Federal Trade Commission

Performance and Accountability Report

Fiscal Year 2008





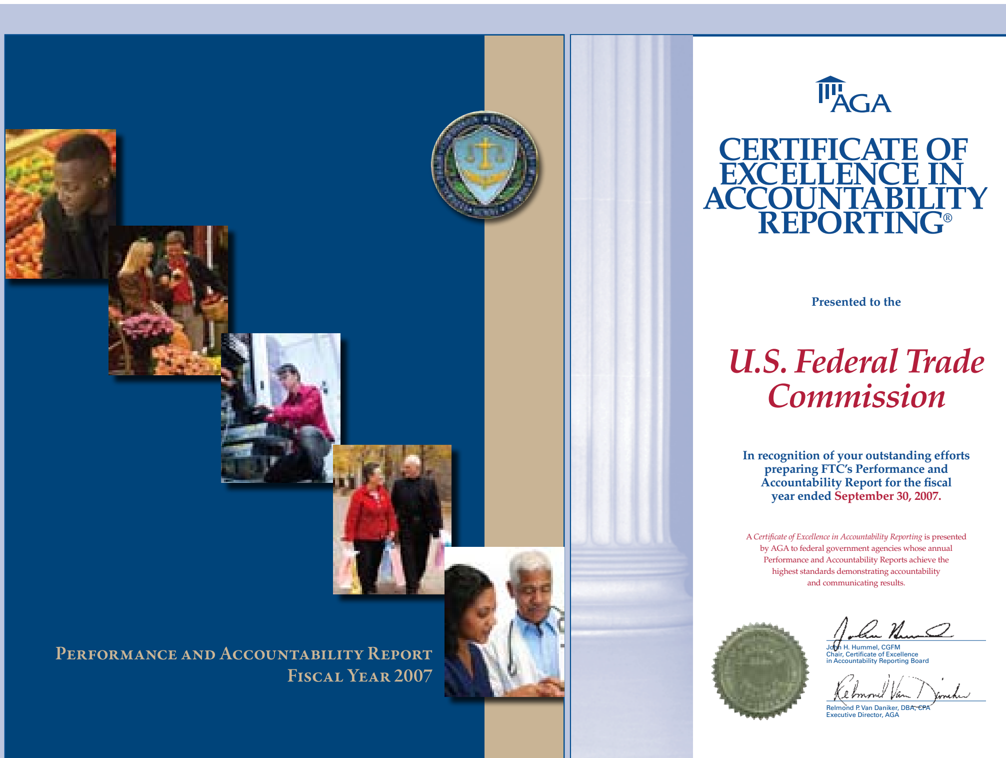
The cover page shows the Federal Trade Commission's headquarters building at 600 Pennsylvania Avenue, NW in Washington, DC. President Franklin D. Roosevelt personally laid the building's cornerstone in 1937. Photographs throughout the FY 2008 PAR are of this historic building and its Art Deco reliefs depicting aspects of trade.

About this Report

The Federal Trade Commission's (FTC) FY 2008 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

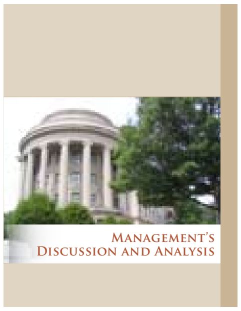
The performance and financial information contained in this report is summarized in a "Citizens' Report," available at www.ftc.gov/par in December 2008.



The FTC received the Association of Government Accountants' *Certificate of Excellence in Accountability Reporting* for an outstanding FY 2007 PAR.

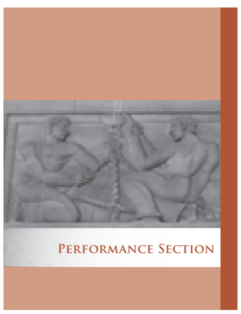
How This Report is Organized

This report includes three major sections plus supplemental information.



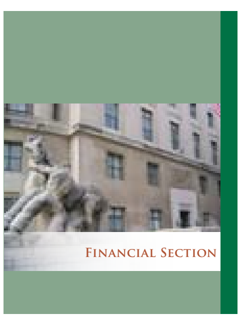
Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) Section provides an overview of the FTC's mission and organization, a key performance measures overview, mission challenges, and financial highlights.



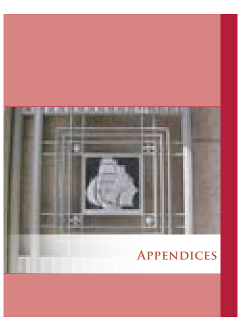
Performance Section

The Performance Section explains the FTC's performance relative to its strategic goals and objectives, includes an overview of how the performance data are verified and validated, and summarizes program evaluations performed during the year.



Financial Section

The Financial Section provides financial details, including the independent auditor's report and audited financial statements. The Financial Section also provides management and performance challenges identified by the Inspector General along with the Chairman's response and summary of management assurances.



Appendices

Appendix A is a list of acronyms used throughout this report, and Appendix B is contact information and acknowledgements.

The FTC At-A-Glance

History

- The federal government created the Bureau of Corporations in 1903. In 1914, President Woodrow Wilson signed the Federal Trade Commission Act into law, and the Bureau of Corporations became the Federal Trade Commission (FTC).

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 the 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. For example, consumers 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 thanks 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 (DNC) Registry, which gives consumers the opportunity to limit telemarketing calls. As of October 1, 2008, there were more than 172 million active registrations on the DNC Registry.
- Over the past three years, the FTC has saved consumers more than $1.28 billion in economic injury by stopping illegal practices. The FTC's jurisdiction ranges from misleading health claims and deceptive lending practices to weight-loss schemes and business opportunity fraud.
- In FY 2008, the FTC took action against mergers likely to harm competition in markets with a total of $14.9 billion in sales. The agency's efforts to maintain aggressive competition among sellers benefit consumers through lower prices, higher quality products and services, additional choice, and greater innovation.
- The FTC shares the more than 12.2 million fraud, identify theft, financial, and DNC Registry complaints it has collected with more than 1,700 other law enforcement agencies across the United States, Canada, and Australia via the secure Consumer Sentinel Network website.

Profile

- The agency is headquartered in Washington, DC, and operates with seven regions across the United States.
- The agency had nearly 1,100 full-time equivalent employees at the end of FY 2008.
- Total new budget authority for FY 2008 was $244 million.

Message from the Chairman

William E. Kovacic
Chairman

I have had the great fortune to work with the Federal Trade Commission (FTC) over intermittent periods throughout the past 30 years. The FTC I joined in 1979 had considerable strength; now the FTC stands at the front ranks of the world's competition policy and consumer protection institutions. I believe that the FTC truly is one of the great success stories in the modern history of public administration. I am pleased to present the FTC's Performance and Accountability Report for Fiscal Year 2008. It provides the results of our strong program performance and successful financial activities over the past year that support our mission. The agency's two strategic goals, protecting consumers and maintaining competition, form the core of our mission. Each goal is based on four objectives and related strategies: (1) identify illegal practices; (2) stop illegal practices through law enforcement; (3) prevent consumer injury through education of consumers and businesses; and (4) enhance consumer welfare through research, reports, advocacy, and international cooperation and exchange.

These objectives set the course to help us accomplish our mission. We reach out to consumers and businesses to help us identify current marketplace trends and challenges. We ask them to call our toll-free phone numbers or file complaints online to alert us to illegal practices entering the marketplace. We also hold workshops and hearings to which we invite consumers, business representatives, academics, and others to discuss the law as well as current developments. We work closely with our law enforcement partners, both domestic and foreign, to ensure robust enforcement of consumer protection and antitrust laws. We act to block mergers that could have anticompetitive effects. Through our consumer and business education program, we issue alerts to warn the public of emerging schemes, post web pages, publish brochures, and use innovative approaches to reach the public in order to prevent further consumer injury. Our extensive education materials are available online in English at www.ftc.gov and in Spanish at www.ftc.gov/ojo.

The FTC has pursued an effective law enforcement program in a dynamic marketplace that is increasingly global and characterized by changing technologies. Through the efforts of a dedicated staff, the FTC continues to handle a growing workload. In the consumer protection area, the Commission is active in a variety of efforts to protect the public from unfair, deceptive, and fraudulent practices in the marketplace. The Commission also has an active enforcement agenda to promote and protect competition. The Commission scrutinizes mergers in many industries, filing actions to enjoin those that are likely to be anticompetitive and ordering divestitures, where appropriate, to preserve competition while allowing the beneficial aspects of the merger to proceed.

To accomplish our goals and objectives and build upon our program performance, three of our priorities relating to the FTC's law and economics programs include:

- To sustain and enhance the agency's litigation and non-litigation initiatives in sectors of the greatest importance to consumers and to overall economic performance. Key areas for our attention include health care, prescription drugs, real estate, and high technology sectors. Another focal point for our attention is the energy sector. The Commission continuously examines price movements and other activity through our Gasoline and Diesel Price Monitoring Project to identify any conduct that may not reflect purely competitive decisions based on the forces of supply and demand. Some believe the FTC should be doing more in this area and last December Congress enacted the Energy Independence and Security Act of 2007 (EISA). Section 811 of EISA granted the Commission authority to promulgate a rule prohibiting the use of manipulative or deceptive devices or contrivances in wholesale crude oil, gasoline, and petroleum distillate markets. The Commission is now relying on that authority to conduct a rulemaking proceeding and expects to complete the process by the end of the year.

- To undertake an extensive self-assessment of the agency with an eye toward identifying how best to improve the FTC's operations and organization. The FTC has begun a project, called *The FTC at 100: Into Our Second Century*. We are using internal deliberations and public consultations at home and abroad to assess what the FTC must do to fulfil the ambitions the Congress set for us early in the 20th Century.
- To pursue innovations in intergovernmental cooperation relating to competition policy inside the United States and with our counterpart agencies abroad.

A critical component of our success is the FTC's investment in its human capital. As I have said in the past, our greatest assets leave every night and we pray they return each morning. To meet our goals and address challenges, the FTC continues to attract and retain attorneys, economists, and other professionals who possess strong technical skills and experience.

Furthermore, essential to FTC's success in gaining organizational excellence is sound financial management. The FY 2008 independent financial audit resulted in the FTC's 12th consecutive unqualified opinion, the highest audit opinion available. The independent auditors did not identify any material weaknesses, significant deficiencies, or instances of non-compliance with laws and regulations. In the Management Assurances section (see p. 22), I provide my assurances that FTC has no material weaknesses to report. I am also pleased to report that the FTC financial and performance data presented in this report are complete, reliable, and accurate in keeping with the guidance from the Office of Management and Budget.

In accordance with the Reports Consolidation Act of 2000, the Inspector General (IG) identified key management and performance challenges facing the agency, and he assessed our progress in addressing them. Agency management concurs that the issues identified by the IG are key challenges, and with his assessment of our progress. Those challenges and our responses are discussed further in the Other Accompanying Information section of this report. Moving forward, we will continue our efforts to tackle these matters proactively.

I look forward to working with agency staff, my fellow commissioners, and FTC stakeholders and partners to continue providing high-quality service to the American public. We will report our progress and subsequent actions in future Performance and Accountability Reports.

William E. Kovacic
November 14, 2008

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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

Relief detail from the Federal Trade Commission's headquarters building in Washington, DC.

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 and protecting consumers' personally identifiable information and sensitive health information. These laws are administered by the FTC.

Each year, more people around the globe have come to understand that competition among independent businesses is good for consumers, the businesses themselves, and the economy. Competitive markets yield lower prices and better quality goods and services, and a vigorous marketplace provides the incentive and opportunity for the development of new ideas and innovative products and services. Many of the laws governing competition also are administered by the FTC.

The FTC 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.

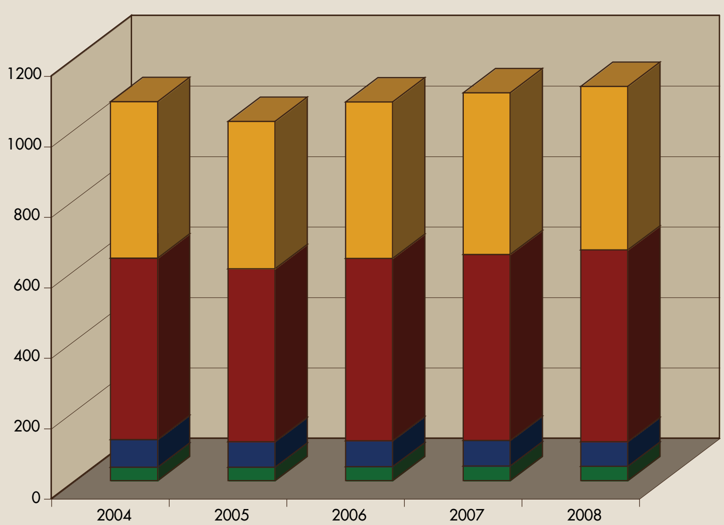
The FTC is headed by a Commission composed of five commissioners, nominated by the President and confirmed by the Senate, each serving a seven-year term. The President chooses one commissioner to act as Chairman. No more than three commissioners can be from the same political party. The FTC's mission is carried out by three bureaus: 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, the Office of International Affairs, the Office of the Executive Director, and seven regions.

The agency is headquartered in Washington, DC, and operates with seven regions across the United States. The graphic below illustrates the locations 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.

FTC's Workforce Composition



	2004	2005	2006	2007	2008
Other Professions	444	418	444	459	464
Attorneys	515	491	517	527	544
Economists	78	72	74	73	70
Senior Managers	38	38	39	41	40
	1075	1019	1074	1100	1118

Note: These totals reflect full- and part-time staff on board as of September 30 for each year. The actual full-time equivalent usage for each year varies from the on-board count.

Performance Overview

This section explains the FTC's strategic and performance planning framework and summarizes the key performance measures reported in the Performance Section. The Performance Section contains details of program performance results, trend data by fiscal year, resources, strategies, factors affecting performance, and the procedures used to verify and validate the performance data.

Strategic and Performance Planning Framework

Performance Measurement Methodology

The FY 2008 performance planning framework originates from the FTC's FY 2006–2011 Strategic Plan, available at www.ftc.gov/opp/gpra/spfy06fy11.pdf, and is supported by the FTC's Performance Plan, available at www.ftc.gov/opp/gpra/CBJ_2008_performance_plan.pdf.

Strategic Goals	Statements of long-term aims outlined in the Strategic Plan, which define 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 in reaching strategic objectives.
Key Measures	Measures that best indicate whether agency activities are achieving the desired outcome associated with the related 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 for the eight objectives are used to gauge the FTC's success for each objective.

Strategic Goals and Objectives

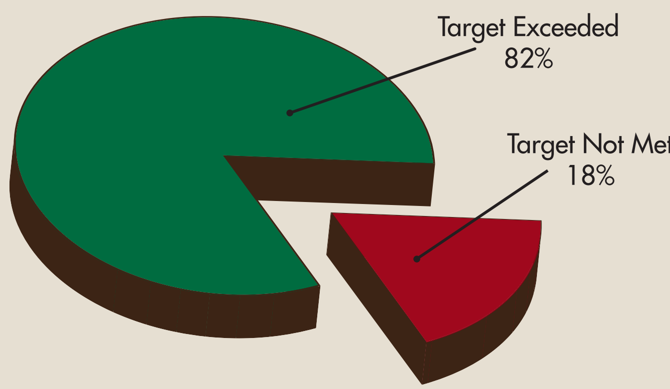
Strategic Goals	Objectives
Protect Consumers Prevent fraud, deception, and unfair business practices in the marketplace	***Identify*** fraud, deception, and unfair practices that cause the greatest consumer injury.
	Stop fraud, deception, unfairness, and other unlawful practices through law enforcement.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

Key Performance Measures Summary

The FTC has established various measures for assessing program performance against strategic goals and objectives. Of the 34 measures, 11 are considered "key" measures because they best indicate whether agency activities are achieving the desired outcome associated with the related objective. For each measure, the FTC has established a performance target. This report presents actual results in comparison to established targets. Chart A summarizes actual performance measure results and shows that the FTC exceeded the target for 9 of 11 key performance measures.

Chart A: Key Performance Measure Results

Target Exceeded	9
Target Not Met	2
Total Key Performance Measures	11



Key Performance Measures Overview

The following table summarizes actual performance during FY 2008 against established targets for all of the FTC's key performance measures and provides a synopsis of related highlights.

Strategic Goal 1: Protect Consumers

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

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
1.1.2 The percentage of consumer protection law enforcement actions that are responsive to consumer complaint information gathered by the agency.	65%	71% ✓	N/A

PERFORMANCE HIGHLIGHTS

In response to a sharp increase in delinquencies and foreclosures, the FTC intensified its focus on the mortgage market, taking actions that were responsive to the consumer complaint information gathered by the agency. In April 2008, the FTC charged Mortgage Foreclosure Solutions, Inc., with operating a nationwide mortgage foreclosure "rescue" scam that charged consumers as much as $1,200 to save their homes from foreclosure but failed to do so. In June 2008, the FTC charged CompuCredit Corporation with deceptive marketing practices in selling credit cards to consumers in the subprime market.

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

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
1.2.1 Stop economic injury to consumers each year through law enforcement.	$400 million	$474 million ✓	$2 billion ✓

PERFORMANCE HIGHLIGHTS

In FY 2008, the FTC continued to combat the deceptive marketing of health products. In August 2008, Airborne Health, Inc., the maker of the popular Airborne Effervescent Health Formula, an effervescent tablet marketed as cold prevention and treatment, agreed to pay up to $30 million to settle FTC charges that it did not have adequate evidence to support its advertising claims.

✓ Signifies that the target was met or exceeded or that the FTC is on track to meet the five-year target.

✗ Signifies that the target was not met or that the FTC is not on track to meet the five-year target.

N/A Signifies that the performance measure does not have a cumulative five-year target.

continued

Strategic Goal 1: Protect Consumers (continued)

Objective 1.3 ***Prevent*** Consumer Injury Through Education

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
1.3.4 Track (a) the number of times print media publish articles that refer to FTC consumer protection activities and (b) the circulation of media that publish those articles.	(a) 2,500 articles (b) 675 million circulation	(a) 3,100 articles ✓ (b) 791 million circulation ✓	N/A

PERFORMANCE HIGHLIGHTS

In July 2008, many news outlets ran stories on the FTC's report "Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-Regulation." News organizations that sent reporters to participate in an FTC press briefing in person or by teleconference included the *Washington Post*, *New York Times*, *Los Angeles Times*, *Chicago Tribune*, and *Associated Press*.

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

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
1.4.1 Convene or participate substantially in workshops and conferences on novel or challenging consumer protection problems or issues.	6 workshops and conferences	16 workshops and conferences ✓	30 ✓

PERFORMANCE HIGHLIGHTS

The FTC's "Green Guides" outline general principles for all environmental marketing claims and provide specific guidance about certain green claims. To address concerns in the area of green marketing, the agency held a series of public workshops on a number of emerging green marketing topics. The first workshop took place in January 2008 and addressed carbon offsets and renewable energy certificates. The second workshop, on green packaging, took place in April 2008. The third workshop, held in July 2008, examined developments in environmental claims for building products, buildings, and textiles, along with consumer perceptions of those claims.

Strategic Goal 2: Maintain Competition

Objective 2.1 ***Identify*** Anticompetitive Mergers and Practices That Cause the Greatest Consumer Injury			
Key Measure	**FY 2008 Target**	**FY 2008 Actual**	**Five-Year Target**
2.1.1 Achieve positive outcomes* in matters in which Hart-Scott-Rodino (HSR) Act requests for additional information are issued.	90%	100% ✓	N/A

PERFORMANCE HIGHLIGHTS

The FTC brought 13 merger enforcement actions after issuing a second request, obtaining consumer relief in merger matters involving crucial pharmaceuticals (Sun Pharmaceuticals/Taro Pharmaceutical Industries and Fresenius SE/Daiichi Sankyo Co.) and medical treatment products (Kyphon, Inc./Dic-O-Technical Technologies, Inc.)

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
2.1.2 Percentage of significant nonmerger investigations that result in a positive outcome.*	90%	100% ✓	N/A

PERFORMANCE HIGHLIGHTS

In addition to three consent orders in the real estate market, technology, and medical professions, the FTC obtained a significant result in the Cephalon, Inc., matter by filing for a permanent injunction in federal court challenging the defendant's conduct that prevented competitors from entering the market with the generic version of a branded sleep disorder medication, forcing consumers and other purchasers to pay hundreds of millions of dollars for the branded drug.

* See respective performance measure discussion in the Performance Section for definitions of "positive outcome" and "positive result."

✓	Signifies that the target was met or exceeded or that the FTC is on track to meet the five-year target.
X	Signifies that the target was not met or that the FTC is not on track to meet the five-year target.
N/A	Signifies that the performance measure does not have a cumulative five-year target.

continued

Strategic Goal 2: Maintain Competition (continued)

Objective 2.2 ***Stop*** Anticompetitive Mergers and Business Practices Through Law Enforcement

Key Measure	FY 2008 Target	FY 2008 Actual	
2.2.1 Positive result* of cases brought by the FTC due to alleged violations.	80%	96% ✓	N/A

PERFORMANCE HIGHLIGHTS

In the matter of Inova Health System Foundation's proposed acquisition of Prince William Health System, the parties abandoned the transaction after the FTC filed for a preliminary injunction in federal court charging that the merger would reduce competition for general acute care inpatient hospital services, and as a result, consumers would pay higher prices and lose the benefits of nonprice competition.

Objective 2.3 ***Prevent*** Consumer Injury Through Education

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
2.3.2 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.	(a) 2,500 articles (b) Establish baseline	(a) 1,858 articles ✗ (b) 397 million	N/A

PERFORMANCE HIGHLIGHTS

The FTC initiated a series of competition-related education initiatives, including consumer- and business-oriented publications, to increase the awareness by the American public of what types of conduct are likely to be challenged as law violations. Examples of enforcement actions that received considerable media attention range from matters with an immediate impact in localized areas, such as the FTC's successful challenge of the Inova/Prince William proposed merger (the *Washington Post* reported "FTC Challenge Blocks Inova Merger"), to cases of more national interest, such as the proposed acquisition by the Whole Foods Market, Inc., of competitor Wild Oats Market, Inc., which was reported by national and local newspapers across the country (e.g., the *New York Times, Chicago Tribune, Sacramento Business Journal,* and *Austin American-Statesman*).

* See respective performance measure discussion in the Performance Section for definitions of "positive outcome" and "positive result."

continued

Strategic Goal 2: Maintain Competition (continued)

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

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
2.4.2 Issue studies, reports, and working or issues papers on significant competition-related issues.	8 studies, reports, and papers	7 studies, reports, and papers ✗	40 ✓

PERFORMANCE HIGHLIGHTS

The FTC continued to devote resources to the analysis of the nation's crucial economic sectors by producing reports such as the "Report of the Federal Trade Commission on Activities in the Oil and Natural Gas Industries," and the "2007 Report on Ethanol Market Concentration," holding conferences on the health care system and energy markets, and evaluating the development of the legal models used in assessing potentially anticompetitive mergers or conduct. The FTC's Unilateral Effects Analysis and Litigation Conference examined the application of a theory concerning mergers of firms that sell competing, but differentiated, products. The theory recognizes that, in some instances, mergers may create or enhance market power by allowing the merged firm to profitably raise prices, without being constrained by other rival market incumbents.

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
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.	6 advocacy filings	12 advocacy filings ✓	30 ✓

PERFORMANCE HIGHLIGHTS

More than half of the FTC's advocacy filings in FY 2008 were aimed at eliminating government-imposed impediments to a competitive marketplace in the health care industry. The agency provided comments on a variety of proposed legislations that would restrict the ability of so-called retail clinics to successfully compete; that would permit collective bargaining among otherwise independent health care providers to the detriment of consumer welfare; or that would impose excessive and unwarranted licensing requirements on health care providers, thus undercutting consumer choice, stifling innovation, and weakening the market's ability to contain heath care costs.

✓ Signifies that the target was met or exceeded or that the FTC is on track to meet the five-year target.

✗ Signifies that the target was not met or that the FTC is not on track to meet the five-year target.

N/A Signifies that the performance measure does not have a cumulative five-year target.

continued

Strategic Goal 2: Maintain Competition (continued)

Key Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
2.4.7 Track the number of (a) cases in which the FTC cooperated with a foreign competition authority, (b) consultations with or comments to foreign competition authorities, (c) written submissions to international fora, (d) international events attended, and (e) leadership positions held by FTC staff in international competition organizations.	(a) 30 cases (b) 25 consultations or comments (c) 7 submissions (d) 8 events (e) 5 positions	(a) 79 cases ✓ (b) 89 consultations or comments ✓ (c) 30 submissions ✓ (d) 68 events ✓ (e) 9 positions ✓	N/A

PERFORMANCE HIGHLIGHTS

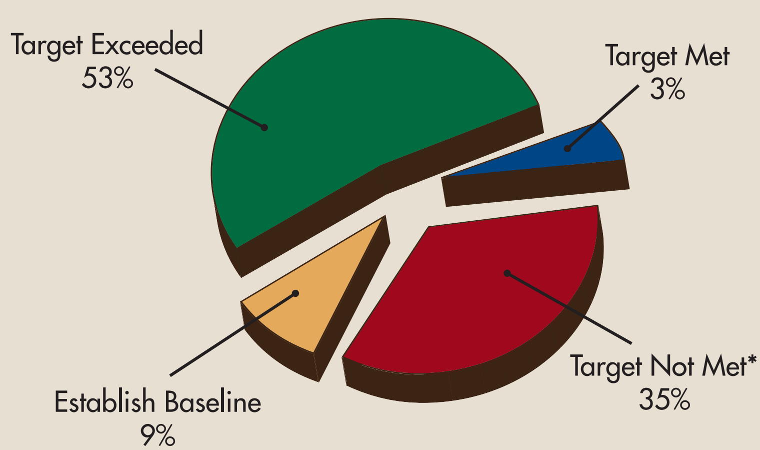
The FTC continued its expanding international activities by cooperating with foreign competition agencies on enforcement matters, strengthening bilateral relations particularly with key partners such as the European Union and Canada, developing a technical assistance program for young competition agencies around the world, and promoting cooperation and convergence through its leadership in multilateral organizations such as the International Competition Network.

Performance Measures Summary

The Performance Measure Summary Table in the Performance Section of this report shows actual results for all performance measures. Chart B provides a summary of all performance results. Of the 34 total performance measures, 18 were exceeded, 1 was met, 3 are measures being tracked and have "establish baseline" targets, and 12 were not met. Of the 12 performance measures not met, 4 are measures with five-year targets where the FTC is on track to reach the cumulative amount. Based on these results, the FTC has made significant progress toward reaching its eight objectives.

Chart B: Performance Measures Summary

Target Exceeded	18
Target Met	1
Target Not Met	12
Establish Baseline	3
Total Performance Measures	34



*2 of 12 were key performance measures

Agency Mission 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 are ever changing. For example, as consumers and businesses encounter difficulties with subprime mortgage lending, identity theft, deceptive or fraudulent advertising, spam, and anticompetitive business practices in, among others, the energy, technology, real estate, or health care industries, the FTC steps forward to protect consumers and maintain competition. Agency management has identified significant mission challenges the FTC currently faces. Management's identification was performed separately from the Inspector General's (IG) assessment of management and performance challenges (see the Financial Section's Other Accompanying Information). However, since management concurs with the IG assessment, certain aspects of the challenges described below are also addressed by the IG.

Agency mission challenges are presented below as they relate to the agency's strategic goals. A reference to the most applicable strategic objectives is also provided so that readers may refer to descriptions of related performance targets and actual results listed by objective within the Performance Section. As part of our current strategic planning efforts, the FTC is reassessing the agency's overall performance framework, including evaluating our performance measures to ensure they provide the most relevant and meaningful information on strategic goals and objectives.

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

Protecting Consumers in the Financial Services Marketplace. Agency law enforcement actions target deceptive and other illegal practices involving mortgage lending and other financial services, 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 mortgage foreclosure scams, mortgage servicing, subprime lending in the mortgage and credit areas, credit cards, credit repair, payment cards, debt collection, debt settlement, and student loans. (Objectives 1.1 and 1.2)

Improving Data Security and Combating Identity Theft. 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's challenge is to combat identity theft by bringing law enforcement actions against companies that fail to maintain reasonable safeguards to protect consumer information from identity theft; educating local law enforcement officers on how to recognize, investigate, and prepare identity theft cases;

Seven Practices for Computer Security

1. Protect your personal information. It's valuable.
2. Know who you're dealing with.
3. Use security software that updates automatically.
4. Keep your operating system and web browser up-to-date, and learn about their security features.
5. Keep your passwords safe, secure, and strong.
6. Back up important files.
7. Learn what to do in an e-mergency.

Access to information and entertainment, credit and financial services, products from every corner of the world—even to your work—is greater than ever. Thanks to the Internet, you can play a friendly game with an opponent across the ocean; review and rate videos, songs, or clothes; get expert advice in an instant; or collaborate with far-flung coworkers in a "virtual" office.

But the Internet—and the anonymity it affords—also can give online scammers, hackers, and identity thieves access to your computer, personal information, finances, and more. With awareness as your safety net, you can minimize the chance of an Internet mishap. To be safer and more secure online, make these seven practices part of your online routine . To learn more, visit www.OnGuardOnline.gov.

and educating consumers on how to avoid and recover from identity theft. (Objectives 1.1 and 1.2)

Protecting Consumers from Do Not Call Violations. The National Do Not Call (DNC) Registry puts consumers in charge of the telemarketing calls they receive at home. The federal government created the national registry to make it easier and more efficient for consumers to stop unwanted telemarketing calls. There are now more than 172 million active registrations on the Registry. The FTC's challenge is to ensure that consumers who register their numbers are protected from receiving unwanted telemarketing calls by enforcing the DNC provisions of the Telemarketing Sales Rule. Though most entities covered by the DNC Rule comply, the FTC received more than 1.75 million consumer complaints alleging DNC violations in FY 2008. (Objectives 1.1 and 1.2)

Evaluating "Green" Marketing Claims. New "green" claims, such as claims for carbon reduction, landfill reduction, and sustainable materials and packaging, recently have increased in popularity. 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 completing its series of workshops and evaluating whether the FTC Guides for the Use of Environmental Marketing Claims ("Green Guides") remain current and useful. The agency is also developing a consumer and business education campaign and pursuing appropriate enforcement action involving deceptive claims in this area. (Objectives 1.2 and 1.3)

Stopping Technology Abuses. Technology provides countless benefits to consumers, including choice, convenience, and increased access to goods, services, and information. However, 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 and e-commerce. For this reason, the FTC brings cases against those who abuse technology. Additionally, the agency has taken a lead role in addressing the complex privacy and security issues that may be associated with the use of behavioral advertising, contactless payment, mobile marketing, social networking, and other new media. (Objective 1.2)

Stopping Health Fraud. Consumers can fall prey to fraudulent health marketing when they are desperate for help. The FTC challenges deceptive marketing of health products, particularly claims about serious diseases or weight loss. (Objective 1.2)

Protecting Older Americans from Fraud. As the U.S. consumer ages, fraudsters are likely to target their scams to the perceived vulnerabilities of the elderly. Given this challenge, the FTC is developing a coordinated law enforcement response to challenge fraud targeting older Americans and increasing collaboration with state and federal partners. (Objective 1.2)

Serving Hispanic and African-American Populations. The FTC has conducted fraud surveys showing that Hispanic and African-American consumers are more likely to be victims of fraud than other demographic groups. The FTC's challenge is to aggressively combat consumer fraud against Hispanics through its Hispanic Outreach and Enforcement Initiative, and research how best to serve African-American consumers. (Objective 1.3)

Addressing Issues Related to Marketing to Children. To combat childhood obesity, underage drinking, and other problems, the FTC engages in research, policy, and law enforcement work pertaining to marketing of food, alcohol, and violent entertainment to children. The FTC monitors self-regulation in the food, alcohol, movie, video game, and music recording industries. (Objective 1.2)

Ensuring Compliance with FTC Orders. Order enforcement is an integral part of the FTC's consumer protection goal. The agency places a high priority on enforcing orders against repeat offenders, as well as against those who act with them. The FTC developed an enforcement database to improve how we track compliance with FTC orders. As more information is entered into the database, the FTC's challenge is to monitor and improve the database and to bring more enforcement actions. (Objectives 1.1 and 1.2)

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 uses the tools provided by the 2006 U.S. SAFE WEB Act to increase the effectiveness of its cross-border cooperation and enforcement. Five key areas where the FTC has used the new authority are: broadening information sharing, expanding investigative cooperation, negotiating international agreements, establishing staff exchanges, and enhancing cooperation between the FTC and the Department of Justice (DOJ) in foreign litigation. (Objectives 1.2 and 1.4)

Market Manipulation Rulemaking

Exercising the authority provided by Congress under the Energy Independence and Security Act of 2007, the FTC has initiated a rulemaking process that will assist the FTC in determining whether, and in what ways, it should develop a rule defining and prohibiting market manipulation in the petroleum industry. The FTC expects to conclude the rulemaking process by the end of the year. Learn more at www.ftc.gov/ftc/oilgas/rules.htm.

Gasoline and Diesel Price Monitoring

In May 2002, the FTC announced a project to monitor wholesale and retail prices of gasoline in an effort to identify possible anticompetitive activities and determine whether a law enforcement investigation would be warranted. Today, this project tracks retail gasoline and diesel prices in some 360 cities across the nation and wholesale (terminal rack) prices in 20 major urban areas. The FTC receives daily data from the Oil Price Information Service and from the Department of Energy's public Gas Price Hotline, while also reviewing other relevant information that might be reported to the FTC directly by the public or by other federal or state government entities. An econometric model is used to determine whether current retail and wholesale prices each week are anomalous in comparison with historical data. To learn more, visit www.ftc.gov/ftc/oilgas/gas_price.htm.

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

Preventing Anticompetitive Activity in Energy Industries. The price of gasoline and other energy sources continues to be a great concern for consumers, and no single field of endeavor for the FTC is more important to the American public than the energy sector. The agency meets this challenge by focusing closely on gasoline markets and moving quickly to address any anticompetitive activity, whether merger or nonmerger activity. In enforcing the antitrust laws, the FTC continuously examines price movements and other activity through its Gasoline and Diesel Price Monitoring Project to identify any conduct that may not reflect purely competitive decisions based on the forces of supply and demand. Some believe the FTC should be doing more in this area, and last December Congress enacted the Energy Independence and Security Act of 2007 (EISA). Section 811 of the EISA granted the FTC authority to promulgate a rule prohibiting the use of manipulative or deceptive devices or contrivances in wholesale crude oil, gasoline, and petroleum distillate markets. The FTC is now using that authority to conduct a rulemaking proceeding and expects to complete the process by the end of 2008. Nonmerger activity may include illegal agreements among competitors, agreements between manufacturers and product dealers, creating monopolies, and other anticompetitive activities. In order to better prepare agency staff to meet this challenge, the FTC devotes considerable resources to monitoring and studying energy markets—often in response to congressionally mandated requirements—thus developing the professional expertise and body of knowledge needed to address emerging concerns. (Objective 2.2)

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 continue to account for an increasingly significant share of gross domestic product. Prescription drug costs alone are projected to be more than $260 billion in 2009. Agreements between branded and generic manufacturers to delay generic entry continue to pose a significant threat to competition by depriving consumers of low-cost generic drugs. When appropriate, the FTC investigates and challenges patent settlements between brand and generic companies, and advocates 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. (Objective 2.2)

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. (Objective 2.2)

Preventing and Stopping Anticompetitive Mergers. There are many mergers that benefit consumers by allowing firms to operate more efficiently. Other mergers, however, may result in higher prices, fewer choices, or reduced 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 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 efforts of the FTC in this area benefit consumers by keeping prices low and by maximizing the quality and choice of goods and services. (Objective 2.2)

Preventing and Stopping Anticompetitive Business Practices in High Technology Sectors. The growing importance of technology is a crucial marketplace challenge that is placing greater 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 harmonize these two bodies of law, both of which have a goal of promoting innovation. (Objective 2.2)

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. (Objective 2.3)

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. (Objectives 2.1 and 2.2)

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. (Objective 2.4)

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 and advertising of legal services, real estate brokerage, the direct shipment of wine to consumers, contractual relationships between product suppliers and distributors, and Certificate of Need (CON) laws. States may enact CON laws to require that a new health care facility, such as a hospital, apply to a state for a "certificate of need" before the hospital may enter. Competitors may use the CON process to argue to the state that the potential competitors' facilities are not needed. The FTC generally opposes these CON laws. (Objective 2.4)

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.

The FTC's Senior Assessment Team (SAT) provides 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 communicates the results of reviews to senior management and the head of the agency.

Some of the functions of the SAT 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 program managers in monitoring and assessing management controls within their areas of responsibility.

During FY 2008, the SAT found that the FTC's overall control environment is strong. Additionally, the SAT updated guidance for program managers to use in completing self-assessments of 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 nonconformances were identified. The results of these evaluations and other information—such as independent audits or reviews performed by the Office of Inspector General (OIG) and the Government Accountability Office (GAO) (e.g., Federal Information Security Management Act review), independent audits of service providers' operations and financial systems (e.g., reviews conducted in accordance with Statement on 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 deficiencies or nonconformances that 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 2008. Management assurances tables appear in the Financial Section's Other Accompanying Information.

Chairman's FMFIA Statement of Assurance

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

THE CHAIRMAN

CHAIRMAN'S FMFIA STATEMENT OF ASSURANCE

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

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

Based on the results of this assessment, the FTC provides reasonable assurance that its internal controls over the effectiveness and efficiency of operations, reliable financial reporting and compliance with applicable laws and regulations as of September 30, 2008, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls.

Further, based on our assessment, we determined that the FTC financial management system conforms to applicable financial systems requirements.

Signed William E. Kovacic
William E. Kovacic
November 14, 2008

Summary of Material Weaknesses and Nonconformances

As noted in the Chairman's statement of assurance, the FTC has no material weaknesses or nonconformances to report for FY 2008. No new material weaknesses or significant nonconformances were identified for the past four years, 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 2008, and in his semiannual 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. Additionally, the Information Technology Management Office is presently updating its security policies and procedures as an integrated effort with the agency's comprehensive review of privacy matters led by the FTC's Privacy Steering Committee.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 prescribes standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions and referrals to the proper agency for litigation. Although the Act has no material effect on the FTC because the agency operates with minimal delinquent debt, all debts more than 180 days old have 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.

Prompt Payment Act

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In FY 2008, the FTC paid interest penalties on 35 invoices, or about ½ percent, of the 7,087 vendor invoices processed, representing payments of approximately $53.1 million. The FTC paid a total of $1,881 in interest or interest penalties for every $28,235 disbursed in FY 2008.

Agency Financial Management Systems Plans

In FY 2004, the FTC adopted a five-year financial management strategic plan that called for implementing a state-of-the-art, integrated core financial management system that encompasses accounting, budget, acquisition, and performance measurement requirements. The goal is to offer FTC managers and staff accurate and timely financial management data and flexible query and reporting tools in a one-stop, easy-to-navigate system.

In FY 2008, the FTC met its financial management goal by implementing a new core financial system hosted by the Department of the Interior's National Business Center. At the start of the fiscal year, the FTC transitioned from a legacy core financial system to a modern financial system platform. The new application provides more timely, accurate, and reliable financial information to agency decision makers and will also provide a long-term scalable solution.

The FTC plans to build on this success by fully integrating functionality currently in separate legacy systems with the core financial system. To this end, during the past fiscal year, the FTC has been preparing to integrate the procurement (purchase requisition and contract writing) system and successfully completed a comprehensive set of acquisition system business requirements. After acquisition functionality is integrated, plans call for integrating robust project and cost accounting functionality, property management, and budget formulation, using an enterprise resource planning system approach. Future plans also call for updating the five-year financial management plan in conjunction with developing the agency's overall strategic plan for FY 2009–2014.

Financial Highlights

Introduction

The financial highlights presented below are an analysis of the information that appears in the FTC's FY 2008 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 12th straight year, the FTC is proud to have received an unqualified (clean) opinion on our audited financial statements. We also realigned our accounting code structure as part of a long term effort to link strategic goals and objectives to actual cost data. The chart below presents a snapshot of the changes in key financial statement line items that occurred during FY 2008 and is followed by an explanation of the more significant fluctuations in each of the FTC's financial statements.

End of Fiscal Year Balances

Comparison of FY 2008 and FY 2007

(Dollars shown in thousands)

CONDENSED BALANCE SHEET	Percentage change	FY 2008	FY 2007
Investments	N/A	$117,514	$ -
Accounts Receivable Net	-30%	88,030	125,208
Cash and Other Monetary Assets	-91%	10,485	123,309
Fund Balance with Treasury	1%	86,792	85,848
General Property & Equipment, Net	30%	15,098	11,655
Total Assets	-8%	$317,919	$346,020
Redress Receivables Accrued Due to Claimants	-29%	$87,800	$123,974
Undisbursed Redress	6%	85,021	80,180
Divestiture Fund Due	2%	45,485	44,570
Accounts Payable and Other	101%	49,537	24,693
Total Liabilities	-2%	$267,843	$273,417
Unexpended Appropriations	0%	-	-
Cumulative Results of Operations–Other Funds	-31%	$50,076	$72,603
Total Net Position	-31%	$50,076	$72,603
Total Liabilities and Net Position	-8%	$317,919	$346,020

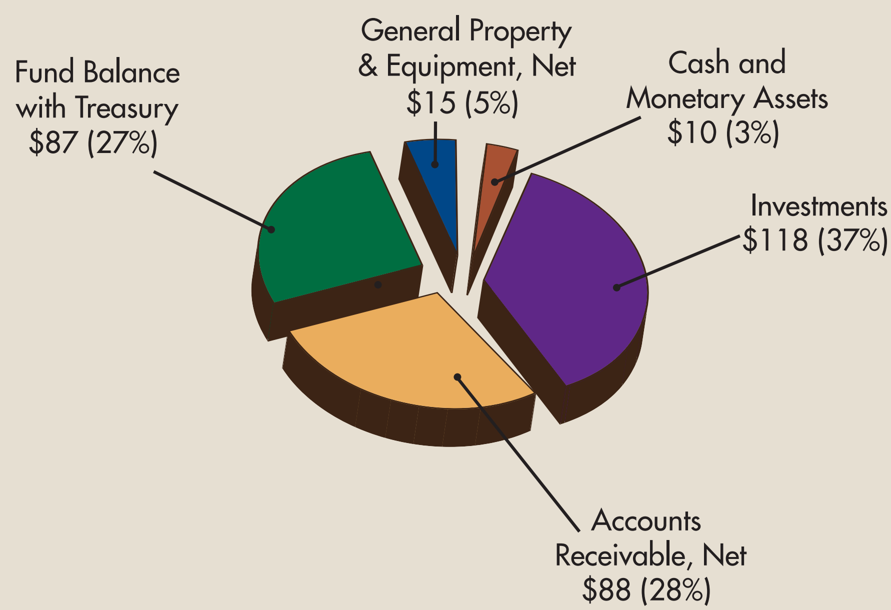
COST SUMMARY	Percentage change	FY 2008	FY 2007
Gross Cost	9%	$245,558	$ 224,578
Less: Earned Revenue	-69%	(119,394)	(166,960)
Net Program Costs	119%	$126,164	$57,618

Financial Analysis

Assets. The FTC's Balance Sheet shows total assets of $318 million at the end of FY 2008, a decrease of $28 million or 8 percent over FY 2007. The overall decrease is attributable to a $37 million, or 30 percent, decrease in nonfederal accounts receivable, which was partially offset by an increase in non-entity custodial funds (held as cash and investments) of $5 million; a $3 million increase in property and equipment and $1 million increase in Fund Balance With Treasury. The reduction in nonfederal accounts receivable primarily resulted from a $30 million (43 percent) increase in total collections against receivables over the prior year. The $5 million increase in custodial funds held as cash and investments is due to an increase in total collections and a decrease in amounts disbursed to consumers. The $3 million increase in property and equipment resulted from capital investments in information technology infrastructure and software investments such as integrating the Consumer Response Center, Consumer Information System, and Do Not Call systems into the new Consumer Sentinel Network.

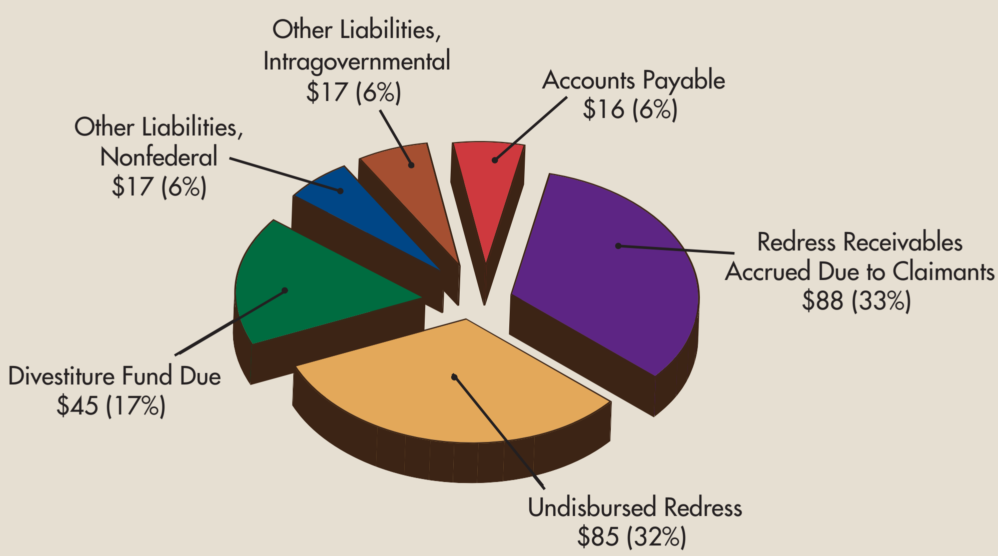
The amount of Cash and Other Monetary assets decreased by $113 million or 92 percent. This fluctuation reflects the movement of Non-entity Cash (originally obtained from judgments and settlements) from deposit accounts held in commercial financial institutions to Investments in U.S. Department of Treasury (Treasury) Securities held by the Bureau of Public Debt. Custodial funds held in the FTC's deposit account which are not needed for immediate disbursement are invested in special non-marketable Government Account Series (GAS) securities.

Assets by Type (Dollars Shown in Millions)



Liabilities. The agency's total liabilities at the end of FY 2008 were $268 million, decreasing slightly by $5 million or 2 percent less than the FY 2007 total liabilities of $273 million. The decrease in total liabilities is primarily the result of a $31 million decrease in redress related liabilities (Accrued Redress Receivables Due to Claimants and Redress Collected But Not Yet Disbursed) which is consistent with the decrease redress related accounts receivable described above under Assets. These two non-entity liabilities correspond to cash and investments held by FTC in a custodial capacity as the result of judgments obtained or settlement agreements reached as part of consumer redress efforts. These redress related liabilities accounted for 65 percent of all liabilities in FY 2008 versus 75 percent in FY 2007. The decrease in redress related liabilities was partially offset by a $14 million increase in Other Intragovernmental Liabilities, a $8 million increase in accounts payable, and a $2 million increase in Other Nonfederal Liabilities. The $14 million increase in Other Intragovernmental Liabilities relates to an increase in amounts due to Department of Justice for their share of fees collected under the Hart–Scott–Rodino (HSR) Act. The $8 million increase in accounts payable relates to an overall higher volume of activity and accruals for various expenditures for general property and equipment. The liability for Divestiture Fund Due represents a non-entity liability corresponding to the divestiture fund held until distribution is ordered per terms of the court case agreement.

Liabilities by Type (Dollars Shown in Millions)



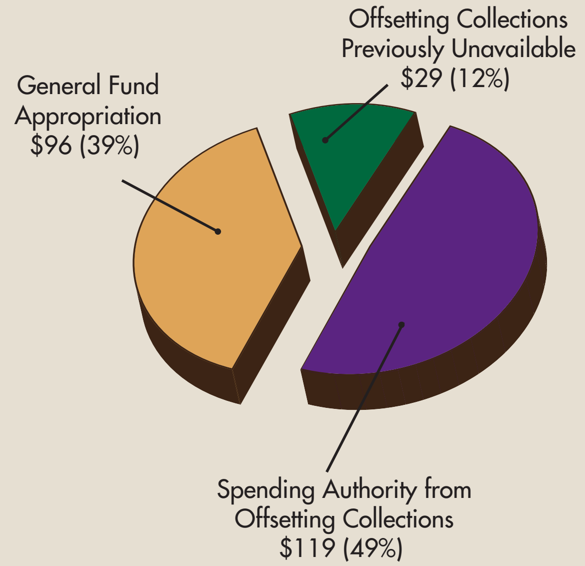
Net Position. Net Position is the sum of Unexpended Appropriations and the Cumulative Results of Operations. At the end of FY 2008, the agency's Net Position on the Balance Sheet and the Statement of Changes in Net Position is $50 million, decreasing by $23 million or 32 percent over the FY 2007 ending Net Position of $73 million. Financing sources from appropriations used during the year were $96 million and imputed financing sources totaled $7 million. The imputed financing consisted $2 million in future retirement benefits and $5 million in future health and life insurance benefits accrued in FY 2008 which will be paid by entities other than the FTC. The net costs of operations totaling $126 million (gross costs of $246 million less exchange revenues from fees of $119 million) exceeded the financing sources described above by $23 million for a decrease to total net position. The amount (zero) of Unexpended Appropriations did not change.

Results of Operations. Total gross costs for the period ended September 30th were $246 and $225 million for FY 2008 and 2007 respectively. The gross costs are inclusive of all costs involved in FTC's ongoing operations. However, fees collected in relation to the HSR Act and the Do Not Call Registry offset the gross costs in determining net costs. FY 2008 net costs of $126 million increased by $68 million over the FY 2007 level of $58 million due to a decline in the amount of fees collected of $48 million. As described below, during FY 2007 FTC collected $29 million in excess HSR fees (that were unavailable for use) while HSR collections in FY 2008 were $36 million less than anticipated. The FTC also receives general fund appropriations and other financing sources that are not included in determining net costs. The following table summarizes net cost by Strategic Goal.

FY 2008 Net Costs by Strategic Goal	Strategic Goal 1 Protect Consumers	Strategic Goal 2 Maintain Competition
Gross Costs	$ 140,705	$ 104,853
Less: Earned Revenue	(16,202)	(103,192)
Net Program Costs	$ 124,503	$ 1,661

Budgetary Resources. The Statement of Budgetary Resources (SBR) provides information on budgetary resources made available to the agency and the status of these resources at the end of the fiscal year. For FY 2008, total Budgetary Resources apportioned and available for allotment were $257 million. This represents an increase of $32 million, or 14 percent, over the Total Budgetary Resources available for allotment of $225 million in FY 2007. Additionally, new budget authority (excluding unobligated balances brought forward and prior year recoveries) was $244 million in FY 2008, an increase of $2 million or 1 percent over FY 2007. In FY 2008, spending authority derived from offsetting collections totaled $148 million, and general fund appropriations totaling $96 million comprised 61 and 39 percent of new budgetary authority respectively. Pursuant to Public Law 110-161, the FTC's current year collections of $119 million ($103 million for HSR fees and $16 million for Do Not Call Registry) were supplemented by $29 million of prior year excess fees that were previously unavailable pursuant to Public Law No. 110-5. The SBR includes $15 million representing DOJ's share of HSR fees which have not yet been disbursed to DOJ. There was a significant increase of $49 million in the amount reported as Distributed Offsetting Receipts on the Statement of Budgetary Resources. However, these are the non-entity and non-budgetary funds that are recorded in Miscellaneous Receipt Accounts and are attributable to civil penalties and other miscellaneous receipts that by law ar not retained by the FTC. Disgorgements of amounts that are undistributed from the redress program and court appointed receivers are included in this line item as they are returned to the Department of the Treasury. The chart below summarizes new budget authority for FY 2008.

New Budget Authority for FY 2008 (Dollars Shown in Millions)



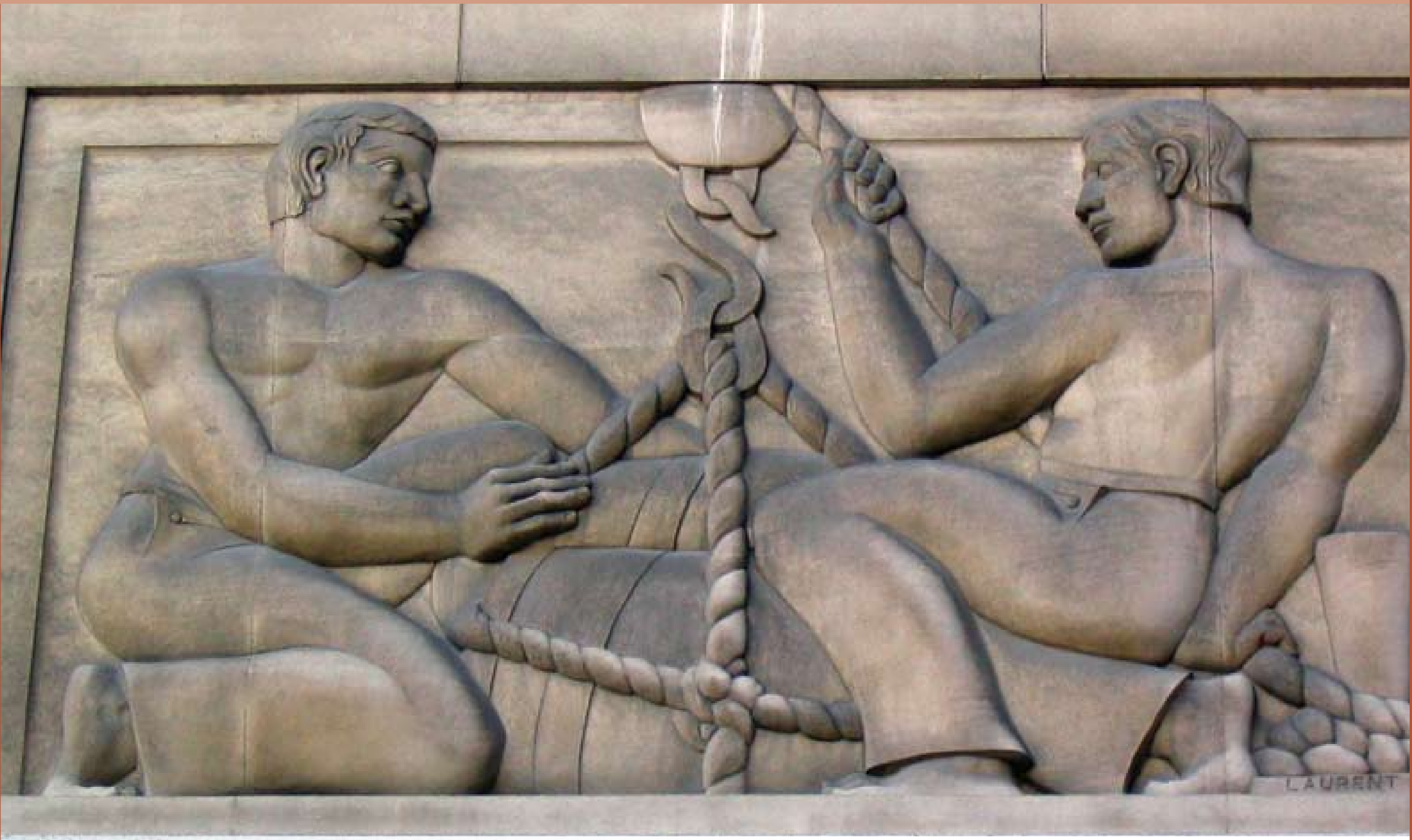
Limitations of Financial Statements

FTC management has prepared its FY 2008 financial statements from the books and records of the agency in accordance with the requirements of the Office of Management and Budget (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 the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. These statements should be read with the understanding that they are for a component of the U.S. government, a sovereign entity. One implication is that unfunded liabilities cannot be liquidated without legislation that provides resources to do so.

Financial Management Indicators

Financial Management Indicators for FY 2008	
Debt Management	
Debt Transferred to Treasury	100%
Funds Management	
Fund Balance with Treasury (Identifies the difference between the fund balance reported in Treasury reports and the agency fund balance with Treasury recorded in its general ledger on a net basis)	100% reconciled
Payment Management	
Timely Vendor Payments (per Prompt Payment Act)	99%
Percentage Interest Penalties Paid to Invoices Processed	½ (or .5)%
Percentage of total dollars outstanding in current status* (good standing) for Individually Billed Travel Account holders	99%
Percentage of total dollars outstanding in current status* (good standing) for Centrally Billed Travel Accounts	100%
Percentage of total dollars outstanding in current status* (good standing) for Purchase Cards	100%

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



Performance Section

Introduction to Performance

The Performance Section presents detailed information on the performance results of the FTC's programs and includes a discussion of strategies and factors affecting performance. This section also includes trend data, a summary of methods used to verify and validate performance data, and a summary of completed program evaluations.

Relief detail from the Federal Trade Commission's headquarters building in Washington, DC.

In FY 2006, the FTC revised its Strategic Plan for the fiscal 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. Because FY 2007 was the first year these changes were applied, the majority of the FTC's performance measures have only one year of trend data. Years without trend data are indicated as not available (N/A) in the performance tables that follow. In FY 2007, some performance measure targets indicated that a baseline would be evaluated and established based on prior year results. The FY 2008 performance tables include the targets that were set based on last year's data. Additionally, for performance measures with five-year cumulative targets, the shaded portions of the performance tables indicate those fiscal years included in the five-year targets.

The FTC will undergo another update of its Strategic Plan in FY 2009 for the fiscal years 2009–2014. This will provide the FTC with an opportunity to better define its performance framework and develop outcome performance measures. Furthermore, the agency expects that its multiyear implementation of a new financial system that began in FY 2007 will aid in determining the cost of strategic goals and objectives. This will provide another opportunity to use more efficiency measures and make other refinements to the Strategic Plan in an effort to measure the outcomes of the FTC's performance more precisely.

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 on 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. However, it remains difficult, if not impossible, to measure precisely 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 its performance measures—that consumers benefit from the FTC's deterring unfair or deceptive acts and anticompetitive mergers or conduct, providing accurate consumer information, and advocating agency positions. The agency's current performance measures include both input/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 (Performance Measures 2.2.6 and 2.2.7) in FY 2007. Some examples that highlight the agency's focus toward 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 continues to strive to develop performance measures that directly reflect whether desired outcomes were achieved. For example, two output measures (Performance Measures 1.4.3 and 2.4.3), added in FY 2007, 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., whether proposed laws were 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 (Performance Measure 1.1.2) was adopted in FY 2007 to determine the percentage of the 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.

Two years ago, the FTC added two outcome measures to its maintain competition goal. These two measures (Performance 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 (Performance Measure 1.2.1) to save consumers approximately $2 billion through law enforcement actions stopping consumer fraud; (2) the five-year maintain competition performance goal (Performance 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 maintain competition performance goal (Performance 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 maintain competition performance goal (Performance Measure 2.2.2) to achieve at least $2.5 billion in savings for consumers through merger enforcement; and (5) the five-year maintain competition performance goal (Performance Measure 2.2.4) to achieve at least $400 million in savings for consumers through nonmerger enforcement. These five performance measures, in addition to annual outcome performance measures, continue to provide valuable indicators of how the FTC is progressing toward 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. The FTC has taken the following steps to ensure the performance information it reports is complete, accurate, and consistent:

- Developed policy and documented the procedures used to ensure timely reporting of complete, accurate, and reliable actual results relative to the key performance measures, as specified in the current Strategic Plan.
- Held program managers accountable to set meaningful and realistic targets that also challenge the agency to leverage its resources. This includes ensuring ongoing monitoring of performance targets so they are updated to reflect changes in key factors that impact the agency's ability to achieve such results. Further, when appropriate, program managers are required to explain how they will improve performance when targets are not met.
- Worked with the Office of Inspector General to ensure an independent review of the systems and methodologies used for collecting performance data and ensured that senior economists from the Bureau of Economics reviewed statistical data, as appropriate.
- Subjected performance measurement results to periodic senior management and Commission review throughout the fiscal year. This process includes substantiating that actual results reported are indeed correct whenever those results reveal significant discrepancies or variances from the target.

Agency program managers also monitor and maintain automated systems and databases that collect, track, and store performance data, with support provided by the Information and Technology Management Office. In addition to the general controls in place over the network that ensure only authorized staff can access key systems, each application (system), such as the Consumer Sentinel Network, incorporates internal validation edits to ensure the accuracy of data contained therein. These application edits include checks 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 (i.e., the Bureaus of Consumer Protection and Competition) routinely monitor the data collection. For example, senior economists from the Bureau of Economics review statistical data used by the other bureaus to calculate performance results. Finally, in addition to the items described above, the FTC will update its Strategic Plan in FY 2009. During our update in FY 2009, the agency will reassess the validation procedures to ensure that changes to or addition of performance measures will be properly recorded and accurately reported.

The Financial Management Office is responsible for providing direction and support on data collection methodology and analysis, ensuring that data quality checks are in place, and accurately reporting performance management data. Within the Performance Section, the FTC has identified the data sources for each performance measure.

Performance Measure Summary Table

The tables that follow capture FY 2008 targeted performance compared to actual results.

Strategic Goal 1: Protect Consumers

Performance Measure	FY 2008 Target	FY 2008 Actual	Five-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.	1.75 million	3.05 million ✓	N/A
1.1.2 **KEY MEASURE:** The percentage of the agency's consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency.	65%	71% ✓	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	$474 million ✓	$2 billion ✓
1.2.2 Stop fraudulent, deceptive, unfair, and other unlawful practices by obtaining orders or conducting other direct interventions with businesses, resulting in a change in business conduct.	130 orders	132 orders ✓	N/A
Objective 1.3 ***Prevent*** Consumer Injury Through Education			
1.3.1 Track consumer protection messages accessed online or in print.	50 million messages	49.2 million messages ✗	N/A
1.3.2 Track consumer protection messages related to identity theft, accessed online or in print.	9 million messages	11.4 million messages ✓	N/A
1.3.3 Track consumer protection messages in Spanish, accessed online or in print.	3 million messages	2 million messages ✗	N/A
1.3.4 **KEY MEASURE:** Track (a) the number of times print media publish articles that refer to FTC consumer protection activities and (b) the circulation of media that publish those articles.	(a) 2,500 articles (b) 675 million circulation	(a) 3,100 articles ✓ (b) 791 million circulation ✓	N/A

Strategic Goal 1: Protect Consumers (continued)

Performance Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
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	16 workshops and conferences ✓	30 ✓
1.4.2 Issue reports on novel or challenging consumer protection problems or issues.	8 reports	12 reports ✓	40 ✓
1.4.3 File public and advocacy comments with other federal and state government agencies.	6 advocacy filings	6 advocacy filings ✓	30 ✓
1.4.4 Cooperate with foreign government agencies on enforcement matters with cross-border components.	20 foreign government agencies	46 foreign government agencies ✓	100 ✓
1.4.5 Provide consumer protection–related policy or technical input to foreign government agencies or international organizations.	20 instances of policy or input	88 instances of policy or input ✓	100 ✓

✓ Signifies that the target was met or exceeded or that the FTC is on track to meet the five-year target.

X Signifies that the target was not met or that the FTC is not on track to meet the five-year target.

N/A Signifies that the performance measure does not have a cumulative five-year target.

Strategic Goal 2: Maintain Competition

Performance Measure	FY 2008 Target	FY 2008 Actual	Five-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) Act requests for additional information are issued.	90%	100% ✓	N/A
2.1.2 **KEY MEASURE:** Percentage of significant nonmerger investigations that result in a positive outcome.*	90%	100% ✓	N/A
2.1.3 Track the number of enforcement actions for the total mission, for (a) the merger and (b) nonmerger programs.	Establish baseline	(a) 21 (b) 4	N/A
2.1.4 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) 21 (b) 1,656 (c) 12 (d) 2 (e) 7	N/A
2.1.5 Track the number of significant nonmerger investigations closed each year (a) with enforcement action and (b) without enforcement action.	Establish baseline	(a) 4 (b) 14	N/A
Objective 2.2 *Stop* Anticompetitive Mergers and Business Practices Through Law Enforcement			
2.2.1 **KEY MEASURE:** Positive result* of cases brought by the FTC due to alleged violations.	80%	96% ✓	N/A
2.2.2 Achieve savings for consumers through merger enforcement.	$500 million	$360 million ✗	$2.5 billion ✓

* See respective performance measure discussion in the Performance Section for definitions of "positive outcome" and "positive result."

continued

Strategic Goal 2: Maintain Competition (continued)

Performance Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
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 billion	$14.9 billion ✗	$125 billion ✓
2.2.4 Achieve savings for consumers through nonmerger enforcement.	$80 million	$28 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	$0.4 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)	1,121% ✓	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)	164% ✗	400% (cumulative) ✗
Objective 2.3 ***Prevent*** Consumer Injury Through Education			
2.3.1 Quantify number of hits on antitrust information on the FTC's website.	15 million hits	12.5 million ✗	N/A
2.3.2 **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.	(a) 2,500 articles (b) Establish baseline	(a) 1,858 articles (b) 397 million ✗	N/A

✓ Signifies that the target was met or exceeded or that the FTC is on track to meet the five-year target.

✗ Signifies that the target was not met or that the FTC is not on track to meet the five-year target.

N/A Signifies that the performance measure does not have a cumulative five-year target.

continued

Strategic Goal 2: Maintain Competition (continued)

Performance Measure	FY 2008 Target	FY 2008 Actual	Five-Year Target
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.	4 workshops, conferences, seminars, or hearings	5 workshops, conferences, seminars, or hearings ✓	20 ✓
2.4.2 **KEY MEASURE:** Issue studies, reports, and working or issues papers on significant competition-related issues.	8 studies, reports, and papers	7 studies, reports, and papers ✗	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.	6 advocacy filings	12 advocacy filings ✓	30 ✓
2.4.4 Issue advisory opinions to persons seeking agency review of proposed business actions.	2 to 3 opinions	1 opinion ✗	12 ✗
2.4.5 File *amicus briefs* with courts addressing competition-related issues.	2 to 3 briefs	1 brief ✗	12 ✓
2.4.6 Track the volume of traffic on www.ftc.gov relating to competition, research, reports, advocacy, and internal cooperation and exchange.	1.1 million	1.2 million ✓	N/A
2.4.7 **KEY MEASURE:** Track the number of (a) cases in which the FTC cooperated with a foreign competition authority, (b) consultations with or comments to foreign competition authorities, (c) written submissions to international fora, (d) international events attended, and (e) leadership positions held by FTC staff in international competition organizations.	(a) 30 cases (b) 25 consultations or comments (c) 7 submissions (d) 8 events (e) 5 positions	(a) 79 cases ✓ (b) 89 consultations or comments ✓ (c) 30 submissions ✓ (d) 68 events ✓ (e) 9 positions ✓	N/A

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, the FTC strives 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 Sentinel Network (CSN) 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 its 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); an Internet complaint form, available at www.ftc.gov; and the mail. Partners such as Better Business Bureaus, the Internet Crime Complaint Center (a partnership between the Federal Bureau of Investigation (FBI) and the National White Collar Crime Center), the U.S. Postal Inspection Service, Phone Busters (the Canadian fraud database), and the National Fraud Information Center of the National Consumers League also share with the FTC the consumer complaint data they collect. 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.

This information is entered into a database within the FTC's CSN, which replaced the Consumer Information System database, and is analyzed by FTC staff to identify current trends and to target fraudulent, deceptive, and unfair business practices. The agency shared the more than 12.2 million consumer fraud, identity theft, financial, and Do Not Call (DNC) Registry complaints that it has collected through FY 2008 with more than 1,700 law enforcement organizations in the United States, Canada, and Australia via a secure CSN network. Although the FTC does not act on behalf of individual consumers, the consumer complaint database enables the FTC and its law enforcement partners to quickly spot trends and target the most serious consumer frauds reported by consumers, and coordinate law enforcement efforts. The ongoing input and analysis of current complaint data allows the FTC to move rapidly to stop illegal practices before they can cause more harm to consumers.

Consumers can call the FTC's identity theft toll-free number, 1-877-ID-THEFT, or view its website (www.consumer.gov/idtheft/) to obtain information about, and report, identity theft. At the end of FY 2008, the CSN contained more than 1.7 million identity theft complaints. The FTC uses this data to spot patterns that can help criminal law enforcement agencies prosecute identity theft and help individuals and businesses avoid the financial consequences of this crime.

The FTC and U.S. Secret Service Case Referral Program jointly identify criminal cases, and strong leads are referred to regional task forces, many led by the Secret Service Financial Crimes Division. The FTC's Criminal Liaison Unit identifies law enforcement agencies and case agents for referral of specific types of consumer fraud cases. They also educate criminal law enforcement authorities about the FTC and its mission, and coordinate 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, in partnership 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. This training program provided on-site training to more than 900 officers from more than 250 agencies in FY 2008. To date, the FTC and its partners, who now include the U.S. Postal Inspection Service, the American Association of Motor Vehicle Administrators and the FBI, have conducted a total of 31 seminars, training more than 4,100 law enforcement officers from more than 1,350 agencies.

Performance Results

The key performance measure under this objective measures the percentage of agency consumer protection law enforcement actions that are responsive to the consumer complaint information gathered by the agency (Performance Measure 1.1.2). This measure

Top Consumer Fraud Complaints in Calendar Year 2007

Rank	Category	% of Total Complaints
1	Identity Theft	32
2	Shop-at-Home/Catalog Sales	8
3	Internet Services	5
4	Foreign Money Offers	4
5	Prizes/Sweepstakes and Lotteries	4
6	Computer Equipment and Software	3
7	Internet Auctions	3
8	Health Care Claims	2
9	Travel, Vacations, and Timeshares	2
10	Advance-Fee Loans and Credit Protection/Repair	2

For the eighth year in a row, identity theft is the number one consumer fraud complaint category, accounting for 32 percent of the 813,899 total complaints received between January and December 2007. To learn more, visit www.ftc.gov/opa/2008/02/fraud.shtm.

was added in the FTC's 2006–2011 Strategic Plan to take the agency a step beyond counting the number of complaints collected to examining the extent to which these complaints help set the consumer protection agenda under this objective.

Performance Measure 1.1.1 requires the FTC to collect and enter complaints and inquiries into the CSN. The large number of consumer complaints and inquiries collected provides the agency a broad view of what reporting consumers are experiencing. The CSN allows the FTC and its law enforcement partners to identify and develop cases against operators engaging in deceptive, fraudulent, and unfair practices that cause the greatest consumer injury. By analyzing consumer complaints, the FTC targets its enforcement and education efforts to the top areas of consumer complaints. Not only does the CSN help identify the most serious and commonly reported consumer protection problems, but the real-time analysis quickly informs the agency of emerging scams so it can move rapidly to stop ongoing consumer injury. Identity theft topped the annual list of top 10 complaint categories gathered by the agency. The FTC continues to focus law enforcement and education resources on this area of continuing concern to consumers and businesses, as well as the other areas identified as priorities.

The following performance measures ensure that the agency's enforcement activities are targeted at areas of greatest consumer concern. The results help the FTC to be responsive to consumer needs and changes in the marketplace, and use its consumer protection resources most efficiently and effectively. They also help the agency to effectively leverage its resources by sharing this valuable information with its domestic and international law enforcement partners.

Performance Measure 1.1.1

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
700	994	700	1,015	950	1,011	1,000	1,100	1,750	3,050

Data Source: The FTC's Consumer Sentinel Network.

Target Exceeded. To aid in assessing its effectiveness in identifying fraudulent, deceptive, and unfair practices, the FTC measures the number of consumer complaints and inquiries added to its CSN each fiscal year. In FY 2008, the FTC added more than three million entries into its database, 174 percent of the target of 1.75 million. This total includes the more than 1.75 million consumer complaints alleging DNC Registry violations that were added to the CSN for the first time in FY 2008. Due to the extent by which the FTC exceeded this target, the agency will reevaluate this performance measure and target in the 2009 update of the FTC Strategic Plan.

Key Measure: Performance Measure 1.1.2

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	50%	76%	65%	71%

Data Source: Case managers report on e-questionnaires whether CSN complaints were used to identify the practices that resulted in a law enforcement action.

Target Exceeded. In FY 2008, 71 percent, or 61 out of 87, of the agency's actions were responsive to consumer complaint information. Other sources of information such as letters from consumers or businesses, congressional inquiries, and articles on consumer or economic subjects also may trigger FTC action. The target for this performance measure was based on an estimated percentage based on FY 2007 results. The target may be adjusted upward in FY 2009, and will continue to be monitored 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.

NATIONAL
DO NOT CALL
REGISTRY
WWW.DONOTCALL.GOV

National Do Not Call Registry

The FTC manages the National Do Not Call (DNC) Registry, which gives consumers the opportunity to limit telemarketing calls. As of October 1, 2008, there were more than 172 million active registrations on the DNC Registry. The federal government created the national registry to make it easier and more efficient for consumers to stop getting unwanted telemarketing calls. The Do-Not-Call Improvement Act of 2007, which became law in February 2008, ensures that telephone numbers placed on the DNC Registry will remain on it permanently. Consumers can register online at www.donotcall.gov or call toll-free 1-888-382-1222 (TTY 1-866-290-4236) from the number they wish to register. Registration is free.

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, such as deceptive lending practices and credit counseling services, data security, DNC violations, technology abuses, and misleading environmental and 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 Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM), the Fair and Accurate Credit Transaction Act of 2003, the Gramm-Leach-Bliley Safeguards and Privacy Rules, 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 non-fraud 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

This objective has two performance measures. The key performance measure (Performance Measure 1.2.1) is to save consumers more than $400 million annually by stopping fraudulent, deceptive, and unfair practices in the marketplace. The second measure anticipates that the FTC will stop fraudulent, deceptive, unfair, and other unlawful practices by obtaining court orders or conducting other direct interventions that result in a change in business conduct in 130 actions (Performance Measure 1.2.2).

These measures of the dollars saved and the number of orders obtained 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 with an order, they are subject to contempt proceedings. By stopping these practices, the agency directly prevents further consumer losses caused by these defendants. Also, by publicizing these law enforcement actions and distributing consumer education materials, it alerts consumers to fraudulent and deceptive practices, educates them to avoid such practices in the future, and, ultimately, seeks to increase consumer confidence in the marketplace, while deterring similar behavior by would-be violators.

The agency estimates consumer savings by assessing the economic injury to consumers during the 12 months prior to the FTC's contacting the defendants or filing a complaint. In addition to obtaining court orders that stop these practices, Performance Measure 1.2.1 includes instances wherein which, as a result of FTC staff action directed specifically at a business, that business stops its allegedly unfair or deceptive practices, for example, where in one case, the staff issued a letter closing an investigation that outlines the business' voluntary compliance.

Key Measure: Performance Measure 1.2.1

Stop economic injury to consumers each year through law enforcement. (Dollars shown in millions) Due to the potential of great variance of savings on an annual basis, this measure has a five-year target of $2 billion.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
$400	$349	$400	$366	$400	$293	$400	$519	$400	$474

Data Source: To make dollar value assessments, staff uses company sales and other records, as well as information from employees and customers, where applicable.

Target Exceeded. In FY 2008, the FTC saved consumers $474 million, 119 percent of its annual target.

Performance Measure 1.2.2

Stop fraudulent, deceptive, unfair, and other unlawful practices by obtaining orders or conducting other direct interventions with businesses resulting in a change in business conduct.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	130	137	130	132

Data Source: Various sources, such as litigation status reports, the Commission docket of adjudicative cases, reports of final consent orders accepted by the Commission, the Public Access to Court Electronic Records service, FTC press releases, and various other agency, bureau, division, and regional office reports.

Target Exceeded. In FY 2008, the FTC obtained orders or conducted other direct interventions totaling 132, 102 percent of its target.

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 efforts including 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 CSN 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. The Internet plays an integral role in the FTC's education, deterrence, and enforcement efforts by permitting the agency to reach vast numbers of consumers and businesses quickly, efficiently, and inexpensively. Through the Internet, our education efforts have not only a national impact, but also a global effect. The FTC coordinates with hundreds of private and public partners to provide information about specific education campaigns, products, and services.

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

Going forward, the FTC will continue to focus consumer and business education efforts on emerging consumer protection issues as well as those subjects identified by its

Consumer Information and the Mortgage Market

With mortgage concerns on many minds, the FTC gave added priority to the mortgage/subprime credit area. The FTC published a variety of relevant articles for consumers in both English and Spanish, including "How to Manage Your Mortgage If Your Lender Closes or Files for Bankruptcy" and "Foreclosure Rescue Scams: Another Potential Stress for Homeowners in Distress." To help consumers understand the jargon they may encounter when buying or selling a home, the FTC created "The Real Estate Marketplace Glossary: How to Talk the Talk." Learn more by visiting www.ftc.gov/bcp/menus/consumer/credit/mortgage.shtm. In addition, a consumer alert, "Looking for the Best Mortgage: Shop, Compare, and Negotiate," can be found at www.ftc.gov/bcp/edu/pubs/consumer/homes/rea09.shtm.

consumer complaint databases where information gaps cause the greatest injury. The FTC will continue to use technology creatively, including new interactive media, to extend the reach of its consumer and business education.

Performance Results

The FTC's key performance measure under this objective gauges the agency's 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 (Performance Measure 1.3.4). This measure takes a step beyond counting the number of hits on the FTC's consumer protection web pages.

The remaining three measures (Performance 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 in response to requests from the public. 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, 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 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 through the FTC's partners.

Performance Measure 1.3.1

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
15	26.5	20	35.3	25	53	45	47	50	49.2

Data Source: The FTC tracks its publication inventory to determine the number of print messages accessed, and uses a computer software program to compile the number of FTC website accesses.

Target Not Met. In FY 2008, the FTC accomplished 99 percent of its target of 50 million publications. Of the 49.2 million consumer protection messages accessed, nearly 40 million were accessed online and more than 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 has soared as more consumers and businesses have gone online. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.3.2

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
2.5	3.7	3	3.7	3.3	9.4	8	9.6	9	11.4

Data Source: 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 FTC tracks its publication inventory to determine the number of print messages accessed, and uses a computer software program to compile the number of FTC website accesses.

Target Exceeded. In FY 2008, the FTC accomplished 127 percent of its target of nine million. The 11.4 million result includes more than eight million messages accessed online, and nearly three million print publications distributed, including nearly 25,000 consumer education how-to kits provided to community members interested in giving presentations on identity theft. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.3.3

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
0.4	0.7	0.5	1.1	0.6	2.4	2.2	2.2	3.0	2.0

Data Source: As a subset of the totals tracked in Performance Measure 1.3.1, the FTC tracks the number of consumer protection messages, in Spanish, accessed online or in print. The FTC tracks its publication inventory to determine the number of print messages accessed, and uses a computer software program to compile the number of FTC website accesses.

Target Not Met. In FY 2008, the FTC accomplished 66 percent of its target of three million. The two million result includes nearly 1.5 million messages accessed online, and more than 500,000 print publications distributed. Although the FY 2008 target, based on past growth, was not met, the agency's media outreach continues to be active, its list of partnerships is growing, and community outreach efforts through its newsletter and conference participation continue to be strong.

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.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 3,066 (b) 863 million	(a) 2,500 articles (b) 675 million circulation	(a) 3,100 articles (b) 791 million circulation

Data Source: To determine the number of articles, the agency performs a LexisNexis search of the "U.S. Newspapers and Magazines" database. This includes national newspapers, local newspapers, hundreds of magazines, and industry sources. Data on average circulation are drawn from *The Standard Periodical Directory* (Twenty-eighth edition, 2005), or directly from the publishers of the periodicals.

Targets Exceeded. In FY 2008, the FTC accomplished 125 percent of its target of 2,500 articles, and 117 percent of its target of a circulation of 675 million. As this was a new measure in FY 2007, the actual results were used to establish a baseline for the FY 2008 target. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

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

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

Our Strategy

This fourth objective and its related performance measures were added in the FTC's 2006–2011 Strategic Plan to capture the FTC's increasing use of a variety of strategies in addition to law enforcement and education to enhance consumer welfare. It was the agency's first attempt to quantify these important activities. 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. The agency also 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 files *amicus briefs* (friend of the court briefs) to aid courts' considerations of important consumer protection issues.

Adding this objective and related performance measures is just the first step to capturing the impact of these activities. Going forward, the FTC will develop new performance measures under this objective to help determine the outcome of its efforts to augment its enforcement and education activities 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.

Cross-Border Fraud

Cross-border fraud is a serious problem—and it appears to be growing. Consumers in the United States and other countries lose billions of dollars each year to telemarketers operating from "boiler rooms" across the border who pitch bogus products, services, and investments. Consumers also lose money to Internet scam artists who operate anonymously from places outside the United States. The most common cross-border frauds pushed by telemarketers, spam emailers, or misleading advertisements involve phony prize promotions, foreign lottery schemes, advance-fee loan rip-offs, travel offer scams, and unnecessary credit card loss "protection." Visit www.ftc.gov/bcp/conline/edcams/crossborder/ to learn more.

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 the FTC convenes or substantially participates in (Performance Measure 1.4.1). Various industries have given great weight to the FTC's policy efforts that have resulted in part from what has been learned through its workshops. For example, after convening a workshop on marketing, self-regulation, and childhood obesity, the FTC has continued to encourage industry self-regulation in this area.

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 (Performance Measure 1.4.2) and tracking the number of public and advocacy comments it files with other federal and state government agencies (Performance 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 (Performance Measure 1.4.4), and to provide consumer protection related policy or technical input related to foreign government agencies or international organizations (Performance Measure 1.4.5).

As stated above, these performance measures assist the FTC in determining the impact of its activities using these important tools. Its next step will be to attempt to measure their impact on consumers, businesses, industry, partners, and other stakeholders, and related policy, in order to assure the most efficient and effective use and leveraging of agency resources in these areas. The FTC will undertake this effort in the next update of its Strategic Plan in 2009.

Key Measure: Performance Measure 1.4.1

Convene or participate substantially in workshops and conferences on novel or challenging consumer protection problems or issues. The five-year target is 30 workshops.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	6	10	6	16

Data Source: The agency counts the number of workshops and conferences by examining various sources, such as agency reports, FTC press releases, weekly Bureau planners, and responses to direct inquiries to divisions and regional offices.

Target Exceeded. In FY 2008, the FTC exceeded its target and convened or participated substantially in 16 workshops and conferences on novel or challenging consumer protection problems or issues. The five-year target is 30 workshops. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.4.2

Issue reports on novel or challenging consumer protection problems or issues. The five-year target is 40 reports.

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	NA	NA	N/A	N/A	N/A	8	8	8	12

Data Source: Various sources, such as FTC press releases, weekly Bureau reports, and responses to direct inquiries of divisions and regional offices.

Target Exceeded. In FY 2008, the FTC accomplished 150 percent of its target of eight reports. The five-year target is 40 reports. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.4.3

File public and advocacy comments with other federal and state government agencies. The five-year target is 30 advocacy filings.

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	6	7	6	6

Data Source: Various sources, such as agency reports, FTC press releases, weekly Bureau planners, and responses to direct inquiries to divisions and regional offices.

Target Met. In FY 2008, the FTC accomplished 100 percent of its target of six public and advocacy comments. The five-year target is 30 advocacy filings. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.4.4

Cooperate with foreign government agencies on enforcement matters with cross-border components. The five-year target is 100 government agencies, or 20 per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	20	23	20	46

Data Source: Internal weekly reports to the Chairman, litigation assistance case logs, trip and visitor logs, and other informal sources.

Target Exceeded. In FY 2008, the FTC accomplished 230 percent of its target of 20 matters. The five-year target is 100 matters, or 20 per year. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Performance Measure 1.4.5

Provide consumer protection related policy or technical input to foreign government agencies or international organizations. The five-year target is 100 instances, or 20 per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	20	34	20	88

Data Source: Internal weekly reports to the Chairman, litigation assistance case logs, trip and visitor logs, and other informal sources.

Target Exceeded. In FY 2008, the FTC accomplished 440 percent of its target of 20 instances. The five-year target is 100 instances, or 20 per year. The performance measure and target will be re-evaluated in the 2009 update of the FTC Strategic Plan.

Resources Utilized—Strategic Goal 1

(Dollars shown in millions)

	2004	2005	2006	2007	2008
Full-Time Equivalents	555	546	548	570	591
Obligations	$105	$115	$116	$126	$140
Net Cost	$90	$94	$98	$105	$124

Note: Differences between these obligations and net costs and the financial statements are due to rounding.

Strategic Goal 2: Maintain Competition

Prevent Anticompetitive Mergers and Other Anticompetitive Business Practices in the Market Place

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.

The FTC identifies 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 mission to maintain competition and 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.

Identifying anticompetitive mergers and anticompetitive business conduct is the first step in effective antitrust enforcement.

Our Strategy

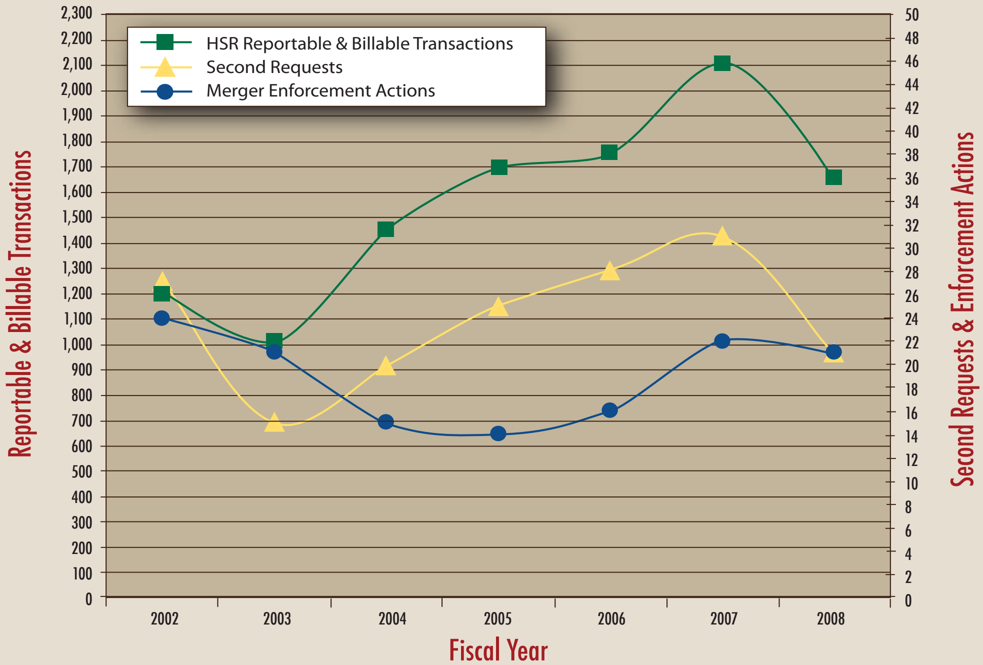
The FTC seeks to identify anticompetitive mergers and practices with as much accuracy as possible. While certain business conduct (such as price fixing among competitors) is clearly anticompetitive, mergers and many other forms of business conduct can benefit, harm, or have no effect on consumers. Consequently, 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 have no competitive 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.

FTC staff examine each transaction to determine whether it poses a threat to competition. In most cases, a reasonable judgment 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 issued by the FTC. This is referred to as a "second request." Because 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 2008. Since the low point in reportable transactions observed in FY 2004, filings have steadily climbed at an average rate of around 20 percent per year, reaching a peak of 2,108 reported transactions in FY 2007. FY 2008 data show that, at least temporarily, this trend has reversed itself. Indeed, in the last fiscal year, the number of reportable transactions declined by approximately 20 percent, reaching 1,656 transactions. This has been accompanied by an even sharper downturn in the value of reported transactions, which decreased by over 40 percent. Notwithstanding the difficulty inherent in predicting trends in HSR filings, the data seem to suggest that filings in the upcoming fiscal year could approximate the levels reached in FY 2004 or FY 2005, or between 1,400 or 1,500 reportable transactions, although it is too early to tell how significant changes in the financial markets may be impacting the funding available for business or stock acquisitions. The expectation regarding the level of reportable

Trends in Merger Activity



This graph shows the level of merger activity for FY 2002 though 2008. The green line, plotted against the left hand vertical axis, shows the number of transactions for which a second request *could* have been issued. The yellow and blue lines, plotted against the right hand vertical axis, display, respectively, the number of second requests issued by the FTC in each fiscal year and the number of merger enforcement actions obtained in the same period.

The trends exhibited show that the agency has continued to vigorously review merger filings and to challenge those transactions that are likely to harm competition. Indeed, between FY 2007 and FY 2008, while the number of transactions declined by approximately 20 percent, the number of second requests issued declined by only 14 percent, and the ratio of enforcement actions to the number of transactions increased by more than 20 percent.

transactions for the upcoming year, coupled with the increased attention placed on complex merger matters relating to intellectual property and high-tech industries, means that the FTC will continue to devote considerable resources to the merger review process. A review of enforcement data for FY 2008 reveals that even though filings have decreased from FY 2007 to FY 2008, the number of merger investigations opened has remained almost the same, while the number of enforcement actions has actually risen slightly.

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 energy, health care, real estate, or high technology, 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

There are two key performance measures under this objective. They are to obtain a positive outcome in at least 90 percent of HSR requests for additional information (Performance 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 (Performance Measure 2.1.2).

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 while at the same time permitting deals or conduct that are neutral or beneficial to consumers to proceed unimpeded. The three remaining measures (Performance Measures 2.1.3, 2.1.4, and 2.1.5) under this objective require that the FTC report detailed supplemental information on its merger and nonmerger activities. These measures are directly related to Performance Measures 2.1.1 and 2.1.2, and their purpose is to provide an informative backdrop against which the key performance measures can be contextualized. Thus, for example, the result obtained in key Performance Measure 2.1.1 (95 percent positive outcomes), taken by itself, reveals the extent to which the agency was successful in challenging mergers subject to second request investigation.

The three remaining measures provide the underlying data used to generate the 95 percent result and an indication of the breadth and scope of the agency's merger review process. For example, Performance Measure 2.1.4 specifies that the agency will track and report on the number of reportable transactions and related second requests, the number of HSR enforcement actions, and investigations closed because the evidence indicated that a competitive problem was unlikely. As such, the agency has not set targets for these measures and is tracking the results.

Key Measure: Performance Measure 2.1.1

Achieve positive outcomes in matters in which HSR requests for additional information are issued (note: final outcome of cases are reported in Performance Measure 2.2.1).

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
60–80%	55%	60–80%	52%	60–80%	59%	90%	100%	90%	100%

Data Source: Information on the outcome of second request investigations is obtained from FTC press releases, agency databases, as well as internal communications from staff attorneys. Press releases are the source of information for public actions, such as consent orders, preliminary injunctions, and the results of judicial review, while internal communications are used to identify those investigations that were closed because parties abandoned a transaction or because staff did not find that the transaction potentially could harm competition. Internal communications are also used to identify those matters that were originally closed, but where subsequent events indicated that the transaction injured competition. These data are then cross referenced with the list of known second request investigations as recorded in the official agency database to calculate the performance measure.

Target Exceeded. The FTC obtained a positive outcome in 20 out of 20 second request investigations that were concluded in FY 2008, or 100 percent. The FTC obtained 10 consent orders, authorized staff to file one preliminary injunction in federal court seeking to block a merger, raised anticompetitive concerns causing the parties to withdraw two transactions, and finally, closed seven investigations without subsequent events indicating that the transaction injured competition. In the case where staff was authorized to file a preliminary injunction, the Commission also issued an administrative complaint; however, for measurement purposes this investigation is 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

Negative outcomes would include closing investigations that are later determined to raise significant antitrust issues.

Key Measure: Performance Measure 2.1.2

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

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
60–80%	63%	60–80%	50%	60–80%	40%	90%	100%	90%	100%

Data Source: Information on the outcome of significant nonmerger investigation is obtained from press releases, various agency and Bureau databases, as well as internal communications. Press releases are the source of information for public actions, such as consent orders, permanent injunctions, and the results of judicial review, while internal communications are used to identify those matters that were originally closed, but where subsequent events indicated that the business practice injured competition. These data are then cross referenced with information on the number of hours logged to each investigation to identify those that meet the significance threshold (i.e., more than 150 hours).

Target Exceeded. The FTC achieved a positive outcome in 18 out of 18 significant nonmerger investigations, or 100 percent. Specifically, the FTC obtained three consent orders, filed one permanent injunction in federal court, and closed 14 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

As with Performance Measure 2.1.1, a negative outcome would include closing investigations that are later determined to raise significant antitrust issues.

Performance Measure 2.1.3

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 22 (b) 11	Establish Baseline	(a) 21 (b) 4

Data Source: Information on merger and nonmerger enforcement actions is taken from the FTC's press releases and internal communications from staff attorneys. Press releases are the source of information for public actions, such as consent orders and preliminary and permanent injunctions, while internal communications are used to identify those merger enforcement matters where the parties voluntarily abandoned or restructured a proposed transaction based on FTC antitrust concerns.

As mentioned above, this measure is intended to provide the supporting information needed to place the two key Performance Measures 2.1.1 and 2.1.2 in the appropriate context and is not intended to be evaluated as a stand-alone measure. Thus, where the result under Performance Measure 2.1.1 states that the agency obtained a positive outcome in 100 percent of second request investigations, this measure tells how many (output) of those positive outcomes are enforcement actions.

Enforcement actions include Commission authorization of a complaint for preliminary injunction or permanent relief in federal court, issuance of an administrative complaint, acceptance of a consent agreement, and, for mergers, the parties' voluntary abandonment or restructuring of a proposed transaction based on FTC antitrust concerns. In FY 2008, the FTC obtained 21 merger enforcement actions and four nonmerger enforcement actions. In addition to the 10 merger consent agreements accepted for comment and the two withdrawn transactions that are cited under Performance Measure 2.1.1, which tracks the positive outcomes of second request investigations, the FTC obtained three other consent agreements and three additional abandoned or restructured transactions in non-second request merger investigations.

Performance Measure 2.1.4

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.

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 31 (b) 2,108 (c) 20 (d) 5 (e) 11	Establish Baseline	(a) 21 (b) 1,656 (c) 12 (d) 2 (e) 7

Data Source: Information on the number of second requests and the number of reportable transactions is obtained from the FTC's Premerger Office and cross-referenced with data from the agency matter management database, while information on the number of enforcement actions and on the investigations closed without enforcement action is obtained from press releases and internal communications.

This measure reports detailed supplemental information on the FTC's merger activities and is intended to provide the context against which to assess the results obtained under key Performance Measure 2.1.1. This measure tells us how many transactions were reports that could have been subject to a second request, how many second requests were actually issued, and the outcome of these investigations.

Performance Measure 2.1.5

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

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 11 (b) 17	Establish Baseline	(a) 4 (b) 14

Data Source: Information on significant nonmerger investigations is obtained from press releases, various agency and Bureau databases, as well as internal communications. Press releases are the source of information for public actions, such as consent orders and permanent injunctions, while the internal matter management database is used to identify those nonmerger matters that were closed without an enforcement action. These data are then cross referenced with information on the number of hours logged to each investigation to identify the ones that meet the significance threshold (i.e., more than 150 hours).

As in the case of the two previous measures, this measure reports detailed supplemental information on the FTC's nonmerger (Key Performance Measure 2.1.2) activities, and is intended to facilitate evaluation of the results of that measure.

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.

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 laws." 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.

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 limited 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 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" from the conduct. The FTC also has the authority to seek relief in federal courts, although 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, it 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

Health Care Cases

In FY 2008, the FTC continued to devote considerable resources to challenging anticompetitive mergers and conduct in the health care industry.

The FTC settled charges stemming from three proposed merger transactions that would have limited competition in the market for minimally invasive vertebral compression fracture treatment products, the market for the anticonvulsant drug carbamazapine, and the market for an iron drug (Venofer) used in U.S. dialysis clinics. In addition to obtaining these three consent orders, the FTC successfully challenged the proposed acquisition by INOVA of the Prince William Health System, when the parties announced that they would abandon the transaction after the FTC filed for a preliminary injunction in the U.S. District Court for the Eastern District of Virginia. On the nonmerger side, the FTC issued a consent order settling charges with two chiropractic associations that had implemented a collective refusal to deal with a cost-savings health plan in Connecticut. The FTC also obtained a significant result in the Cephalon matter, by filing for a permanent injunction in federal court challenging the conduct that prevented competitors from entering the market with the generic version of a branded sleep disorder medication.

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 the key Performance Measure 2.2.1 reflects the reality that, even when the agency brings a meritorious case and litigates it well, success is not ensured. In addition, setting the standard too high could be detrimental if the effect were to deter the agency from bringing important, but risky, cases.

Performance Results

The key performance measure (Performance Measure 2.2.1) under this objective tracks obtaining a positive result in matters in which the FTC 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 (Performance Measures 2.2.2 and 2.2.3) and the two consumer savings targets (Performance 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 (Performance Measures 2.2.6 and 2.2.7).

Key Measure: Performance Measure 2.2.1

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
60–80%	100%	80%	95%	60–80%	100%	80%	100%	80%	96%

Data Source: Information on the result of cases brought by the FTC due to alleged violations is obtained from FTC press releases, agency databases, as well as internal communications from staff attorneys. Press releases are the source of information for public actions, such as consent orders and preliminary and permanent injunctions and the results of judicial review, while internal communications are used to identify those investigations that were closed because parties abandoned or restructured a transaction.

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 26 out of 27, or 96 percent, of enforcement matters brought to conclusion during the fiscal year. The FY 2008 actual results do not include cases that were not final as of September 30, 2008, or are on appeal. At the end of FY 2008, litigation was pending for one significant matter. The outcome of this significant matter 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

In the course of FY 2008, the FTC obtained one negative result when, after the U.S. district court in New Mexico denied the agency's motion for a preliminary injunction in the Giant Industries/Western Refining matter, the FTC dismissed its administrative complaint, concluding that further prosecution would not be in the public interest.

Performance Measure 2.2.2

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	$500	$805	$500	$360

Data Source: Estimates of consumer savings associated with merger enforcement actions are prepared by the lead attorney responsible for an individual investigation, and subsequently subject to scrutiny and review by staff economists. In the absence of case specific information (such as price and sales data), the estimate is generated using the volume of commerce in the affected markets as a basis for the calculation.

Target Not Met. In FY 2008, the FTC did not surpass the annual objective, saving consumers an estimated $360 million. However, considering the results obtained in the first two years of the five-years covered by this measure, it appears that the agency is on track to meet the overall, long term, target. Indeed, the agency has reached approximately 46 percent of its target in 40 percent of the time allotted by the measure.

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)

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
$40	$8.5	$40	$61.8	$40	$13.4	$25	$42.6	$25	$14.9

Data Source: Estimates of the volume of commerce associated with merger enforcement actions are prepared by the lead attorney responsible for an individual investigation, and subsequently subject to scrutiny and review by staff economists. The estimate is generated using the volume of commerce for the affected markets using public sources as well as confidential data submitted by the parties during the course of the investigations.

Target Not Met. The FTC's merger enforcement actions have affected markets in which the total estimated volume of commerce was approximately $15 billion. However, after the first two of the five years covered by this performance measure, the agency has taken action against anticompetitive mergers in markets with a total of around $57.5 billion, and is thus currently exceeding its five-year target by approximately 15 percent. During FY 2008, the FTC has taken action against 20 anticompetitive mergers, resulting in 13 consent agreements and six abandoned or restructured transactions. In the case of consent agreements, the actions taken by the FTC consist primarily of structural remedies, accompanied in some cases by conditions restricting the future conduct of the merged entity. In 10 out of the 13 consent agreements stipulated in FY 2008, the parties agreed to divest certain crucial assets to resolve the competitive concerns raised by the Commission.

Performance Measure 2.2.4

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	$80	$75	$80	$28

Data Source: Estimates of consumer savings associated with nonmerger enforcement actions are prepared by the lead attorney responsible for an individual investigation, and subsequently subject to scrutiny and review by staff economists. In the absence of case specific information (such as price and sales data), the estimate is generated using the volume of commerce in the affected markets as a basis for the calculation.

Target Not Met. During FY 2008, the FTC did not reach the annual target of $80 billion, obtaining just $28 million in estimated consumer savings. Thus, during the first two years covered by this five-year target, the agency has obtained just over $100 million out of the overall goal of $400 million, or around 40 percent of the total. Given the high variability in the year-to-year results for this measure, at this stage in the implementation of the Strategic Plan, there is still a good probability that the five-year target can be reached.

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)

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
Establish Baseline	$2.6	$20	$19.4	$20	$1.4	$8	$2.6	$8	$0.4

Data Source: Estimates of the volume of commerce associated with nonmerger enforcement actions are prepared by the lead attorney responsible for an individual investigation, and subsequently subject to scrutiny and review by staff economists. The estimate is generated using the volume of commerce for the affected markets using public sources as well as confidential data submitted by the parties during the course of the investigations.

Target Not Met. In FY 2008, the FTC's nonmerger enforcement actions affected markets in which the total volume of commerce was $0.4 billion, five percent of the annual target of $8 billion. Coupled with the result obtained in FY 2007, this year's result would seem to suggest that the agency is not on track to reach the five-year goal. However, given the degree to which this measure has fluctuated historically, it is not possible to predict with accuracy if the overall long term goal will be met. Indeed, if in the next three years the FTC takes action against one or more restrictive business practices involving significantly sized relevant product markets, the target may still be reached. Despite this possibility, if performance actuals were to remain at this level for the next three years, the agency would not reach the five-year target. During FY 2008, the FTC has taken action in three nonmerger matters, resulting in an equal number of consent agreements that impose remedies that resolve the concerns raised by the agency. At a general level, the principal effect of the actions taken by the FTC is to prevent the parties involved from persevering in their anticompetitive conduct, and to thus generate savings for the affected consumers.

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)

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	600%	2,500%	600%	1,121%

Data Source: The ratio of consumer savings in merger enforcement actions to the amount of resources allocated to the merger program is calculated using data on consumer savings obtained under Performance Measure 2.2.2, divided into the amount of monetary resources expended on the merger program as reported by the FTC's Financial Management Office.

Target Exceeded. During FY 2008, the agency saved consumers approximately 13 times the amount of resources devoted to the merger program. As in the case of the previously mentioned Performance Measures 2.2.2 and 2.2.3, the agency has thus far exceeded its annual targets and will likely exceed the five-year target as well, which is set at 600 percent.

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)

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	400%	424%	400%	164%

Data Source: The ratio of consumer savings in nonmerger enforcement actions to the amount of resources allocated to the merger program is calculated using data on consumer savings obtained under Performance Measure 2.2.4, divided into the amount of monetary resources expended on the nonmerger program as reported by the FTC's Financial Management Office.

Target Not Met. During FY 2008, the FTC took enforcement action in three nonmerger matters, saving consumers approximately one and one-half the amount of monetary resources expended on the nonmerger program. Data from the first two years of the five-year target suggest that the agency may be on track to meet or exceed the overall target. Despite this possibility, if performance actuals were to remain at this level for the next three years, the agency would not reach the five-year target. This trend needs to be carefully monitored, however, given the unpredictability of future nonmerger enforcement activity, specifically with regard to the size and scope of the relevant geographic and product markets involved in each individual investigation, and thus to the amount of estimated consumer savings.

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 seeks to deter would-be violators of the antitrust laws. FTC law enforcement efforts also are made more effective by making the public aware 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.

In FY 2008, the FTC filed one new administrative complaint and continued to pursue four 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 types of testimony, conferences, hearings, and workshops (such as the series of conferences on health care related issues or the workshop on unilateral effects analysis); advisory opinions (addressing issues such as the applicability of the Non-Profit Institutions Act to certain commercial activities by health maintenance organizations); and reports (such as the reports on activities in the oil and natural gas industries).

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 effort to continue educating consumers and businesses on the important role of competition in providing the most valuable and efficient mix of price, choice, and innovation, in FY 2008, the FTC implemented substantial changes to the agency's maintaining competition web pages and continued to publish and disseminate reference and case-related documents. The objective has been to improve how topical information and reference documents are organized – in an effort to aid visitors in searching and finding relevant information – and to continuously update the growing body of reference material.

Of note, in FY 2008, the agency published a series of interpretative guides on the application of the U.S. antitrust laws to promote transparency and encourage compliance with the law. These guides contain a more in-depth discussion of competition issues for those with specific questions about individual facets of the antitrust laws. These Individual Fact Sheets cover a variety of competition topics, and contain examples of cases' frequently asked questions. The FTC also published an updated version of the Bureau of Competition User's Guide to provide the general public and practitioners with a roadmap of how the Bureau of Competition is organized and which employees deal with individual sectors or specific issues. The FTC continues to develop educational materials to help explain its work, and in the fall of 2008, it launched a website for middle-school students with games and videos explaining how consumers of all ages benefit from competition. The website features a movie about

Bureau of Competition Consumer Resources

The Bureau of Competition has developed a variety of resources to help explain its work. ***Competition Counts*** explains how consumers win when businesses compete and provides an overview of the types of matters investigated by the bureau. Download the brochure from www.ftc.gov/bc/edu/pubs/consumer/general/zgen01.pdf.

An FTC Guide to the Antitrust Laws is a plain-language guide for consumers and businesspeople with questions about the antitrust laws. The ***Guide*** summarizes the core laws that ban unfair business practices and prevent mergers that harm consumers, and it explains how antitrust cases are brought by U.S., state, and international authorities, as well as private parties. Download the material from http://ftc.gov/bc/antitrust/factsheets/antitrustlawsguide.pdf.

the history of the antitrust laws and an interactive pricing game that allows students to explore the concepts of supply and demand. Finally, an effort has also been made to clarify the role played by the DOJ in enforcing the federal antitrust laws and how enforcement responsibilities are shared between the two sister agencies.

Performance Results

The FTC uses two performance measures to assess its performance in preventing consumer injury through education. The key measure (Performance Measure 2.3.2) 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 (Performance Measure 2.3.1) 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 performance measures are good indicators 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.

Performance Measure 2.3.1

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

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Establish Baseline	11.0	10	9.8	10	10.6	15	15.7	15	12.5

Data Source: The number of hits on antitrust related pages on the FTC's internet website is calculated using data generated by the agency's web tracker software. The raw data are run through a computer program that uses a logical algorithm to classify the majority of the pages as pertaining to competition or not. The remaining pages, which cannot be processed in this automated fashion, are then classified manually.

Target Not Met. Although the current Strategic Plan does not set a target for this measure, in FY 2007, the FTC identified a provisional target of at least 15 million hits by extrapolating from information acquired in the previous three fiscal years. 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 continue to closely monitor this measure. Furthermore, since the FTC is in the process of replacing the current legacy web tracker software with a new system that will allow for more accurate monitoring of web traffic, it may well be that either the measure itself or the target, at the very least, will be revisited. Indeed, the availability of comprehensive metadata generated by the new system could permit the agency to create new performance measures as well as allow for a more accurate and detailed accounting of each individual visit to the FTC's website.

Key Measure: Performance Measure 2.3.2

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

2004		2005		2006		2007		2008	
Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 2,982 articles (b) 635 million	(a)2,500 articles (b) Establish Baseline	(a) 1,858 articles (b) 397 million

Data Source: The data used to generate the results for this measure are extracted from the Lexis/Nexis "U.S. Newspapers and Magazines" database and are cross-referenced with circulation data obtained from public sources or directly from the publishers.

Target Not Met. This performance 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 circulations ranging from less than fifty thousand to more than one million copies.

Healthcare Workshop

The Federal Trade Commission (FTC) held a workshop in May 2008 to discuss collaborations among health care providers to improve the provision of health care services and reduce costs. The workshop, titled “Clinical Integration in Health Care: A Check-Up,” featured health care providers, government officials, health insurers and other payers, employers, attorneys, and others who provided insight on various aspects of “clinical integration” among health care providers. “Clinical integration” describes certain types of collaboration among otherwise independent health care providers to improve quality and contain costs. The 1996 joint FTC/Department of Justice Statements of Antitrust Enforcement Policy in Health Care expressly recognize the potential benefits of this type of integration, and that more-extensive antitrust analysis of the competitive effects of such arrangements may be warranted when collective negotiation and contracting with payers is reasonably necessary to achieve clinical efficiencies. The workshop was part of the FTC’s ongoing efforts to study developments in health care delivery and financing that can inform its antitrust analysis, to ensure that consumers are protected from anticompetitive conduct, and to ensure that legitimate efficiency-enhancing joint ventures are not discouraged. Materials relating to the application of antitrust principles to health care markets can be found at www.ftc.gov/bc/healthcare.

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

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

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 members 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 (Performance Measure 2.4.2), making advocacy filings (Performance Measure 2.4.3), and international cooperation and exchange (Performance Measure 2.4.7).

These measures, in conjunction with Performance Measures 2.4.1, 2.4.4, 2.4.5, and 2.4.6, 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 Performance Measure 2.4.1, the Plan states that the FTC shall "[c]onvene, 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 limits are not intrinsically defined, unlike the case for other relative outcome measures for which the Plan states, for example, that the FTC shall achieve between 80 and 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. 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.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	4	7	4	5

Data Source: Information on conferences involving significant competition related issues is taken from the FTC website (www.ftc.gov/ftc/workshops.shtm).

Target Exceeded. During FY 2008, the FTC held five conferences on competition-related topics, ranging from health care, international technical assistance, and unilateral effects. Combined with the results of FY 2007, these achievements place the FTC on par to meet or exceed the five-year target set by the Strategic Plan.

Key Measure: Performance Measure 2.4.2

Issue studies, reports, and working or issues papers on significant competition-related issues. 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, or at least eight such reports per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	8	18	8	7

Data Source: Information on studies and reports on significant competition-related issues is taken from the FTC website (www.ftc.gov/be/research.shtm and www.ftc.gov/reports/index.shtm).

Target Not Met. In FY 2008, the FTC issued a total of seven staff reports on competition-related matters, thus not meeting the annual target set by the Strategic Plan. However, taken together, the 2007 and 2008 results show that the agency has already published a grand total of 25 reports, which represents 60 percent of its five-year target in just the first two years, or 40 percent of the time allotted.

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. 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 impact of their policies over a five-year period, or six per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	6	11	6	12

Data Source: Information on competition-related advocacy filings is drawn from the FTC website (www.ftc.gov/opp/advocacy_date.shtm).

Target Exceeded. In FY 2008, the FTC made 12 advocacy filings, thus exceeding the annual target of six filings. As in the case of Performance Measure 2.4.2, given the results obtained in the first two years of the period covered by the Strategic Plan, the agency appears to be on pace to meet or exceed the five-year target.

Performance Measure 2.4.4

Issue advisory opinions to persons seeking agency review of proposed business actions. The target is for the FTC to issue 12 advisory opinions over the five-year period covered by the Strategic Plan, or at least two or three per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	2 to 3	2	2 to 3	1

Data Source: Information on competition-related advisory opinions is drawn from the FTC website (www.ftc.gov/ftc/opinions.shtm).

Target Not Met. The FTC responded to one request for an advisory opinion from a health maintenance organization, and thus did not meet its annual target. The FTC's performance under this goal is necessarily constrained by the fact that the decision to issue advisory opinions is not entirely under the control of the agency, as requests for advisory opinions are generated by private parties. Thus, assessing the agency's long-term performance based on just two years' worth of data may not be possible. Indeed, changes in the regulatory framework of specific industries or even developments in the business models adopted by private parties — events over which the FTC has relatively little control — could drive future requests for advisory opinions.

Performance Measure 2.4.5

File *amicus briefs* with courts addressing competition-related issues. The target is for the FTC to file at least 12 *amicus briefs* with courts addressing competition-related issues in the five-year period covered by the Strategic Plan, or at least two to three per year.

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	2 to 3	4	2 to 3	1

Data Source: Information on *amicus briefs* addressing competition-related issues is drawn from the FTC website (www.ftc.gov/ogc/briefs.shtm).

Target Not Met. In FY 2008, the FTC did not meet the annual target set by the Strategic Plan, it filed only one *amicus brief.* However, the cumulative results obtained over the first two years covered by the five-year plan suggest that the agency should be on track to meet the overall goal of 12 *amicus briefs*, having issued just over 40 percent of the total target in 40 percent of the time covered by the Strategic Plan.

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 shown in millions.)

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	1.1	1.1	1.1	1.2

Data Source: The number of hits on the FTC website relating to competition research, reports, and advocacy is calculated using data generated by the agency's web tracker software.

Target Exceeded. This performance measure relates to the volume of traffic on FTC web pages that relate to competition research, reports, advocacy, and international cooperation. Although 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 2008, there were approximately 1.2 million visits that met the criteria set by 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. As in the case of Performance Measure 2.3.2, since the FTC is in the process of replacing the current legacy web tracker software with a new system that will allow for more accurate monitoring of web traffic, it may well be that either the measure itself or the target, at the very least, will be revisited. Indeed, the possibility of cataloging web pages more accurately and the availability of comprehensive metadata generated by the new system could permit the agency to create new performance measures as well as allow for a more accurate and detailed accounting of each individual visit to the FTC's website.

Key Measure: Performance Measure 2.4.7

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

2004		2005		2006		2007		2008	
Target	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**	**Target**	**Actual**
N/A	N/A	N/A	N/A	N/A	N/A	Establish Baseline	(a) 61 (b) 70 (c) 19 (d) 48 (e) 8	(a) 30 (b) 25 (c) 7 (d) 8 (e) 5	(a) 79 (b) 89 (c) 30 (d) 68 (e) 9

Data Source: Information on the international activities of the FTC is produced by the agency's Office of International Affairs.

Targets Exceeded. The third key performance measure under this objective relates to international cooperation and convergence in the field of competition enforcement and policy development. Based on the experience accumulated over recent years in the area of international cooperation, the agency set preliminary targets for this measure; however, recent trends in the level of activity suggest that these may have to be revisited upward to more realistically reflect the expenditure of resources in this arena. Indeed, during FY 2008, the FTC substantially exceeded the provisional targets. Agency staff cooperated with foreign competition authorities in 79 instances, provided 89 consultations or comments to foreign competition authorities, presented 30 submissions to international fora, attended 68 international events, and held nine leadership positions in international organizations.

Resources Utilized—Strategic Goal 2

(Dollars shown in millions)

	2004	2005	2006	2007	2008
Full-Time Equivalents	498	470	457	489	502
Obligations	$83	$86	$86	$94	$103
Net Cost	($3)	($16)	($23)	($47)	$2

Note: Differences between these obligations and net costs and the financial statements are due to rounding.

Summary of Program Evaluations

The FTC at 100: Into Our Second Century

In anticipation of its 100-year anniversary in 2014, the FTC is engaging in a multipart, critical self-analysis known as *The FTC at 100: Into Our Second Century*. The aim of the project is to determine whether the agency is fulfilling the destiny that Congress envisioned for it in 1914 and what type of institution it should be as it begins its second century.

The progress of the FTC in its modern era has built heavily upon the willingness of its people to assess their work critically and explore possibilities for improvement. *The FTC at 100* self-assessment continues and extends this tradition. Its goals are to encourage acceptance of a norm of periodic self-assessment, to create a template for the agency to engage regularly in an analysis of its performance, and to identify approaches for improvement over both the short and long term.

The FTC is seeking to bring rigor, visibility, and accountability to this project by not limiting its assessment to internal deliberations, but also encouraging and facilitating inclusive stakeholder participation and feedback. Since July 2008, the agency has held a series of public roundtables nationally and internationally. Participants have included current and former FTC Commissioners and senior staff, officials from federal and state governments, consumer and industry representatives, members of the antitrust and consumer protection bars, university professors and other representatives from academia, policy experts from non-profit institutions, and high-ranking members of competition and consumer protection agencies around the globe.

The FTC will use the recommendations and findings of these public roundtables, in conjunction with the results of its internal deliberations, to improve agency policies and procedures, set benchmarks to evaluate its performance, and adapt to the ever-expanding global marketplace and ever-changing technology. The FTC's ultimate goal is to remain in the front ranks of the competition and consumer protection agencies in the world.

For more information on the project, the FTC has created a website at www.ftc.gov/ftc/workshops/ftc100/index.shtm. Links are provided to related speeches and the transcripts of the public roundtables the FTC has hosted across the United States and abroad.

The American Antitrust Institute

During FY 2008, the American Antitrust Institute (AAI) conducted a review of antitrust institutions, including the FTC. The full report is available at www.antitrustinstitute.org/Archives/transitionreport.ashx.

Overview

The American Antitrust Institute (AAI) released "The Next Antitrust Agenda: The American Antitrust Institute's Transition Report on Competition Policy to the 44th President of the United States." The report is the result of a year-long effort undertaken by 11 committees of the AAI Advisory Board. It outlines both the philosophy and the policy agenda of the AAI, and offers specific suggestions for legislation and enforcement priorities to the next administration.

AAI contends that the effectiveness of the antitrust laws depends on the institutions that create the context and the means for their enforcement. They identify the three public agencies of antitrust law enforcement in this country as the FTC, DOJ, and, collectively, the state attorneys general. The AAI looks at where antitrust should go over the longer term and advocates strengthening these institutions by improving public education and transparency.

Recommendations

The AAI made several recommendations for the antitrust agencies, including specific recommendations for the FTC. In summary: (1) the administration should select administrative law judges with prior experience in economics and antitrust law, (2) the FTC's research agenda should include general studies on the competitive landscape in particular industries, (3) the FTC should continue to sponsor public workshops on issues of particular importance to competition policy, (4) the FTC should take the lead in developing structured rules of reason for particular recurring situations, (5) the FTC should continue and expand on its recent initiatives to develop Section 5 as a tool for addressing anticompetitive threats and conditions that may not be effectively reachable by the Sherman or Clayton Act, and (6) it should be affirmed that the 13(b) standard for FTC preliminary injunctions in merger cases is not based on a traditional "balance of hardships" evaluation rather it involves a more lenient "public interest" analysis.

Press Release: The FTC Received Privacy Innovation Award

For Release: September 23, 2008

FTC Earns 2008 Privacy Innovation Award

The FTC received the 2008 HP/IAPP Privacy Innovation Award for excellence in protecting personally identifiable information. The annual award is sponsored by Hewlett-Packard and the world's largest association of privacy professionals, the International Association of Privacy Professionals.

"To be recognized by the privacy industry for our efforts to protect personal information, and to have earned the industry's premier award, is a true honor," FTC Chairman William E. Kovacic said, noting the leadership of the FTC's Chief Privacy Officer, Marc Groman, in spearheading the agency's privacy program. "Privacy considerations are woven into every aspect of our work," Kovacic added. Learn more at www.ftc.gov/opa/2008/09/privacyaward.shtm.

Photograph of the Federal Trade Commission's headquarters building in Washington, DC. The foreground 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.

Financial Section

Message from the Chief Financial Officer

During the past fiscal year, the FTC upheld its commitment to protect American consumers and maintain competition in a fiscally responsible manner. I am pleased to report that the FTC's financial condition remains sound and that we look back on a long list of accomplishments from FY 2008. Notably, for the 12th consecutive year, the agency obtained an unqualified (clean) opinion on its consolidated financial statements. We also realigned our accounting code structure to facilitate linking performance goals and objectives to actual cost data. Over time, this work will enhance agency performance by improving the quality, access, and timeliness of management information throughout the FTC.

Steven A. Fisher
Chief Financial Officer

The above accomplishment highlights the connection between the financial and programmatic dimensions of our work. Likewise, this report bridges these two areas by presenting overall performance relative to strategic goals and objectives and presenting financial results of our operations. The Financial Section that follows explains the FTC's financial position as of September 30, 2008, and lays out how financial resources were expended to achieve performance results. Some of the key accomplishments of the past year are noted below.

In the area of stewardship and financial reporting—

- We collected and returned more than $33 million in redress funds to victims of fraud and scams following successful prosecution of defendants that resulted in court-ordered judgments or settlements.
- Our auditors confirmed they found no material weaknesses, significant control deficiencies, or nonconformances with the Federal Managers' Financial Integrity Act and other applicable laws and regulations. This attests to the core values of accountability, reliability, and integrity imbued within the FTC.
- The Association of Government Accountants recognized the agency with a Certificate of Excellence in Accountability Reporting for our FY 2007 "Performance and Accountability Report," citing it as clearly written and informative. This award is a testament to the FTC's commitment to transparency.
- The FTC avoided paying interest on late payments, as required by the Prompt Payment Act, by paying 99 percent of all invoices received from vendors on time.
- We obtained a green rating from the Department of Treasury on the accuracy and timeliness of financial reporting practices involving Fund Balance with Treasury transactions.

With regard to our financial system—

- The FTC partnered with the Department of the Interior's National Business Center to successfully transition to a new core financial system. The new system has improved the degree of integration, accessibility, and availability of real-time financial information for use by agency managers.
- We partnered with the General Services Administration to roll out major upgrades of our travel management system (TMS) to improve usability. We also updated the accounting code in the TMS and developed an interface with the new financial system.
- We began work to modernize and integrate our procurement system with the core financial system.

In the procurement arena—

- As a means of showing support to our nation's veterans, the FTC exceeded its goal to allocate total contract dollars to companies owned by service-disabled veterans. For our efforts, the FTC was one of only seven agencies government-wide awarded the Champions of Veterans Enterprise Award by the Department of Veterans Affairs.
- We updated the agency's computer-based training course to educate Contracting Officers' Technical Representatives on their responsibilities and emphasize compliance with the Federal Acquisition Regulation.

Looking ahead, the FTC will continue to modernize its business systems. A key part of our strategy includes integrating procurement functionality with the core financial system. Upcoming efforts will build on the FY 2008 completion of a comprehensive set of acquisition system requirements. Finally, I remain grateful to the Chairman, the Commissioners, and senior agency managers for promoting a culture of accountability throughout the agency. Effective financial management remains a key driver of mission success, and at the FTC this starts at the top. I am also proud of the outstanding efforts of the financial management staff, diligent stewards of public resources. Together, we will continue to protect the interests of the American consumer.

Steven A. Fisher

Steven A. Fisher
Chief Financial Officer
November 14, 2008

Dembo, Jones, Healy, Pennington & Marshall, P.C.
Certified Public Accountants and Consultants

Chairman Kovacic:

In accordance with the Accountability of Tax Dollar Act of 2002, this report presents the results of our audits of the financial statements of the **Federal Trade Commission**. In our audits of the **Federal Trade Commission** for the fiscal years **September 30, 2008 and 2007**, we found

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

The following sections discuss in more detail (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis and other supplementary information, and (3) our audit objectives, scope, and methodology.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, **Federal Trade Commission's** assets, liabilities, and net position as of **September 30, 2008 and 2007**; and net costs; changes in net position; budgetary resources; and custodial activity for the years then ended.

Consideration of Internal Control

In planning and performing our audit, we considered **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 control deficiency that results in more than a remote likelihood that the design or operation of one or more internal controls will not allow management or employees, in the normal course of performing their duties, to promptly detect or prevent errors, fraud, or noncompliance in amounts that would be material to the financial statements. Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies.

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Compliance With Laws and Regulations

Our tests of the **Federal Trade Commission's** compliance with selected provisions of laws and regulations for fiscal year 2008 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 **Federal Trade Commission's** Management's Discussion and Analysis, and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. We 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 and presentation with **Federal Trade Commission's** officials. Based on this limited work, we found no material inconsistencies with the financial statements, U.S. generally accepted accounting principles, or OMB guidance.

Objectives, Scope, and Methodology

Federal Trade Commission's 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 the Federal Managers' Financial Integrity Act are met, and (3) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Financial Statement.

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 management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting (including safeguarding assets), and compliance with laws and regulations (including execution of transactions in accordance with budget authority);

- tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act;
- tested compliance with selected provisions of laws and regulations.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, 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. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the **Federal Trade Commission**. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the **Federal Trade Commission's** financial statements for the fiscal year ended **September 30, 2008**. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

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

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland
November 14, 2008

Dembo, Jones, Healy, Pennington & Marshall, P.C
Certified Public Accountants and Consultants

Principal Financial Statements

Balance Sheet

As of September 30, 2008 and 2007

(*Dollars shown in thousands)*

	2008	2007
Assets (Note 2):		
Intragovernmental:		
Fund balance with Treasury (Note 3)	$ 86,792	$ 85,848
Investments (Note 5)	117,514	—
Accounts receivable, net (Note 6)	48	23
Total intragovernmental	204,354	85,871
Cash and other monetary assets (Note 4)	10,485	123,309
Accounts receivable, net (Note 6)	87,982	125,185
General property and equipment, net (Note 7)	15,098	11,655
Total assets	$ 317,919	$ 346,020
Liabilities:		
Intragovernmental:		
Accounts payable	$ 21	$ 1,557
Other (Note 9)	17,028	2,651
Total intragovernmental	17,049	4,208
Accounts payable	15,591	5,879
Accrued redress receivables due to claimants	87,800	123,974
Redress collected but not yet disbursed	85,021	80,180
Divesture fund due	45,485	44,570
Other (Note 9)	16,897	14,606
Total liabilities (Note 8 and Note 9)	267,843	273,417
Net position:		
Unexpended appropriations - other funds	—	—
Cumulative results of operations - other funds	50,076	72,603
Total net position	$ 50,076	$ 72,603
Total liabilities and net position	$ 317,919	$ 346,020

Principal Financial Statements

Statement of Net Cost

For the years ended September 30, 2008 and 2007

(Dollars shown in thousands)

	2008	2007
Program costs:		
Maintain Competition (MC) Strategic Goal:		
Gross costs (Note 12)	$ 104,853	$ 97,916
Less: earned revenue (Note 13)	(103,192)	(145,285)
Net program costs (revenue)	1,661	(47,369)
Consumer Protection (CP) Strategic Goal:		
Gross costs (Note 12)	140,705	126,662
Less: earned revenue (Note 13)	(16,202)	(21,675)
Net program costs (revenue)	124,503	104,987
Net cost of operations	$ 126,164	$ 57,618

Principal Financial Statements

Statement of Changes in Net Position

For the years ended September 30, 2008 and 2007

(Dollars shown in thousands)

	2008	2007
Cumulative Results of Operations:		
Beginning balance, adjusted	$ 72,603	$ 49,121
Budgetary Financing Sources:		
Appropriations used	96,226	73,688
Other Financing Sources (non-exchange):		
Imputed financing	7,411	7,412
Total Financing Sources	103,637	81,100
Less: Net Cost of Operations	126,164	57,618
Net Change	(22,527)	23,482
Cumulative Results of Operations	50,076	72,603
Unexpended Appropriations:		
Beginning balance, adjusted	—	14
Budgetary Financing Sources:		
Appropriations received	96,226	74,608
Less: Appropriations transferred out	—	14
Less: Other adjustments (recissions)	—	920
Less: Appropriations used	96,226	73,688
Total Budgetary Financing Sources	—	(14)
Total Unexpended Appropriations	—	—
Net Position	$ 50,076	$ 72,603

Principal Financial Statements

Statement of Budgetary Resources

For the years ended September 30, 2008 and 2007

(Dollars shown in thousands)

	2008	2007
Budgetary Resources: (Note 15)		
Unobligated balance, brought forward, October 1:	$ 11,068	$ 10,875
Recoveries of prior year unpaid obligations	1,322	8,299
Budget authority		
Appropriation	96,226	74,608
Spending authority from offsetting collections		
Earned		
Collected	134,728	166,992
Change in receivables from Federal sources	25	(32)
Change in unfilled customer orders without advance from Federal sources	(53)	84
Previously unavailable	28,561	—
Subtotal	259,487	241,652
Nonexpenditure transfers, net, anticipated and actual	—	(14)
Temporarily not available pursuant to public law	(15,357)	(28,561)
Permanently not available	—	(920)
Total Budgetary Resources	$ 256,520	$ 231,331
Status of Budgetary Resources:		
Obligations incurred		
Direct	243,186	219,376
Reimbursable	271	887
Subtotal	243,457	220,263
Unobligated balance		
Apportioned	13,063	4,238
Unobligated balance not available	—	6,830
Total status of budgetary resources	$ 256,520	$ 231,331
Change in Obligated Balance:		
Obligated balance, net		
Unpaid obligations, brought forward, October 1	$ 44,815	$ 47,250
Less: Uncollected customer payments from Federal sources, brought forward, October 1	(252)	(201)
Total unpaid obligated balance, net	44,563	47,049
Obligations incurred, net	243,457	220,263
Less: Gross outlays	(230,862)	(214,399)
Less: Recoveries of prior year unpaid obligations, actual	(1,322)	(8,299)
Change in uncollected customer payments from Federal sources (+/-)	28	(52)
Obligated balance, net , end of period		
Unpaid obligations	56,088	44,815
Uncollected customer payments from Federal sources	(224)	(253)
Total, unpaid obligated balance, net, end of period	55,864	44,562
Net Outlays:		
Gross outlays	230,862	214,399
Less: Offsetting collections	(134,728)	(166,992)
Less: Distributed offsetting receipts	(55,014)	(5,962)
Net Outlays	$ 41,120	$ 41,445

Principal Financial Statements

Statement of Custodial Activity

For the years ended September 30, 2008 and 2007

(Dollars shown in thousands)

	MC	CP	2008	2007
Revenue Activity: (Note 17)				
Sources of Collections:				
Premerger Filing Fees (Net of Refunds) (a)	$ 102,916	$ —	$ 102,916	$ 144,561
Civil Penalties and Fines (b)	—	13,475	13,475	5,562
Redress (c)	—	101,859	101,859	71,748
Investment Interest	—	412	412	—
Divestiture Fund (d)	915	—	915	1,516
Funeral Rule Violations	—	187	187	31
Court Registry	—	3,072	3,072	359
Total Cash Collections	103,831	119,005	222,836	223,777
Accrual Adjustments (e)	—	(37,212)	(37,212)	(11,783)
Total Custodial Revenue	$ 103,831	$ 81,793	$ 185,624	$ 211,994
Disposition of Collections: (Note 17)				
Transferred to Others:				
Treasury General Fund	215	68,459	68,674	11,436
Department of Justice	87,559	—	87,559	154,787
Receivers (f)	—	—	—	3
Redress to Claimants (g)	—	33,313	33,313	41,304
Contractor Fees Net of Interest Earned (h)	—	12,119	12,119	3,826
Investment Expense	—	37	37	—
Attorney Fees	—	236	236	19
Court Registry	—	—	—	199
(Increase)/Decrease in Amounts Yet to be Transferred	(16,057)	32,371	16,314	(420)
Net Custodial Activity	$ —	$ —	$ —	$ —

Principal Financial Statements

Notes to the Statements of Custodial Activity
Accrual Adjustments

September 30, 2008 and 2007

(Dollars shown in thousands)

	CP			2008	2007
Part 1	Civil Penalty	Redress	Subtotal CP	Total	Total
Judgments Receivable - Net Beginning	$ 1,211	$123,974	$125,185	$125,185	$136,968
Add:					
Current Year Judgments (Note 17j)	14,399	151,706	166,105	166,105	256,019
Prior Year Recoveries (Note 17k)	—	3,865	3,865	3,865	857
Less:					
Collections by FTC/Contractors/ Receivers	(13,475)	(101,859)	(115,334)	(115,334)	(77,310)
Collections by Court Registry	—	(3,072)	(3,072)	(3,072)	—
Collections by DOJ for Litigation Fees/Other	(416)	—	(416)	(416)	(169)
Less:					
Adjustments to Allowance (Note 17 l)	(1,546)	(86,814)	(88,360)	(88,360)	(191,180)
Judgments Receivable - Net, Ending	$ 173	$ 87,800	$ 87,973	$ 87,973	$125,185
Part 2					
Judgments Receivable - Net Ending	$173	$87,800	$ 87,973	$ 87,973	$125,185
Judgments Receivable - Net Beginning	1,211	123,974	125,185	125,185	136,968
Accrual Adjustment	$ (1,038)	$(36,174)	$(37,212)	$(37,212)	$(11,783)

Principal Financial Statements

Notes to the Statements of Custodial Activity
Change in Liability

September 30, 2008 and 2007

(Dollars shown in thousands)

	MC				CP			
	Pre-Merger	Divestiture	Civil Penalty	Subtotal MC	Civil Penalty	Redress	Subtotal-CP	Total
Liabilities at 09/30/08	$ 15,357	$ 45,485	$ —	$ 60,842	$ 173	$172,821	$172,994	$233,836
Liabilities at 09/30/07	215	44,570	—	44,785	1,211	204,154	205,365	250,150
Change in Liability Accounts	$ 15,142	$ 915	$ —	$ 16,057	$(1,038)	$(31,333)	$(32,371)	$(16,314)

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown 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 three major bureaus: The Bureau of Competition (BC), which supports the strategic goal of maintaining competition; the Bureau of Consumer Protection (BCP), which supports the strategic goal of protecting consumers; and the Bureau of Economics (BE), which supports both bureaus and strategic goals. 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 regional offices work with the BC and BCP 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. The regional offices frequently sponsor conferences for small businesses, local authorities, and consumer groups.

The financial statements include the accounts of all funds under the FTC's control. As further described throughout these notes, in addition to appropriations received for salaries and necessary expenses, the FTC maintains control over funds that are primarily comprised of proceeds derived from court ordered judgments and settlements held for subsequent distribution to approved claimants. These proceeds are considered non-entity and are reported as such on the Balance Sheet and related activity is reported on the Statement of Custodial Activity.

(b) Fund Accounting Structure

The FTC's financial activities are accounted for using various funds (i.e., Treasury Account Symbols (TAS)). They include the following for which the FTC maintains financial records:

General Fund TAS 29X0100 consists of salaries and expense appropriation accounts used to fund agency operations and capital expenditures. Offsetting collections received during the year are also recorded in the general fund. (See Note 13 - Exchange Revenues.)

Deposit Fund TAS 29X6013 consists of monies held temporarily by the FTC as an agent for others (e.g. redress funds) prior to distribution through the consumer redress program.

Suspense Fund TAS 29F3875 represent receipts awaiting proper classification, or held in escrow, until ownership is established and proper distributions can be made. This fund was discontinued in fiscal year 2008 due to new Treasury regulations.

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 accompanying financial statements present the financial position, net cost of operations, changes in net position, budgetary resources, and custodial activities of the FTC. As noted above, the FTC maintains a single fund to account for salaries and all necessary expenses. Further, there are no intra-entity transactions with any other fund (e.g. deposit fund) that would require eliminating entries to present consolidated statements. Accordingly the statements are not labeled consolidated nor is the Statement of Budgetary Resources presented as combined. The financial statements have been prepared from the accounting records of the FTC on an accrual basis, in conformity with generally accepted accounting principles (GAAP) of the United States of America and with the form and content of financial statements specified by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements* (as revised June 2008). GAAP for Federal entities incorporate the standards prescribed by the Federal Accounting Standards Advisory Board.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Certain amounts have been reclassified to reflect the change in method of classifying obligations from budgetary resources derived from offsetting collections of user fees from non-federal sources. Obligations incurred attributable to resources from user fees are categorized as direct obligations. The change is consistent with OMB guidance for reporting offsetting collections as specified in OMB Circular A-11. The change is reflected in external reports resulting in a change in the amount of obligations reported as direct and reimbursable on the Statement of Budgetary Resources and accompanying notes. Other reclassifications to prior-year balances have been made in the accompanying financial statements to make disclosures consistent with those of the current year.

(d) Budget Authority

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 general fund (e.g. TAS 29X0100) for which the FTC has budget authority.

(e) Fund Balance with Treasury

The FTC's Fund Balance with Treasury includes appropriated funds and amounts that are not invested but held in the deposit fund TAS 29X6013 for subsequent disbursement to claimants. Amounts 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 (relative to miscellaneous receipts or redress disgorgement). All cash receipts are deposited with Treasury and all disbursements for payroll and vendor invoices are disbursed by the Department of Treasury.

(f) Investments

In protecting consumers, the FTC collects proceeds from defendants in accordance with court ordered judgments and settlement agreements for consumer redress and holds these proceeds in a deposit fund TAS 29X6013 established with the Department of Treasury. The FTC also holds monies in its deposit fund in connection with a judgment that stipulates the divestiture of assets by the defendant. Under an agreement with the Department of Treasury, the portion of such judgments and settlements that are not immediately needed for cash disbursements are invested in Treasury securities. (See Note 5 Investments.)

(g) Cash and Other Monetary Assets

The FTC's consumer redress agents process claims and disburse redress proceeds to approved claimants. Upon approval of the redress office, amounts necessary to cover current disbursement schedules are held as cash in interest bearing custodial accounts. (See accompanying Statement of Custodial Activity.)

(h) 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. Since the FTC does not retain redress receipts, a corresponding liability is also recorded for these non-entity accounts receivable. Gross receivables are reduced to net realizable value by an allowance for uncollectible accounts. (See Note 6 Accounts Receivable.)

(i) Accrued Liabilities and Accounts Payable

Accrued Liabilities and Accounts Payable represent 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 can not 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 8 for information on "Liabilities Not Covered by Budgetary Resources" and Note 9 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) 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 19 percent of FTC employees participate in CSRS. For employees participating in CSRS, the FTC contributes seven 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. Participating employees may contribute any dollar amount or percentage of basic salary to TSP, not to exceed an annual dollar amount of $15,500, for 2008. CSRS participating employees do not receive a matching contribution from the FTC. FERS employees receive an agency automatic one percent contribution of gross pay to the TSP. The FTC also matches 100 percent of the first three percent contributed and 50 percent of the next two percent contributed.

(Dollars shown in thousands)

Such 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 managing 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 Office of Personnel Management (OPM). 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 25.2 percent of basic pay for CSRS covered employees and 12 percent of basic pay for FERS covered employees during fiscal years 2008 and 2007. 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 the OPM and is recognized as an imputed financing source, non-exchange revenue.

Pension expenses in 2008 and 2007 consisted of the following:

	2008 Total Pension Expense	2007 Total Pension Expense
Civil Service Retirement System	$ 3,474	$ 3,774
Federal Employees Retirement System	10,949	9,617
Thrift Savings Plan	4,276	3,707
Total	$ 18,699	$ 17,098

(l) Other Post-Employment Benefits

FTC employees eligible to participate in the FEHBP and the FEGLIP may continue to participate in these programs after their retirement. The 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 the OPM, and offset by the FTC through the recognition of an imputed financing source. During fiscal years 2008 and 2007, the cost factors relating to FEHBP were $5,220 and $5,572, respectively, per employee enrolled. During fiscal years 2008 and 2007, the cost factor relating to the FEGLIP was 0.02 percent of basic pay per employee enrolled.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

(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 budgetary 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 amounts received for services performed under reimbursable agreements with other Federal agencies and amounts received from the collection of fees under the authority of the Hart-Scott-Rodino Antitrust Improvements (HSR) Act of 1976 and the Do-Not-Call Implementation Act. Revenue is recognized (accrued) when services are performed under reimbursable agreements. Revenues from fees are recognized when collected. All of FTC's offsetting collections are exchange revenues. (See Note 13 Exchange Revenues.)

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. The FTC received a financing source in the form of a direct appropriation that represented approximately 40 percent of total revenues and financing sources realized in fiscal year 2008 and 30 percent in fiscal year 2007.

(o) Methodology for Assigning Cost

Total costs are allocated to each strategic goal based on two components: the direct costs charged to each strategic goal and the indirect costs attributed to each strategic goal, based on the percentage of direct FTE used by each strategic goal.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 2 – Non-entity Assets

The following summarizes non-entity assets as of September 30, 2008 and 2007:

	2008	2007
Intragovernmental:		
Fund balance with Treasury	$ 2,507	$ 1, 656
Investments (Note 5)	117, 514	—
Total intragovernmental	$ 120,021	$ 1,656
Cash and other monetary assets (Note 4)	10, 485	123,309
Accounts receivable	87,982	125,185
Total non-entity assets	218,488	250,150
Total entity assets	99,431	95,870
Total assets	$ 317,919	$ 346,020

Non-entity Fund Balance with Treasury is comprised of undisbursed premerger filing fees (see Note 13) and deposits held for the consumer redress program. Cash and other Monetary Assets consist of amounts on deposit with FTC distribution agents.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 3 – Fund Balance with Treasury

Fund balance with Treasury consisted of the following at September 30, 2008 and 2007:

	2008	2007
Fund Balance:		
Appropriated funds (General)	$ 84,285	$ 84,192
Suspense fund–undisbursed premerger filing fees	—	215
Deposit funds–redress	2,507	1,441
Total	$ 86,792	$ 85,848

Status of Fund Balance with Treasury	2008	2007
Unobligated balance		
Apportioned	$ 13,063	$ 4,238
Unavailable	—	6,830
Temporarily not available pursuant to Public Law	15,357	28,561
Obligated balance not yet disbursed	55,865	44,563
Non-Budgetary fund balance with Treasury		
Suspense fund–undisbursed HSR filing fees	—	215
Deposit funds–redress	2,507	1,441
Total	$ 86,792	$ 85,848

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. (The amount reported as obligated balance not yet disbursed for FY 2008 differs from the statement of budgetary resources by $1 due to rounding.)

Other Information The $2.5 million in deposit funds (redress) 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, 2008 and 2007
(Dollars shown in thousands)

Note 4 – Cash and Other Monetary Assets

In connection with the consumer redress program, cash amounts necessary to cover current disbursement schedules are held at financial institutions in interest bearing accounts pursuant to court orders and are reported as non-entity assets. A corresponding liability is recorded for these assets. The FTC's consumer redress agents process claims and disburse redress proceeds to claimants upon approval of the redress office. (See accompanying Statement of Custodial Activity.)

Cash and other monetary assets consisted of the following as of September 30, 2008 and 2007:

	2008	2007
Other Monetary Assets:		
Redress contractors	$ 10,485	$ 78,739
Divestiture fund	—	44,570
Total other monetary assets	$ 10,485	$ 123,309

Note 5 – Investments

Collections against monetary judgments are deposited in a deposit fund (29X6013) with the Department of Treasury. Funds not needed to cover immediate disbursements are invested in special Government Account Series (GAS) securities under an agreement with the Bureau of Public Debt. The GAS is non-marketable market based Treasury securities that are not traded on any securities exchange but mirror the prices of particular Treasury securities trading in the Government securities market.

Investments consisted of the following as of September 30, 2008:

	Amounts for 2008 Balance Sheet Reporting						
	Cost	Amortization Method	Amortized (Premium) Discount	Interest Receivable	Investment Net	Other Adjustments	Market Value Disclosure
Intragovernmental:							
Securities:							
Non-Marketable:							
Market-Based	$ 117,514		$ —	$ —	$ 117,514	$ —	$ 117,514
Total	$ 117,514	n/a	$ —	$ —	$ 117,514	$ —	$ 117,514

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 6 – Accounts Receivable

Opening accounts receivable 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 generally accepted accounting principles. 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.

The method used to estimate the allowance for uncollectible receivables consists of individual case analysis by the attorney case manager with respect to the debtor's ability and willingness to pay, the defendant's payment record, and the probable recovery amount including the value of the sale of assets. Based on the aforementioned, cases are referred to the Treasury Offset Program for collection activities after the receivable becomes six months delinquent in payment.

Accounts receivable consisted of the following as of September 30, 2008 and 2007:

	Gross Receivables	Allowance for Uncollectible Accounts	2008 Net	2007 Net
Entity assets:				
Intragovernmental				
Accounts receivable	$ 48	$ —	$ 48	$ 23
Non-entity assets:				
Accounts receivable	$ 9	$ —	$ 9	$ —
Consumer redress	764,508	676,708	87,800	123,974
Civil penalties	1,719	1, 546	173	1,211
Total non-entity assets	$ 766,236	$ 678,254	$ 87,982	$ 125,185

(Dollars shown in thousands)

Note 7 – General Property and Equipment, Net

FTC capitalizes property and equipment with an initial cost of $100 thousand or greater and a useful life over two years. Such assets are depreciated using the straight-line method of depreciation with service lives ranging from five to twenty years. Additionally, internal use software development and acquisition costs of $100 thousand 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, 2008 and 2007:

Asset Class	Service Life	Acquisition Value	Accumulated Depreciation	2008 Net Book Value	2007 Net Book Value
Equipment	5-20 yrs.	$ 7,491	$ 6,497	$ 994	$ 1,471
Leasehold improvements	10-15 yrs.	11,297	2,334	8,963	5,528
Software	3 yrs.	10,612	5,471	5,141	3,656
Software-in-development	5 yrs.	—	—	—	1,000
Total		$ 29,400	$ 14,302	$ 15,098	$ 11,655

Amounts reported as Equipment are comprised mostly of computer hardware and other building equipment. The FTC does not own buildings, but rather, in partnership with GSA leases both federally owned (by GSA) and commercial space. (See Note 10 Leases.) The leasehold improvements above consist of improvements made to FTC headquarters building located in Washington, DC (which is owned by the GSA), and to FTC commercially leased space also located in Washington, DC.

Depreciation expense was $4,786 and $4,957 for fiscal years ending September 30, 2008 and 2007, respectively and is contained in the accumulated depreciation.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 8 – Liabilities Not Covered by Budgetary Resources

Intragovernmental liabilities and liabilities with the public not covered by budgetary resources as of September 30, 2008 and 2007 are shown below:

(a) Intragovernmental and With the Public

	2008	2007
Intragovernmental:		
Undisbursed premerger fees liability	$ 15,357	$ 215
Civil penalty collections due to Treasury	173	1,211
FECA liability	361	391
Total intragovernmental liabilities not covered by budgetary resources	15,891	1,817
With the Public:		
Accrued leave	9,058	8,206
Actuarial FECA	1,925	1,965
Undisbursed consumer redress	85,021	80,180
Divestiture fund due	45,485	44,570
Accrued consumer redress due to claimants	87,800	123,974
Total liabilities not covered by budgetary resources	$ 245,180	$ 260,712
Total liabilities covered by budgetary resources	$ 22,663	$ 12,705
Total liabilities	$ 267,843	$ 273,417

(b) Other Information

Undisbursed Premerger 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.

Federal Employee's Compensation Act (FECA) Liability represents the unfunded liability for workers' compensation claims payable to the Department of Labor (DOL) and an actuarial liability for future workers' compensation claims. The actuarial liability is based on the liability to benefits paid ratio provided by DOL multiplied by the average of benefits paid over three years. Fiscal year 2007 liability was reclassified to be consistent with fiscal year 2008 presentation. (See Note 1c.)

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Accrued Leave represents a liability for earned leave and is reduced when leave is taken. The balance in the accrued annual leave account is reviewed quarterly and adjusted as needed to accurately 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 Consumer Redress represents a non-entity liability corresponding to amounts reported as non-entity assets (including Cash, Investments and Fund Balance with Treasury for TAS 29X6013). These funds are held until distributed to consumers or returned to Treasury through disgorgement.

Divestiture Fund Due represents the corresponding liability offsetting the amount reported as non-entity assets (investments) held by FTC pending divesture of assets pursuant to a court ordered judgment. These funds are currently invested in Treasury Securities. (See Note 5 Investments.)

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

(Dollars shown in thousands)

Note 9 – Other Liabilities

The following summarizes Other Liabilities as of September 30, 2008 and 2007:

	2008 Non-Current	2008 Current	2008 Total
Intragovernmental:			
FECA liability	$ 361	$ —	$ 361
Civil penalty collections due to Treasury	35	138	173
Accrued benefits	—	1,137	1,137
Undisbursed premerger fees liability	—	15,357	15,357
Total Intragovernmental	396	16,632	17,028
Accrued leave	—	9,058	9,058
Actuarial FECA	1,925	—	1,925
Accrued salary	—	5,914	5,914
Total other liabilities	$ 2,321	$ 31,604	$ 33,925

	2007 Non-Current	2007 Current	2007 Total
Intragovernmental:			
FECA liability	$ 391	$ —	$ 391
Civil penalty collections due to Treasury	104	1,107	1,211
Accrued benefits	—	834	834
Undisbursed premerger fees liability	—	215	215
Total Intragovernmental	495	2,156	2,651
Accrued leave	—	8,206	8,206
Actuarial FECA	1,965	—	1,965
Accrued salary	—	4,435	4,435
Total other liabilities	$ 2,460	$ 14,797	$ 17,257

For a description of FECA liability see Note 8 (b) and 1 (c).

Note 10 – Leases

Leases of commercial property are made through and managed by GSA. The Commission has leases on four government-owned properties and ten 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 595,000 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, 2008 and 2007, were approximately $19,143 and $17,412, respectively.

(Dollars shown in thousands)

Future minimum lease payments due under leases of government-owned property as of September 30, 2008, are as follows:

Fiscal Year	
2009	$ 5,890
2010	303
2011	292
2012	260
2013	206
Total Future Minimum Lease Payments	$ 6,951

Future minimum lease payments under leases of commercial property due as of September 30, 2008 are as follows:

Fiscal Year	
2009	$ 12,471
2010	12,598
2011	12,799
2012	10,847
2013	1,359
Thereafter	4,938
Total Future Minimum Lease Payments	$ 55,012

Note 11 – Commitments and Contingencies

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.

(Dollars shown in thousands)

Note 12 – 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.

	2008	2007
Maintain Competitive Strategic Goal:		
Intragovernmental gross costs	$ 24,696	$ 24,449
Public costs	80,157	73,467
Total Maintaining Competition costs	104,853	97,916
Intragovernmental earned revenue	(276)	(723)
Public earned revenue	(102,916)	(144,562)
Total Maintaining Competition net earned revenue	(103,192)	(145,285)
Maintaining Competition net (revenue) costs	1,661	(47,369)
Consumer Protection Strategic Goal:		
Intragovernmental gross costs	33,140	31,626
Public costs	107,565	95,036
Total Consumer Protection costs	140,705	126,662
Intragovernmental earned revenue	(42)	(73)
Public earned revenue	(16,160)	(21,602)
Total Consumer Protection net earned revenue	(16,202)	(21,675)
Consumer Protection net (revenue) costs	124,503	104,987
Net cost of operations	$ 126,164	$ 57,618

Note 13 – 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 collects all HSR premerger fees, retains one-half, and remits 50 percent to the DOJ Antitrust Division pursuant to public law. Revenue is recognized upon collection of the appropriate fee and verification of proper documentation.

(Dollars shown in thousands)

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 sufficient to offset enforcement of the provisions related 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. Effective October 1, 2008, the minimum charge decreased from $62 to $54 to download one area code. The maximum charge decreased from $17,050 to $14,850 for all area codes within the United States. Revenue is recognized when collected and the Telemarketer is given access to the requested data.

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.

Exchange revenue consisted of the following:

	2008	2007
HSR premerger filing fees	$ 102,917	$ 144,562
Do Not Call registry fees	16,159	21,602
Reimbursable agreements	318	796
Total	$ 119,394	$ 166,960

(Dollars shown in thousands)

Note 14 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in 2008 and 2007 consisted of the following:

	2008	2007
Direct Obligations:		
Category A	$ 243,186	$ 219,376
Reimbursable Obligations:		
Category A	—	—
Category B	271	887
Total Reimbursable Obligations	271	887
Total	$ 243,457	$ 220,263

Prior year direct and reimbursable obligations have been reclassified to reflect a change in the classification of obligations incurred. Obligations incurred attributable to offsetting collections from user fees have been reclassified as direct obligations pursuant to OMB Circular A-11. (See Note 1(c).)

Note 15 – 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 16 – 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 2008 and FY 2007 are reflected as part of Components requiring or Generating Resources in Future Periods in Note 19, Reconciliation of Net Cost of Operations to Budget. The increase in Accrued Leave of $852,000 is included in the increase in Annual Leave Liability line on the Statement of Financing, and the increase in FECA Liability of $70 is included in the "Other" line as part of the resources that fund future periods.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 17 – 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, the 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 (the FTC's "Salaries and Expenses" and the DOJ's "Salaries and Expenses, Antitrust Division"). During fiscal years 2008 and 2007 FTC collected $205,833 and $289,122 respectively, in HSR premerger filing fees. Total collections in the amount of $102,916 were retained for distribution, of which $87,559 of this collection was transferred to DOJ in 2008 and $144,561 in 2007. As of September 30, 2008 the undistributed collections remaining in the amount of $15,357 represents 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 three percent of amounts collected before remitting them to the FTC. The FTC then deposits these collections into the Treasury. Civil penalties collected, also including amounts collected for undecided civil penalty cases, are held 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 $101,859 and $71,748 during fiscal years 2008 and 2007, respectively.

The sources of these collections are as follows:

(Dollars shown in thousands)

	2008	2007
Agents	$ 22	$ 22,761
Receivers	568	6,740
FTC	101,269	42,247
Total	$ 101,859	$ 71,748

(d) Divestiture Fund

One judgment (obtained by the FTC in support of its strategic goal to maintain competition) 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 the Treasury's Bureau of Public Debt. A corresponding liability is recorded. Net interest earned in fiscal year 2008 and 2007, was $915 and $1,516 respectively.

Divestiture Fund activity in fiscal years 2008 and 2007 consisted of the following:

	2008	2007
Beginning Balance	$ 44,570	$ 43,054
Interest	1,547	2,228
Expense	(632)	(712)
Net Total	915	1,516
Ending Balance	$ 45,485	$ 44,570

(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 were $0 and $3 for fiscal year 2008 and 2007, 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 fiscal year 2008 a total of $33,313 was distributed to consumers: $32,745 was paid by the FTC and its contracted agents, and $568 was paid by receivers. In fiscal year 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 distributed by receivers.

(h) Contractor Fees Net of Interest Earned

Immediately prior to distribution to claimants, investments in Treasury securities are liquidated and transferred to one of the Agency's redress agents for distribution to consumers. These funds are deposited in interest-bearing custodial accounts at a financial institution approved by Treasury Financial Reserve Board. Earnings on the deposits are used to help fund administrative expenses. Administrative expenses are also paid from judgment proceeds in accordance with court orders. Agent expenses for the administration of redress activities and funds management amounted to $13,273 and $6,896 during the years ended September 30, 2008 and 2007, respectively. Interest earned was $1,154 and $3,070 during fiscal years 2008 and 2007 respectively, with the difference of $12,119 and $3,826 representing net expense.

(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 DOJ). 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 2008 and 2007 the agency obtained and reported in Exhibit A monetary redress judgments against defendants totaling $151,706 and $250,076, respectively. (This amount excludes civil penalties.)

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 $14,369 and $5,943 in fiscal years 2008 and 2007, respectively.

(k) Treasury Referrals and 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 to either consumers, in the form of redress, or to the general fund of the Treasury as disgorged amounts. In fiscal years 2008 and 2007, approximately $67 and $200 (net of fees) were collected by DMS based on FTC referrals and are reported as collections on the Statement of Custodial Activity. The FTC refers to DMS only those cases as defined in DCIA. This excludes cases that are in receivership, or bankruptcy or foreign debt. During 2008 and 2007, approximately $50,951 and $600 were referred to the DMS for collection.

Collections for cases that were written off in a previous year were approximately $3,865 and $857 for fiscal years 2008 and 2007, respectively. (See Exhibit A.)

(l) Adjustments to the Allowance

Adjustments to the allowance for redress, totaling $86,814 represent adjustments to the provision for uncollectible amounts. Adjustments to the allowance for civil penalty, totaling $1,546 represent adjustments to the provision for uncollectible amounts.

Note 18 – Undelivered Orders at the End of the Period

The amount of budgetary resources obligated for undelivered orders at the end of September 30, 2008 and 2007 is $33,427 and $31,634 respectively.

Notes to the Financial Statements

For the Years Ended September 30, 2008 and 2007
(Dollars shown in thousands)

Note 19 – Reconciliation of Net Cost of Operations to Budget

	2008	2007
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations incurred	$ 243,457	$ 220,263
Less: Spending authority from offsetting collections and recoveries	(120, 693)	(175,344)
Obligations net of offsetting collections and recoveries	122,764	44,919
Other Resources		
Imputed financing from costs absorbed by others	7,411	7,412
Net other resources used to finance activities	7,411	7,412
Total resources used to finance activities	130,175	52,331
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	(1,491)	1,988
Resources that finance the acquisition of assets	(8,512)	(2,495)
Total resources used to finance items not part of the net cost of operations	(10,003)	(507)
Total resources used to finance the net cost of operations	120,172	51,824
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 (Note 16)	852	511
Other (Note 16)	70	44
Total components of Net Cost of Operations that will require or generate resources in future periods	922	555
Components not Requiring or Generating Resources:		
Depreciation and amortization	4,786	4,957
Losses on Disposition of Assets–Other	284	282
Total Components of Net Cost of Operations that will not require or generate resources	5,070	5,239
Total components of net cost of operation that will not require or generate resources in the current period	5,992	5,794
Net Cost of Operations	$ 126,164	$ 57,618

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

Office of Inspector General

September 29, 2008

MEMORANDUM

TO: William Kovacic
Chairman

FROM: John M. Seeba
Inspector General

SUBJECT: FY 2008 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 2008. The PAR contains a number of sections that address issues ranging from performance to financial management. The Reports Consolidation Act of 2000 requires the Inspector General to provide the Agency head with a summary of the management and performance challenges facing the Agency and a brief assessment of the agency progress in addressing those challenges. This summary is included in the FTC's submission of the PAR.

The management challenges included in this document are based on work conducted by the OIG as well as information obtained during informal discussions with senior leaders within the Commission. The OIG prioritized the issues based on risk to the Commission.

After careful analysis, it is my assessment that the areas of: protection of data (both personally identifiable information and Commission sensitive data), information technology security, human capital issues and case management represent the most important management and performance challenges for the FTC. The attached document outlines the rationale for this assessment. As part of the current assessment, we are removing two challenges from last years' list: Improved Security in the agency Computer Lab operations and Improved Tracking of judgments and collections in Bureau of Consumer Protection Cases. The FTC has made significant improvement over controls in these areas. While we no longer identify these as management challenges, we still consider them to be important areas over which management should continue to maintain vigilant oversight.

The Office of Inspector General appreciates the strong support from Agency management and looks forward to working with you as we address these matters. We welcome any comments to our assessment.

Attachment

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

Management Challenge: Protection of Data

The protection of data, whether personally identifiable information (PII), Sensitive Health Information (SHI) or non-public information used by the Commission in the conduct of its day-to-day work, is critical to preserve the trust of the American people. The FTC, as a regulatory agency, is entrusted with highly sensitive business information on mergers and personal information related to its work on competition and consumer protection. Affording confidential treatment to sensitive corporate information encourages businesses and individuals to cooperate with FTC investigative activities. The FTC must be on guard at all times to preserve this trust.

<u>Agency Progress in Addressing the Challenge</u>

The FTC takes its responsibility for protecting data very seriously. The agency continues to promote a strong privacy program to safeguard data through education, training and technology solutions that are probably among the most comprehensive in the federal Government. However, as the amount of data collected, stored and shared by the agency increases, the risk of data loss increases.

<u>The Challenge Ahead</u>

All FTC managers and staff must continue to focus on the challenge of safeguarding data, including the collection, storage, use and transmission of sensitive data.

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

Information systems continue to play a major role in supporting the work we do everyday. Protecting data produced, stored and transmitted by information systems is one of the most challenging tasks faced by federal agencies today. Outside threats such as hackers and foreign governments place a significant burden on information technology (IT) professionals to protect our data while still allowing information to flow freely and efficiently across networks and other communication channels. Contributing to the challenge are government initiatives to promote teleworking for employees to allow for flexibility to work at offsite locations such as their home or a telework center in their community.

<u>Agency Progress in Addressing the Challenge</u>

The FTC's Information and Technology Management Office (ITMO) has made significant progress in developing a mature information security program and has implemented or addressed OIG-identified security vulnerabilities discussed in previous reviews. As a result, the FTC security environment is strong and robust and continues to evolve in expanding its coverage and addressing the 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 IT systems that are critical to the agency's ability to successfully complete its law enforcement mission.

The Challenge Ahead

The FTC is in the process of outsourcing its data center. This will require a comprehensive transition plan to ensure a seamless changeover, careful monitoring of our network resources and building a strong trust relationship with our new contractor. The challenge for the Commission is to ensure that a strong system of internal controls remain in place as the agency transitions to a new provider that will meet the growing demand of information resources for its mission.

Management Challenge: Human Capital Issues

The entire federal Government is undergoing a transformation related to human capital issues: how to deal with the loss of talented and seasoned employees from retirements and attrition; recruiting and retaining talented staff; and training our current staff to be future leaders of the organization. These are significant challenges given that a large segment of the federal workforce is nearing retirement age and the next generation of leaders must step in to address 21st century challenges. The FTC, like other federal agencies is called upon to "do more with less." With ever-growing workloads in the consumer protection and competition areas, there is a greater need to have experienced and talented people at the ready to face these issues.

Agency Progress in Addressing the Challenge

The Human Resources Management Office has several initiatives under way to address this challenge. For example, new policies are being studied to create flexibilities for recruiting and retention. A new Individual Development Plan (IDP) program was recently introduced to provide a means of assessing and planning for an employee's development. A learning management tool to track training and assess future needs is also being studied. An expanded telework program is also in process to improve the work-life environment. Initiatives like these are important to recruit and maintain a vibrant workforce.

The Challenge Ahead

For the FTC to remain among the best places to work, management must continue to develop new and innovative ways to recruit and mentor employees to step into the next levels of management as well as maintain a positive, productive, and stable workforce.

Management Challenge: Case Management

The FTC has a very broad mission that challenges the resources of the agency every day: to promote competition and protect consumers from fraudulent and deceptive business practices and unfair methods of competition. Complicating matters, the FTC faces a marketplace that is complex, technology-driven and constantly evolving. The FTC's challenge is to identify the most serious cases, collect information and take action in a timely manner to preserve competition and protect consumers. Increasing workloads and changing priorities make this a monumental task.

Agency Progress in Addressing the Challenge

To meet the challenge of consumer protection, the agency has a multitude of programs to educate consumers, identify fraudulent activity, and stop deceptive practices and unfair methods of competition through enforcement. In the area of competition, the agency is aggressive in identifying and stopping anti-competitive mergers. The agency has also initiated internal discussions to study ways of expediting administrative adjudications and looking at ways to streamline other internal processes.

The Challenge Ahead

With an increasing workload, complex marketplace and sophisticated fraud schemes, the FTC must look to maximize its resources through effective case management and coordination with international, federal, state, and local law enforcement organizations.

Chairman's Response to OIG Challenges

FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

THE CHAIRMAN

COMMENTS ON MANAGEMENT CHALLENGES IDENTIFIED BY THE INSPECTOR GENERAL

In his letter dated September 29, 2008, 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 tackle these challenges.

Management Challenge: Protection of Data

The protection of data, whether it be non-public information, personally identifiable information, or sensitive health information, is of great importance to FTC. Given our role as an agency that protects consumers against unfair and deceptive information collection practices, we take this challenge very seriously. As the IG noted, FTC has one of the most comprehensive privacy programs within the Federal government; we are proud to have earned the 2008 Privacy Innovation Award for excellence in protecting personally identifiable information sponsored by Hewlett-Packard and the world's largest association of privacy professionals, the International Association of Privacy Professionals (IAPP). Some of the noteworthy accomplishments that support our protection of data are summarized below.

The FTC Privacy Steering Committee (PSC) led the way in strengthening the FTC's privacy and data security policies and in raising the level of awareness among agency staff regarding privacy issues. For example, as part of the agency's comprehensive, enterprise-wide privacy program, the PSC:

- Streamlined the process for completing Privacy Impact Assessments (PIAs) for systems that collect or maintain PII;
- Performed a comprehensive inventory of the agency's Systems of Records Notices (SORNs) under the Privacy Act and published an updated list in the Federal Register;
- Held role-based training on the FTC's policies for safeguarding sensitive information for various groups across the agency, including attorneys, economists, paralegals, and administrative officers;
- Held an agency-wide "Privacy Week" and "Clean-Up Day";
- Sponsored a week-long awareness campaign on the FTC's procedures for the prevention and timely reporting of data breaches; and
- Used the FTC Daily notification system, newsletters, and component-specific training seminars to keep staff engaged on privacy issues throughout the year.

In addition to PSC efforts, in FY 2008 the Information Technology Management Office (ITMO) initiated an Internal Controls Review (ICR) process that will:

- Enhance existing protections of the agency's sensitive and business data;
- Assess employees' knowledge and level of awareness in the areas of privacy, records, and information technology security; and
- Address specific weaknesses identified through team discussions, training, and dissemination of best practices.

Further, the Bureaus working with ITMO limited access to information stored on the network, including the Premerger Notification System and Hart-Scott-Rodino filings, to better control dissemination of the information. In FY 2009, the FTC will build on these efforts to ensure that managers and staff continue to safeguard sensitive data properly. As the agency's holdings of sensitive data increase, the PSC will coordinate closely with ITMO to ensure sensitive data is protected through strict access controls, appropriate technology such as encryption, sound policies, information campaigns, and continued training.

Management Challenge: Securing the Agency's Information Systems and Networks From Destruction, Data Loss, or Compromise.

Similar to other federal agencies, the FTC's information systems and networks operate under the constant threat of attack from potential system intruders and hackers, and those wishing to compromise our network. During FY 2008, we prevented *all* unauthorized attempts to gain access to our network. This accomplishment demonstrates our commitment to securing our information systems. Also, the ITMO continues to make progress in developing and maintaining the FTC's information security program. The ITMO conducted a Business Impact Assessment and identified the specific resources needed to supplement existing levels of protection and availability. The ITMO also entered into an agreement with the Department of the Treasury's Bureau of Public Debt (BPD) to obtain continuous monitoring services over all of the FTC's electronic systems. Under the agreement, BPD provides security scanning services for the network, wireless environment, and telephone systems.

Management Challenge: Human Capital Issues

The FTC is committed to having the agency remain among the best places to work by developing and using existing recruitment and retention tools, providing professional development for staff, and nurturing the growth of junior employees. In order to ensure the FTC continues to attract and retain a high quality, diverse workforce, in FY 2009 the Human Resources Management Office plans to:

- Implement a web-based learning management system to provide a comprehensive continuing legal education curriculum for all agency attorneys;
- Implement a Federal Career Intern Program and Student Career Experience Program and continue to use existing options (*e.g.*, monetary recruitment, relocation, and retention incentives; and a Student Loan Repayment Program) that provide us with flexibility to recruit and retain talent. Additionally, as part of the FTC's desire to use all possible hiring options provided to it by federal law, the FTC will continue to credit, when appropriate, prior non-Federal and active duty uniformed service to determine the annual leave accrual rate (leave category). We consider this as part of our recruitment toolkit for hiring more experienced individuals into the FTC;
- Assist employees in balancing work and life issues by implementing an expanded telework program;

- Continue to use a wide-range of lunch-time programs; raise awareness of benefits (*e.g.*, flexible spending accounts, life insurance, TSP, *etc.*) through an employee newsletter and by bringing onsite expertise to agency held fairs; and offer LifeCare, a worklife benefit that has resources available 24 hours a day to FTC employees and their family members for everything from childcare and eldercare to home improvements and repair; and
- Conduct an annual survey to assess employee satisfaction, as well as leadership and management practices that contribute to agency performance.

Management Challenge: Case Management

The FTC looks to maximize its resources through effective case management and coordination with international, federal, state, and local law enforcement organizations.

In light of its broad mission, the Bureau of Consumer Protection (BCP) works to leverage its resources in many ways. BCP engages in a thorough strategic planning process. Division and Regional Office managers regularly discuss emerging issues with staff and others, and review external data to develop plans for their areas. They also identify initiatives that may cross division lines within BCP. These plans are merged to create the Bureau Strategic Plan that serves as the basis for allocating staff and financial resources. The Bureau plan is reviewed at least quarterly and revised, as needed, to respond to new issues or problems in the marketplace. BCP maintains a highly-skilled staff, and shifts resources as required to meet its workload and to stay ahead of the demands of the marketplace. For example, Full-Time-Equivalents (FTE) may be moved from one Division to another as needed. BCP also added new technology to its Litigation Support and Internet Labs to increase efficiency. Finally, BCP partners with other law enforcement organizations through a newly redesigned Consumer Sentinel Network and through law enforcement sweeps with partner organizations.

The Bureau of Competition (BC) also recognizes the importance of maximizing the effectiveness of its enforcement activities, and it has implemented improvements in the various phases of the case management process. BC has adopted organizational and technology changes that are designed to increase the efficiency in the collection and analysis of information submitted by parties during the course of investigations. Specifically, in FY 2008, the Bureau created a technology and information management office, which has primary responsibilities for e-discovery and litigation support duties, as well as responsibility for BC's technology management and document and records management. The office is responsible for helping the Bureau adopt new technologies to speed up document and data review. The Bureau also continues to use a core group of litigators and support staff to provide expert litigation assistance on all investigations in which litigation is likely. In an effort to expedite its administrative proceedings, to ensure the high quality of Commission decision making, and to clarify the respective roles of the Administrative Law Judge (ALJ) and the Commission in Part 3 (administrative litigation) proceedings, the agency announced a proposed amendment to its Rules of Practice Regarding Adjudicative Proceedings. The proposed rule changes would include setting tighter time limits on the adjudicative process, increasing the efficiency of the discovery and motions process, and introducing modifications to the process for issuing initial decisions by the ALJ and subsequent Commission review.

Signed William E. Kovacic

William E. Kovacic
November 14, 2008

Summary of Financial Statement Audit and Management Assurances

TABLE 1: SUMMARY OF FINANCIAL STATEMENT AUDIT

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

TABLE 2: SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control Over Financial Reporting (FMFIA Para. 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control Over Operations (FMFIA Para. 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA Para. 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Nonconformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Nonconformances	0	0	0	0	0	0

Improper Payments Information Act

The Improper Payments Information Act (Public Law No. 107-300) defined requirements to reduce improper and erroneous payments made by the federal government. The OMB also has established specific reporting requirements for agencies with programs that have 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 program payment that exceeds both 2.5 percent of the program payments and $10 million. The agency reviews its controls and systems under the FMFIA to ensure that the agency can rely on them. In this review, the agency has not identified any programs where significant erroneous payments have occurred within the FTC. The agency will continue to review its programs annually to determine if any significant erroneous payments exist.

Appendices

Appendix A: Acronyms

AAI	American Antitrust Institute
ALJ	Administrative Law Judge
AMC	Antitrust Modernization Commission
BC	Bureau of Competition
BCP	Bureau of Consumer Protection
BPD	Bureau of Public Debt
CAN-SPAM Act	Controlling the Assault of Non-Solicited Pornography and Marketing Act
CFO	Chief Financial Officer
CG	Comptroller General
CIO	Chief Information Officer
CON	Certificate of Need
COPPA	Children's Online Privacy Protection Act
CP	Consumer Protection
CRSS	Consumer Response Systems and Service
CSN	Consumer Sentinel Network
CSRS	Civil Service Retirement System
DCIA	Debt Collection Improvement Act
DMS	Debt Management Services
DNC	Do Not Call
DOJ	Department of Justice
DOL	Department of Labor
EFT	Electronic Funds Transfer
EISA	Energy Independence and Security Act
ESD	Enterprise Service Desk
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
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
FTE	Full-Time Equivalent
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GAS	Government Account Series
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
MC	Maintain Competition
MD&A	Management's Discussion and Analysis
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
PIA	Privacy Impact Assessment
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
TMS	Travel Management System
TSP	Thrift Savings Plan
TSR	Telemarketing Sales Rule
U.S.	United States
USSGL	United States Standard General Ledger

Appendix B: 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
FTC Press Releases	www.ftc.gov/opa/pressold.shtm

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 E-mail Address	gpra@ftc.gov
PAR Fax Number	202-326-2329
PAR Mailing Address	Federal Trade Commission Atten PAR, M/D H-774 600 Pennsylvania Avenue, NW Washington, DC 20580

Regions

East Central (Cleveland, OH)	216-263-3455
Midwest (Chicago, IL)	312-960-5634
Northeast (New York, NY)	212-607-2829
Northwest (Seattle, WA)	206-220-6350
Southeast (Atlanta, GA)	404-656-1390
Southwest (Dallas, TX)	214-979-9350
Western (San Francisco, CA)	415-848-5100
Western (Los Angeles, CA)	310-824-4343

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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