

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

Assessment of MCC's Charge Card Programs Showed Low Risk of Improper Purchases and Payments in FY 2021

Report 0-MCC-22-016-C
September 27, 2022





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: September 27, 2022

TO: Millennium Challenge Corporation/Department of Administration and Finance, Vice President and Chief Financial Officer, Fouad Saad

FROM: Deputy Assistant Inspector General for Audit, Alvin A. Brown

SUBJECT: Assessment of MCC's Charge Card Programs Showed Low Risk of Improper Purchases and Payments in FY 2021 (0-MCC-22-016-C)

Enclosed is the final report on the risk assessment of the Millennium Challenge Corporation's (MCC) charge card programs for fiscal year (FY) 2021. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to conduct the assessment. The contract required RMA to perform the assessment in accordance with Public Law 112-194, the Government Charge Card Abuse Prevention Act of 2012 (the Act) and Office of Management and Budget Circular No. A-123, Appendix B, A Risk Management Framework for Government Charge Card Programs, August 27, 2019. In addition, RMA conducted their risk assessment in accordance with the Quality Standards for Inspection and Evaluation from the Council of the Inspectors General on Integrity and Efficiency.

In carrying out its oversight responsibilities, OIG reviewed RMA's report and related documentation and inquired of its representatives. RMA is responsible for the enclosed report and the conclusions expressed in it. We found no instances in which RMA did not comply, in all material respects, with applicable standards.

The objective was to assess the risks of illegal, improper, or erroneous purchases and payments in MCC's FY2021 charge card programs. To answer the objective, RMA analyzed and tested MCC's internal controls over its charge card programs for the fiscal year ending September 30, 2021. Charge card disbursements during this period totaled \$825,215.37.

RMA concluded that the overall risk assessment of MCC's charge card programs is low, and an audit is not warranted. However, RMA noted four findings due to control deficiencies, outdated policies, and noncompliance with laws and regulations. Specifically, MCC did not have a charge card metrics and benchmarking program as required by the Office of Management and Budget (OMB); had control deficiencies pertaining to the timeliness of travel voucher submissions as well as the review and approval process of purchase card transactions; and did not document consideration of charge card program risk in its FY 2021 enterprise risk register.

To address the findings identified in the report, we recommend that MCC's Chief Financial Officer:

Recommendation 1. Revise the charge card management policy to include a metrics and benchmarking program for its government charge card program as required by OMB.

Recommendation 2. Develop a reminder for travelers to enforce the existing travel voucher submission process to facilitate the timely submission of travel vouchers for the Individually Billed Accounts and individual expenses in the Centrally Billed Accounts.

Recommendation 3. Document consideration of charge card program risk in relation to the annual OMB A-123 Enterprise Risk Management process.

Recommendation 4. Update the charge card management policy to include a requirement for an annual review to ensure compliance with any changes in legislation and guidance issued by OMB or other statutory authority.

In finalizing the report, the audit firm evaluated MCC's response to the recommendations. After reviewing that evaluation, we consider recommendations 1, 2, 3 and 4 resolved but open pending completion of planned activities. For recommendations 1, 2, 3, and 4. Please provide evidence of final actions to OIGAuditTracking@usaid.gov.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

Millennium Challenge Corporation

**Risk Assessment of MCC's Management of Purchase and Travel Card for FY 2021
Independent Auditor's Final Report
September 19, 2022**

To the Inspector General
U.S. Agency for International Development

To the Board of Directors
Millennium Challenge Corporation

19 September 2022

RMA Associates, LLC (RMA) conducted a risk assessment of the Millennium Challenge Corporation's (MCC) charge card programs for fiscal year 2021 regarding compliance with the applicable provisions of the Government Charge Card Abuse Prevention Act of 2012.

The objective of the risk assessment was to assess the risks of illegal, improper, and erroneous purchases and payments in MCC's FY 2021 charge card programs.

RMA conducted the risk assessment using the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation guidance (also known as the "Blue Book"). The assessment was conducted under the oversight of the U.S. Agency for International Development (USAID) Office of Inspector General (OIG).

We concluded the overall risk of illegal, improper, or erroneous purchases and payments through MCC's use of purchase and travel cards during the period of our risk assessment to be:

- Low for the purchase card program; and
- Low for the travel card program.

Overall, MCC's charge card programs had a low risk of illegal, improper, or erroneous purchases and payments being made through MCC's charge card programs during the period of review. Subsequently, the results of the risk assessment did not warrant an audit. However, we issued four findings due to control deficiencies, outdated policies, and noncompliance with laws and regulations. These findings did not impact our overall risk assessment rating as low.

Additional information on our findings and recommendations is included in the accompanying report.

Respectfully,

RMA Associates

RMA Associates, LLC

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Executive Summary

RMA Associates, LLC (RMA) conducted a risk assessment of the Millennium Challenge Corporation's (MCC) charge card programs for fiscal year (FY) 2021 regarding compliance with the applicable provisions of the [Government Charge Card Abuse Prevention Act of 2012](#) (Charge Card Act). RMA conducted the risk assessment using the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Quality Standards for Inspection and Evaluation* guidance (also known as the "[Blue Book](#)"). The assessment was conducted under the oversight of the U.S. Agency for International Development (USAID) Office of Inspector General (OIG).

The objective of the risk assessment was to:

1. Assess the risks of illegal, improper, and erroneous purchases and payments in MCC's FY 2021 charge card programs.

The scope of the risk assessment encompassed MCC's charge card program compliance and transactions for the fiscal year ending on September 30, 2021. In addition, we selected judgmental samples and performed control testing on MCC's charge card programs.

We concluded the overall risk of illegal, improper, or erroneous purchases and payments through MCC's use of purchase and travel cards during the period of our risk assessment to be:

- Low for the purchase card program; and
- Low for the travel card program.

Overall, MCC's charge card programs had a low risk of illegal, improper, or erroneous purchases and payments being made through MCC's charge card programs during the period of review. Subsequently, the results of the risk assessment did not warrant an audit. However, we issued four findings due to control deficiencies, outdated policies, and noncompliance with laws and regulations. These findings did not impact our overall risk assessment rating as low.

Background

The Charge Card Act was enacted to prevent fraud, delinquency, or misuse that may exist in a federal agency's charge card program. The Charge Card Act requires the OIG to conduct periodic reviews of the charge card program for illegal, improper, or erroneous transactions. OIGs are required to use these risk assessments to determine the scope, number, and frequency of audits of the federal charge card program.

[Office of Management and Budget \(OMB\) Circular A-123, Appendix B](#)¹ (Appendix B) addresses controls, policies, and practices for government charge card programs. Risk management controls,

¹ Appendix B to OMB Circular A-123, *A Risk Management Framework for Government Charge Card Programs*, dated August 27, 2019, replaced and rescinded the previously issued OMB Circular A-123 Appendix B dated

policies, and practices are critical tools for ensuring the efficiency and integrity of charge card programs. These controls, policies, and practices are put in place with the intention of reducing payment delinquencies, charge card misuse, fraud, and other forms of waste and abuse. Appendix B also sets forth general training requirements for all charge card program participants. Specifically, all participants must:

- Complete required trainings before being appointed a government charge card;
- Take refresher trainings, at a minimum, every three years, and must certify that they have received the training;
- Understand applicable regulations and procedures; and
- Know the consequences of inappropriate actions.

The U.S. General Services Administration (GSA) SmartPay program provides charge cards to U.S. federal agencies, organizations, and Native American tribal governments (collectively, termed agencies), through master contracts negotiated with major national banks. In June 2007, the GSA Office of Charge Card Management (CCM) awarded the GSA SmartPay master contracts to Citibank, JP Morgan Chase (JPMC), and U.S. Bank. Through these contracts, agencies can obtain different types of charge cards to support their mission needs. These include:

- Purchase Cards – for purchasing general supplies and services;
- Travel Cards – for travel expenses related to official government travel (airline, hotel, meals, and incidentals);
- Fleet Cards – for fuel and supplies for government vehicles;
- Integrated Cards – for two or more business lines (card types) whose processes are integrated into one card; and
- Convenience Checks – instruments written, dated, and signed against a card/account within established dollar limits.

As of September 30, 2021, MCC had 12 purchase card holders and 70 travel card holders.² MCC's purchase card is the primary purchase method for all requirements valued at or less than the Micro Purchase Threshold (MPT), as stated by the Federal Acquisition Regulation (FAR). Additionally, MCC has two types of accounts within their travel card program:

1. Centrally Billed Accounts (CBA) – established by MCC to pay for official purchases, travel, and travel related expenses. Payments are made directly to Citibank by the Interior Business Center (IBC), MCC's accounting service provider on behalf of MCC.
2. Individually Billed Accounts (IBA) – issued to MCC employees to pay for official travel and travel-related expenses. Payments are made directly to Citibank by the employee.

The MCC Charge Card program is managed by the Agency/Organization Program Coordinator (A/OPC) and Managing Director in the Contract and Grants Management Division (CGM), who

January 15, 2009, and OMB M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012*, dated September 6, 2013.

² MCC did not use convenience checks and had an inactive fleet card during FY 2021.

coordinates the MCC team, which includes Agency Program Coordinators (APC). Prior to receiving a charge card, cardholders must complete internal and external applications,³ receive appropriate designation or nomination from an authorized MCC official, and complete required GSA training. Upon completion, the APC reviews the package to confirm all items are included and completed, including the necessary approvals. Once Citibank processes the application, the APC provides the cardholder with a Delegation Letter. The APC maintains a master file in MCC’s SharePoint Repository of all purchase cardholders, training recertification dates, Approving Officials (AO) and purchase limits.

For fiscal years 2018, 2019, and 2020, MCC’s charge card programs had a moderate risk of illegal, improper, and erroneous purchases and payments.

Risk Assessment Results

RMA considered the following factors in our risk assessment of MCC’s charge card programs: (1) program size as a percentage of the agency’s spending; (2) verification of controls in their Charge Card Management Policy; (3) implementation of internal controls; (4) compliance with criteria within applicable laws and regulations; and (5) evidence of ongoing investigations or legal proceedings relevant to the programs. We used a scoring methodology to determine the risk for each criterion (**Table 1**).

Table 1: Risk Scoring Guide

No.	Criteria	Low	Medium	High
1	Program Size: Percentage of Agency Spending	< 5%	5-10%	> 10%
2	Charge Card Management Plan/Policy Controls	Submitted complete policy	Submitted an incomplete policy	Did not submit a policy
3	Internal Controls Implemented	Controls implemented	Most controls implemented	Controls not implemented
4	Compliance with Criteria Within Applicable Laws and Regulations	Did not comply with 1-3 criteria	Did not comply with 4-6 criteria	Did not comply with more than 7 criteria
5	Number of Investigations or Legal Proceedings	0	0	1

Program Size: Percentage of Agency Spending

The Charge Card Act requires the Inspector General of an agency with more than \$10,000,000 in annual purchases and/or travel card spending to perform an audit. Due to the size of the program, an audit was not warranted and identified as low risk. **Table 2** summarizes MCC’s charge card expenditures for FY 2021.

³ The internal application is the Oracle Access Request Form, MCC’s main system of record managed by the Department of the Interior’s (DOI) IBC. The external application is the Citibank application.

Table 2: MCC's Charge Card Expenditures

Calculation	Charge Card Program
Number of Cards (A)	82
Number of Transactions (B)	1,356
Transaction Value (C)	\$674,362.12
Average Spending/Card (D = C ÷ A)	\$8,223.93
Average Transaction Value (E = C ÷ B)	\$497.32
MCC Annual Administrative Spending (F)	\$113,599,784.76
Percentage of the total transaction value to spending (C ÷ F)	0.59%
Financial Risk Assessment	Low

Charge Card Management Plan/Policy Controls

Appendix B provides guidance to establish minimum requirements for purchase and travel card use as defined in Section 3.3 “What are the required elements of an agency’s charge card management plan?” The Charge Card Management Plan should identify roles and responsibilities, outline the process for appointing cardholders and officials, ensure creditworthiness testing is implemented,⁴ identify training requirements, and summarize the available reports for monitoring delinquency, misuse, and performance metrics.

During our review, we found MCC’s Charge Card Management Policy has not been updated since May 2012 (**Finding 4**). However, MCC has established and implemented other policies, such as the Purchase Card Standard Operating Procedures (SOP) and IBA Travel Policy, to comply with the Appendix B Charge Card Management Plan requirements (**Table 3**). We identified an individual and overall low risk for both programs under this criterion.

Table 3: Charge Card Management Plan Requirements

Appendix B Requirement	Purchase Card	Travel Card
Identification of key management officials and their responsibilities for each business line.	✓	✓
Establishment of a process for written appointment of purchase and integrated (purchase business line) cardholders per FAR-1.603-3(b). Written appointment for other business lines should be included if required by agency policy.	✓	✓
Implementation of a process to ensure the creditworthiness of new charge card applicants consistent with Chapter 6 – Credit Worthiness for Individually Billed Accounts (IBA) of this Guidance.	N/A	✓
Description of agency training requirements (consistent with and/or in addition to the training requirements of this Guidance).	✓	✓
Management controls, policies, and practices for ensuring appropriate charge card and convenience check use and oversight of fraud, misuse, and delinquency.	✓	✓
Establishment of appropriate authorization controls.	✓	✓
Acknowledgment of agency policies and practices developed to ensure appropriate consideration by cardholders of category management, Acquisition Gateway, and strategic sourcing arrangements consistent with Chapter 8 – Category Management & Strategic Sourcing of this Guidance.	✓	✓

⁴ This requirement is only necessary for the travel card program.

Appendix B Requirement	Purchase Card	Travel Card
<i>Explanation of how available reports and data are used for monitoring delinquency, misuse, performance metrics, spend analysis, and other relevant transactions and program management issues.</i>	✓	✓
<i>Documentation and record retention requirements consistent with NARA and Agency-specific policies.</i>	✓	✓
<i>Policies for the closure or transfer of charge cards and maintenance of other documentation when employees terminate employment, and if applicable, when an employee moves to a different organization.</i>	✓	✓
Program Controls Risk Assessment	Low	Low
Overall Risk Assessment	Low	

Internal Controls Implemented

Section 2.4 “Purchase Card Internal Controls” and Section 2.5 “Travel Card Internal Controls” of Appendix B group the required purchase and travel card internal controls into four processes:

1. Application;
2. Transaction;
3. Review and approval; and
4. Charge card management.

RMA reviewed the MCC’s Purchase and Travel Card policies and procedures and determined the agency’s internal controls are designed to prevent or detect travel card misuse, fraud, waste, and abuse. However, MCC does not have a charge card metrics and benchmarking program as required by Appendix B (**Finding 1**). Additionally, we found control deficiencies when testing the purchase and travel cards. Specifically, we noted deficiencies pertaining to the 1) timeliness of travel voucher submissions for the Travel Card IBA and CBA (**Finding 2**); and 2) review and approval process of the purchase card (**Finding 4**).

Finding 1: Lack of a Charge Card Metrics and Benchmarking Program

MCC does not have a charge card metrics and benchmarking program. MCC was unaware the benchmarking and metrics program must be implemented for non-CFO act agencies. A lack of a metrics and benchmarking program hinders the agency from: 1) determining operating effectiveness of their charge card program in comparison with similar agencies; and 2) collaboration with other government agencies to determine the most efficient and effective way of managing data and data quality.

Criteria

RMA referenced the following criteria when assessing compliance:

1. [Appendix B to Circular No. A-123, A Risk Management Framework for Government Charge Card Programs](#) (Section 3.5, pg. 19) states, “All agencies using Government charge cards are required to have a metrics and benchmarking program.”

Recommendation 1

RMA recommends MCC revise the Charge Card Management Policy to include OMB’s requirement regarding a metrics and benchmarking program for its government charge card program.

MCC concurred with the recommendation and provided their response and management decision with a completion date of March 17, 2023 (Appendix III).

Finding 2: Travel Card Policy Application – Travel Voucher (TV) Timeliness

MCC travelers did not submit their Travel Vouchers (TV) within the required timeframe (**Table 4**).

Table 4: IBA/CBA Sample Testing Results

Sample	Traveler Return Date	Due Date of TV Submission	TV Submission Date	Days over Time Requirement
IBA - 2	8/15/2021	8/20/2021	8/27/2021	5
IBA - 4	8/7/2021	8/13/2021	8/25/2021	8
IBA - 5	9/28/2021	10/5/2021	10/12/2021	4
CBA - 1	10/12/2021	10/19/2021	10/20/2021	1
CBA - 5	11/19/2021	11/29/2021	1/3/2022	23

MCC did not consistently implement its Travel Policy and Procedures regarding the timely submission of the IBA and individual CBA expense TVs. There was a lack of accountability by travelers and subsequent supervision of the travelers upon their return, resulting in untimely submission of TVs. Untimely TV submissions results in MCC being noncompliant with Federal Travel Regulation § 301-52.7 and agency travel card policy. Additionally, it increases the risk of untimely detection of improper transactions.

Criteria

RMA referenced the following criteria when assessing compliance:

1. [Appendix B to Circular No. A-123, A Risk Management Framework for Government Charge Card Programs](#) (Section 2.5 Travel Card Internal Control, pg. 10) states, “*Controls exist to ensure that travel business line transactions are timely reviewed and approved such as through agency travel voucher/miscellaneous voucher process as appropriate.*”
2. [Federal Travel Regulation § 301-52.7](#) states, “*Unless your agency administratively requires you to submit your travel claim within a shorter timeframe, you must submit your travel claim as follows: (a) Within 5 working days after you complete your trip or period of travel; or (b) Every 30 days if you are on continuous travel status.*”
3. Individually Billed Account Travel Charge Card Policy (Section 7b Procedures: Travel Voucher Reimbursement, pg. 10) states, “*An employee must prepare and submit a proper travel voucher via the MCC e-Travel system, together with any required receipts, to the travel office (a) within five working days after completion of trip or period of travel.*”

Recommendation 2

RMA recommends that MCC develop a reminder for travelers to enforce the existing travel voucher submission process to facilitate the timely submission of TVs for the IBA and individual expenses in the CBA.

MCC concurred with the recommendation and provided their response and management decision with a completion date of October 28, 2022 (Appendix III).

We concluded the risk of MCC’s internal controls is medium, due to an overall non-compliance with three (3) internal control requirements; specifically, one (1) for the purchase card program and two (2) for the travel card program. **Table 5** summarizes individual and overall risk assessments for each internal control process.

Table 5: Internal Control Risk Assessment

Appendix B Requirement	Purchase Card	Travel Card
Application Process	✓	✓
Transaction Process	✓	✓
Review and Approval Process	✓	✗
Charge Card Management Process	✗	✗
Internal Control Risk Assessment	Medium	Medium
Overall Risk Assessment	Medium	

Compliance with Criteria Within Applicable Laws and Regulations

The Charge Card Act and Appendix B outline requirements to help reduce the risk of fraud, waste, and error within charge card programs. One requirement speaks to maintaining and reviewing written policies and procedures for the appropriate use of charge cards in accordance with the requirements. However, MCC did not document the consideration of their charge card program risk in their FY 2021 annual A-123 enterprise risk management (ERM) risk process as required by Appendix B (**Finding 3**). In addition, MCC has not updated their Charge Card Management Policy since 2012 (**Finding 4**).

Finding 3: Lack of a Charge Card Risk Profile

MCC did not document their consideration of charge card program risk in their FY 2021 Enterprise risk register because it was not determined to be a risk to agency mission attainment. A risk register that does not consider the agency’s charge card program may increase the amount of payment delinquencies and charge card internal fraud and misuse as this practice is used to ensure the efficiency and integrity of charge card programs.

Criteria

RMA referenced the following criteria when assessing compliance:

[Appendix B to Circular No. A-123, A Risk Management Framework for Government Charge Card Programs](#) (Section 2.2, pg. 5) states, “Yes, in accordance with OMB Circular A-123 each agency is responsible for implementing management practices that identify, assess, respond, and report on risks. Annually, agencies must develop a risk profile coordinated with their annual strategic reviews. As part of an agencies' Enterprise Risk Management process, risk management controls, policies, and practices consistent with the requirements of this Chapter should be implemented.”

Recommendation 3

RMA recommends MCC document their consideration of charge card program risk in relation to their annual A-123 ERM risk process.

MCC concurred with the recommendation and provided their response and management decision with a completion date of October 28, 2022 (Appendix III).

Finding 4: Outdated Charge Card Management Policy

MCC's Charge Card Management Policy is outdated. The last update occurred in May 2012 and does not reflect 1) updates to Appendix B; and 2) updates to operating procedures; specifically, the review and approval of cardholder transactions. MCC overlooked updating the policy following issuance of the updated Appendix B to OMB Circular No. A-123. By not updating the policy, MCC did not incorporate the following requirements:

1. Establish a benchmarking and metrics program, and
2. Consideration of charge card risk as part of its Enterprise Risk Management.

Criteria

RMA referenced the following criteria when assessing compliance:

[Appendix B to Circular No. A-123, A Risk Management Framework for Government Charge Card Programs](#) (Section 3.1, pg. 18) states, “Each agency must develop, issue, and maintain written policies and procedures for the appropriate use of charge cards consistent with the requirements of this Guidance. The plan must be updated in accordance with the following schedule:

- Within 12 months after agency/organization task order placement under a newly awarded General Services Administration (GSA) SmartPay master contract;
- Tag and Pool entities within 12 months after joining an agency's task order;
- Within 12 months after a new statute, Executive Order (EO), addressing charge card management becomes effective;
- Otherwise, every 2 years from the date of the last update or more frequently, if needed, to address valid agency/organization Inspector General (IG) findings or to otherwise remain current.”

Recommendation 4

RMA recommends MCC to update its Charge Card Management Policy to include a requirement to review on an annual basis its Charge Card Management Policy to ensure compliance with any changes in legislation and guidance issued by OMB or other statutory authority.

MCC concurred with the recommendation and provided their response and management decision with a completion date of March 17, 2023 (Appendix III).

We concluded the overall risk of MCC’s non-compliance with government charge card laws and regulations is medium, due to an overall non-compliance with four (4) charge card requirements; specifically, two (2) for the purchase card program and two (2) for the travel card program. **Table 6** summarizes the individual program risk assessment.

Table 6: Compliance with Laws and Regulations Assessment

No.	Charge Card Program Requirements	Purchase	Travel
1	<i>Each agency head shall provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The certification should be included as part of, the existing annual assurance statement under the FMFIA.</i>	✓	✓
2	<i>Agency must develop a risk profile coordinated with their annual strategic reviews with charge card risk controls implemented into the ERM Process.</i>	✗	✗
3	<i>Maintain and review written policies and procedures for the appropriate use of charge cards in accordance with the requirements of the Charge Card Act and Appendix B.</i>	✗	✗
4	<i>Establishment of a process for written appointment of purchase and integrated (purchase business line) cardholders per FAR-1.603-3(b). Written appointments for other business lines should be included if required by agency policy.</i>	✓	✓
5	<i>Charge card managers must review their agency’s refund agreement in accordance with Appendix B and the Charge Card Act.</i>	✓	✓
6	<i>Agencies must develop and implement policies and practices that ensure products and services meet the sustainability requirements in statutes and EO 13693 - Planning for Federal Sustainability in the Next Decade of March 19, 2015.</i>	✓	✓
7	<i>Charge card managers should perform periodic reviews of the number of charge card accounts in use for appropriateness of number as well as evaluate the span of control for approving officials in accordance with the requirements of the Charge Card Act and Appendix B.</i>	✓	✓
8	<i>Pursuant to the Consolidated Appropriations Act, 2008 (Pub. L. No. 110-161, Division D, Title VII, section 743), each agency/organization must ensure a creditworthiness assessment is conducted of all new IBA travel charge card applicants prior to issuing a card.</i>	<i>Not required for Purchase Card.</i>	✓

No.	Charge Card Program Requirements	Purchase	Travel
9	Agencies with more than \$10,000,000 in annual purchase business line spend must submit a joint agency and IG report to the Director of OMB on violations or other actions covered in 41 U.S.C. § 1909 (c)(1).	N/A	N/A
10	Appropriate training is provided to each charge card holder and Approving Official in accordance with Appendix B.	✓	✓
Compliance with Laws and Regulations Risk		Low	Low
Overall Risk Assessment		Medium	

Number of Investigations or Legal Proceedings

There were no ongoing investigations or legal proceedings for the period of performance that would create additional risks related to the charge card programs (Table 7).

Table 7: Investigations and Legal Proceedings Risk Assessment Results

Program	Investigations or Legal Proceedings
Purchase Card	0
Travel Card	0
Overall Risk Assessment	Low

Conclusion

The risk of illegal, improper, or erroneous purchases and payments being made through the MCC’s travel and purchase card programs, during the period of review was low, and the overall risk assessment of MCC’s charge card program is low. Based on the results of our risk assessment, we concluded an audit was not warranted. However, we issued four findings due to control deficiencies, outdated policies, and noncompliance with laws and regulations. We made the following recommendations:

- Recommendation 1:** Revise the Charge Card Management Policy to include OMB’s requirement regarding a metrics and benchmarking program for its government charge card program.
- Recommendation 2:** Develop a reminder for travelers to enforce the existing travel voucher submission process to facilitate the timely submission of TVs for the IBA and individual expenses in the CBA.
- Recommendation 3:** Document their consideration of charge card program risk in relation to their annual A-123 ERM risk process.
- Recommendation 4:** Update its Charge Card Management Policy to include a requirement to review on an annual basis its Charge Card Management Policy to ensure compliance with any changes in legislation and guidance issued by OMB or other statutory authority.

While we determined the risk associated with the use of the charge card program is low or medium, this should not be interpreted that the programs are free from illegal, improper, or erroneous purchases and payments, or the risk will remain unchanged. A summary of our assessment follows in Table 8.

Table 8: Risk Assessment Results

No.	Criteria	Purchase Card	Travel Card	Overall
1	Program Size: Percentage of Agency Spending	Low	Low	Low
2	Charge Card Management Plan/Policy Controls	Low	Low	Low
3	Internal Controls Implemented	Medium	Medium	Medium
4	Compliance with Criteria Within Applicable Laws and Regulations	Low	Low	Medium
5	Number of Investigations or Legal Proceedings	Low	Low	Low
Overall Risk Assessment Result⁵				Low

⁵ We calculated the average of all the criteria for the overall risk assessment results.

Appendix I: Scope and Methodology

The objective of the risk assessment was to assess the risks of illegal, improper, or erroneous purchases and payments. The scope of this engagement focused on the MCC's charge card program compliance covered transactions in FY 2021. Our work was conducted from February 2022 to August 2022. To achieve the objectives, we:

1. Documented our understanding of MCC to include the agency's origin, history, size and location, organization, mission, results of prior and current audits, and other considerations;
2. Documented understanding of laws and regulations for Charge Card Act risk assessments, and assess whether management has identified relevant laws and regulations;
3. Issued a list of data and reports to be prepared by MCC with needed due dates in the form of a Provided-By-Client (PBC) document;
4. Inquired with management regarding the previous review, attestation engagements, and other studies. Inquire if any corrective actions from prior engagements were implemented;
5. Assessed MCC's controls by:
 - a. Examining written codes of conduct or other employee-related policies.
 - b. Inquiring of management regarding the following:
 - i. Program-specific entity-level controls;
 - ii. Delegation of authority, responsibility, and accountability;
 - iii. Areas considered to be of risk according to management;
 - iv. Methods of communication of information, such as management objectives;
 - v. Control reporting by lower levels of management, if any and;
 - vi. Periodic/recurring management discussion regarding assessments of program controls.
 - c. Inquiring of management regarding the charge card program budgets and determine whether MCC must submit violations report to OMB.
 - d. Assessing MCC's internal controls through:
 - i. Internal control questionnaires/correspondence;
 - ii. Examination of policies, manuals, Standard Operating Procedures, or other literature applicable to conducting daily operations of job responsibilities;
 - iii. Program-level walkthroughs;
 - iv. Observation of operations and control activities and;
 - v. Inquiry of managers/employees as to whether control responsibilities are understood, effectively communicated, and followed.
 - e. Inquiring of management whether a risk profile was conducted specific to the charge card programs and determine if MCC's Enterprise Risk Management incorporates the charge card programs.
 - f. Inquiring whether MCC participates in the Government-wide Charge Card Metrics and Benchmarking Program.
6. Reviewed and assessed MCC's COVID-19 restrictions pertaining to the travel card program.
7. Assessed laws, regulations, contracts, and potential fraud through procedures such as:
 - a. Identifying relevant laws, regulations, and contracts;

- b. Detecting instances of noncompliance with provisions of laws, regulations, and contracts for service providers;
 - c. Examining whether MCC has controls to prevent and detect noncompliance with provisions of laws, regulations, and contracts;
 - d. Requesting information regarding areas of fraud risk and;
 - e. Examining controls to prevent and detect fraud or risk that officials could override internal controls.
8. Reviewed and assessed voucher review agreement between MCC and IBC to ensure voucher complications are addressed accordingly.
9. Assessed ongoing investigations or legal proceedings through procedures such as:
- a. Identifying ongoing investigations or legal proceedings, if any; and
 - b. Examining whether any ongoing investigations or legal proceedings have a significant impact on the objectives.

Appendix II: Sampling Plan

MCC provided a list of total purchase and travel card transactions for the FY 2021. To select our sample for testing, we exercised professional judgment in determining the number of items to select and the method to use for selection.

A judgmental sample of 15 transactions was selected for review. We have presented the number of transactions and dollar value of the universe and our samples for both the purchase and travel card transactions for FY 2021. We conducted sample testing over FY 2021 charge card transactions due to control deficiencies identified in current and prior year assessments.

Charge Card Program	Universe		Sampling	
	Number of Transactions	Dollar Value	Number of Transactions	Dollar Value
Purchase Card	358	\$312,128.48	5	\$29,789.14
Travel IBA	644	\$135,950.35	5	\$16,007.03
Travel CBA	153	\$377,136.54	5	\$38,016.07

Purchase Card – Fiscal Year 2021

Our sample was selected from the population of purchase card transactions made in FY 2021, excluding negative amounts that indicate reversals. The universe consisted of 358 travel card transactions for a total of \$312,128.48. We selected five purchase card transactions, representing 9.5% of the total dollar value in the universe.

We selected judgmental samples based on dollar values and areas of risk identified in prior year assessments. **Table 9** includes information on the universe of records.

Table 9: Universe of FY 2021 Purchase Card Transactions

Population	No. of records in the universe	Total amount in universe	Total Sample Size	Total amount in sample	Percent of Total Universe
FY 2021	358	\$312,128.48	5	\$29,789.14	9.5%

Travel Card IBA – Fiscal Year 2021

Our sample was selected from the population of travel card IBA transactions made in FY 2021, excluding negative amounts that indicate reversals. The universe consisted of 644 travel card transactions for a total of \$135,950.35. We selected five travel card transactions, 11.8% of the total dollar value in the universe.

We selected judgmental samples based on dollar values and areas of risk identified in prior year assessments. Our sample was selected from the following population of selected travelers due to the high dollar value of their total transaction amounts and average transaction amounts. **Table 10** includes information on the universe of records.

Table 10: Universe of FY 2021 Travel Card IBA Transactions

Population	No. of records in the universe	Total amount in universe	Total Sample Size	Total amount in sample	Percent of Total Universe
FY 2021	644	\$135,950.35	5	\$16,007.03	11.8%

Travel Card CBA – Fiscal Year 2021

Our sample was selected from the population of travel card CBA transactions, excluding negative amounts that indicate reversals. The universe consisted of 153 travel card transactions for a total of \$377,136.54. We selected five travel card CBA transactions, 10.1% of the total dollar value in the universe.

We selected judgmental samples based on dollar values and areas of risk identified in prior year assessments. **Table 11** includes information on the universe of records and sample selection.

Table 11: Universe of FY 2021 Travel Card CBA Transactions

Population	No. of records in the universe	Total amount in universe	Total Sample Size	Total amount in sample	Percent of Total Universe
FY 2021	153	\$377,136.54	5	\$38,016.07	10.1%

Appendix III: Management Comments



DATE: September 14, 2022

TO: Alvin Brown
Deputy Assistant Inspector General for Audit
Office of Inspector General
United States Agency for International Development
Millennium Challenge Corporation

FROM: Fouad Saad /s/
Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

FOUAD P SAAD (affiliate)
Digitally signed by FOUAD P SAAD (affiliate)
Date: 2022.09.14 17:37:46 -04'00'

SUBJECT: MCC's Management Response to the OIG Report, "Assessment of MCC's Charge Card Programs Showed a Low Risk of Improper Purchases and Payments in FY 2021"

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the Office of Inspector General (OIG) report titled "Assessment of MCC's Charge Card Programs Showed a Low Risk of Improper Purchases and Payments in FY 2021." MCC concurs with the conclusion of the report and agrees with the low risk assessment of its charge card programs. MCC provides our responses and management decisions to each recommendation below.

OIG Recommendation 1 – Revise the charge card management policy to include a metrics and benchmarking program for its government charge card program as required by OMB.

MCC Response – MCC concurs with the recommendation. MCC will revise the charge card management policy to include a metrics and benchmarking program for its government charge card program as required by OMB. MCC will complete this final action no later than March 17, 2023.

OIG Recommendation 2 – RMA recommends that MCC develop a reminder for travelers to enforce the existing travel voucher submission process to facilitate the timely submission of TVs for the IBA and individual expenses in the CBA.

MCC Response – MCC concurs with the recommendation. MCC will update the traveler certification acknowledgement required when individuals submit their travel authorizations in e2. The update will state “Travelers will submit a travel voucher for the trip within five working days of return.” MCC will complete this final action no later than October 28, 2022.

OIG Recommendation 3 – Document consideration of charge card program risk in relation to the annual OMB A-123 Enterprise Risk Management process.

MCC Response – MCC concurs with the recommendation. MCC included the charge card program risk in the appropriate risk registers which are considered for the final agency-wide FY 2022 Risk Profile. The Risk Profile is currently under senior management review and is expected to be finalized in late September. We expect the register to reflect charge card risk as low, consistent with this report’s finding and management’s concurrent views. MCC will complete this final action no later than October 28, 2022.

OIG Recommendation 4 – Update the charge card management policy to include a requirement for an annual review to ensure compliance with any changes in legislation and guidance issued by OMB or other statutory authority.

MCC Response – MCC concurs with the recommendation. MCC will revise the charge card management policy to include a requirement for an annual review to ensure compliance with any changes in legislation and guidance issued by OMB and other statutory authority. MCC will complete this final action no later than March 17, 2023.

If you have any questions, please contact Jonathan Hamlet, Contracts and Grants Management (CGM) Managing Director at 202-521-3584 or Hamletjc@mcc.gov for Purchase Card-related inquiries, or Douglas Fairfield, Domestic and International Security (DIS) Managing Director at 202-521-3679 or Fairfieldddh@mcc.gov for Travel Card-related inquiries. Additionally, you can also contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or Kovaljg@mcc.gov.

CC: Damian Wilson, Director, OIG, USAID
Davida Wilhelm, Assistant Audit Director, OIG, USAID
Anna Elias, Assistant Audit Director, OIG, USAID
Lori Giblin, Chief Risk Officer, A&F, MCC
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Jonathan Hamlet, Managing Director, CGM, A&F, MCC
Lisa Smith-Kulley, Deputy Managing Director, CGM, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC

Candace Lockhart, Travel Manager, DIS, A&F, MCC
Jude Koval, Senior Director, ICAC, A&F, MCC