

OFFICE OF INSPECTOR GENERAL
U.S. Agency for International Development

**MCC Complied With
the Payment Integrity
Information Act of 2019
for Fiscal Year 2023**

Report 0-MCC-24-005-C
May 28, 2024





OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: May 28, 2024

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

FROM: Assistant Inspector General for Audits, Inspections, and Evaluations, Toayoa D. Aldridge /s/

SUBJECT: MCC Complied With the Payment Integrity Information Act of 2019 for Fiscal Year 2023 (0-MCC-24-005-C)

Enclosed is the final report on Millennium Challenge Corporation's (MCC's) compliance with Public Law 116-117, the Payment Integrity Information Act of 2019 (PIIA).¹ The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to conduct the review. The contract required the audit firm to perform the review in accordance with Council of the Inspectors General on Integrity and Efficiency *Quality Standards for Inspection and Evaluation*, December 2020 and the requirements for reporting as established by the Office of Management and Budget (OMB), Transmittal of Appendix C to OMB Circular A-123, "Requirements for Payment Integrity Improvement" (M-21-19), March 5, 2021.

In carrying out its oversight responsibilities, OIG reviewed the firm's report and related documentation and inquired of its representatives. The firm is responsible for the enclosed review 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 review objective was to determine whether MCC's improper payment reporting in fiscal year 2023 complied with PIIA. To answer the objective, RMA reviewed the payment integrity information in MCC's Annual Management Report and any accompanying materials to assess the agency's compliance with PIIA and related OMB guidance.

The firm concluded that MCC complied with the requirements of PIIA for fiscal year 2023.

¹ Pursuant to the Pub. L. No. 117-263 § 5274, USAID OIG provides nongovernmental organizations and/or businesses specifically identified in this report 30 days from the date of report publication to submit a written response to USAID OIG. Any comments received will be posted on <https://oig.usaid.gov/>. Please direct inquiries to oignotice_ndaa5274@usaid.gov.

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

Millennium Challenge Corporation

**Fiscal Year 2023 Compliance with Payment Integrity Information Act of 2019
Final Compliance Report
May 21, 2024**

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

To the Board of Directors
Millennium Challenge Corporation

May 21, 2024

RMA Associates, LLC conducted a review of the Millennium Challenge Corporation's (MCC) compliance with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year (FY) ending September 30, 2023.

Our review objective was to determine whether MCC complied with PIIA for FY 2023.

As a result of our review, we found that MCC complied with all PIIA requirements for FY 2023. Additional information on our results is included in the accompanying report.

We very much appreciate the opportunity to serve you and will be pleased to discuss any questions you may have.

Respectfully,

RMA Associates

RMA Associates, LLC

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Executive Summary

RMA Associates, LLC (RMA), under the oversight of the United States Agency for International Development (USAID) Office of Inspector General (OIG), conducted a review of the Millennium Challenge Corporation's (MCC) compliance with the Payment Integrity Information Act of 2019 (PIIA) ([Public Law 116-117](#)) for the fiscal year (FY) ending September 30, 2023 in accordance with 1) the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, 2) OMB Circular A-136, *Financial Reporting Requirements*, May 19, 2023; 3) Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews, October 19, 2023; and 4) CIGIE's *Quality Standards for Inspection and Evaluation* (Blue Book). In addition to the compliance criteria, we also reviewed MCC's risk assessment process and efforts in preventing and reducing improper payments (IPs) and unknown payments (UPs). Our review was conducted from February 2024 through April 2024.

What We Concluded

RMA concluded that MCC complied with PIIA for FY 2023. MCC was compliant with requirements applicable to the agency for FY 2023. We noted that MCC performed risk assessments in FY 2023 using criteria defined by OMB Circular A-123 and conformed to this guidance for preventing and reducing IPs and UPs. We found MCC has completely and accurately reported payment recapture reporting information on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).

Table 1: PIIA Compliance Reporting Table¹

Program Fund Name	Published payment integrity information with the AMR and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance.	Posted the AMR and accompanying materials required under the guidance of OMB on the agency website.	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold.	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR.	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	Developed a plan to meet the IP and UP reduction targets.	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR.
609(g) of the Millennium Challenge Act of 2023	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Compacts	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Due Diligence	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Threshold Programs	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A

Legend

- ✓ MCC complied with OMB Circular A-123 requirements for Payment Integrity Improvement.
- N/A Not applicable due to MCC identifying no programs susceptible to significant improper payment or high priority programs.

¹ Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, [M-21-19](#), March 5, 2021, page 52.

Background

PIIA ([Public Law 116-117](#)) aims to improve efforts to identify and reduce government-wide IPs. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant IPs based on guidance provided by OMB.

Payment integrity information is published with MCC's Annual Management Report (AMR) in accordance with payment integrity guidance in OMB Circular A-136. MCC must also publish payment integrity information required in the accompanying materials to the AMR in accordance with applicable guidance. The most common accompanying materials to the AMR are the payment integrity information published on [PaymentAccuracy.gov](https://www.paymentaccuracy.gov). Agency Inspector Generals are to review payment integrity reporting for compliance and issue an annual report.

Guidance addressing PIIA requirements is found in Appendix C to OMB Circular A-123 issued March 5, 2021 ([M-21-19](#)). This Appendix is effective for FY 2023. Each program with annual outlays over \$10,000,000 must conduct an IP risk assessment at least once every three years to determine whether the program is likely to have IPs above the statutory threshold.²

The term IP means any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under statutory, contractual, administrative, or other legally applicable requirements. This includes 1) any payment to an ineligible recipient; 2) any payment for an ineligible good or service; 3) any duplicate payment; 4) payment for a good or service not received, except for those payments where authorized by law; and 5) any payment that does not account for credit for applicable discounts.

The threshold is determined by statute. Programs are considered to be above the statutory threshold if reporting an annual IP and UP estimate above \$10,000,000 and 1.5 percent of the program's total annual outlays or above \$100,000,000 regardless of the associated percentage of the program's total annual outlays that the IP and UP estimate represents.³

MCC management is required to perform a risk assessment of its programs at least once every three years under Section II.A. Phase 1, Appendix C. MCC conducted its latest risk assessment in FY 2023. Accordingly, MCC identified five programs requiring a risk assessment in compliance with Appendix C. MCC uses an IP Risk Assessment Tool (Tool) to assess the risk of significant erroneous payments for all MCC administered program funds. The IPs are based on management awareness, vendor complaints and notifications, payment adjustment records, and results of reviews and monitoring activities. The Tool is used to document the risk assessment for each of MCC's funds (i.e., 1) 609(g) of the Millennium Challenge Act of 2023; 2) Administrative Expenses; 3) Compacts; 4) Due Diligence; and 5) Threshold Programs. MCC applied a low (below 35%), medium (between 35%-55%), and high (above 55%) score to each program based on the risk assessment's weighted results. In addition to this Tool, MCC uses a self-identified IP Tracker (Tracker) to record and aggregate all IPs, overpayments, and recoveries. MCC tracks the IP date,

² Ibid, page 6-7.

³ Ibid, page 19.

vendor, amount, cause, amount recovered, and over or underpayment. The overpayment amounts identified and recovered through recovery activities reported to OMB are derived from the IP Tracker.

Objective

The objective was to determine whether MCC complied with PIIA for FY 2023.

Legal Requirements/Compliance with PIIA

“Compliance” with PIIA and OMB guidance means that the agency complied with the 10 items listed in 1a through 6 below. If the agency does not meet one or more of these requirements, then it is not compliant.

- **1a:** Published payment integrity information with the annual financial statement [AMR for MCC] and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance.
- **1b:** Posted the AMR and accompanying materials required under the guidance of OMB on the agency website.
- **2a:** Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.
- **2b:** Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold.
- **3:** Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR.
- **4:** Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.
- **5a:** Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.
- **5b:** Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.
- **5c:** Developed a plan to meet the IP and UP reduction targets.
- **6:** Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR.

Criteria

RMA conducted the review in accordance with the CIGIE [PIIA Guide](#) and other authoritative guidance such as:

- [Payment Integrity Information Act of 2019](#);
- [CIGIE’s Quality Standards for Inspection and Evaluation](#);
- [31 U.S.C § 3321](#), Disbursing Authority in the Executive Branch;

- [OMB Circular A-123](#), *Management’s Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016;
- [OMB Circular A-136](#), *Financial Reporting Requirements*, May 19, 2023; and
- [OMB M-21-19](#), *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, March 5, 2021.

Results of Review

We found that MCC complied with PIIA for FY 2023. According to OMB guidance, compliance with PIIA means that the agency met the following requirements, as appropriate (**Table 2**).

Table 2: MCC's Compliance with PIIA Requirements

	PIIA Requirement	MCC Compliance
1a	Published payment integrity information with the AMR and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance.	✓
1b	Posted the AMR and accompanying materials required under the guidance of OMB on the agency website.	✓
2a	Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.	✓
2b	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold.	✓
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR.	N/A
4	Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.	N/A
5a	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.	N/A
5b	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A
5c	Developed a plan to meet the IP and UP reduction targets.	N/A
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR.	N/A

Specifically, MCC was compliant with requirements 1 and 2. Requirements 3 through 6 were not applicable to the agency for FY 2023 due to MCC identifying no programs as susceptible to significant IPs or as high priority programs.

We also reviewed MCC’s risk assessment process and efforts in preventing and reducing IPs and UPs. We noted that MCC performed risk assessments in FY 2023 using criteria defined by OMB Circular A-123 and conformed to this guidance for preventing and reducing IPs and UPs.

During our review, we found MCC has completely and accurately reported payment recapture reporting information on PaymentAccuracy.gov (**Table 3**).

Table 3: MCC FY 2023 Information Reported in PaymentAccuracy.gov

Overpayment Recaptured outside of Recapture Audits		
Overpayment Amount Identified Through Recovery Activities (\$M)	Overpayment Amount Recovered Through Recovery Activities (\$M)	Recovery Activities Recovery Rate
\$0.01	\$0.01	38.46%

Conclusion

RMA concluded that MCC complied with PIIA for FY 2023. In addition to the compliance criteria, we reviewed MCC’s risk assessment process and efforts in preventing and reducing IPs and UPs. We noted that MCC performed risk assessments using criteria defined by OMB Circular A-123, Appendix C and conformed to OMB guidance for preventing and reducing IPs and UPs.

Management Comments

MCC management agreed with the conclusion of the report. Refer to [Appendix B: Management’s Comments](#) below for the response.

Appendix A: Scope and Methodology of the Review

The scope of this review focused on the payment integrity section in MCC's FY 2023 AMR and tri-annual risk assessment to determine compliance with PIIA. The review was conducted from February 2024 through April 2024. To achieve the objective, RMA:

1. Reviewed the payment integrity section of the MCC's FY 2023 AMR and any accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
2. Reviewed information on PaymentAccuracy.gov through the OMB Annual Data Call. The information collected through the Annual Data Call and published on PaymentAccuracy.gov is considered accompanying materials to the AMR.
3. Reviewed applicable Federal laws, OMB guidance, and agency policy and procedures.
4. Requested source data from the agency used to support applicable payment integrity information in the AMR and accompanying materials.
5. Analyzed the source data to ensure accuracy and completeness of payment integrity information in the AMR and accompanying materials.
6. Concluded whether the agency met each of the ten PIIA compliance requirements for each of the reported programs.
7. Leveraged any prior or ongoing audits or work in deciding the level of work to do for the PIIA compliance review.
8. Identified and reviewed relevant prior work and evaluated whether MCC took appropriate corrective action to address findings and recommendations from any prior engagements that are significant within the context of the objectives.
9. Evaluated the accuracy, completeness, and timeliness of IP risk assessments and whether appropriate conclusions were reached in determining if a program was likely to make IPs and/or UPs above or below statutory thresholds.
10. Obtained an understanding of MCC's internal controls in place for compiling, validating, and reporting the payment integrity information in the AMR and accompanying materials.
11. Assessed the risk of fraud occurring that was significant within the context of the objectives or that could affect the findings and conclusions.

Appendix B: Management's Comments



DATE: May 16, 2024

TO: Toayoa D. Aldridge
Assistant Inspector General for Audits, Inspections, and Evaluations
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

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SAAD
(affiliate)

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(affiliate)
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SUBJECT: MCC's Management Response to the Draft Report, "MCC Complied in Fiscal Year 2023 with the Payment Integrity Information Act of 2019," dated May 10, 2024

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the Office of Inspector General (OIG)'s draft report titled, "MCC Complied in Fiscal Year 2023 with the Payment Integrity Information Act of 2019," dated May 10, 2024. MCC concurs with the conclusion of the report and confirmation of the agency's compliance with the Payment Integrity Information Act of 2019. MCC is proud that the report contained no recommendations.

If you have any questions, please contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or Kovaljg@mcc.gov.

CC: Damian Wilson, Principal Audit Director, OIG, USAID
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Davida Wilhelm, Assistant Audit Director for Financial Statement Audits, OIG, USAID
Chinwe Mbanefo, Lead Auditor, OIG, USAID
Lori Giblin, Chief Risk Officer, A&F, MCC
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC
Jude Koval, Senior Director, ICAC, A&F, MCC