MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND ORGANIZATION

The work of the Federal Trade Commission (FTC) is critical to protecting and strengthening free and open markets and promoting informed consumer choice, both in the United States (U.S.) and around the world. The FTC performs its mission through the use of a variety of tools, including law enforcement, rulemaking, research, studies on marketplace trends and legal developments, and consumer and business education.

The 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.

The 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 this without unduly burdening legitimate business activity.

The FTC: Our Purpose and History

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 the 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 HISTORY AND LAWS

The Bureau of Corporations was the FTC's predecessor agency. The change from the Bureau of Corporations to the FTC had its genesis in the Supreme Court's 1911 decision in the Standard Oil case (Standard Oil Co. v. U.S., 221 U.S. 1 (1911)). In the aftermath of that decision, Congress determined to create an administrative agency that would be directed to prevent "unfair methods of competition;" to give definition to that general prohibition; to use a number of quasi-judicial powers to enforce that prohibition; and to enforce the Clayton Act. The FTC Act was later amended to prohibit unfair or deceptive acts or practices. The FTC currently has enforcement and administrative responsibilities under 46 laws. For a description of and further information on each law see www.ftc.gov/ogc/stats.shtm.

The FTC Commission: (left to right) Edith Ramirez, Commissioner; William E. Kovacic, Commissioner; Jon Leibowitz, Chairman; J. Thomas Rosch, Commissioner; Julie Brill, Commissioner.

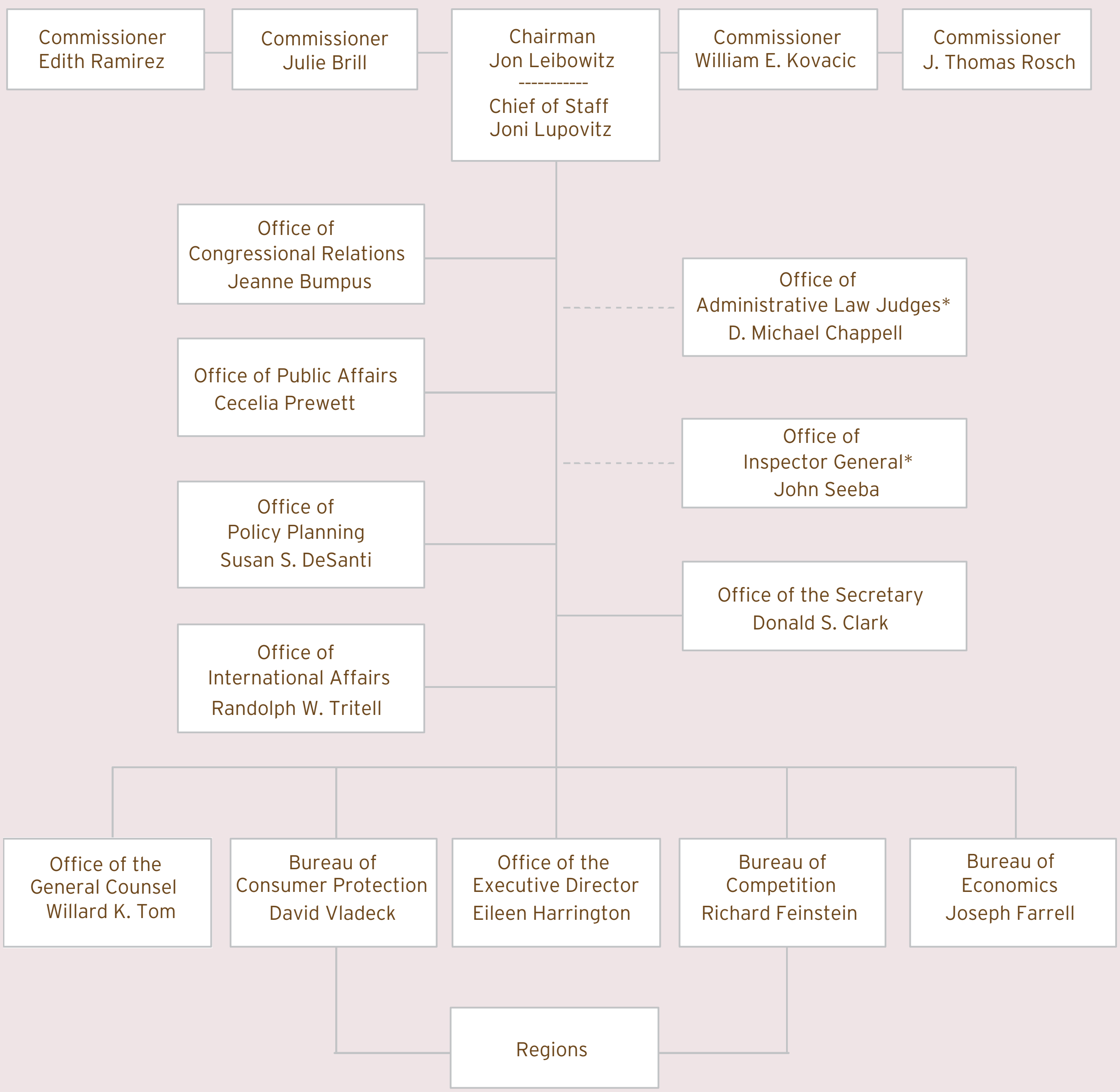
Our Organization

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. Jon Leibowitz was designated to serve as Chairman of the FTC on March 2, 2009, by President Barack H. Obama. Leibowitz was previously sworn in as a commissioner on September 3, 2004, following his nomination by the President and confirmation by the U.S. Senate. At the end of the fiscal year, the Commissioners were Julie Brill, William E. Kovacic, Edith Ramirez, and J. Thomas Rosch.

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.

Federal Trade Commission Organization Chart



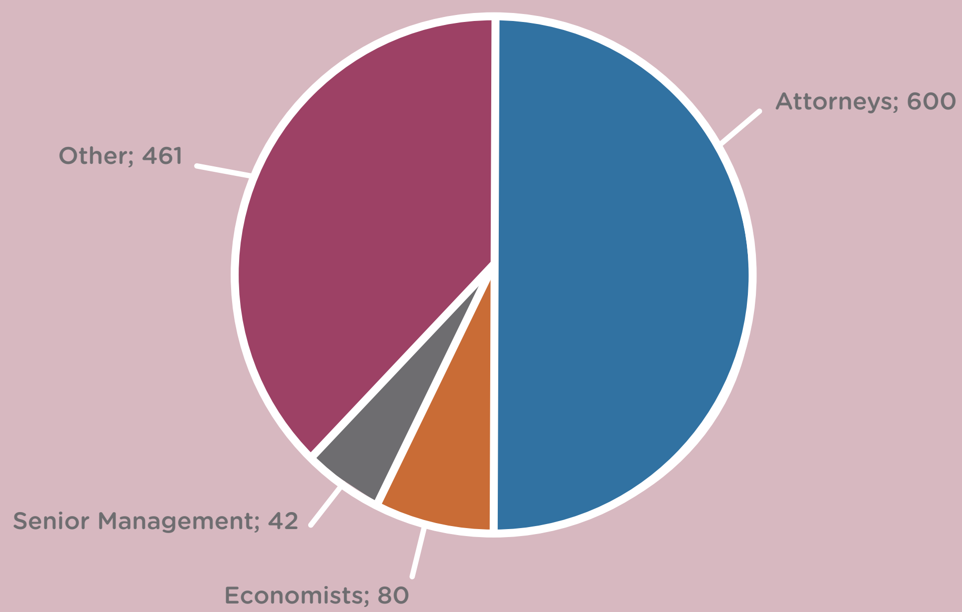
*An independent organization within the FTC

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

Our People

The FTC's workforce is its greatest asset. The agency's workforce consists of over 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



PERFORMANCE OVERVIEW

This section explains the FTC's strategic and performance planning framework and summarizes the key performance measures and efficiency 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. 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 steps the FTC has taken to ensure the performance information it reports is complete, accurate, and consistent are described in the Performance Section: Verification and Validation of Performance Data.

Strategic and Performance Planning Framework

PERFORMANCE MEASUREMENT METHODOLOGY

The FY 2010 performance planning framework originates from the FTC's Fiscal Years 2009 to 2014 Strategic Plan, available at www.ftc.gov/opp/gpra/spfy09fy14.pdf and is supported by the FTC's Performance Plan, available at www.ftc.gov/opp/gpra/2011_performance_plan.pdf.

The FTC began operating under an updated strategic plan in FY 2010. As further explained in the Performance Section, the effort to update the plan included reassessing the agency's overall performance framework and evaluating performance measures to ensure they provide the most relevant and meaningful information on strategic goals and objectives. As a result, the agency added 26 new measures and discontinued 19 measures (see Appendix B). The FTC's work is now structured around three strategic goals and 13 objectives. Performance measures are used to gauge the FTC's success for each objective.

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.

STRATEGIC GOALS	OBJECTIVES
PROTECT CONSUMERS Prevent fraud, deception, and unfair business practices in the marketplace. **Gross Costs: $158** **Less Earned Revenue: (14)** **Net Costs: $144**	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 protection through research, reports, rulemaking, and advocacy.
	Protect American consumers in the global marketplace by providing sound policy and technical input to foreign governments and international organizations to promote sound consumer policy.
MAINTAIN COMPETITION Prevent anticompetitive mergers and other anticompetitive business practices in the marketplace. **Gross Costs: $117** **Less Earned Revenue: (74)** **Net Costs: $43**	Take action against anticompetitive mergers and practices that may cause significant consumer injury.
	Prevent consumer injury through education.
	Enhance consumer benefit through research, reports, and advocacy.
	Protect American consumers in the global marketplace by providing sound policy recommendations and technical advice to foreign governments and international organizations to promote sound competition policy.
ADVANCE PERFORMANCE Advance the FTC's performance through organizational, individual, and management excellence. *(Since Goal 3 applies to overall performance across the agency, Goal 3 costs are distributed to Goal 1 and Goal 2)*	Provide effective human resources management.
	Provide effective infrastructure and security management.
	Provide effective information resources management.
	Provide effective financial and acquisition management.

Key Performance Measures and Efficiency Measures Overview

The FTC has established performance measures for assessing program performance against strategic goals and objectives. Of the 40 measures, 16 are considered "key" measures because they best indicate whether agency activities are achieving the desired outcome associated with the related objective. Two performance measures are considered efficiency measures because they are ratios of outcomes to inputs. These measures help determine if the agency is doing things right, i.e., minimizing resources used. For each measure, the FTC has established a performance target.

The following table summarizes actual performance during FY 2010 against established targets for all of the FTC's key performance and efficiency measures and provides a synopsis of related highlights. The table also includes actual results from the past two fiscal years. The FTC met or exceeded 15 of the 16 key measures and the two efficiency measures.

LEGEND FOR UPCOMING TABLES

✔	Signifies that the target is met or exceeded
✖	Signifies that the target is not met

STRATEGIC GOAL 1: PROTECT CONSUMERS

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

Key Measure 1.1.2 The percentage of the FTC's consumer protection law enforcement actions that target the subject of consumer complaints to the FTC.

2010	**Target**	65.0% of actions	
	Actual	95.9% of actions ✔	
2009	**Actual**	79.0% of actions	
2008	**Actual**	71.0% of actions	

PERFORMANCE HIGHLIGHTS

At the request of the FTC, a U.S. district court in August 2010 ordered Central Coast Nutraceuticals, Inc., marketers of acai berry supplements, "colon cleansers," and other products, to temporarily halt an Internet sales scheme that allegedly scammed consumers out of $30 million or more in 2009 alone through deceptive advertising and unfair billing practices. Since 2007, victimized consumers have flooded the FTC and other law enforcement agencies, and the Better Business Bureau, with more than 2,800 complaints about the company.

Acai berry supplements, derived from acai palm trees that are native to Central and South America, have become popular in recent years. Last year, the Better Business Bureau named fake "free" trial offers—including those for acai supplements offered by the defendants in this case—as one of the "Top 10 Scams and Rip Offs of 2009."

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

Key Measure 1.2.1 The percentage of all cases filed by the FTC that were successfully resolved through litigation, a settlement, or issuance of a default judgment.

2010	**Target**	75.0–85.0% of cases
2010	**Actual**	99.2% of cases ✔
2009	**Actual**	N/A
2008	**Actual**	N/A

PERFORMANCE HIGHLIGHTS

Two Countrywide mortgage servicing companies in May 2010 agreed to pay $108 million to settle FTC charges that they collected excessive fees from cash-strapped borrowers who were struggling to keep their homes. The $108 million represents one of the largest judgments imposed in an FTC case, and the largest mortgage servicing case. It will be used to reimburse overcharged homeowners whose loans were serviced by Countrywide before it was acquired by Bank of America in July 2008.

According to the complaint filed by the FTC, Countrywide's loan-servicing operation deceived homeowners who were behind on their mortgage payments into paying inflated fees—fees that could add up to hundreds or even thousands of dollars. Many of the homeowners had taken out loans originated or funded by Countrywide's lending arm, including subprime or "nontraditional" mortgages, such as payment option adjustable rate mortgages, interest-only mortgages, and loans made with little or no income or asset documentation, the complaint states.

Objective 1.3: Prevent consumer injury through education

Key Measure 1.3.2 Customer satisfaction rate with an FTC consumer education website or microsite.

2010	Target	Exceed average citizen satisfaction rate as published in the American Customer Satisfaction Index E-Government Satisfaction Index.
	Actual	Exceeded ✔
2009	Actual	N/A
2008	Actual	N/A

PERFORMANCE HIGHLIGHTS

The FTC used the American Customer Satisfaction Index to measure how satisfied visitors to OnGuardOnline.gov are. Over 100 federal agencies use this survey to measure customer satisfaction. In FY 2010, the FTC collected 3,721 completed surveys for OnGuardOnline.gov, which maintained an overall customer satisfaction score of 77, above the benchmark score of 74 for government websites. The survey also allows the FTC to measure key website elements such as navigation, site information, look and feel, site performance and functionality. The OnGuardOnline.gov score for each of these elements was above the national benchmark for satisfaction. In addition, when visitors were asked whether they were able to do what they wanted on the site, 73 percent said yes and another 18 percent said partially, a strong indication that the site is an effective and helpful tool for consumers.

Objective 1.4: Enhance consumer protection through research, reports, rulemaking, and advocacy

Key Measure 1.4.4 The percentage of proposed Administrative Procedure Act (APA) rulemakings, conducted solely by the FTC, completed within nine months of receipt of final comments in the Final Notice of Proposed Rulemaking.

2010	Target	75.0% of rulemakings
	Actual	100.0% of rulemakings ✔
2009	Actual	N/A
2008	Actual	N/A

PERFORMANCE HIGHLIGHTS

In February 2010, the FTC completed amendments to the Free Credit Report Rule to prevent deceptive marketing of “free credit reports,” pursuant to the Credit CARD Act of 2009. The amended rule requires prominent disclosures for “free credit report” advertising in order to prevent consumers from confusing these so-called “free” offers with the federally mandated free annual credit reports.

Objective 1.5: Protect American consumers in the global marketplace by providing sound policy and technical input to foreign governments and international organizations to promote sound consumer policy

Key Measure 1.5.1 Policy advice provided to foreign consumer protection and privacy agencies, directly and through international organizations, through substantive consultations, written submissions, or comments.

2010	**Target**	40 policy inputs
	Actual	64 policy inputs ✔
2009	**Actual**	N/A
2008	**Actual**	N/A

PERFORMANCE HIGHLIGHTS

The FTC participated actively in international policy consultations on consumer protection and privacy issues directly with other countries and the European Union, and in multilateral organizations such as the Organization for Economic Co-operation and Development (OECD), Asia Pacific Economic Cooperation, the Internet Corporation of Assigned Names and Numbers, the International Conference of Data Protection and Privacy Commissioners, the Organization of American States, and the United National Commission on International Trade Law. The FTC also hosted a major conference on protecting and empowering consumers in electronic commerce, which drew more than 250 government officials, business leaders, consumer advocates, and academics from around the world to discuss how to advance OECD work in this area in light of technological and marketplace developments.

STRATEGIC GOAL 2: MAINTAIN COMPETITION

Objective 2.1: Take action against anticompetitive mergers and practices that may cause significant consumer injury

Key Measure 2.1.1 Actions to maintain competition, including litigated victories, consent orders, abandoned transaction remedies, restructured transaction remedies, or fix-it-first transaction remedies in a significant percentage of substantial merger and nonmerger investigations.

2010	**Target**	40.0–60.0% of substantial investigations	
	Actual	39.0% of substantial investigations ✖	
2009	**Actual**	N/A	
2008	**Actual**	N/A	

PERFORMANCE HIGHLIGHTS

The FTC obtained a positive result in 22 of the 57 significant merger and nonmerger investigations it concluded during FY 2010.

On the merger side this includes successful second request or compulsory process investigations in matters involving crucial pharmaceuticals (Watson Pharmaceuticals / Arrow Group, Merck / Schering-Plough, and Nestle / Novartis), high tech devices used in the medical industry (Danaher Corp / MDS) and in scientific and industrial applications (Varian, Inc. / Agilent, Inc and Panasonic / Sanyo), funeral services (SCI / Palm Mortuary and SCI / Keystone North America), and diesel refueling network centers (Flying J / Big West Oil).

On the nonmerger side the FTC obtained considerable consumer relief in a number of matters involving computer micro chips (Intel Corporation*), health care providers (Roaring Fork Valley Physicians, IPA, Inc. and Minnesota Rural Health Cooperatives) and truck rental services (Amerco / Avis Budget Group).

Performance Measure 2.1.4 Consumer savings of at least six times the amount of FTC resources allocated to merger program. (Efficiency Measure)

2010	**Target**	600.0%
	Actual	1,670.0% ✔
2009	**Actual**	2,132.0%
2008	**Actual**	1,121.0%

PERFORMANCE HIGHLIGHTS

During FY 2010, the agency saved consumers approximately 16 times the amount of resources devoted to the merger program, as calculated using the average consumer savings obtained under Performance Measure 2.1.2 ($586 million) divided into the amount of resources used on the merger program. This result is largely attributable to consumer savings that exceeded target due to the presence of several enforcement actions over the last three years in the pharmaceutical industry, which involved significantly sized relevant product markets.

Performance Measure 2.1.7 Consumer savings of at least four times the amount of FTC resources allocated to nonmerger program over a five-year period. (Efficiency Measure)

2010	**Target**	400.0%
	Actual	2,418.0% ✔
2009	**Actual**	1,035.0%
2008	**Actual**	164.0%

PERFORMANCE HIGHLIGHTS

During FY 2010 the agency saved consumers approximately 24 times the amount of resources it devoted to the nonmerger enforcement program, as calculated using the average consumer savings obtained under Performance Measure 2.1.5 ($508 million) divided into the amount of resources used on the nonmerger program. This result is largely attributable to consumer savings that exceeded target due to one particular case that involved Intel Corporation.

*Commissioner Kovacic was recused on the Intel case.

Objective 2.2: Prevent consumer injury through education

Key Measure 2.2.1 Competition resources accessed via the FTC's website.

2010	**Target**	10.0 million hits	
	Actual	21.5 million hits ✔	
2009	**Actual**	11.9 million hits	
2008	**Actual**	12.5 million hits	

PERFORMANCE HIGHLIGHTS

The FTC continued to develop competition related content to better serve the interest of its stakeholders, whether they are individual consumers, affected businesses, researchers, or practitioners and policy makers. During FY 2010, the FTC's online competition resources registered 21.5 million hits from external sources. These resources include pages that relate to individual investigations (such as complaints, orders, comments, and press releases), policy and research oriented content (such as reports, policy guides and fact sheets, workshop or conference web pages, the online competition enforcement database, advocacy filings, and *amicus* briefs), and business and consumer education material.

Objective 2.3: Enhance consumer benefit through research, reports, and advocacy

Key Measure 2.3.1 Workshops, seminars, conferences, and hearings convened or cosponsored that involve significant competition-related issues.

2010	**Target**	4 workshops, seminars, conferences, and hearings
	Actual	6 workshops, seminars, conferences, and hearings ✔
2009	**Actual**	N/A
2008	**Actual**	N/A

PERFORMANCE HIGHLIGHTS

The FTC continues to devote resources to the organization of workshops, conferences, and hearings to foster an environment of discussion and analysis of the hot-topic issues that relate to competition. Of particular note, during FY 2010, the FTC convened a two-day workshop analyzing how the expansion of electronic delivery of news through new media methods is challenging traditional news organizations, and the implications for competition among media outlets and for consumer welfare. In addition, the FTC held a series of workshops to consider updates to the Horizontal Merger Guidelines that are used by the FTC and the Department of Justice to evaluate the potential competitive effects of mergers and acquisitions, and a workshop on the intersection of patent and competition policy.

Key Measure 2.3.2 Reports and studies issued on key competition-related topics.			
2010	**Target**	8 reports and studies	**PERFORMANCE HIGHLIGHTS** Studying and issuing reports on the nation's crucial economic sectors is a key component of the FTC's competition related strategic objective. During FY 2010, the agency issued a seminal report on how pay-for-delay agreements in the pharmaceutical industry are costing U.S. consumers billions of dollars every year. Pay-for-delay is a type of anticompetitive patent settlement in which brand-name pharmaceutical companies delay generic competition that lowers prices by agreeing to pay a generic competitor to hold its competing product off the market for a certain period of time. In addition, the FTC issued its fifth annual "Federal Trade Commission Report on Ethanol Market Concentration" on the state of ethanol production in the U.S., and the semi-annual reports on oil and gas activities.
	Actual	9 reports and studies ✔	
2009	**Actual**	N/A	
2008	**Actual**	N/A	

Key Measure 2.3.3 Advocacy comments and *amicus* briefs on competition issues filed with entities including federal and state legislatures, agencies or courts.			
2010	**Target**	6 comments and briefs	**PERFORMANCE HIGHLIGHTS** In FY 2010, the FTC filed advocacy comments on a range of competition issues, including gas pricing, electricity competition issues, and competition in medical, dentistry, and veterinary services. The FTC also filed *amicus* briefs on pay-for-delay settlements and patent issues, among others.
	Actual	17 comments and briefs ✔	
2009	**Actual**	N/A	
2008	**Actual**	N/A	

Objective 2.4: Protect American consumers in the global marketplace by providing sound policy recommendations and technical advice to foreign governments and international organizations to promote sound competition policy

Key Measure 2.4.1 Policy advice provided to foreign competition agencies, directly and through international organizations, through substantive consultations, written submissions, or comments.

2010	Target	40 policy inputs
	Actual	76 policy inputs ✔
2009	Actual	N/A
2008	Actual	N/A

PERFORMANCE HIGHLIGHTS

The FTC's staff and officials work bilaterally with other agencies and through multilateral fora to provide policy advice in an effort to promote convergence based on sound competition law policy. The agency continues to devote significant resources to working with China and India on the implementation of their new laws and with sister agencies in key jurisdictions including the European Union, Canada, Japan, Korea, and Mexico. The FTC also actively participated in several multilateral organizations addressing competition policy and enforcement issues, often providing written submissions, which the FTC makes available on its website.

STRATEGIC GOAL 3: ADVANCE PERFORMANCE

Objective 3.1: Provide effective human resources management

Key Measure 3.1.2 The extent employees think the organization has the talent necessary to achieve organizational goals.

2010	Target	Exceed the government-wide results on the Federal Human Capital Survey's Talent Management Index
	Actual	Exceeded ✔
2009	Actual	N/A
2008	Actual	N/A

PERFORMANCE HIGHLIGHTS

The government-wide results were 60 percent and the FTC received 72 percent. The FTC took second place in Talent Management and fourth place in Job Satisfaction. In addition, the FTC is listed as one of the agencies with the highest increases since 2008 for three of these four indexes. Of the 78 items on the survey, the FTC had 55 items with high positive ratings that are considered strengths; zero items with negative ratings that would be considered weaknesses; and six items had a neutral rating. Additionally, 64 items were five percentage points or more above the governmentwide average and zero items were five percentage points or more below the governmentwide average.

Objective 3.2: Provide effective infrastructure and security management

Key Measure 3.2.1 A favorable Continuity of Operations (COOP) rating.

2010	Target	75.0% rating	**PERFORMANCE HIGHLIGHTS** The agency's COOP efforts established a viable, tested infrastructure that can provide continuation of the FTC's mission along with a safe and secure environment for all staff in the event of an emergency. During FY 2010, the FTC received a grade of 85 percent on "Eagle Horizon" exercises, establishing the agency as a leader among all federal agencies in the program. At the time of the exercise, the agency did not excel in the delegation of authority portion. However, the agency has since resolved this shortcoming by establishing delegation of authority policy.
	Actual	85.0% rating ✔	
2009	Actual	N/A	
2008	Actual	N/A	

Key Measure 3.2.2 Availability of information technology systems.

2010	Target	98.00% system availability	**PERFORMANCE HIGHLIGHTS** Measuring and improving service delivery to bring about a positive business experience and outcome for the FTC is a key imperative. To this end, the agency tracks unplanned, unscheduled service outage periods to monitor the reliability and availability (commonly referred to as "uptime") of almost 30 critical information technology services such as the network, email, BlackBerry servers, Internet/Intranet, telecommunications, Wide Area Network connectivity, the agency's citizen-centric website (www.ftc.gov), and enterprise-wide client applications. The high availability rate in FY 2010 for this pool of critical services helped ensure that the agency had optimal informational technology infrastructure operations and performance, which is key to meeting the agency's strategic goals.
	Actual	99.86% system availability ✔	
2009	Actual	N/A	
2008	Actual	N/A	

Objective 3.3: Provide effective information resources management Key Measure 3.3.1 The percentage of Commission-approved documents in ongoing and newly initiated FTC proceedings available via the Internet within 15 days of becoming part of the public record.			
2010	Target	75.0% rating	**PERFORMANCE HIGHLIGHTS** Making public documents easily available in a timely manner increases public awareness of Commission activities. During FY 2010, the FTC developed a new web-based "e-filing" system that enables parties in FTC administrative litigation to file public documents online, making the posting of public documents to the Internet faster and more efficient.
	Actual	93.8% rating ✔	
2009	Actual	N/A	
2008	Actual	N/A	

Objective 3.4: Provide effective financial and acquisition management Key Measure 3.4.2 The percentage of Bureaus/Offices that establish and maintain an effective, risk-based internal control environment.			
2010	Target	100.0%	**PERFORMANCE HIGHLIGHTS** In FY 2010 the FTC developed an Internal Control Review Plan to conduct internal control reviews of agency bureaus and offices at least once every three years. The objective of the reviews is to assist management in identifying high risk areas and implement appropriate risk management strategies where necessary.
	Actual	100.0% ✔	
2009	Actual	N/A	
2008	Actual	N/A	

Performance Measures Summary

The Performance Measure Summary Table in the Performance section of this report shows actual results for all performance measures and shows unit of measure. Of the 40 total performance measures, 29 were exceeded, 7 were met, 3 were not met, and 1 measure does not have available data until FY 2011. Based on these results, the FTC has made significant progress toward reaching its objectives, as fully described in the Performance Section.

AGENCY MISSION CHALLENGES

The FTC stands prepared to face the challenges of today's marketplace as a champion for consumers and competition. As a small 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 all aspects of a mortgage transaction, from advertising, to servicing, to loan modification or foreclosure rescue services, financial scams, deceptive or fraudulent advertising, online privacy and data security, and anticompetitive business practices in the technology, health care and other industries, the FTC steps forward to protect consumers and maintain competition. Agency management has identified significant mission challenges in Strategic Goal 1 (Protect Consumers) and Strategic Goal 2 (Maintain Competition). Management's identification was performed separately from the Inspector General's (IG) assessment of management and performance challenges (see the Other Accompanying Information Section). However, because 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.

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

Under the Protect Consumers goal, the FTC will continue to give priority to addressing the following challenges: protecting consumers in a troubled economy, protecting consumer privacy, stopping abuses of technology and new media, stopping health fraud, addressing deceptive "green" marketing claims, and addressing issues related to marketing to children.

PROTECTING CONSUMERS IN A TROUBLED ECONOMY:

As more consumers face financial challenges, fraud operators have seized upon new schemes to take advantage of those most affected by the economic downturn. The FTC targets illegal practices in the financial services arena, especially schemes directed at financially distressed consumers, including: unfair, deceptive, or otherwise unlawful mortgage advertising; unlawful practices in servicing mortgages; foreclosure "rescue" and loan modification scams; bogus debt relief and credit "repair" services; and unlawful debt collection. These practices can have severe consequences for consumers, including unanticipated high-cost mortgages and fees and ruined credit histories. The FTC also works to protect vulnerable consumers from deceptive work-at-home and get-rich-quick schemes, including promises of non-existent jobs and promotion of bogus get-rich-quick plans and phony government grants. The FTC will continue to respond to growing challenges in these arenas. (Objectives 1.1, 1.2, 1.3, and 1.4)

PROTECTING CONSUMER PRIVACY:

The FTC will continue to take a leading role in efforts to protect consumers from unfair, deceptive, or other illegal practices related to their privacy. The agency will continue to bring law enforcement actions against companies that have misrepresented their policies about the use of personal information they collect from consumers or failed to take appropriate steps to protect the security of personal information. In addition to its enforcement efforts, the FTC will address the complex privacy and data security issues that may be associated with the use of online behavioral advertising and other media through workshops, testimony, reports, and consumer and business education.

The National Do Not Call (DNC) Registry puts consumers in charge of the telemarketing calls they receive at home. The federal government created the Registry to make it easier and more efficient for consumers to stop unwanted telemarketing calls. The Registry now includes more than 200 million telephone numbers. The FTC's challenge is to ensure that consumers who register their numbers are protected from receiving unwanted telemarketing calls by continuing to enforce the DNC provisions of the Telemarketing Sales Rule, including recent amendments relating to prerecorded calls ("robocalls"). Though most entities covered by the DNC Rule comply, the FTC received more than 1.6 million consumer DNC Registry complaints in FY 2010. (Objectives 1.1, 1.2, 1.3, and 1.4)

STOPPING ABUSES OF TECHNOLOGY AND NEW MEDIA:

Technology provides countless benefits to consumers, including choice, convenience, and increased access to goods, services, and information. It also enables, however, 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 will study technological developments and continue to bring cases against those who abuse technology. As new media open new avenues for companies to communicate with consumers, the FTC will focus on the privacy, security, and other risks of consumer harm associated with these technologies, including the explosive growth of mobile devices, electronic payment systems, and social networking. (Objectives 1.1, 1.2, 1.3, and 1.4)

STOPPING HEALTH FRAUD:

Consumers are being bombarded with unprecedented levels of advertising for products to prevent and

"OPERATION STOLEN HOPE"

The FTC Leads Efforts to Stop Mortgage Relief Scams and Help Troubled Homeowners

In November 2009, the FTC announced "Operation Stolen Hope" as part of a continuing federal-state crackdown on mortgage foreclosure rescue and loan modification scams. The operation involved 118 actions by 26 federal and state agencies. The FTC announced six lawsuits, bringing to 28 the number of mortgage relief cases the Commission has brought since the housing crisis began. Twenty-five state attorneys general and other state and local agencies announced 112 similar actions.

In the FTC's announced actions, the defendants falsely claimed that they would obtain mortgage modifications that would make consumers' monthly mortgage payments substantially more affordable. After charging large up-front fees, they often did little or nothing to help homeowners renegotiate their mortgages. According to the FTC's complaints, some of the defendants falsely claimed a high success rate and promised to give consumers refunds if they failed to modify their mortgages, and others misrepresented that they were affiliated with the federal government or consumers' mortgage lenders or servicers. For more information, visit www.ftc.gov/opa/2009/11/stolenhope.shtm.

treat diseases and improve health and, each year, they spend billions of dollars purchasing health products. Consumers can fall prey to fraudulent health marketing when they are desperate for help. The FTC will continue to respond to this challenge by scrutinizing the marketing of health care products, particularly claims about serious diseases or weight loss, advertised through television, Internet, and other forms of mass media marketing, and taking action against companies making deceptive representations. In addition to traditional law enforcement actions, the FTC creates education materials to help companies develop adequate substantiation and information to help consumers spot deceptive claims. (Objectives 1.1, 1.2, 1.3, and 1.4)

ADDRESSING DECEPTIVE "GREEN" MARKETING CLAIMS:

"Green" claims, such as claims for carbon reduction, landfill reduction, and sustainable materials and packaging, 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 issued for public comment proposed revisions to the "FTC Guides for the Use of Environmental Marketing Claims." The proposed changes are designed to update the Guides and make them easier for marketers to understand and use. The agency is also developing a consumer and business education campaign and pursuing appropriate enforcement action involving deceptive claims in this area. (Objectives 1.1, 1.2, 1.3, and 1.4)

ADDRESSING ISSUES RELATED TO MARKETING TO CHILDREN:

To combat the challenges of childhood obesity, underage drinking, and children's exposure to violent media content, the FTC engages in research and policy 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. In 2010, the FTC initiated a follow-up study to its 2008 report "Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-Regulation." The study will show any changes in industry practices and report on industry adoption and implementation of the FTC's 2008 recommendations. In addition, in response to a Congressional directive, the FTC is coordinating an interagency working group with the Food and Drug Administration, Centers for Disease Control, and the U.S. Department of Agriculture to develop voluntary nutrition standards for food marketing to children. (Objectives 1.1, 1.3, and 1.4)

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

Under the Maintain Competition goal, the FTC will continue to give priority to the challenges of promoting competition and preventing anticompetitive activity in the health care and pharmaceutical industries, high technology sectors, and energy industries. The agency will also work on promoting sound competition policy at the international level and advocating for competition before the U.S. courts, legislatures, and government agencies.

PROMOTING COMPETITION AND PREVENTING ANTICOMPETITIVE ACTIVITY IN THE HEALTH CARE AND PHARMACEUTICAL INDUSTRIES:

The rapidly rising cost of health care, which continues to account for an increasingly significant share of the gross domestic product, is a matter of concern for consumers, employers, insurers, and the nation as a whole. To ensure that consumers receive the benefits of competition in health care, the FTC has made antitrust enforcement in this area a priority. Pay-for-delay patent settlement agreements between brand and generic drug manufacturers to delay generic competition are causing consumers significant harm because they deprive consumers access to lower cost generic drugs. According to FTC economists, these anticompetitive deals, unless stopped, will cost consumers $35 billion over ten years. When appropriate, the FTC investigates and challenges patent settlements between brand and generic companies and supports legislation to eliminate this problem. The agency also addresses rising prescription drug prices by monitoring pharmaceutical and medical device 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. The agency engages in efforts to educate health care providers about antitrust law to prevent groups of providers from creating and exercising market power, which undermines efforts to improve quality and control costs. The FTC focuses these education efforts so that misunderstandings about the law do not deter potentially beneficial collaborations among health care competitors. (Objectives 2.1, 2.2, and 2.3)

PROMOTING COMPETITION AND PREVENTING ANTICOMPETITIVE BUSINESS PRACTICES IN HIGH TECHNOLOGY SECTORS:

The continuing 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. In enforcing the antitrust laws, the FTC analyzes mergers and acquisitions filed under the Hart-Scott-Rodino (HSR) Act, and also monitors the industry for non-reportable transactions that might raise antitrust concerns. The FTC endeavors to take action against those mergers that are likely to reduce or eliminate competition in the high technology sector. The FTC is particularly vigilant where a firm may be illegally using a dominant market position to stifle competition and strengthen an existing monopoly in

THE FTC RESTORES COMPETITION IN THE CPU AND GRAPHICS PROCESSING MARKETS

(Intel Settlement)

In December of 2009, the Commission sued Intel Corp., the world's leading computer chip maker, charging that the company had illegally used its dominant market position for a decade to stifle competition and strengthen its monopoly. In its complaint, the FTC alleged that Intel had waged a systematic campaign to shut out rivals' competing microchips by cutting off their access to the marketplace. In the process, Intel deprived consumers of choice and innovation in the microchips that comprise the computers' central processing unit, or CPU. These chips are critical components that often are referred to as the "brains" of a computer. According to the FTC complaint, Intel's anticompetitive tactics were designed to put the brakes on superior competitive products that threatened Intel's monopoly in the CPU microchip market. In August of 2010, Intel agreed to a settlement with provisions that will open the door to renewed competition and prevent Intel from suppressing competition in the future. To learn more, visit www.ftc.gov/os/adjpro/d9341/index.shtm.

order to raise prices, reduce the quality or choice of goods and services, or reduce innovation. Furthermore, issues in antitrust matters increasingly intersect with intellectual property concerns, raising difficult questions about how to harmonize these two bodies of law. (Objective 2.1)

PROMOTING COMPETITION AND PREVENTING ANTICOMPETITIVE ACTIVITY IN ENERGY INDUSTRIES:

The price of gasoline and other energy sources continues to be a great concern for consumers, businesses, and governments. The agency meets this challenge by closely monitoring gasoline markets and moving quickly to address any anticompetitive merger or nonmerger activity. Through its review of HSR merger filings and investigation of non-reportable transactions, the FTC protects consumers in these markets. The FTC also 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. In August 2009, exercising the authority provided by Congress under the Energy Independence and Security Act of 2007, the Commission issued a final rule, which became effective in November 2009, that prohibits market manipulation in the petroleum industry. The rule proscribes fraud or deceit in wholesale petroleum markets, and omissions of material information that are likely to distort petroleum markets. The FTC also uses its enforcement role to search for anticompetitive nonmerger activity such as illegal agreements among competitors, agreements between manufacturers and product dealers, monopolization, and other anticompetitive activities. To prepare and support agency staff in meeting 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. (Objectives 2.1 and 2.3)

ADVOCACY AND COMPETITION POLICY:

As part of its mission, the FTC promotes sound competition policy through advocacy and policy initiatives. Last year, the FTC and the Department of Justice, after holding workshops, issued revised horizontal merger guidelines to help the public, practitioners, and the courts understand how the agencies analyze these transactions. The agency is currently working on reports about intellectual property law and competition policy and about the future of journalism. In addition, the FTC advises other government agencies on competition policy. For example, the FTC has submitted comments to oppose legislation that would deprive children of dental care in Louisiana, increase the cost of buying a home by limiting competition between full service and discount real estate brokers, raise the price of wine by prohibiting direct shipment of wine to consumers, and increase health care costs by requiring new hospitals to obtain a certificate of need. Finally, the FTC promotes convergence toward sound consumer welfare based competition enforcement and policy internationally, both through multilateral organizations such as the International Competition Network and the Organization for Economic Cooperation and Development and through bilateral engagement with its enforcement counterparts. (Objectives 2.2, 2.3, and 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 2010, 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 [FISMA] 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.

In FY 2010 the FTC established an Internal Control Review Plan to conduct internal control reviews of agency bureaus and offices at least once every three years. The objective of the reviews is to assist management in identifying high risk areas and implement appropriate risk management strategies where necessary. The first two reviews where conducted this year. The Chairman's assurance statement that follows is supported by the processes and reviews described above, which were carried out in FY 2010. Management assurances tables appear in the Other Accompanying Information Section.

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, 2010, were operating effectively and that no material weaknesses were found in the design or operation of our internal controls. Some reporting officials identified areas for improvement in their individual assessments, which are being addressed internally and are not of a material nature.

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

Signed ______________________
Jon Leibowitz
November 12, 2010

SUMMARY OF MATERIAL WEAKNESSES AND NONCONFORMANCES

As noted in the Chairman's FMFIA Statement of Assurance, the FTC has no material weaknesses or nonconformances to report for FY 2010. No new material weaknesses or significant nonconformances were identified for the past five years, nor were there any existing unresolved weaknesses requiring corrective action.

FEDERAL INFORMATION SECURITY MANAGEMENT ACT (FISMA)

The FISMA requires all federal agencies to develop and implement an agencywide information security program provides the framework to protect the government's information, operations, and assets. The FTC places a strong emphasis on information security and annually reviews the program through its internal audit function. As part of this review (see the FTC Management Challenges memo in the Other Accompanying Information Section), the IG identified issues related to the processes used by the Information and Technology Management Office (ITMO) and its contractors to install a secure and viable information technology system. As reported, the agency took immediate action and has established repeatable processes for testing, deployment, maintenance, and decommissioning information assets that accord with OMB and National Institute of Standards and Technology (NIST) guidance.

Additionally, to meet or exceed the requirements of FISMA, 100 percent of agency major applications and general support systems are certified and accredited, and the FTC's certification and accreditation policy conforms to NIST standards. Furthermore, the ITMO and the Privacy Steering Committee continue to strengthen privacy and data security policies and will raise the level of awareness among staff regarding these issues so that data protection remains a critical consideration for all FTC employees.

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 2010, the FTC processed 11,481 invoices totaling nearly $81 million that were subject to prompt payment. Of the 11,481 invoices processed, 98 percent were paid on-time. Also, during FY 2010, the FTC paid a total of $6,176 in interest penalties, or .01 percent of the total dollar amount invoiced.

AGENCY FINANCIAL MANAGEMENT SYSTEMS STRATEGY

The FTC's overall strategy for its financial management systems framework is driven by the objectives of operational effectiveness and efficiency, reliability and timeliness of data and support of requirements of the agency's strategic goals. The agency continues to work with its shared service provider in enhancing its core financial system (CFS) and the related feeder systems and business processes. In FY 2010, the FTC examined its purchase card system procedures to implement improved internal accounting processes.

The FTC has current plans to replace its legacy procurement system in a phased approach, initially upgrading the operational functionality and secondly implementing its strategy to interface with its CFS. This ultimately will improve the timeliness of data for fund manager decision-making.

Future financial management system plans include upgrading its Oracle-based CFS to Release 12, which will provide operational efficiencies through a new centralized rules-based accounting engine. A longer-term agency-wide strategy is to develop a mission-centric data warehouse that will provide the benefits of accessing mission-critical data from financial management systems, program systems and personnel systems from a central repository.

FINANCIAL HIGHLIGHTS

Introduction

The financial highlights presented below are an analysis of the information that appears in the FTC's FY 2010 financial statements. The agency's financial statements, which appear in the Financial Section of this report, are audited by an independent accounting firm. The 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 14th straight year, the FTC is proud to have received an unqualified (clean) opinion on our audited financial statements. The chart below presents a snapshot of the changes in key financial statement line items that occurred during FY 2010 and is followed by an explanation of the more significant fluctuations in each of FTC's financial statements.

Differences between amounts presented in this section and the financial statements are due to rounding.

CONDENSED BALANCE SHEET (Dollars shown in thousands)	FY 2010	FY 2009	Percentage Change
Fund Balance with Treasury	$ 109,486	$ 81,307	35%
Cash and Other Monetary Assets	21,473	18,141	18%
Investments	199,105	94,848	110%
Accounts Receivable, Net	48,260	55,705	-13%
General Property & Equipment, Net	18,060	15,473	17%
Total Assets	$396,384	$265,474	49%
Accrued Redress Receivables Due to Claimants	$38,170	$55,496	-31%
Redress Collected not yet Disbursed	180,526	69,746	159%
Divestiture Fund Due	45,523	45,542	0%
Accounts Payable and Other	44,515	34,299	30%
Total Liabilities	$308,734	$205,083	51%
Cumulative Results of Operations-Other Funds	87,650	60,391	45%
Total Net Position	$ 87,650	$ 60,391	45%
Total Liabilities and Net Position	$396,384	$265,474	49%

COST SUMMARY	2010	2009	Percentage Change
Gross Cost	$275,100	$256,950	7%
Less: Earned Revenue	-87,980	-58,256	51%
Net Cost of operations	$ 187,120	$198,694	-6%

Financial Analysis

ASSETS.

The FTC's Balance Sheet shows total assets of $396 million at the end of FY 2010, an increase of $131 million or 49 percent compared to total assets of $265 million in FY 2009. The overall increase is primarily attributable to a collection of $108 million on one significant redress case near the latter part of the fiscal year that has not yet been disbursed. This amount is currently invested until such time that it will be distributed.

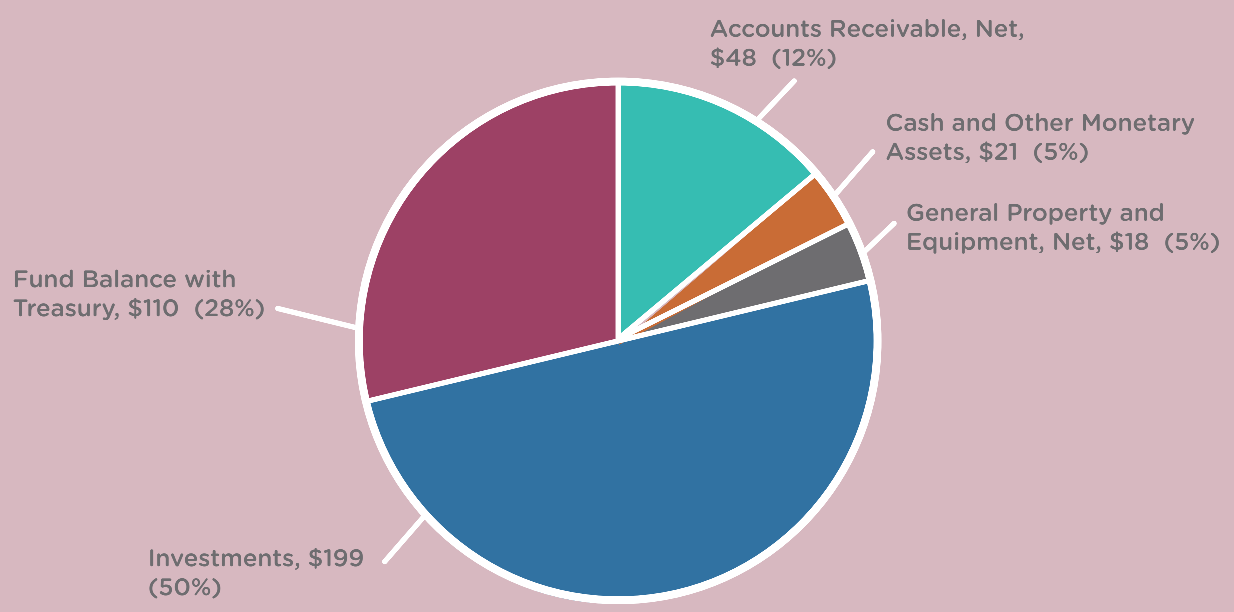
A major contributing factor to the $28 million increase in the FY 2010 Fund Balance with Treasury are the funds that were obligated but not yet paid in FY 2010 to GSA for new space requirements that replace in 2012 the current locations of 1800 M Street and 601 New Jersey Avenue.

The increase in Investments is due primarily to the collection of the $108 million in the one redress case.

Accounts Receivable, Net decreased by $7 million due to increased collections and write-offs that reduced net redress accounts receivable by $17 million, offset by an increase in net new civil penalty accounts receivable of $10 million.

General Property & Equipment, Net increased due to the outfitting of the 1800 M Street interim space location and the FTC's data center.

ASSETS BY TYPE (Dollars shown in millions)



LIABILITIES.

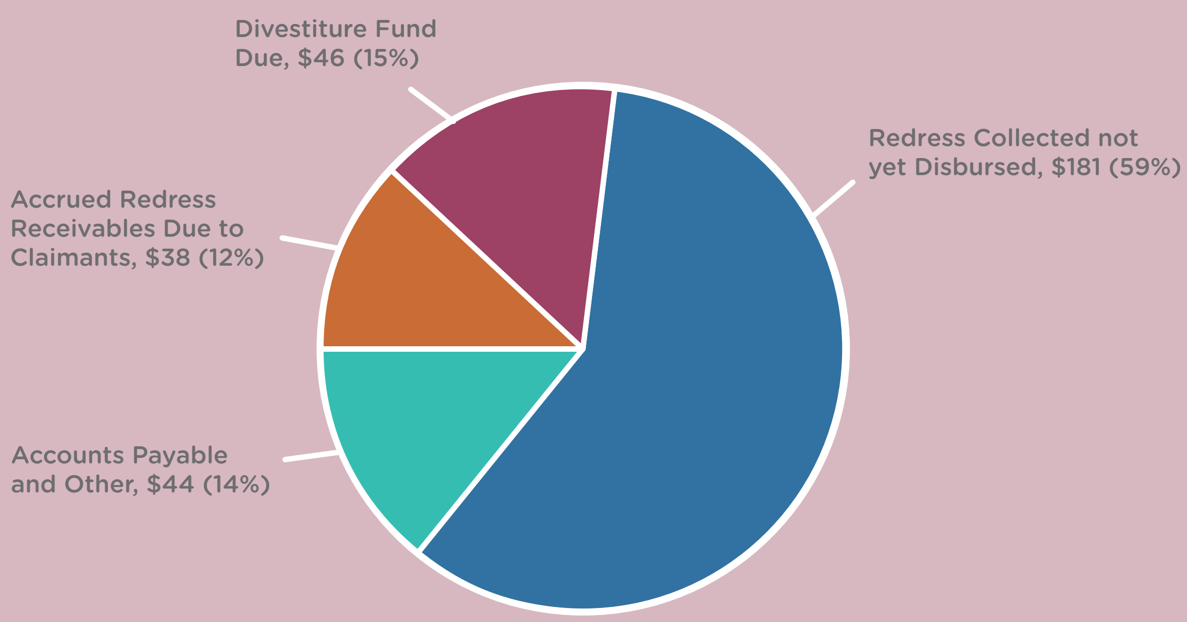
The FTC's total liabilities at the end of FY 2010 were $309 million, an increase of $104 million or 51 percent, from FY 2009 total liabilities of $205 million. The increase in total liabilities is primarily the result of the liability that is established for the future distribution of the $108 million collection of the one redress case.

Accrued Redress Receivables Due to Claimants is the liability offset to net redress accounts receivable and reflects a similar decrease of $17 million in FY 2010.

Redress Collected not yet Disbursed is the liability offset to collections made on redress cases. The one redress case of $108 million in collections primarily accounts for the increase in this liability in FY 2010.

Accounts Payable and Other increased by $10 million in FY 2010. This reflects the liability offset to the $10 million increase in net new civil penalty accounts receivable.

LIABILITIES BY TYPE (Dollars shown in millions)



NET POSITION.

Net Position represents the FTC's Cumulative Results of Operations. At the end of FY 2010, the FTC's Net Position is $88 million, increasing by $28 million or 45 percent over the FY 2009 ending Net Position of $60 million.

Financing sources from appropriations used during the year were $205 million and imputed financing sources totaled $10 million for a total of $215 million. The imputed financing sources consisted of $4 million in future retirement benefits and $6 million in future health and life insurance benefits accrued in FY 2010, which will be paid by entities other than the FTC.

The financing sources of $215 million exceed the net cost of operations totaling $187 million (gross costs of $275 million less revenues from fees of $88 million), resulting in the $28 million increase in net position.

RESULTS OF OPERATIONS.

Total gross costs were $275 and $257 million for FYs 2010 and 2009, respectively, representing an increase of seven percent. The primary factors contributing to this increase are the rise in personnel costs and the interim space rental costs related to the 1800 M Street location. Gross costs are inclusive of all costs involved in FTC's ongoing operations. Fees collected under the DNC Registry (related to the FTC's protect consumers strategic goal) and under the HSR Act (related to the FTC's maintain competition strategic goal) of $88 and $58 million in FYs 2010 and FY 2009, respectively, offset the gross costs in determining net costs.

FY 2010 net costs of $187 million decreased by $12 million over the FY 2009 level of $199 million primarily due to the increase in premerger activity and the resulting increase in HSR fees collected.

FY 2010 NET COSTS BY STRATEGIC GOAL

(Dollars shown in thousands)

	Strategic Goal 1 Protect Consumers	Strategic Goal 2 Maintain Competition	Total
Gross Costs	$158,458	$116,642	$275,100
Less: Earned Revenue	(14,426)	(73,554)	(87,980)
Total Assets	$144,032	$43,088	187,120

BUDGETARY RESOURCES.

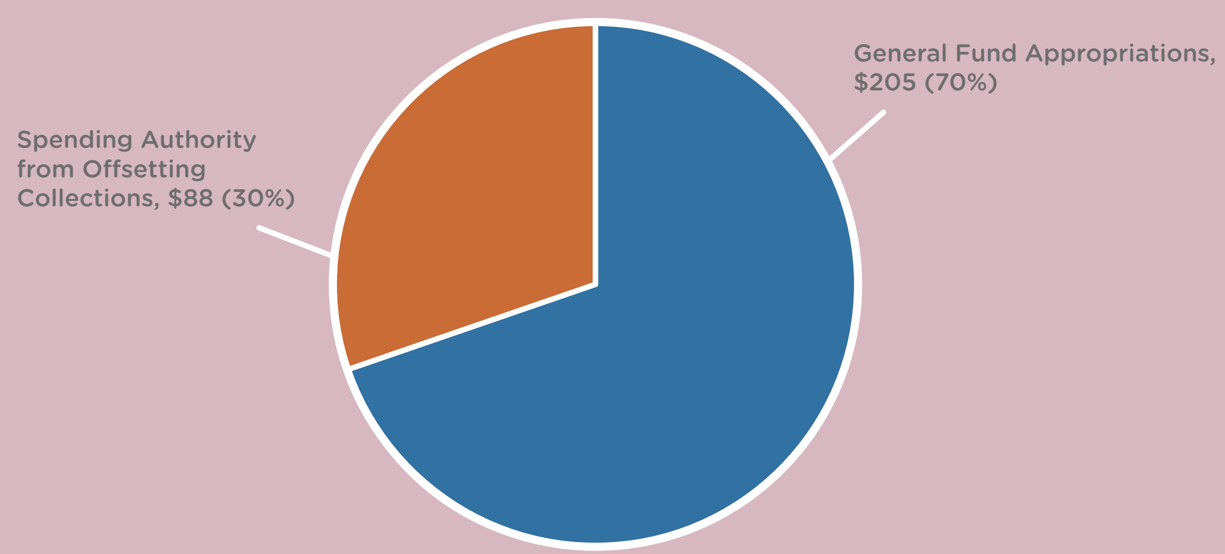
The Statement of Budgetary Resources (SBR) provides information on budgetary resources made available to the agency and the status of these resources at the end of the fiscal year.

New budgetary authority (total budgetary resources excluding unobligated balances brought forward, prior year recoveries, and amounts previously unavailable) was $293 million in FY 2010, an increase of $34 million or 13 percent over the $259 million in FY 2009. Additional staff and new space requirements to replace the 1800 M Street and 601 New Jersey Avenue locations contributed to the additional funding needs in FY 2010.

In FY 2010, spending authority derived from offsetting collections totaled $88 million ($73 million for HSR fees, $14 million for DNC Registry and $1 million from reimbursable agreements) and general fund appropriations totaled $205 million, comprising 30 and 70 percent of new budget authority, respectively. This compares to offsetting collections of $58 million and general fund appropriations of $201 million, comprising 22 and 78 percent of new budget authority, respectively, in FY 2009.

The SBR includes distributed offsetting receipts, which are the non-entity and non-budgetary funds recorded in the FTC's Miscellaneous Receipt account. These receipts are composed of disgorgements to the Treasury from undistributed funds from the redress program and court-appointed receivers. Distributed Offsetting Receipts were $7 million in FY 2010, compared to $15 million in FY 2009.

NEW BUDGET AUTHORITY FOR FY 2010 (Dollars shown in millions)



Limitations of Financial Statements

FTC management has prepared its FY 2010 financial statements from the books and records of the agency in accordance with the requirements of OMB Circular A-136, Financial Reporting Requirements, as amended. The financial statements represent the financial position and results of operations of the agency pursuant to the requirements of Chapter 31 of the U.S. Code Section 3515(b). While these statements have been prepared from the agency's books in accordance with the formats prescribed by 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

The following table shows standard indicators developed by the Chief Financial Officers Council and used by the OMB to monitor agencies' financial management practices.

FINANCIAL MANAGEMENT INDICATORS FOR FY 2010	
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	
Percentage Invoices Paid on Time (per Prompt Payment Act)	98%
Percentage Interest Penalties Paid to Total Dollars Invoiced	0.01%
Percentage of total dollars outstanding in current status* (good standing) for Individually Billed Travel Account holders	100%
Percentage of total dollars outstanding in current status* (good standing) for Centrally Billed Travel accounts	100%
Percentage of total dollars outstanding in current status* (good standing) for Purchase Cards	100%

*The OMB threshold for delinquency is 61 days.