



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

MCC Charge Card Programs Posed a Low Risk of Improper Purchases and Payments in Fiscal Year 2016

AUDIT REPORT M-000-18-003-C
JANUARY 22, 2018

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MEMORANDUM

DATE: January 22, 2018

TO: Millennium Challenge Corporation, Vice President, General Counsel and Corporate Secretary, Jeanne M. Hauch

FROM: Principal Director for MCC, Donell Ries /s/

SUBJECT: MCC Charge Card Programs Posed a Low Risk of Improper Purchases and Payments in Fiscal Year 2016 (M-000-18-003-C)

Enclosed is the final audit report on the risk assessment of Millennium Challenge Corporation (MCC) charge card programs for fiscal year (FY) 2016. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to conduct the audit. The contract required CLA to perform the audit in accordance with generally accepted government auditing standards.

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

The audit objective was to assess the risks of illegal, improper, and erroneous purchases and payments in MCC's FY 2016 charge card programs. To answer the audit objective, CLA analyzed and tested MCC's internal controls over its charge card programs from October 1, 2015, to September 30, 2016. Charge card disbursements during this period totaled \$5,030,700.

The audit firm concluded that MCC's charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments in FY 2016. CLA's report did not include any recommendations.

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

**Millennium Challenge Corporation's Charge Card Programs Pose a Low
Risk of Illegal, Improper, or Erroneous Purchases and Payments**

**Performed by
CliftonLarsonAllen LLP**

**For
United States Agency for International Development
Office of Inspector General**

January 10, 2018

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Millennium Challenge Corporation Charge Card Programs Pose Low Risk of Illegal, Improper, or Erroneous Purchases and Payments

EXECUTIVE SUMMARY

Why We Did This Audit

CliftonLarsonAllen (CLA) LLP, was engaged by the United States Agency for International Development (USAID) Office of Inspector General (OIG) to perform a risk assessment of Millennium Challenge Corporation's (MCC's) Charge Card Programs for the period October 1, 2015, to September 30, 2016 (FY 2016). The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, and the Office of Management and Budget (OMB) Memorandum M-13-21, *Implementation of the Charge Card Act* requires the OIG to perform an annual risk assessment. The purpose of this assessment is to analyze the risks of illegal, improper, or erroneous purchases and payments in MCC's charge card programs. MCC's charge card programs include the purchase card, travel card, and fleet card programs. USAID OIG uses the results of the risk assessment in determining the necessary scope, frequency, and number of OIG audits or reviews of these programs.

We performed the risk assessment in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Our performance period was from April 2017, through September 2017.

What We Concluded

Based on the assessment, we determined that MCC's three charge card programs, comprising of the purchase cards, travel cards, and fleet card, pose a low risk of illegal, improper, or erroneous purchases and payments. The results of our risk assessment should not be interpreted to conclude that the charge card programs with low risk is free of illegal, improper, or erroneous purchases and payments. Likewise, a high risk in the charge card programs should not be interpreted to indicate actual or known illegal, improper, or erroneous purchases and payments.

CliftonLarsonAllen LLP

A handwritten signature in black ink that reads 'CliftonLarsonAllen LLP'.

**Arlington, VA
January 10, 2018**

PROGRAM 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 Office of Management and Budget Memorandum M-13-21, *Implementation of the Government Charge Card Abuse Prevention Act of 2012* (OMB M-13-21), lists the following aspects of compliance with the Charge Card Act:

1. Agency's required safeguards and internal controls;¹
2. Agency and OIG reports of purchase card violations;² and
3. OIG's risk assessments and audits.³

OBJECTIVE, SCOPE AND METHODOLOGY

Objective:

The objective of the risk assessment is to assess the risks of illegal, improper, and erroneous purchases and payments in the MCC charge card programs for USAID OIG to determine the necessary scope, frequency, and number of OIG audits or reviews of these programs.³

Scope:

We assessed the charge card programs implemented in FY 2016. MCC's charge card programs include purchase card, travel card, and fleet card programs. MCC does not have an integrated card program.⁴ MCC's total purchase card spending was less than \$10 million in FY 2016. Accordingly, the Agency and OIG semi-annual Joint Purchase Card Violation Report reporting requirement is not applicable to MCC.

¹ The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts.

² The requirement for the agency head and OIG to submit a semi-annual Joint Purchase and Integrated Card Violation Report for submission to OMB is only applicable to agencies with more than \$10 million in purchase card spending in the prior fiscal year.

³ Audits for travel cards are required only for agencies with \$10 million in prior year travel spending. The Charge Card Act did not provide a purchase card spending threshold. Each IG should perform an annual purchase card risk assessment. These risk assessments shall guide analysis or audits as necessary.

⁴ The integrated card is a combination of two or more business lines on a single card, e.g., purchase and travel.

Table I shows the total number of charge cardholders and the total spending in FY 2016 for each charge card program. We did not assess the risks on the fleet card program as its total spending of \$700 was de-minimis and had only 1 cardholder.

Table I: FY 2016 Number of Charge Cardholder and Spending

Charge Card Program	Number of Cardholders	FY 2016 Disbursements (Rounded)
Purchase	13	\$897,000
Travel	217	\$4,133,000
Fleet	1	\$700
Total	231	\$5,030,700

There were two account types within the GSA SmartPay Program⁵ that MCC's cardholders participated in:

1. Centrally Billed Accounts (CBAs) – are established by the agency to pay for official travel and travel related expenses. Payments are made directly to the bank by the Federal Government.
2. Individually Billed Accounts (IBAs) – are issued to employees to pay for official travel and travel related expenses. Payments are made directly to the bank by the individual.

Our risk assessment included the CBAs but did not include the IBAs. Employee's business travel expenses using the IBA travel cards are reimbursed by MCC through the normal process of submitting travel vouchers.

Methodology:

We conducted the purchase card and travel card programs risks assessment using a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis.

- We reviewed the strengths (S) and weaknesses (W) in the design and the operating effectiveness of the purchase card and the travel card programs' internal controls based on industry standards.
- We identified and evaluated opportunities (O) to establish controls in the purchase and travel card programs, for example: third party system controls; merchant codes; and daily, weekly, or monthly charge card spending limits.
- We identified and evaluated the threats (T) to the purchase and travel card programs; their likelihood and impact quantitatively and qualitatively.

We conducted the risk assessment in accordance with *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require

⁵ Established in 1998, the GSA SmartPay Program is the world's largest government charge card and commercial payment solutions program, providing services to more than 560 Federal agencies, organizations, and Native American tribal governments. GSA SmartPay payment solutions enable authorized government employees to make purchases on behalf of the Federal Government in support of their agency/organization's mission.

that we plan and perform our risk assessment to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

As part of the risk assessment, we:

- Read and understand the requirements of the following applicable laws and regulations:
 - Charge Card Act
 - OMB M-13-21
 - OMB M-12-12, Promoting Efficient Spending to Support Agency Operations
 - OMB Circular No. A-123, Appendix B, Improving Management and Government Charge Card Programs
 - 49 U.S.C 40118, Fly America Act – requiring Federal travelers to use United States (U.S.) air carrier service for all air travel services funded by the U.S. government
 - MCC Charge Card Program Standard Operating Procedures (August, 2013 version)
 - MCC Charge Card Management Policy (May, 2012 version)
- Obtained an understanding of MCC internal controls over its charge card programs and evaluated the design and operating effectiveness of relevant purchase and travel authorizations and payment controls.
- Reviewed OMB A-123, Appendix B test results performed by MCC in FY 2016.
- Ensured that MCC purchase and travel cards disbursements data used in our analysis were complete by reconciling it to the disbursement amount reported in the government-wide account statement for FY 2016.
- Analyzed the purchase and travel cards' data attributes to assess the effectiveness of the design of their internal controls.
- Reviewed the FY 2016 Annual Financial Report (AFR) auditors' report and the report on internal control over financial reporting for weaknesses in travel and purchase card programs.
- Judgmentally selected a sample of 8 purchase and 37 travel cards transactions for FY 2016 and reviewed related supporting documentation for those transactions, and considered the strengths and weaknesses in MCC's internal controls.

RESULTS

MCC had 231 cardholders out of 290 employees at the end of FY 2016. Out of the 231 cardholders, three employees had both a purchase card and a travel card.

The purchase card program had 13 cardholders. All charges made on the 13 purchase cards were billed to one CBA. The travel card program had 217 cardholders. All charges made on the 217 travel cards were IBAs except for employee business travel airfares which were billed

to one CBA. Accordingly, we selected a sample of travel card disbursements from the one CBA card.

We sampled and tested 45 out of 3,955 transactions from the CBAs as shown in Table 2.

Table 2: Distribution of Sample Size Tested

Charge Card Program	Sample Count	Total Amount of Sample Tested (Rounded)	FY 2016 Total Number of Transactions	FY 2016 Total Disbursements (Rounded)	Percentage to Total
Purchase	8	\$8,000	1,409	\$897,000	18%
Travel	37	\$90,000	2,525	\$4,133,000	82%
Fleet	0	\$0	21	\$700	<1%
Total	45	\$98,000	3,955	\$5,030,700	100%

Our detailed testing of the purchase and travel card transactions identified de-minimis noncompliance with MCC's Charge Card Management Policy and Standard Operating Procedures that we communicated separately to MCC.

CONCLUSION

Based on the risk assessment, we determined that MCC's three charge card programs comprising of the purchase cards, travel cards, and fleet card pose a low risk of illegal, improper, or erroneous purchases and payments. The results of our risk assessment should not be interpreted to conclude that the charge card programs with low risk are free of illegal, improper, or erroneous purchases and payments. Likewise, a high risk in the charge card programs should not be interpreted to indicate actual or known illegal, improper, or erroneous purchases and payments.

APPENDIX I
Management's Response to Audit Findings



MEMORANDUM

DATE: January 10, 2018

TO: Donell Ries
Principal Director for Millennium Challenge Corporation
Office of Inspector General
United States Agency for International Development

FROM: Brian Corry /s/
Co-Acting Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

SUBJECT: MCC's Management Response to the Draft Report, "*MCC Charge Card Programs Posed a Low Risk of Improper Purchases and Payments in Fiscal Year 2016*" dated December 14, 2017

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report titled "*MCC Charge Card Programs Posed a Low Risk of Improper Purchases and Payments in Fiscal Year 2016*", dated December 14, 2017. MCC concurs with the conclusion of the report and is pleased that the risk assessment found that MCC's charge card programs posed a low risk of illegal, improper, or erroneous purchases and payments in FY 2016. MCC will continue to ensure that the required safeguards and internal controls are in place over the charge card processes and the agency complies with authoritative guidance.

There were no recommendations as part of this audit, and as such, MCC does not provide a corrective action plan.

If you have any questions or require any additional information, please contact Brian Corry, Co-Acting Vice President and Chief Financial Officer, at 202-521-3693 or

Corrybm@mcc.gov; or Jude Koval, Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or Kovaljg@mcc.gov.

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