Response Center

General Complaints	1-877-FTC-HELP (1-877-382-4357)
Identity Theft Complaints	1-877-ID-THEFT (1-877-438-4338)
Online General Complaints	www.ftc.gov/complaint
Identity Theft Education and Complaints	www.ftc.gov/idtheft
National Do Not Call Registry	www.donotcall.gov

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Federal Trade Commission
For the Consumer
1-877-ftc-help
www.ftc.gov