



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

MCC Complied in Fiscal Year 2018 With the Improper Payments Elimination and Recovery Act of 2010

AUDIT REPORT M-000-19-003-C
MAY 13, 2019

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MEMORANDUM

DATE: May 13, 2019

TO: Millennium Challenge Corporation, Vice President, Administration and Finance
(and Agency Head), Cynthia Huger

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

SUBJECT: MCC Complied in Fiscal Year 2018 With the Improper Payments Elimination and Recovery Act of 2010 (M-000-19-003-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC) compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The Office of Inspector General (OIG) contracted with the independent certified public accounting firm CliftonLarsonAllen LLP (CLA) to conduct the audit. The contract required the audit firm 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. The audit firm is responsible for the enclosed auditor's 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 determine if MCC's improper payment reporting in its fiscal year 2018 Agency Financial Report was in compliance with IPERA. To answer the audit objective, CLA analyzed the accuracy and completeness of MCC's reporting and evaluated MCC's performance in reducing and recovering improper payments.

The audit firm concluded that MCC complied with the requirements of IPERA for fiscal year 2018. CLA also found MCC's reporting and performance in reducing and recapturing improper payments to be generally accurate and complete. CLA's report did not include any recommendations.

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



CliftonLarsonAllen LLP
CLAconnect.com

**MCC Complied in Fiscal Year 2018 With the Improper Payments
Elimination and Recovery Act of 2010**

**Audit Performed
by
CliftonLarsonAllen LLP**

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

April 30, 2019

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EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

CliftonLarsonAllen LLP (CLA) was engaged by the United States Agency for International Development (USAID) Office of Inspector General (OIG) to conduct a performance audit of the Millennium Challenge Corporation's (MCC) compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as amended, for fiscal year (FY) 2018 in accordance with Part IV.A.(3) of the Office of Management and Budget (OMB) Memorandum M-18-20 (M-18-20), Appendix C to OMB Circular No. A-123 (A-123), *Requirements for Payment Integrity Improvement*, dated June 26, 2018.

As part of this audit, we also evaluated the accuracy and completeness of MCC's reporting and performance in reducing and recapturing improper payments.

Our audit performance period was from February 2019 through April 2019. We conducted our audit in accordance with generally accepted government auditing standards.

WHAT WE CONCLUDED

We concluded that MCC was in compliance with IPERA for FY 2018, shown in Table I below. We also found MCC's reporting and performance in reducing and recapture improper payments to be generally accurate and complete.

TABLE I: IPERA Compliance Requirements Reporting Table

Program Fund Name	Published an AFR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 percent
609(g)	Compliant	NA	NA	NA	NA	NA
Administrative	Compliant	NA	NA	NA	NA	NA
Audit	Compliant	NA	NA	NA	NA	NA
CIF	Compliant	NA	NA	NA	NA	NA
Compact	Compliant	NA	NA	NA	NA	NA
Due Diligence	Compliant	NA	NA	NA	NA	NA
Threshold	Compliant	NA	NA	NA	NA	NA

Legend: The NA in Table I means Not Applicable because MCC did not have programs or activities determined to be susceptible to significant improper payments under Part I.B.2 of Appendix C of OMB A-123. In addition, for programs or activities that are deemed to be not susceptible to significant improper payments, MCC is required to perform a risk assessment at least once every three years under Part I.C.1 of Appendix C. MCC conducted its latest risk assessment in FY 2017. Accordingly, MCC did not conduct a risk assessment in FY 2018.

We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives. Our objectives, scope and methodology are described in Appendix A.

We appreciate the assistance provided by MCC management and staff.

CliftonLarsonAllen LLP



Arlington, VA
April 30, 2019

PROGRAM BACKGROUND

The Improper Payments Information Act (IPIA)¹ of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA)² of 2010 and the Improper Payment Elimination and Recovery Improvement Act (IPERIA)³ of 2012, requires the Inspector General (OIG) of each agency to determine whether the agency is in compliance with IPIA⁴ and submit a report on that determination annually. The current OMB implementation guidance, M-18-20, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, was issued on June 26, 2018.

OMB M-18-20, Appendix C, Part I.A.(1) defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.

Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for an incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law).

In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment should also be considered an improper payment.

Under IPERA, each agency shall periodically review all programs and activities and identify those that are susceptible to significant improper payments.⁵ For those programs that are identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate of the annual amount of improper payments in those programs and activities and

¹ Pub. Law No. 7-3--, 116 Stat. 2350 (2002)

² Pub. Law No. 111-204, 124 Stat. 2224 (2010)

³ Pub. Law No. 112-248, 126 Stat. 2390 (2012)

⁴ Unless otherwise indicated, the term "IPERA" will imply "IPIA, as amended by IPERA and IPERIA."

⁵ "Significant improper payments" are defined as gross annual improper payments (i.e., the total amount of overpayments and underpayments) in the program exceeding (1) both 1.5 percent of program outlays and \$10,000,000 of all program or activity payments made during the fiscal year reported or (2) \$100,000,000 (regardless of all the improper payment percentage of total program outlays).

include those estimates in the accompanying materials to the Agency Financial Report (AFR) or Performance Accountability Report (PAR)⁶ of the agency.

In the Payment Integrity section of MCC's FY 2018 AFR,⁷ MCC reported FY 2018 information on the outcome of self-identified improper payments and recovery efforts in Table 10, Overpayments Recaptured Outside of Payment Recapture Audits. The table shows the fund, improper payments not yet recovered from prior years, improper payments identified for recapture in FY 2018, cumulative improper payments identified for recapture, improper payments recaptured in FY 2018, write-offs in FY 2018, remaining improper payment balance as of 9/30/2018, and the recapture rate.

RESULTS AND CONCLUSION

We conclude that MCC was in compliance with the requirements of the improper payments reporting in Fiscal Year 2018. Table 2 below shows the OMB compliance requirements, MCC compliance status, and the results of CLA's audit.

⁶ Agencies shall report to the President and Congress (through AFRs or PARs in the format required by OMB Circular No. A-136 for improper payment reporting) an estimate of the annual amount and rate of improper payments for all programs and activities determined to be susceptible to significant improper payments.

⁷ MCC's FY18 AFR, <https://assets.mcc.gov/content/uploads/report-fy2018-afr-2.pdf>, pp. 86-87.

Table 2: Results of MCC Compliance with the Requirements of IPERA			
Compliance Reference	OMB Compliance Requirement	MCC Compliance Status	CLA Review
a.	Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;	Compliant	MCC FY 2018 AFR was published on November 15, 2018, on MCC's website.
b.	Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required);	Not Applicable	OMB guidance requires performance of a risk assessment at least once every three years for programs or activities not susceptible to significant improper payments and annually for those susceptible. MCC conducted risk assessments in FY 2017 and FY 2016. MCC determined that its programs are not susceptible to significant improper payments. Accordingly, it is not required to conduct a risk assessment in FY 2018.
c.	Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.

Table 2: Results of MCC Compliance with the Requirements of IPERA			
Compliance Reference	OMB Compliance Requirement	MCC Compliance Status	CLA Review
d.	Published programmatic corrective action plans in the AFR or PAR (if required);	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
e.	Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
f.	Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.	Not Applicable	MCC determined that none of its programs or activities were susceptible to significant improper payments. Therefore, this requirement was not applicable.

APPENDIX A - OBJECTIVES, SCOPE AND METHODOLOGY

Objectives and Scope

Our objective was to determine if MCC's improper payment reporting in its FY 2018 AFR was in compliance with IPERA and in accordance with OMB M-18-20 Part IV.A.(3) of Appendix C of OMB A-123. As part of this audit, we also evaluated the accuracy and completeness of MCC's reporting, and evaluated MCC's performance in reducing and recapturing improper payments.

Methodology

OMB M-18-20, Part IV.A.(3), states that the agency Inspector General should review the agency's AFR or PAR (and any accompanying information) for the most recent fiscal year. Compliance under IPERA means the agency has:

- a. Published an AFR or PAR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website;
- b. Conducted a program specific risk assessment for each program or activity that conforms with Section 3321 note of Title 31 U.S.C. (if required);
- c. Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- d. Published programmatic corrective action plans in the AFR or PAR (if required);
- e. Published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- f. Reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.

If an agency does not meet one or more of these requirements, then it is not compliant under IPERA.

As part of our work, we:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as MCC guidance, policies, and procedures.
- Obtained an understanding of MCC internal controls over improper payments and evaluated the design and operating effectiveness of relevant payments, reduction and recapture controls.
- Reviewed the improper payments reporting details in MCC's Self-Identified Improper Payments Tracker for accuracy and completeness and the FY 2018 AFR for compliance with IPERA requirements.

- Assessed the overall presentation of the improper payments in the AFR for completeness as per Section II.4.5. of OMB Circular A-136, *Financial Reporting Requirements* (OMB A-136).
- Agreed the Accounts Receivable Balance reported in MCC's September 30, 2018 Balance Sheet (and Note 4 of the AFR) to MCCs Self-Identified Improper Payments Tracker.

In planning our work, we gained an understanding of the internal controls over MCC's improper payments identification, reduction, recapture, and reporting processes. Our audit procedures include inquiries, reviews of the MCC Self-Identified Improper Payments Tracker and AFR, as per OMB Circular A-123, Appendix C.

We reviewed the status of outstanding audit findings to identify payments that were recaptured as a result of those audits in fiscal year 2018.

The results of our audit did not disclose any material weaknesses or significant deficiencies. Other non-significant matters related to internal controls deficiencies were communicated to the agency via a notice of findings and suggestions.

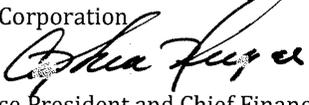
The purpose of our work was not to provide an opinion on internal controls over improper payments or its reporting process. Therefore, we do not express such an opinion. We conducted this performance audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

APPENDIX B – MCC’S MANAGEMENT RESPONSE



DATE: April 30, 2019

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

FROM: Cynthia Huger 
Head of Agency and Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

SUBJECT: MCC’s Management Response to the Draft Report, “MCC Complied in Fiscal Year 2018 with the Improper Payments Elimination and Recovery Act of 2010,” dated April 30, 2019

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report on the Office of Inspector General (OIG)’s audit, “MCC Complied in Fiscal Year 2018 with the Improper Payments Elimination and Recovery Act of 2010,” dated April 30, 2019. MCC concurs with the conclusion of the report and deemed the report constructive in helping to validate the agency’s compliance with the Improper Payments Elimination and Recovery Act of 2010.

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 Cynthia Huger at 202-521-7252 or hugerc@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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