



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

USAID Complied in Fiscal Year 2019 With the Improper Payments Elimination and Recovery Act of 2010, as Amended

AUDIT REPORT 0-000-20-007-C
May 14, 2020

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MEMORANDUM

DATE: May 14, 2020

TO: USAID Chief Financial Officer, Reginald W. Mitchell

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

SUBJECT: USAID Complied in Fiscal Year 2019 With the Improper Payments Elimination and Recovery Act of 2010, as Amended (0-000-20-007-C)

Enclosed is the final audit report on the U.S. Agency for International Development (USAID's) compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as amended, for fiscal year 2019. The USAID Office of Inspector General (OIG) contracted with the independent certified public accounting firm of GKA, P.C. Certified Public Accountants and Management Consultants (GKA) 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 GKA did not comply, in all material respects, with applicable standards. In finalizing the report, we considered your comments on the draft and included them in their entirety, in appendix C.

The audit objective was to determine whether USAID complied with the requirements of IPERA as amended, in fiscal year 2019. To answer the audit objective, GKA obtained an understanding of USAID's system to comply with IPERA and evaluated the accuracy and completeness of USAID's reporting and performance in reducing and recovering improper payments and conducting program-specific risk assessments.

The audit firm concluded that USAID complied with the requirements of IPERA, as amended, in fiscal year 2019. GKA's report did not include any recommendations.

We appreciate the assistance extended to our staff and GKA employees during the engagement.

Office of Inspector General
U.S. Agency for International Development



Independent Auditor's Report
USAID Complied With the Improper
Payments Elimination and Recovery Act in
Fiscal Year 2019

April 15, 2020

Submitted by:



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Independent Auditor's Report

Office of Inspector General
U.S. Agency for International Development
Washington, D.C.

RE: Audit of USAID's compliance with the requirements of the Improper Payments Elimination and Recovery Act of 2010 for fiscal year 2019

This report presents the results of GKA, P.C. Certified Public Accountants and Management Consultants, (GKA) independent audit of the United States Agency for International Development's (USAID) compliance with the Improper Payments Elimination and Recovery Act (IPERA) for fiscal 2019. The USAID Office of Inspector General (OIG) contracted with GKA 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 is further defined in Appendix A, "Scope and Methodology" of the report.

The report contains no recommendations. The chief financial officer had no objections to the content of the report.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

A handwritten signature in black ink that reads 'GKA, P.C.' with a stylized flourish.

Washington, DC
April 15, 2020

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INTRODUCTION

Our audit objective was to determine whether U.S. Agency for International Development (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 accomplish this objective, the independent public accountant GKA, P.C. Certified Public Accountants and Management Consultants, (GKA) acting on the Office of Inspector General's (OIG) behalf, reviewed the USAID's FY 2019 Agency Financial Report (AFR) to determine whether USAID complied with improper payments reporting requirements and evaluated whether USAID conducted a program-specific risk assessment for all programs covered by Office of Management and Budget (OMB) requirements.

Reducing improper payments and protecting taxpayer money has been a top priority for several Administrations. Improper payments are payments that should not have been made or that were made in an incorrect amount. Improper payments include overpayments and underpayments, duplicate payments, payments made to an ineligible recipient, payments for an ineligible good or service, payments for goods or services not received (except for such payments authorized by law), payments that do not account for credit for applicable discounts, and payments for which an agency cannot determine whether the payments were proper because of a lack of or insufficient supporting documentation.

To reduce these improper payments—made “to the wrong entity, in the wrong amount, or for the wrong reason”¹—Congress has enacted legislation. In 2002, Congress enacted the Improper Payments Information Act of 2002 (IPIA),² which required federal agencies to annually identify programs and activities³ at high risk of improper payments, estimate the amount of improper payments in those programs, perform recovery auditing if program payments exceeded \$500 million, and report to Congress on steps taken to reduce improper payments.

In July 2010, the Improper Payments Elimination and Recovery Act of 2010 (IPERA)⁴, which amended IPIA, was signed into law. IPERA strengthened IPIA by increasing requirements for identifying and reporting on improper payments. IPERA clarified the programs to be reviewed and expanded improper payments recapture activities. IPERA also required each office of the Inspector General (OIG) to annually conduct an audit to determine whether its agency was in compliance with improper payments requirements and established additional requirements for agencies that were deemed noncompliant.

In January 2013, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA)⁵ was enacted. The IPERIA further amended IPIA by redefining “payment” to refer to all payments (including payments that were made to employees) except intragovernmental transactions. It also codified the ongoing efforts of the Office of Management and Budget (OMB) to develop and

1 Office of Management and Budget (OMB) Memorandum M-15-02, October 20, 2014.

2 Improper Payments Information Act of 2002, Public Law 107-300, November 26, 2002.

3 The term “program and activity” is referred to in this report as “program.”

4 Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204, §§ 2 and 3, July 22, 2010.

5 Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248, §§ 1 through 5, January 10, 2013.

enhance the U.S. Government’s Do Not Pay Initiative (DNP), which included the creation of a centralized DNP list for Federal departments and agencies to check prior to disbursing payments. It also required OMB to identify high-priority federal programs for greater levels of oversight and review,⁶ provide guidance to agencies for improving estimates of improper payments, and establish a working system for prepayment and pre-award review.

In October 2014, OMB issued guidance for agencies to implement improper payments legislation in Appendix C, “*Requirements for Effective Estimation and Remediation of Improper Payments*,” of OMB Circular A-123, “*Management’s Responsibility for Enterprise Risk Management and Internal Control*.” On June 26, 2018, OMB released an updated version of Appendix C, “*Requirements for Payment Integrity Improvement*.” The guidance, among other things, defines the programs and payments that agencies must assess for the risk of improper payments and provides requirements for determining whether the risk of improper payments is significant, developing an estimate of improper payments, performing recapture audit activities, and reporting improper payments activities.

IPERA, as amended by 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.

We conducted our work from February through April 2020 in accordance with GAGAS. Those standards require that GKA plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for the findings and conclusions based on the audit objectives. GKA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. The purpose of this report is to communicate the results of GKA’s performance audit and its related findings and recommendations.

More information on the scope and methodology can be found in Appendix A.

SUMMARY

We found that USAID complied with the requirements of IPERA as amended by IPERIA. We are not making any recommendations in this report. The chief financial officer had no objections to the content of the report.

⁶ USAID does not have any high-priority programs, as identified by OMB.

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:

- 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 prepayment 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.⁷ This request must include a statement from the agency's OIG that it agrees with the request for relief.

Prior to FY 2017, USAID programs were designated as A01 through A27 (27 program areas). Beginning in FY 2017, USAID aligned its program structure with the U.S. Department of State and USAID Standardized Program Structure and Definitions (SPSD) that consists of 48 programs. In FY 2018 and FY 2019, USAID assessed the risk of improper payments in the SPSD programs and continued to assess the risk of improper payments in programs A01 through A27 (for a total of 75 programs), as payments in those programs will continue into the future.

USAID is in the second year of a three-year risk-assessment cycle. USAID did not identify a significant change in legislation or a significant increase in funding levels during the FY 2019 reporting period. Therefore, the Agency was not required to estimate program risks or provide further reporting in FY 2019. The next scheduled risk assessment is planned for FY 2021.

⁷ OMB Memorandum M-15-02

AUDIT RESULTS: USAID COMPLIED WITH IPERA

In fiscal year 2019, USAID met the criteria for compliance with IPERA. OMB M-18-20, Transmittal of Appendix C to OMB Circular A-123, Part IV.A.3⁸, lists six requirements (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.

Assessment of USAID's Compliance With IPERA

	Requirement	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

Requirement 1: Agency Financial Report was Published and Required Disclosures were Included

Related to the first requirement, we determined that USAID's fiscal year 2019 payment integrity report⁹ is substantially complete, accurate, reliable, and relevant and is in compliance with IPERA.

Required Improper Payments Disclosures were Made

The AFR included the required improper payments disclosures. For example, the AFR included:

⁸ OMB M-18-20 Transmittal of Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*.

⁹ The payment integrity report is included within USAID's fiscal year 2019 AFR.

- (I) a description of the Agency’s improper payments risk assessment process. (Assessing Risk).
- (II) required information on improper payments identified and recovered outside the payment recapture process. (Framework for Payment Integrity).
- (III) actions the Agency has taken or plans to take to recover improper payments; a description of the Agency’s payment recapture audit program, including the results of recapture activities, (Recapture of Payments).
- (IV) a description of the Agency’s improvement of payment accuracy that is attributable to the Do Not Pay (DNP) Initiative (Reduction of Improper Payments with the DNP Initiative).

Requirement 2: Required Program Risk Assessments were Performed

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*. However, agencies are required annually to consider whether significant changes to either legislation or funding would affect each program’s risk susceptibility.

USAID is in the second year of a three-year risk assessment cycle. The Agency performed the required program risk assessments in all program areas in FY 2019 and 2018. Specifically, USAID evaluated whether each program subject to IPIA had a significant legislative or funding change to identify programs requiring improper payments risk assessments and performed risk assessments using required criteria (that is, risk factors) defined by OMB Circular A-123 for all programs requiring evaluation. USAID did not identify a significant change in legislation or a significant increase in funding levels during the FY 2019 reporting period. Therefore, the Agency was not required to estimate program risks or provide further reporting in FY 2019. The next scheduled risk assessment is planned for FY 2021.

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.¹⁰

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.

¹⁰ A-123 App. C Part I.B.I.

APPENDIX A. SCOPE AND METHODOLOGY

We conducted our work in Washington, DC, from January 2020 through April 2020 in accordance with GAGAS. 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.

Consequently, GKA focused the scope of the audit on the following:

- (1) To determine whether USAID's FY 2019 Agency Financial Report (AFR) complied with improper payments reporting requirements,
- (2) To evaluate whether USAID conducted a program-specific risk assessment for all programs covered by Office of Management and Budget (OMB) requirements, and
- (3) To reach a conclusion as to whether USAID was compliant with IPERA according to OMB guidance.³

GKA designed the audit to obtain insight into USAID's current processes, procedures, and organizational structure regarding compliance with IPERA requirements. To expedite the audit process, GKA leveraged the results of its FY 2019 audit of USAID's financial statements, which included audits of overseas Missions, and prior audits of USAID's FYs 2011–2018 compliance with improper payment requirements to confirm its understanding of the nature and profile of USAID operations, regulatory requirements, and supporting information systems and controls.

To fulfill our responsibilities, we performed the following steps in accordance with OMB's procedures related to improper payment reporting¹¹ and CIGIE Guidance.¹² 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.
- Obtained background information, by researching and reviewing Federal laws and regulations as well as prior OIG and Government Accountability Office audit reports. GKA also reviewed the United States Code and OMB Circulars.
- Conducted process walkthroughs and 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. This included USAID's process of identifying significant improper payments, and the process of reporting improper

¹¹ OMB M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*.

¹² Council of the Inspectors General on Integrity and Efficiency, *Guidance for Improper Payments Elimination and Recovery Act Compliance Reviews*, July 9, 2019

payments information.

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 2019.

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.¹³ We also reviewed the Phoenix payment data identified by the Agency to produce the report.
- Reviewed and relied on the audit work related to improper payments that GKA separately performed during the audit of USAID's fiscal year 2019 financial statements.¹⁴ 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 3) 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;
- evaluated how the Agency identified payment data, qualitative factors, and risk categories; and
- reviewed the Phoenix payment data used by the Agency to perform the risk assessment.

¹³ USAID's fiscal year 2019 AFR, payment integrity section, table I, Overpayment Payment Recaptures With and Without Recapture Audit Programs.

¹⁴ USAID OIG, "Audit of USAID's Financial Statements for Fiscal Years 2019 and 2018" (0-000-20-006-C).

APPENDIX B. USAID'S IPERA COMPLIANCE BY REQUIREMENT AND PROGRAM AREA

No.	Program Name ¹⁵	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						
1	A01 Counterterrorism	Yes	Yes	N/A	N/A	N/A	N/A
2	A02 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	N/A	N/A	N/A	N/A
3	A03 Stabilization Operations and Security Sector Reform	Yes	Yes	N/A	N/A	N/A	N/A
4	A04 Counternarcotics	Yes	Yes	N/A	N/A	N/A	N/A
5	A05 Transnational Crime	Yes	Yes	N/A	N/A	N/A	N/A
6	A06 Conflict Mitigation and Reconciliation	Yes	Yes	N/A	N/A	N/A	N/A
7	A07 Rule of Law and Human Rights	Yes	Yes	N/A	N/A	N/A	N/A
8	A08 Good Governance	Yes	Yes	N/A	N/A	N/A	N/A
9	A09 Political Competition and Consensus-Building	Yes	Yes	N/A	N/A	N/A	N/A
10	A10 Civil Society	Yes	Yes	N/A	N/A	N/A	N/A
11	A11 Health	Yes	Yes	N/A	N/A	N/A	N/A
12	A12 Education	Yes	Yes	N/A	N/A	N/A	N/A
13	A13 Social and Economic Services and Protection for Vulnerable Populations	Yes	Yes	N/A	N/A	N/A	N/A
14	A14 Macroeconomic Foundation for Growth	Yes	Yes	N/A	N/A	N/A	N/A
15	A15 Trade and Investment	Yes	Yes	N/A	N/A	N/A	N/A
16	A16 Financial Sector	Yes	Yes	N/A	N/A	N/A	N/A
17	A17 Infrastructure	Yes	Yes	N/A	N/A	N/A	N/A

¹⁵ 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

No.	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%
18	A18 Agriculture	Yes	Yes	N/A	N/A	N/A	N/A
19	A19 Private Sector Competitiveness	Yes	Yes	N/A	N/A	N/A	N/A
20	A20 Economic Opportunity	Yes	Yes	N/A	N/A	N/A	N/A
21	A21 Environment	Yes	Yes	N/A	N/A	N/A	N/A
22	A22 Protection, Assistance and Solutions	Yes	Yes	N/A	N/A	N/A	N/A
23	A23 Disaster Readiness	Yes	Yes	N/A	N/A	N/A	N/A
24	A24 Migration Management	Yes	Yes	N/A	N/A	N/A	N/A
25	A25 Crosscutting Management and Staffing	Yes	Yes	N/A	N/A	N/A	N/A
26	A26 Program Design and Learning	Yes	Yes	N/A	N/A	N/A	N/A
27	A27 Administration and Oversight	Yes	Yes	N/A	N/A	N/A	N/A
	STANDARDIZED PROGRAM STRUCTURE AND DEFINITION (SPSD) – STARTING IN FY 2017						
28	DR.1 Rule of Law (ROL)	Yes	Yes	N/A	N/A	N/A	N/A
29	DR.2 Good Governance	Yes	Yes	N/A	N/A	N/A	N/A
30	DR.3 Political Competition and Consensus-Building	Yes	Yes	N/A	N/A	N/A	N/A
31	DR.4 Civil Society	Yes	Yes	N/A	N/A	N/A	N/A
32	DR.5 Independent Media and Free Flow of Information	Yes	Yes	N/A	N/A	N/A	N/A
33	DR.6 Human Rights	Yes	Yes	N/A	N/A	N/A	N/A
34	EG.1 Macroeconomic Foundation for Growth	Yes	Yes	N/A	N/A	N/A	N/A
35	EG.2 Trade and Investment	Yes	Yes	N/A	N/A	N/A	N/A
36	EG.3 Agriculture	Yes	Yes	N/A	N/A	N/A	N/A
37	EG.4 Financial Sector	Yes	Yes	N/A	N/A	N/A	N/A
38	EG.5 Private Sector Productivity	Yes	Yes	N/A	N/A	N/A	N/A
39	EG.6 Workforce Development	Yes	Yes	N/A	N/A	N/A	N/A
40	EG.7 Modern Energy Services	Yes	Yes	N/A	N/A	N/A	N/A
41	EG.8 Information and Communications Technology Services	Yes	Yes	N/A	N/A	N/A	N/A
42	EG.9 Transport Services	Yes	Yes	N/A	N/A	N/A	N/A

No.	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%
43	EG.10 Environment	Yes	Yes	N/A	N/A	N/A	N/A
44	EG.11 Climate Change – Adaptation	Yes	Yes	N/A	N/A	N/A	N/A
45	EG.12 Climate Change – Clean Energy	Yes	Yes	N/A	N/A	N/A	N/A
46	EG.13 Climate Change – Sustainable Landscapes	Yes	Yes	N/A	N/A	N/A	N/A
47	ES.1 Basic Education	Yes	Yes	N/A	N/A	N/A	N/A
48	ES.2 Higher Education	Yes	Yes	N/A	N/A	N/A	N/A
49	ES.3 Social Policies, Regulations, and Systems	Yes	Yes	N/A	N/A	N/A	N/A
50	ES.4 Social Services	Yes	Yes	N/A	N/A	N/A	N/A
51	ES.5 Social Assistance	Yes	Yes	N/A	N/A	N/A	N/A
52	HA.1 Protection, Assistance and Solutions	Yes	Yes	N/A	N/A	N/A	N/A
53	HA.2 Disaster Readiness	Yes	Yes	N/A	N/A	N/A	N/A
54	HA.3 Migration Management	Yes	Yes	N/A	N/A	N/A	N/A
55	HL.1 HIV/AIDS	Yes	Yes	N/A	N/A	N/A	N/A
56	HL.2 Tuberculosis	Yes	Yes	N/A	N/A	N/A	N/A
57	HL.3 Malaria	Yes	Yes	N/A	N/A	N/A	N/A
58	HL.4 Pandemic Influenza and Other Emerging Threats (PIOET)	Yes	Yes	N/A	N/A	N/A	N/A
59	HL.5 Other Public Health Threats	Yes	Yes	N/A	N/A	N/A	N/A
60	HL.6 Maternal and Child Health	Yes	Yes	N/A	N/A	N/A	N/A
61	HL.7 Family Planning and Reproductive Health	Yes	Yes	N/A	N/A	N/A	N/A
62	HL.8 Water Supply and Sanitation	Yes	Yes	N/A	N/A	N/A	N/A
63	HL.9 Nutrition	Yes	Yes	N/A	N/A	N/A	N/A
64	PO.1 Program Design and Learning	Yes	Yes	N/A	N/A	N/A	N/A
65	PO.2 Administration and Oversight	Yes	Yes	N/A	N/A	N/A	N/A
66	PO.3 Evaluation	Yes	Yes	N/A	N/A	N/A	N/A
67	PS.1 Counterterrorism	Yes	Yes	N/A	N/A	N/A	N/A
68	PS.2 Combating Weapons of Mass Destruction (WMD)	Yes	Yes	N/A	N/A	N/A	N/A
69	PS.3 Counternarcotics	Yes	Yes	N/A	N/A	N/A	N/A

No.	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%
70	PS.4 Transnational Threats and Crime	Yes	Yes	N/A	N/A	N/A	N/A
71	PS.5 Trafficking in Persons	Yes	Yes	N/A	N/A	N/A	N/A
72	PS.6 Conflict Mitigation and Stabilization	Yes	Yes	N/A	N/A	N/A	N/A
73	PS.7 Conventional Weapons Security and Explosive Remnants of War (ERW)	Yes	Yes	N/A	N/A	N/A	N/A
74	PS.8 Strengthening Military Partnerships and Capabilities	Yes	Yes	N/A	N/A	N/A	N/A
75	PS.9 Citizen Security and Law Enforcement	Yes	Yes	N/A	N/A	N/A	N/A

APPENDIX C. MANAGEMENT RESPONSE TO REPORT



Chief Financial Officer

May 4, 2020

MEMORANDUM

TO: Thomas Yatsco, AIG/A

FROM: Reginald W. Mitchell, Chief Financial Officer

Reginald W. Mitchell
Digitally signed by Reginald W. Mitchell
Date: 2020.05.04 16:18:32 -0400

SUBJECT: Management Response to the Final Audit Report: USAID Complied in Fiscal Year 2019 With the Improper Payments Elimination and Recovery Act (IPERA) 0-000-20-007-C

The U.S. Agency for International Development (USAID) would like to thank the Office of the Inspector General (OIG) for the opportunity to comment on the subject report.

We are proud of the report's summary of results stating USAID complied with the requirements of IPERA as amended by IPERIA and there were no recommendations. This report validates USAID's diligent stewardship of taxpayer dollars. We understand the reduction of improper payments continues to be a major focus area for the Federal government— particularly as agencies experience increased funding levels in response to the COVID-19 pandemic.

USAID has a rigorous payment process supported by an extensive core financial system and procedural controls, which has led to a consistently low rate of erroneous payments. The Agency's *Financial Report* for FY 2019 recorded disbursements of \$12.97 billion, with an improper-payments rate of \$4.93 million, or 0.038 percent. We have maintained our readiness and expertise in finding and reporting on improper payments by continuing to perform risk assessments annually to identify programs that could be susceptible to significant improper payments. In addition, USAID effectively prevents, detects, and responds to the potential for fraud while conducting assessments of internal control in accordance with the Office of Management and Budget Circular A-123, "*Management's Responsibility for Enterprise Risk Management and Internal Control*".

The OIG's evaluations provide a valuable opportunity to assess and improve upon USAID's policies, procedures, and programs. Thank you for the opportunity to respond to your final report, and for the courtesy shown by your staff while conducting this engagement.

If you have any questions, please contact me at (202) 916-2680.

CLEARANCE PAGE FOR MEMO FOR Management Response to the Audit Report
Produced by the Office of the Inspector General (OIG) titled, USAID Complied in Fiscal
Year 2019 With the Improper Payments Elimination and Recovery Act 0-000-20-007-C

Clearances:

Bureau/IO	Clearance Status	Date
M/CFO/RMT: M.Howard	Clear	Date: May 4, 2020
M/CFO/ICFO: APC: K.Body	Clear	Date: May 4, 2020
M/CFO/ICFO: K. Kuyumjian	Clear	Date: May 4, 2020

Drafter: M/CFO/ICFO:James Esposito:202-916-4183; May 1, 2020

APPENDIX D. ABBREVIATIONS

AFR	Agency Financial Report
CIGIE	Council of Inspectors General on Integrity and Efficiency
FY	Fiscal Year
GAO	U.S. Government Accountability Office
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	U.S. Office of Management and Budget
PAR	Performance and Accountability Report
USAID	U.S. Agency for International Development