



# OFFICE OF INSPECTOR GENERAL

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# RISK ASSESSMENT OF THE MILLENNIUM CHALLENGE CORPORATION'S CHARGE CARD PROGRAMS FOR FISCAL YEAR 2014

REPORT NO. M-000-16-003-C  
JANUARY 29, 2015, REISSUED SEPTEMBER 23, 2016

WASHINGTON, DC



*Office of Inspector General*

September 23, 2016

Ms. Dana J. Hyde  
Chief Executive Officer  
Millennium Challenge Corporation  
1099 14<sup>th</sup> Street, N.W.  
Washington, DC 20005-2221

Dear Ms. Hyde:

This letter transmits the revised final report, *Risk Assessment of the Millennium Challenge Corporations' Charge Card Programs for Fiscal Year 2014*. The original audit report was revised to change the report number from M-000-15-002-S to M-000-16-003-C. It was also revised to include *Fiscal Year 2014 Charge Card Risk Assessment Letter Communicating Exceptions* (Report No. M-000-15-003-S), which had been issued as a separate report, dated February 19, 2015. In addition, some minor changes in formatting and presentation were made. These revisions do not change the report's conclusions.

The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to conduct a risk assessment of MCC's purchase and travel card programs. CLA analyzed the risk of illegal, improper, or erroneous purchases and payments for fiscal year 2014 to help guide OIG's future audits of the programs, in compliance with the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) and OMB Memorandum M-13-21, "Implementation of the Government Charge Card Abuse Prevention Act of 2012." CLA concluded that the risk of illegal, improper, or erroneous purchases and payments in MCC's charge card programs was low. CLA was not required to conduct the review in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed CLA's risk assessment and supporting documentation. This assessment was conducted to comply with the Government Charge Card Abuse Prevention Act of 2012 and was not intended to enable OIG to express, and we do not express, an opinion on MCC's charge card programs. CLA is responsible for the attached risk assessment, dated January 16, 2015, and the conclusions in it. However, our review disclosed no instances in which CLA did not comply, in all material respects, with applicable standards. The risk assessment report contains no recommendations; however, other issues are discussed in the attached exception letter.

Thank you for the cooperation and assistance extended to our staff and to the staff of CLA during the risk assessment.

Sincerely,

/s/

Mark S. Norman  
Acting Deputy Assistant Inspector General  
for the Millennium Challenge Corporation

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## **Fiscal Year 2014 Risk Assessment of Millennium Challenge Corporation (MCC) Charge Card Programs**

### **Background**

On October 5, 2012, the President signed into law the Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), Public Law (P.L.) 112-194, which reinforced the Administration's efforts to prevent fraud, waste, and abuse of Government-wide charge card programs. The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards<sup>1</sup>, and centrally billed accounts.

### **Overview**

The Charge Card Act and OMB Memorandum 13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, require the Office of Inspector General (OIG) to conduct periodic risk assessments of an agency's purchase (including convenience checks) and travel card programs that identify and analyze the risks of illegal, improper, or erroneous purchases and payments for use by the OIG in determining the necessary scope, frequency, and number of periodic IG audits or reviews of these programs.

CliftonLarsonAllen (CLA) LLP, in a contract with the United States Agency for International Development (USAID) OIG, performed a risk assessment between November 2014 and January 2015 of the MCC charge card programs. The risk assessment is not an audit and therefore not conducted in accordance with generally accepted government auditing standards (GAGAS). CLA considered MCC purchase, travel, and fleet card programs' sizes, internal controls, training, reported violations<sup>2</sup>, observation reviews, and limited sample testing in assessing the charge card programs' risks. The result of our risk assessment should not be interpreted to conclude that charge card programs with low risk is free of illegal, improper, or erroneous purchases and payments. Equally, a high risk charge card program should not be interpreted to indicate actual or known illegal, improper, or erroneous purchases and payments. Accordingly, the risk assessment documented herein is to be used primarily to assist the OIG in evaluating the specific charge card program where the OIG should focus its limited resources.

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<sup>1</sup> The integrated card is a combination of two or more business lines on a single card (e.g., purchase and travel). MCC employed separate charge cards (small purchase, travel, and fleet) based on business functions and did not combine separate business lines as integrated cards. Further, GSA issues Government charge cards under the umbrella of its SmartPay2 program. Under the program, MCC selected the Citibank "Visa" card for its purchase, travel, and fleet card services (collectively referred to as charge card programs throughout this report).

<sup>2</sup> The Charge Card Act requires violations to be reported if the agency spends more than \$10 million annually. However, all executive departments and agencies are required to implement the Charge Card Act's required internal controls for purchase cards, travel cards, and centrally billed accounts.

Our assessment result shows that the risk of illegal, improper, or erroneous use in the MCC charge card programs is low.

### **Scope, Methodology, and Assessment Criteria**

Our objective was to assess the risk of illegal, improper, and erroneous use of the charge card programs to help the OIG in evaluating the necessary scope, frequency, and number of periodic IG audits or reviews of these programs.

#### **Scope**

Our risk assessment considered the MCC's internal and compliance controls and processes at the time of our review and the charge card disbursements in Fiscal Year (FY) 2014 shown in Table 1.

| <b>Charge Card Type<sup>3</sup></b> | <b>Number of Cardholders</b> | <b>FY 2014 Disbursements (Rounded)</b> |
|-------------------------------------|------------------------------|--|
| Small Purchase                      | 22                           | \$460 thousand                         |
| Travel                              | 255                          | \$3.02 million                         |
| Fleet                               | 1                            | \$21 hundred                           |
| Total                               | 278                          | \$3.48 million                         |

**Table 1: FY 2014 Charge Card Disbursements**

#### **Methodology**

In conducting the risk assessment, we:

- Reviewed the laws, regulations, and MCC policies and procedures identified above;
- Obtained an understanding of the MCC charge card programs and processes through walkthroughs and interviews;
- Reviewed test results of the MCC's FY 2014 OMB Circular A-123, Appendix B;
- Ensured that the MCC charge card disbursements data used in our analysis were complete;
- Performed analysis of the charge card data for attributes relevant to our risk assessment;
- Judgmentally selected a limited number of the FY 2014 charge card data, supporting documentation, and other relevant information represented in Table 1 for the purpose of confirming our understanding of MCC's compliance with internal controls relevant to our risk assessment. CLA, however, did not perform an audit to independently verify or validate the data obtained from MCC.

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<sup>3</sup> Centrally billed accounts were not separately assessed and were assessed as part of the overall travel card process and controls. MCC centrally billed accounts consist only of employee airfares.

## **Assessment Criteria**

The risk assessment was conducted using the following law, OMB guidance, and MCC policies and procedures (collectively referred to as laws and regulations) as criteria in assessing MCC's compliance:

- Government Charge Card Abuse Prevention Act of 2012 (Charge Card Act), P.L. 112-194
- OMB Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*
- OMB Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations*
- OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*
- MCC Charge Card Program Standard Operating Procedures (August, 2013 version)
- MCC Charge Card Management Policy (May, 2012 version)

In addition, we analyzed MCC's charge card programs' Strengths, Weaknesses, Opportunities, and Threats (SWOT<sup>4</sup>), as applicable, in addition to the following described below:

**Internal and Compliance Controls** – Using the laws and regulations listed above, we assessed MCC's charge card programs' internal and compliance control strengths (S) and weaknesses (W). A rating of "low", "medium", or "high" was assigned based on documented compliance with prescribed internal control.

**Training** – The charge card programs were assigned a rating of "low", "medium", or "high" based on compliance and availability of training and incorporation of training in each program policy.

**Violation Reporting** – Violation reports were considered only when a charge card program expends in excess of \$10 million per year<sup>5</sup>. MCC charge card program did not meet the minimum requirement for reporting violations and was therefore assigned a rating of "low", as shown in the result of risk assessment section of this report.

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<sup>4</sup> SWOT: (S) internal controls (entity level control, control activity, control techniques) are designed and operating effectively to meet its control objectives; (W) internal controls (entity level control, control activity, control techniques) are not designed and operating effectively to meet its control objectives; (O) elements that the program could exploit to its advantage; (T) elements in the environment that could cause trouble for the programs.

<sup>5</sup> OMB M-13-21, Implementation of the Government Charge Card Abuse Prevention Act of 2012, September 6, 2013.

**Impact and Likelihood** - Impact refers to the extent to which a risk factor (Threat) might affect MCC, and likelihood represents the possibility that a risk factor might occur. CLA used an impact and likelihood risk rating of “low”, “medium”, or “high” based on the criteria and factors in Tables 2 and 3.

| Rating | Impact                      | Likelihood                 |
|--------|-----------------------------|----------------------------|
| Low    | Less than \$3 million       | Fewer than 250 cardholders |
| Medium | \$3 million to \$10 million | 250 to 500 cardholders     |
| High   | More than \$10 million      | More than 500 cardholder   |

**Table 2: Impact and Likelihood Criteria**

|               |        | Risk Rating       |        |        |
|---------------|--------|-------------------|--------|--------|
|               |        | High              | Medium | Low    |
| Impact Factor | High   | Medium            | High   | High   |
|               | Medium | Low               | Medium | Medium |
|               | Low    | Low               | Low    | Low    |
|               |        | Low               | Medium | High   |
|               |        | Likelihood Factor |        |        |

**Table 3: Impact and Likelihood Factor Rating**

The impact and likelihood ratings were analyzed to determine a single “factor” that was used in the overall risk assessment heat table shown in Table 4 below for each purchase card, travel card, and fleet card programs.

**Overall Risk Assessment Heat Table**

Using the assessment criteria described above, CLA combined the impact and likelihood ratings (Table 3) and the combined criteria (internal and compliance control, training and violation criteria) ratings to form an overall risk assessment heat table which is used in evaluating the result of our risk assessment. We use green color for low risk, yellow for medium risk, and red for high risk in the heat table shown in Table 4. For example, if the impact and likelihood rating is high and the combined criteria rating is low, the overall risk assessment rating will be medium (yellow), which is the intersection between the two ratings as shown in Table 4 below.

|                              |        | Overall Risk Assessment Ratings |        |      |
|------------------------------|--------|---------------------------------|--------|------|
|                              |        | High                            | Medium | Low  |
| Impact and Likelihood Rating | High   | Medium                          | High   | High |
|                              | Medium | Low                             | Medium | High |
|                              | Low    | Low                             | Low    | Low  |
|                              |        | Low                             | Medium | High |
|                              |        | Combined Criteria Rating        |        |      |

**Table 4: Overall Risk Assessment Heat Table**

## Result of Risk Assessment

The result of our risk assessment showed that the risk of illegal, improper, or erroneous purchases and payments in MCC’s charge card programs is low. Accordingly, audits of the programs were not recommended for inclusion in the OIG FY 2015 annual audit plan.<sup>6</sup> The individual charge card program assessment results are described below.

### Purchase Card Program

**Criteria Ratings** – CLA determined that MCC purchase card program’s combined criteria risk rating was “low”. The individual rating and overall combined rating are shown in Table 5.

| Criteria                        | Risk Rating |
|---------------------------------|-------------|
| Internal and Compliance Control | Medium      |
| Training                        | Low         |
| Violation Reporting             | Low         |
| <b>Combined Rating</b>          | Low         |

**Table 5: Purchase Card Program Criteria Ratings**

**Impact and Likelihood Factors** – In FY 2014, the MCC purchase card program expended approximately \$460,000, which was attributed to 22 total cardholders. The impact and likelihood factors are shown in Table 6.

| Factors                |                 | Risk Rating |
|------------------------|-----------------|-------------|
| <b>Impact</b>          | \$ 460 thousand | Low         |
| <b>Likelihood</b>      | 22 cardholders  | Low         |
| <b>Combined Rating</b> |                 | Low         |

**Table 6: Purchase Card Program Impact and Likelihood Ratings**

**Final Risk Assessment Determination** – The final determination of risk of illegal, improper, or erroneous purchases and spending in the MCC purchase card program was “low”.

### Fleet Card Program

**Criteria Ratings** – CLA determined that MCC fleet card program’s combined criteria risk rating was “low”. The individual rating and overall combined rating are shown in Table 7.

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<sup>6</sup> The results of the risk assessment do not preclude OIG from reviewing MCC’s charge card program during FY 2015 or at any other time.



| Criteria                         | Risk Rating |
|----------------------------------|-------------|
| Internal and Compliance Controls | Low         |
| Training                         | Low         |
| Violation Reporting              | Low         |
| <b>Combined Rating</b>           | Low         |

**Table 7: Fleet Card Program Criteria Ratings**

**Impact and Likelihood Factor** – In FY 2014, the MCC fleet card program expended approximately \$2,100, which was attributed to only 1 cardholder. The impact and likelihood factors are shown in Table 8.

| Factors                |              | Risk Rating |
|------------------------|--------------|-------------|
| <b>Impact</b>          | \$21 hundred | Low         |
| <b>Likelihood</b>      | 1 cardholder | Low         |
| <b>Combined Rating</b> |              | Low         |

**Table 8: Fleet Card Program Impact and Likelihood Ratings**

**Final Risk Assessment Determination** – The final determination of risk of illegal, improper, or erroneous purchases and spending in the MCC fleet card program was “low”.

**Travel Card Program**

**Criteria Ratings** – CLA determined that MCC purchase card program’s combined criteria risk rating was “medium”. The individual rating and combined rating are shown in Table 9.

| Criteria                         | Risk Rating |
|----------------------------------|-------------|
| Internal and Compliance Controls | Medium      |
| Training                         | Medium      |
| Violation Reporting              | Low         |
| <b>Combined Rating</b>           | Medium      |

**Table 9: Travel Card Program Criteria Ratings**

**Impact and Likelihood Factor** – In FY 2014, the MCC travel card program expended approximately \$3 million, which was attributed to 255 total cardholders (244 individual travel cardholders and 11 centrally billed card accounts). The impact and likelihood factor is shown in Table 10.

| <b>Factors</b>         |                 | <b>Rating</b> |
|------------------------|-----------------|---------------|
| <b>Impact</b>          | \$3.02 million  | Medium        |
| <b>Likelihood</b>      | 255 cardholders | Medium        |
| <b>Combined Rating</b> |                 | Medium        |

**Table 10: Impact and Likelihood Ratings**

**Final Risk Assessment Determination** – The final determination of risk of illegal, improper, or erroneous purchases and spending in the MCC travel card program was “medium”.

**CliftonLarsonAllen LLP**



**Arlington, VA  
January 16, 2015**



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## **Fiscal Year 2014 Charge Card Risk Assessment Letter Communicating Exceptions**

Inspector General  
U.S. Agency for International Development (USAID)

We previously issued the result of our risk assessment of the Millennium Challenge Corporation's (MCC) charge card programs as of September 30, 2014 in our report dated January 16, 2015; in which we communicated an overall risk rating of low. In performing a risk assessment<sup>1</sup> of the MCC charge card programs, we considered MCC's internal and compliance controls for the purchase card, travel card, and fleet card programs (collectively referred herein as charge card programs) as a basis<sup>2</sup> for designing procedures that are appropriate for the purpose of performing a risk assessment.

Our risk assessment identified exceptions in control deficiencies and other matters that are opportunities to strengthen MCC's internal and compliance controls and improve the efficiency of MCC's charge card operations. We have summarized these exceptions and our suggestions in Appendix A. However, these exceptions do not change the result of the risk assessment in our report.

This letter is intended solely for the information and use of the USAID OIG and MCC, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

Arlington, VA  
January 27, 2015

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<sup>1</sup> The risk assessment is not an audit and therefore not conducted in accordance with generally accepted government auditing standards (GAGAS).

<sup>2</sup> See risk assessment report for specific law, OMB guidance, and MCC policies and procedures as criteria in assessing MCC's charge card compliance.

**Appendix A**  
**Millennium Challenge Corporation**  
**Charge Card Programs Risk Assessment Exceptions Identified**

**A – CHARGE CARD MANAGEMENT**

We judgmentally selected 40 charge card specific disbursement samples and noted the following non-compliance issues:

**A-1** For 19 sample items, there was no evidence of the monthly purchase card statement being reconciled by the Approving Official (AO) within 5 business days after the end of the charge card statement period. MCC was not able to provide a screenshot of the monthly statement reconciled by the AO within 5 business days, thus, the number of business days between validation by purchase cardholder and approval by AO cannot be calculated.

**Criteria:** *Section 2.1909. (a). (3) Charge Card Act states that “ The holder of a purchase card and each official with authority to authorize expenditures charged to the purchase card are responsible for (A) reconciling the charges appearing on each statement of account for that purchase card with receipts and other supporting documentation; and (B) forwarding a summary report to the certifying official in a timely manner of information necessary to enable the certifying official to ensure that the Federal Government ultimately pays only for valid charges that are consistent with the terms of the applicable Government wide purchase card contract entered into by the Administrator of General Services.”*

*Section VI. 6.2. MCC Charge Card Program SOP states that “Cardholders (authorized card users) and AOs must complete the statement reconciliation process within five days following the end of the statement period.”*

**Suggestion 1:**

We suggest that MCC enforces its policy that cardholders and AOs reconcile charge card statements within five days following the end of the statement period.

**A-2** Payment to one purchase card vendor was not timely and resulted in an interest penalty that is avoidable given timely payment.

**Criteria:** *Section 1909. (a). (5).Charge Card Act states that “Payment of purchase card accounts are made promptly within prescribed deadlines to avoid interest penalties.”*

**Suggestion 2:**

We suggest that MCC ensure payments are made timely (in accordance with Prompt Pay Act) in order to avoid preventable and unnecessary interest penalties.

**Appendix A**  
**Millennium Challenge Corporation**  
**Charge Card Programs Risk Assessment Exceptions Identified**

**A-3** MCC was unable to locate supporting documentation to selected purchase and travel cards samples as listed below:

- MCC was unable to locate purchase card statements, receipts, and invoices for 7 purchase card sample items.
- MCC was unable to locate the travel voucher and related travel receipts for 1 travel card sample item.

**Criteria:** *Section 2. 1909. (a). (7) Charge Card Act states that "Records of each purchase card transaction (including records on associated contracts, reports, accounts, and invoices) are retained in accordance with standard Government policies on the disposition of records."*

**Suggestion 3:**

We suggest that MCC ensures that documents supporting a disbursement are retained and readily available upon request.

**A-4** One travel cardholder did not have refresher training since April 2006. The travel cardholder left MCC employment in May 2014.

**Criteria:** *Section 3. (h).(1). (D) Charge Card Act states that "Appropriate training is provided to each travel card holder and each official with responsibility for overseeing the use of travel cards issued by the executive agency."*

*Section 6.A. MCC Charge Card Management Policy states that "Refresher training is required every three years for AOs and staff delegated charge card authority to ensure compliance and understanding of MCC charge card internal operating procedures."*

*Section 7.B.2. MCC Charge Card Management Policy states that "The applicant must complete the following steps prior to receipt of a government Travel Card: (1) complete online Travel Card training and provide proof of certification verifying the completion of the training."*

**Suggestion 4:**

We suggest that MCC ensures that travel card holders' timely complete required travel card training.

**A-5** Four purchase card holders' accounts in our sample were not closed immediately upon employment termination, and some card holders' invoices were received, reviewed and accounted for after termination as shown below:

- Sample 1 left MCC on 7/26/2014 but the account was closed on 8/5/2014.

**Appendix A**  
**Millennium Challenge Corporation**  
**Charge Card Programs Risk Assessment Exceptions Identified**

- Sample 2 left MCC on 2/22/2014 but the account was closed on 2/28/2014.
- Sample 3 left MCC on 6/6/2014 and her account was closed on 5/30/2014; however, her last invoice date showed 8/29/2014.
- Sample 4's account was closed on 5/1/2014; however, her last invoice date showed 7/14/2014.

**Criteria:** *Section 1909. (a). (12). Charge Card Act states that "The executive agency invalidates the purchase card of each employee who – (A) ceases to be employed by the agency, immediately upon termination of the employment of the employee."*

**Suggestion 5:**

We suggest that MCC timely invalidate employees' charge cards upon termination of the employment and ensure that all invoices are reviewed and accounted for upon termination.

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