



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

USAID Complied in Fiscal Year 2018 With the Improper Payments Elimination and Recovery Act

AUDIT REPORT 0-000-19-004-C
MAY 31, 2019

1300 Pennsylvania Avenue NW • Washington, DC 20523
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MEMORANDUM

DATE: May 31, 2019

TO: USAID Chief Financial Officer, Reginald W. Mitchell

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

SUBJECT: USAID Complied in Fiscal Year 2018 With the Improper Payments Elimination and Recovery Act (0-000-19-004-C)

Enclosed is the final audit report on USAID's compliance with the Improper Payments Elimination and Recovery Act (IPERA). The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of Brown & Company Certified Public Accountants and Management Consultants, PLLC (Brown & Company) 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 the audit firm'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 Brown & Company did not comply, in all material respects, with applicable standards.

The audit objective was to determine if USAID was in compliance with IPERA as reported in USAID's fiscal year 2018 Agency Financial Report. To answer the audit objective, the audit firm obtained an understanding of USAID's system to comply with IPERA and evaluated the accuracy and completeness of USAID's IPERA reporting and USAID's performance in reducing and recovering improper payments.

The audit firm concluded that USAID complied with the requirements of IPERA for fiscal year 2018. Brown & Company also found USAID's reporting and performance in reducing and recapturing improper payments to be generally accurate and complete. Brown & Company did not make any recommendations. USAID informally acknowledged the draft audit report and is not required to take any additional action to address the results.

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

**USAID COMPLIED WITH THE
IMPROPER PAYMENTS ELIMINATION
AND RECOVERY ACT IN
FISCAL YEAR 2018**

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



May 30, 2019

Submitted by:

**Brown & Company CPAs and
Management Consultants, PLLC
6401 Golden Triangle Drive, Suite 310
Greenbelt, MD 20770**

**USAID COMPLIED WITH THE
IMPROPER PAYMENTS ELIMINATION
AND RECOVERY ACT IN
FISCAL YEAR 2018**

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BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS, PLLC

**USAID COMPLIED WITH THE
IMPROPER PAYMENTS ELIMINATION
AND RECOVERY ACT IN
FISCAL YEAR 2018**

Independent Auditor's Report

To: Office of Inspector General for the
U.S. Agency for International Development

This report presents the results of Brown & Company Certified Public Accountants and Management Consultants, PLLC's (Brown & Company) independent audit of the United States Agency for International Development's (USAID) compliance with the Improper Payments Elimination and Recovery Act (IPERA). The USAID Office of Inspector General (OIG) contracted with Brown & Company to conduct this independent performance audit. Our objective was to determine whether the USAID complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012. This performance audit was conducted in accordance with generally accepted government auditing standards.

We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objectives. Our report contains the audit results and audit approach.

This report is for the purpose of concluding on the audit objectives described above. Accordingly, this report is not suitable for any other purpose.

We appreciate the assistance we received from the staff of USAID and appreciate the opportunity to serve you.

Sincerely,


Greenbelt, Maryland
May 30, 2019



1. INTRODUCTION

This Administration has made reducing improper payments and protecting taxpayer money a top priority. IPERA requires each Federal agency to review its programs and identify programs that may be susceptible to significant improper payments, report the amount and causes of improper payments that occurred, and report on corrective actions planned to reduce the improper payments.

IPERA, as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA), requires each agency to assess the risk of, estimate, report, reduce, and recover improper payments. It also requires each office of inspector general (OIG) to conduct an annual audit to determine whether its agency has complied with the requirements.

The Office of Management and Budget (OMB) provides guidance for agencies to implement IPERA requirements.¹ IPERA and OMB guidance define an “improper payment” as any payment that should not have been made or was made in an incorrect amount (overpayment or underpayment) to an eligible recipient. Improper payments also include payments made to ineligible recipients or for ineligible goods or services, or payments for goods or services that were not received. However, an improper payment does not always result in an actual monetary loss to the Government. If the recipient was paid the correct amount but the agency could not find the necessary supporting documentation when reviewing the payment for accuracy, then the reviewing agency would classify the payment as an improper payment.

Accordingly, our audit objective was to determine whether USAID complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012.

We conducted our work from April 2019 through May 2019 in accordance with generally accepted government auditing standards. More information on the scope and methodology can be found in Appendix A.

2. BACKGROUND

IPERA built on the Improper Payments Information Act of 2002. IPERA defines significant improper payments for programs as those totaling \$10 million during a single fiscal year and 1.5 percent of total program outlays, or those totaling \$100 million regardless of the percentage. Besides reporting on estimated improper payments that reach these thresholds, the act requires agencies to do the following:

¹ OMB M-18-20 *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, June 26, 2018.

- Perform payment recovery or recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective.
- Conduct a financial management improvement program and continue to review their programs and activities annually to identify those susceptible to significant improper payments.
- Review pre-payment and pre-award procedures and conduct a thorough review of available databases, including the Do Not Pay Portal, before releasing Federal funds.

The legislation offers agencies an incentive for reducing improper payments. According to IPERA and OMB's implementing guidance, if a program has documented a minimum of 2 consecutive years of improper payments that are below the thresholds set by IPERA, the agency may request relief from the annual reporting requirements for this program. This request must include a statement from the agency's OIG that it agrees with the request for relief.

USAID assessed the risk of improper payments in all 75 program areas in FY 2018. During this reporting period, the risk assessment and program review for improper payments did not identify any programs susceptible to significant improper payments; therefore, no further estimation or reporting related to these programs is required.

3. SUMMARY OF RESULTS

We found that USAID complied with the requirements of IPERA as amended by IPERIA. We are not making any recommendations in this report.

USAID informally acknowledged the draft report results and did not provide management comments.

4. USAID COMPLIED WITH IPERA

In fiscal year 2018, USAID met the criteria for compliance with IPERA. OMB M-18-20, Transmittal of Appendix C to OMB Circular A-123, lists six requirements² (shown in the following table) for review to determine compliance. A full listing of USAID's IPERA compliance by requirement and program can be found in Appendix B.

² OMB M-18-20 Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, June 26, 2018, Question 4

Assessment of USAID's Compliance With IPERA

IPERA Reporting Requirements		Compliant?
1	Published an AFR (Agency Financial Report) or PAR (Performance and Accountability Report) for the most recent fiscal year and posted that report and any accompanying materials required by OMB on the agency website	Yes
2	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)	Yes
3	Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required)	Not Applicable
4	Published programmatic corrective action plans in the AFR or PAR (if required)	Not Applicable
5	Published and is meeting annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable)	Not Applicable
6	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

Related to the first requirement, we determined that USAID's fiscal year 2018 payment integrity report is substantially complete, accurate, reliable, and relevant and is in compliance with IPERA.

Related to requirement 2, per OMB Memorandum M-18-20, for programs that are deemed to be at low risk of significant improper payments, agencies must conduct risk assessments at least once every three years. USAID has elected to conduct the improper payment risk assessments in fiscal years 2016, 2017 and 2018. We determined that USAID identified and reviewed Phoenix payment data; properly considered qualitative factors; and completed its qualitative and quantitative assessments for all of its programs that conform to section 2(a) of the Improper Payments Information Act of 2002.

Requirements 3, 4, 5, and 6 do not apply to USAID, which did not report any estimated improper payments that exceeded 1.5 percent of program outlays and \$10 million in total, or \$100 million in total, which would have constituted a significant improper payment.

5. CONCLUSION

While USAID complied with the requirements of IPERA, as amended, the reduction of improper payments continues to be a major focus area for the Federal Government—particularly as agencies may see flat or reduced funding levels in the future. Accordingly, ensuring the proper use of funds entrusted to USAID is critical.

6. APPENDIX A – SCOPE AND METHODOLOGY

We conducted our work in Washington, DC from April 2019 through May 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit objective was to determine whether USAID complied with the requirements of the Improper Payments Elimination and Recovery Act of 2010 as amended by the Improper Payments Elimination and Recovery Improvement Act of 2012.

To fulfill our responsibilities, we performed the following steps in accordance with OMB's procedures related to improper payment reporting. To frame our audit work to determine compliance with IPERA, we:

- Obtained an understanding of the laws, regulations, and other guidance applicable to improper payments.
- Interviewed officials in the Agency's Office of the Chief Financial Officer to obtain an understanding of USAID's procedures and key processes to comply with the requirements of IPERA, as amended by IPERIA.

Based on our review of the laws, regulations, and other guidance related to improper payments, we determined that only requirements 1 and 2 of IPERA were applicable to USAID in fiscal year 2018.

To determine whether USAID complied with requirement 1 of IPERA, we reviewed the Agency's payment integrity report to determine whether it was substantially complete, accurate, reliable, and relevant. Specifically, we:

- Reviewed the supporting documentation for the report and recomputed total amounts of overpayment recaptures to determine the accuracy. We also reviewed the Phoenix payment data identified by the Agency to produce the report.
- Reviewed the Agency's policies and procedures designed to identify duplicate payments in Phoenix for fiscal year 2018. We also reviewed the results of the Agency's duplicate payment information contained in the supporting documentation for the report.
- Reviewed and relied on the audit work of others related to improper payments performed during the audit of USAID's fiscal year 2018 financial statements.

APPENDIX A

This audit work concluded that key internal controls over improper payments were designed and operating effectively. Specifically, the audit tested whether 1) the Agency's key personnel approved invoices; 2) the Agency's payments were made within 30 days in accordance with the prompt pay act; and these payments had invoices, supporting documents, and completed administrative approval forms that demonstrated the right vendor, amount, and program areas, and that goods and services were received.

- Reviewed USAID reported information on www.paymentaccuracy.gov.

To determine whether USAID complied with requirement 2 of IPERA, we reviewed the Agency's risk assessment process to identify programs susceptible to significant improper payments. Specifically, we interviewed key Agency officials involved with the risk assessment process and reviewed the Agency's supporting documentation, policies, and procedures related to the process. We evaluated how the Agency identified payment data, qualitative factors, and risk categories. Finally, we reviewed the Phoenix payment data used by the Agency to perform the risk assessment.

APPENDIX B

7. APPENDIX B- ASSESSMENT OF USAID'S COMPLIANCE WITH IPERA FOR FY 2018 BY REQUIREMENT AND PROGRAM

Program Name ³	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Report an Improper Payment Rate of Less than 10%
USAID PROGRAM STRUCTURE – PRE-FY 2017						
A01 Counterterrorism	Yes	Yes	N/A	N/A	N/A	N/A
A02 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	N/A	N/A	N/A	N/A
A03 Stabilization Operations and Security Sector Reform	Yes	Yes	N/A	N/A	N/A	N/A
A04 Counternarcotics	Yes	Yes	N/A	N/A	N/A	N/A
A05 Transnational Crime	Yes	Yes	N/A	N/A	N/A	N/A
A06 Conflict Mitigation and Reconciliation	Yes	Yes	N/A	N/A	N/A	N/A
A07 Rule of Law and Human Rights	Yes	Yes	N/A	N/A	N/A	N/A
A08 Good Governance	Yes	Yes	N/A	N/A	N/A	N/A
A09 Political Competition and Consensus-Building	Yes	Yes	N/A	N/A	N/A	N/A
A10 Civil Society	Yes	Yes	N/A	N/A	N/A	N/A
A11 Health	Yes	Yes	N/A	N/A	N/A	N/A
A12 Education	Yes	Yes	N/A	N/A	N/A	N/A
A13 Social and Economic Services and Protection for Vulnerable Populations	Yes	Yes	N/A	N/A	N/A	N/A
A14 Macroeconomic Foundation for Growth	Yes	Yes	N/A	N/A	N/A	N/A
A15 Trade and Investment	Yes	Yes	N/A	N/A	N/A	N/A
A16 Financial Sector	Yes	Yes	N/A	N/A	N/A	N/A
A17 Infrastructure	Yes	Yes	N/A	N/A	N/A	N/A

³ Note: Prior to FY 2017, USAID programs were designated as A01 through A27. Beginning in FY 2017, USAID aligned its program structure with the U.S. Department of State and USAID SPSP that consists of 48 programs. In FY 2018, USAID assessed the risk of improper payments in the SPSP programs and continued to assess the risk of improper payments in programs A01 through A27, as payments in those programs will continue into the future.

APPENDIX B

Program Name ³	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Report an Improper Payment Rate of Less than 10%
A18 Agriculture	Yes	Yes	N/A	N/A	N/A	N/A
A19 Private Sector Competitiveness	Yes	Yes	N/A	N/A	N/A	N/A
A20 Economic Opportunity	Yes	Yes	N/A	N/A	N/A	N/A
A21 Environment	Yes	Yes	N/A	N/A	N/A	N/A
A22 Protection, Assistance and Solutions	Yes	Yes	N/A	N/A	N/A	N/A
A23 Disaster Readiness	Yes	Yes	N/A	N/A	N/A	N/A
A24 Migration Management	Yes	Yes	N/A	N/A	N/A	N/A
A25 Crosscutting Management and Staffing	Yes	Yes	N/A	N/A	N/A	N/A
A26 Program Design and Learning	Yes	Yes	N/A	N/A	N/A	N/A
A27 Administration and Oversight	Yes	Yes	N/A	N/A	N/A	N/A
STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD) – STARTING IN FY 2017						
DR.1 Rule of Law (ROL)	Yes	Yes	N/A	N/A	N/A	N/A
DR.2 Good Governance	Yes	Yes	N/A	N/A	N/A	N/A
DR.3 Political Competition and Consensus-Building	Yes	Yes	N/A	N/A	N/A	N/A
DR.4 Civil Society	Yes	Yes	N/A	N/A	N/A	N/A
DR.5 Independent Media and Free Flow of Information	Yes	Yes	N/A	N/A	N/A	N/A
DR.6 Human Rights	Yes	Yes	N/A	N/A	N/A	N/A
EG.1 Macroeconomic Foundation for Growth	Yes	Yes	N/A	N/A	N/A	N/A
EG.2 Trade and Investment	Yes	Yes	N/A	N/A	N/A	N/A
EG.3 Agriculture	Yes	Yes	N/A	N/A	N/A	N/A
EG.4 Financial Sector	Yes	Yes	N/A	N/A	N/A	N/A
EG.5 Private Sector Productivity	Yes	Yes	N/A	N/A	N/A	N/A
EG.6 Workforce Development	Yes	Yes	N/A	N/A	N/A	N/A
EG.7 Modern Energy Services	Yes	Yes	N/A	N/A	N/A	N/A
EG.8 Information and Communications Technology Services	Yes	Yes	N/A	N/A	N/A	N/A
EG.9 Transport Services	Yes	Yes	N/A	N/A	N/A	N/A

APPENDIX B

Program Name ³	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Report an Improper Payment Rate of Less than 10%
EG.10 Environment	Yes	Yes	N/A	N/A	N/A	N/A
EG.11 Climate Change – Adaptation	Yes	Yes	N/A	N/A	N/A	N/A
EG.12 Climate Change – Clean Energy	Yes	Yes	N/A	N/A	N/A	N/A
EG.13 Climate Change – Sustainable Landscapes	Yes	Yes	N/A	N/A	N/A	N/A
ES.1 Basic Education	Yes	Yes	N/A	N/A	N/A	N/A
ES.2 Higher Education	Yes	Yes	N/A	N/A	N/A	N/A
ES.3 Social Policies, Regulations, and Systems	Yes	Yes	N/A	N/A	N/A	N/A
ES.4 Social Services	Yes	Yes	N/A	N/A	N/A	N/A
ES.5 Social Assistance	Yes	Yes	N/A	N/A	N/A	N/A
HA.1 Protection, Assistance and Solutions	Yes	Yes	N/A	N/A	N/A	N/A
HA.2 Disaster Readiness	Yes	Yes	N/A	N/A	N/A	N/A
HA.3 Migration Management	Yes	Yes	N/A	N/A	N/A	N/A
HL.1 HIV/AIDS	Yes	Yes	N/A	N/A	N/A	N/A
HL.2 Tuberculosis	Yes	Yes	N/A	N/A	N/A	N/A
HL.3 Malaria	Yes	Yes	N/A	N/A	N/A	N/A
HL.4 Pandemic Influenza and Other Emerging Threats (PIOET)	Yes	Yes	N/A	N/A	N/A	N/A
HL.5 Other Public Health Threats	Yes	Yes	N/A	N/A	N/A	N/A
HL.6 Maternal and Child Health	Yes	Yes	N/A	N/A	N/A	N/A
HL.7 Family Planning and Reproductive Health	Yes	Yes	N/A	N/A	N/A	N/A
HL.8 Water Supply and Sanitation	Yes	Yes	N/A	N/A	N/A	N/A
HL.9 Nutrition	Yes	Yes	N/A	N/A	N/A	N/A
PO.1 Program Design and Learning	Yes	Yes	N/A	N/A	N/A	N/A
PO.2 Administration and Oversight	Yes	Yes	N/A	N/A	N/A	N/A
PO.3 Evaluation	Yes	Yes	N/A	N/A	N/A	N/A
PS.1 Counterterrorism	Yes	Yes	N/A	N/A	N/A	N/A
PS.2 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	N/A	N/A	N/A	N/A
PS.3 Counternarcotics	Yes	Yes	N/A	N/A	N/A	N/A

APPENDIX B

Program Name ³	Published an AFR or PAR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Report an Improper Payment Rate of Less than 10%
PS.4 Transnational Threats and Crime	Yes	Yes	N/A	N/A	N/A	N/A
PS.5 Trafficking in Persons	Yes	Yes	N/A	N/A	N/A	N/A
PS.6 Conflict Mitigation and Stabilization	Yes	Yes	N/A	N/A	N/A	N/A
PS.7 Conventional Weapons Security and Explosive Remnants of War (ERW)	Yes	Yes	N/A	N/A	N/A	N/A
PS.8 Strengthening Military Partnerships and Capabilities	Yes	Yes	N/A	N/A	N/A	N/A
PS.9 Citizen Security and Law Enforcement	Yes	Yes	N/A	N/A	N/A	N/A