



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

# Enhanced Controls Are Needed to Ensure the Cost- Effectiveness of MCC Travel and Prevent Waste and Abuse

**AUDIT REPORT 0-MCC-20-012-C**  
**JUNE 10, 2020**

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## MEMORANDUM

DATE: June 10, 2020

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

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

SUBJECT: Enhanced Controls Are Needed to Ensure the Cost-Effectiveness of MCC  
Travel and Prevent Waste and Abuse (0-MCC-20-012-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) use of premium travel for fiscal years (FYs) 2013 through 2019. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm, RMA Associates LLC (RMA), 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 RMA did not comply, in all material respects, with applicable standards.

The audit objectives were to determine: (1) if MCC's internal controls for the authorization and justification for premium travel were effective in preventing waste, fraud, or abuse; (2) whether MCC's use of premium travel was cost-effective; and (3) how MCC's use of premium travel aligns with the corporation's mission and Federal travel policy, and the policies and practices of the State Department and USAID.

To answer the audit objectives, the audit firm obtained an understanding of MCC's internal control over authorization, justification, and approval for use of premium travel. Additionally, RMA assessed the cost-effectiveness of MCC's use of premium travel by conducting a trend analysis and comparing:

- fiscal years across the audit period;
- the ten highest costing premium flights with a less expensive method of flight travel (i.e., coach with a rest stop);

- all premium travel against a less expensive method of flight travel; and
- MCC's use of premium travel to that of the State Department and USAID.

Finally, RMA compared MCC's Temporary Duty Travel (TDY) policy with the Federal Travel Regulation and the Fly America Act and determined if MCC's internal controls are in alignment with these Federal regulations. RMA also compared MCC's TDY policy with those of the State Department and USAID.

The audit firm reported that MCC premium travel as a percent of the total travel cost averaged 73 percent across the audit period (FYs 2013 through 2019). Premium travel costs at MCC for the audit period were \$17.6 million. The coach with a rest stop equivalent (to include per diem) was estimated at \$7.1 million to \$7.5 million. Accordingly, comparing premium travel with a less expensive method of flight travel yielded a cost difference of \$10.1 million to \$10.5 million. In addition, premium travel as a percentage of total travel events in FY 2019 was substantially higher at MCC (44 percent) than at the State Department (3 percent) or USAID (2 percent).<sup>1</sup>

In answering the audit's objectives, the firm found: (1) instances during testing where internal controls for premium travel were not effective in preventing waste and abuse; (2) MCC's use of premium travel when compared to a less expensive method of flight travel suggested opportunities to improve cost-effectiveness regarding the type of travel; and (3) MCC's policies were in alignment with the Federal Travel Regulation and the Fly America Act.

The audit firm also reported three findings with related recommendations:

**Noncompliance with the 14-hour rule.** RMA reported with 90 percent confidence that 17 percent of 132 cases of premium travel under 14 hours did not comply with requirements to document override of requirements to fly coach as required by the Federal Travel Regulation and MCC's TDY policy.<sup>2</sup> RMA based these results on testing 12 of the 132 premium travel events using a statistically valid stratified sample and finding 2 cases of noncompliance. RMA reported that lacking a process to ensure that all flights considered for premium travel meet the 14-hour rule, MCC increases the risk of unnecessary and excessive travel costs.

**Noncompliance with timeframe for premium travel approval.** RMA reported with 90 percent confidence that 87 percent of 697 cases of premium travel occurring within 15 days of travel did not have justification for late approval, and that 73 percent of these cases did not use approving officials who had the appropriate level of authority for late approvals as required by MCC's TDY policy. RMA based these results on testing 15 of the 697 premium travel events using a statistically valid stratified sample and finding 13 premium travel events that did not have adequate documentation of justification for late approval. RMA also found that 8 of 11 premium travel events tested used approving officials who lacked the appropriate level of authority for late approvals (evidence for 4 of the 15 events tested was not available for this analysis). RMA reported that lacking management enforcement of requirements for premium travel approval, MCC increases the risk that unnecessary travel costs are incurred at odds with agency policy.

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<sup>1</sup> The Secretary of State and USAID Administrator are statutory members of the MCC Board of Directors.

<sup>2</sup> Title 41 of the Code of Federal Regulations, Section 301-10.125, Subtitle F: Federal Travel Regulation System  
Office of Inspector General, U.S. Agency for International Development

**Noncompliance with report to work requirements and use of per diem.** RMA reported that 29 percent (4 of 14) of its stratified statistical sample from 1,747 premium travel events involved travelers who did not report to work the following day or sooner. RMA further reported that of the four travelers in the sample who did not report to work in this timeframe, two claimed per diem in noncompliance with MCC's TDY policy. RMA found that lacking adequate controls to determine if a traveler has complied with report to work requirements after premium travel events, MCC increases the risk that travelers claim unallowable per diem in noncompliance with Federal regulations.

The audit firm made four recommendations to address the internal control weaknesses and noncompliance with the Federal Travel Regulation and MCC's TDY policy. Specifically, we recommend that MCC's Chief Financial Officer:

**Recommendation 1.** Implement a process for ensuring that all flights considered for premium class travel meet the 14-hour rule as defined by the Title 41 of the Code of Federal Regulations, Section 301-10.125.

**Recommendation 2.** Provide training to reinforce MCC's Temporary Duty Travel policy requiring (1) a justification for late approval for each premium travel event prior to departure and (2) use of the appropriate level of authority.

**Recommendation 3.** Provide training to help reinforce the 2019 flight reservation policy to book travelers on coach class, or lower available fare, when submitting authorizations in E2 seven days or less from the date of departure unless another class of service is approved by the Vice President for Administration and Finance.

**Recommendation 4.** Update MCC's Temporary Duty Policy to (1) reinforce the requirement that travelers report to work the following day or sooner when utilizing premium class fares and (2) establish a control aligning a traveler's report to work requirements with eligibility to claim per diem during premium travel events.

In finalizing the report, the audit firm evaluated MCC's responses to the recommendations. After reviewing that evaluation, we consider recommendations 1 through 4 resolved but open pending completion of planned activities. For recommendations 1 through 4, please provide evidence of final action to [OIGAuditTracking@usaid.gov](mailto:OIGAuditTracking@usaid.gov).

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



**Millennium Challenge Corporation (MCC)  
Premium Travel Audit  
Independent Auditor's Final Report  
June 10, 2020**



June 10, 2020

Mr. Damian Wilson  
Director, Financial Audit Division  
United States Agency for International Development  
Office of the Inspector General  
1300 Pennsylvania Avenue, NW  
Washington, DC 20005-2221

Dear Mr. Wilson:

RMA Associates, LLC (RMA) is pleased to present our final report on the Millennium Challenge Corporation's (MCC) use of premium travel for fiscal years 2013-2019.

Thank you for the opportunity to serve your organization and the assistance provided by your staff and that of MCC. We will be happy to answer any questions you may have concerning the report.

Respectfully,

A handwritten signature in black ink that reads 'Reza Mahbod'.

Reza Mahbod, CPA, CISA, CGFM, CICA, CGMA, CDFM, CFE  
President  
RMA Associates, LLC



Inspector General  
U.S. Agency for International Development  
Washington, DC

10 June 2020

RMA Associates, LLC (RMA) conducted a performance audit of the Millennium Challenge Corporation's (MCC) use of premium travel for the period of October 1, 2013 to September 30, 2019.

Our audit objectives were to determine: (1) if MCC's internal controls for the authorization and justification for premium travel were effective in preventing waste, fraud, or abuse; (2) whether MCC's use of premium travel was cost-effective; and (3) how MCC's use of premium travel aligns with the corporation's mission and Federal travel policy, and the policies and practices of the Department of State (DoS) and U.S. Agency for International Development (USAID).

We conducted this performance audit in accordance with auditing standards issued by the Comptroller General of the United States, referred to as Generally Accepted Government Auditing Standards (GAGAS). These standards require 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As a result of the assessment, we found the following for each objective: 1) instances during testing where internal controls were not effectively preventing waste and abuse; 2) MCC's use of premium travel when compared to a less expensive method of flight travel suggests opportunities to improve the cost-effectiveness regarding the type of travel; and 3) MCC's policies are in alignment with the Federal Travel Regulations (FTR) and Fly America Act.

Additional information on our findings and recommendations are included in the accompanying report.

Respectfully,

A handwritten signature in blue ink that reads 'RMA Associates'.

RMA Associates, LLC



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## Background

Millennium Challenge Corporation (MCC) is a United States Government Corporation designed to work with some of the poorest countries in the world. Established in January 2004, MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom, and investments in people. MCC's mission is to reduce global poverty through the promotion of sustainable economic growth.

MCC selects countries eligible for a compact, a multi-year agreement between MCC and an eligible country to fund specific programs targeted at reducing poverty and stimulating economic growth. To determine whether a country is eligible to receive a compact, MCC evaluates a country's performance on 20 indicators that measure commitment to just and democratic governance, investments in its people, and economic freedom. MCC has signed compacts with 29 countries that have received funding through 37 compacts. As of September 30, 2019, MCC had ten active compacts with El Salvador, Morocco, Senegal, Liberia, Ghana, Benin, Cote d'Ivoire, Niger, Nepal, and Mongolia.

Countries that have demonstrated significant improvement in policy indicators but do not yet qualify for a compact grant may be eligible for threshold program assistance. Threshold programs are smaller grants designed to help improve performance on specific indicators. Threshold programs have been administered with 26 countries that have received funding through 28 Thresholds program assistance. As of September 30, 2019, MCC had four active thresholds with Guatemala, Honduras, Kosovo, and Sierra Leone.

MCC's programs and activities are funded by Congress through annual no-year appropriations. Since its establishment, MCC has received a total funding of \$13 billion. Although MCC receives no-year funding, the Office of Management and Budget (OMB) apportions, based upon congressional limits, the amount of funds MCC may obligate for its programs.

MCC is managed by a Chief Executive Officer (CEO) appointed by the President and confirmed by the Senate. It is overseen by a Board of Directors, which is composed of the Secretary of State, the Secretary of Treasury, the U.S. Trade Representative, the Administrator of the U.S. Agency for International Development (USAID), the CEO of MCC, and four public members appointed by the President of the United States with the advice and consent of the U.S. Senate. The Secretary of State is the Chair of the Board and the Secretary of Treasury is the Vice-Chair.

Travel is oftentimes necessary to achieve the mission of the corporation. Depending on the destination, MCC may use premium travel. Premium travel is allowed if the criteria defined in §301-10.125 of 41 Code of Federal Regulations (CFR) are met: 1) the origin and/or destination are Outside Contiguous United States (OCONUS); 2) the scheduled flight time, including non-overnight stopovers and change of planes, is in excess of 14 hours; and 3) you are required to report to duty the following day or sooner.

## Objective

The objective of the engagement was to assess the use of premium travel from FY 2013 to FY 2019 and determine (1) if MCC's internal controls for authorization and justification of premium travel were effective in preventing waste, fraud, or abuse; (2) whether MCC's use of premium travel was cost-effective; and (3) how MCC's use of premium travel aligns with the corporation's mission and Federal travel policy, and the policies and practices of DoS and USAID.

## Summary of Results

### Audit Results

***Objective 1 – Evaluate Whether Internal Controls for Authorization and Justification of Premium Travel are Effective in Preventing Waste, Fraud, and Abuse:*** RMA obtained an understanding of MCC's internal control over authorization, justification, and approval for use of premium travel. RMA reviewed MCC's Temporary Duty Travel (TDY) policy issued in 2012 and determined that segregation of duties surrounding the use of premium travel exists and a defined line of authority exists between the requester and approver. RMA also reviewed prior Office of Inspector General (OIG) and U.S. Government Accountability Office (GAO) audits of premium travel and improper use of charge cards for MCC and other related government agencies and noted that previous auditors found the existence of control risks, such as misclassification of travel expenses, lack of adequate cost comparison, and lack of documentation for premium class justification.

RMA found three findings during testing where internal controls were not effectively preventing waste and abuse (see Summary of Findings).

***Objective 2 – Determine if MCC's Use of Premium Travel is Cost-Effective:*** RMA assessed the cost-effectiveness of MCC's use of premium travel by conducting a trend analysis and comparing 1) fiscal years across the audit period; 2) the ten highest costing premium flights with a less expensive method of flight travel (i.e., coach with a rest stop); 3) all premium travel against a less expensive method of flight travel; and 4) MCC's use of premium travel to that of DoS and USAID.

1. MCC premium travel as a percent of the total travel cost averaged 73% across the audit period and ranged from 60% to 81% (Table 1).

Table 1: Premium Travel Cost by Fiscal Year

Fiscal Year	Premium Travel Cost (Vouchered)	Total Travel Cost (Vouchered)	Premium Composition of Total Travel
FY 2013	\$1,410,337	\$2,367,155	60%
FY 2014	\$1,648,608	\$2,613,233	63%
FY 2015	\$2,707,768	\$3,614,349	75%
FY 2016	\$3,289,605	\$4,082,111	81%
FY 2017	\$3,095,881	\$3,930,869	79%
FY 2018	\$3,107,710	\$4,147,687	75%
FY 2019	\$2,357,209	\$3,264,816	72%
<b>Total</b>	<b>\$17,617,119</b>	<b>\$24,020,221</b>	<b>73%</b>

2. The ten highest costing premium travel flights in MCC ranged between \$10,426.81 to \$18,646.96, expending a total of \$153,580.93 in MCC funds (Table 2). These same ten flights would have cost \$46,967 if they had traveled coach and took a rest stop.<sup>1</sup>

Table 2: Highest Cost Premium Travel Events – Flight Comparison (Coach with a Rest Stop)

Traveler	Vouchered Cost	Coach Comparison	Differential
Traveler 1 <sup>2</sup>	\$14,599.60	\$5,018.75	191%
Traveler 2	\$13,233.27	\$4,861.79	172%
Traveler 3	\$16,445.86	\$4,542.61	262%
Traveler 4	\$18,646.96	\$5,158.76	261%
Traveler 5	\$17,779.66	\$4,193.66	324%
Traveler 6	\$13,136.00	\$4,913.45	167%
Traveler 7	\$10,426.81	\$3,015.21	246%
Traveler 8	\$16,767.68	\$4,995.46	236%
Traveler 9	\$16,696.16	\$5,390.20	210%
Traveler 10	\$15,848.93	\$4,876.88	225%
<b>Total</b>	<b>\$153,580.93</b>	<b>\$46,966.77</b>	<b>227%</b>

3. Comparing the cost of all premium travel against a less expensive method of flight travel (i.e., coach with a rest stop) yielded an estimated difference of \$10.1 to \$10.5 million. Premium travel cost at MCC for the audit period was \$17.6 million. The coach with a rest stop equivalent (to include per diem) was estimated at \$7.1 to \$7.5 million.<sup>3</sup>

<sup>1</sup> Coach comparison for these ten premium travel flights is based on the coach fare quoted in the actual travel itineraries. Per diem was calculated at the final TDY location for each Trip ID.

<sup>2</sup> Coach fare comparison was not found on the traveler’s travel itinerary and was instead calculated prospectively in April 2020 using Google Flights. The entry includes per diem calculated at the final TDY location.

<sup>3</sup> Coach fare comparison was independently calculated using Google Flights (<https://www.google.com/flights>) for a 2-week round trip departing two weeks from the date the fare was calculated, April 23, 2020. Coach with a rest stop included per diem of 100% of lodging and 75% of M&IE from the TDY locations or OCONUS locations for trips returning to the United States.

4. Percent of premium travel versus total travel in FY 2018 and FY 2019 was substantially higher at MCC than USAID or DoS (Table 3 and Figure 1).<sup>4</sup>

Table 3: RMA’s Assessment of the Premium Travel Cost-Effectiveness of MCC

Metric	FY 2018			FY 2019		
	MCC	USAID	DoS	MCC	USAID	DoS
Percent of Premium Cost	75%	6%	5%	72%	6%	7%
Percent of Premium Travel Events	43%	1%	4%	44%	2%	3%

Figure 1: Premium Cost as a Proportion of Total Cost (Average of FY 2018 and 2019)



In our analysis of the premium travel data, RMA observed examples of potential misuse/abuse including 1) extended stays at TDY locations that were also tourist locations<sup>5</sup> and 2) cost discrepancies between MCC personnel traveling on the same flight as OIG personnel.

1. MCC travelers using premium travel arrived at TDY locations that also were tourist destinations on Friday or Saturday and stayed longer than one day for 160 trips.
2. For the trips occurring concurrently with OIG personnel during the audit period, RMA compared the use of premium class travel between agencies. Out of the 15 concurrent travel events involving 37 employees of MCC, 14 flew in premium class and no OIG employee flew in premium class.

Our analysis of MCC’s use of premium travel when compared to a less expensive method of flight travel suggests opportunities to improve the cost-effectiveness regarding the type of travel. In addition, the federal comparison of premium travel highlights that MCC uses premium travel as their primary method of flight by dollar amount in contrast to DoS and USAID. These analyses paired with extended stays at TDY locations that also were tourist locations and the comparison of flight costs when traveling concurrently with OIG personnel gives the appearance that premium travel is subject to waste and abuse.

<sup>4</sup> The rates for USAID and DoS premium travel were computed by dividing the premium ticket number and cost by the total ticket number and cost for fiscal years 2018 and 2019, respectively. The information was obtained from USAID – CI Travel and DoS.

<sup>5</sup> Locations included Amsterdam, Netherlands; Brussels, Belgium; Casablanca, Morocco; Dubai, United Arab Emirates; Istanbul, Turkey; Marrakech, Morocco; Milan, Italy; Paris, France; Pristina, Kosovo; Rabat, Morocco; Rome, Italy; and Tangier, Morocco.

**Objective 3 – Use of Premium Travel Aligns with the Corporation’s Policies, Mission, and Federal Travel Regulations (FTR), and the policies and practices of DoS and USAID:** RMA compared MCC’s TDY policy with the FTR and Fly America Act and determined that MCC internal controls are in alignment with these federal regulations.

RMA also compared MCC’s TDY policy with those of DoS and USAID and noted two differences relating to approval layers and the voucher approval and submission process:

1. Approval Layers: USAID’s TDY policy requires an additional approval layer and the DoS TDY policy mentions approval officials in greater specificity.
2. Voucher Approval and Submission Process: MCC’s policy specifies several voucher approval layers, while that information is not detailed in either USAID’s or the DoS travel policies.

Areas for improvement and clarification in MCC’s TDY policy were identified during the course of the performance audit including 1) clarifying use of per diem to include a requirement to report to work before claiming per diem; 2) clarifying the criteria used to fulfill report to work requirements to include work duration and how quickly the traveler must report; and 3) distributing a checklist to help approving officials understand what constitutes sufficient justification regarding approval of premium travel.

## Summary of Findings

**Noncompliance with the 14-hour rule (MCC-20-01):** Through sample testing, RMA found two premium travel events did not comply with the 14-hour rule and lacked documentation overriding the 14-hour requirement.

**Noncompliance with Timeframe Guidelines for Premium Travel Approval (MCC-20-02):** Through sample testing, RMA found 13 premium travel events did not have adequate documentation of justification for late approval and eight that used approving officials lacking the appropriate level of authority for late approvals.

**Noncompliance with Report to Work Requirements and Use of Per Diem (MCC-20-03):** Through sample testing, RMA found four premium travel events in which the traveler did not report to work the following day or sooner and of these four, two claimed per diem.

## Recommendations

RMA recommends MCC implement the following:

1. Implement a process for ensuring that all flights considered for premium class travel meet the 14-hour rule as defined by the §301-10.125 of 41 Code of Federal Regulations.
2. Provide training to reinforce the MCC TDY policy requiring (1) a justification for late approval for each premium travel event prior to departure and (2) use of the appropriate level of authority.

3. Provide training to reinforce the 2019 flight reservation policy to book travelers on coach class, or lower available fare, when submitting authorizations in E2 seven days or less from the date of departure unless another class of service is approved by the Vice President for Administration and Finance (VP A&F).
4. Update MCC's TDY policy to (1) reinforce the requirement to report to work the following day or sooner regarding travelers utilizing premium class and (2) establish a control aligning a traveler's report to work requirements with the claiming of per diem during premium travel events.

For details, see the "Findings" section of the report.

## Findings

During our audit, we communicated our observations and issued three Notices of Findings and Recommendations (NFRs) to MCC. These were the basis of the official recommendations reflected in the "Recommendations" section.

### Finding 1: Noncompliance with the 14-hour rule (MCC-20-01)

#### *Condition*

From FY 2013 to FY 2019, there were 132 instances of completed, premium travel below the 14-hour rule (as independently calculated using Google Flights). To provide a statistically valid sample using a stratified sampling approach, we tested 12 of these premium travel events.

During our sampling, we found two of the 12 samples (17%) did not comply with the 14-hour rule and lacked documentation overriding the 14-hour requirement. Both exceptions were destinations to Morocco, identified as an acceptable location per the MCC *Cabin Class Eligibility by Country* guidelines.

We are 90% confident that 17% of this population of 132 has this control deficiency.

#### *Criteria*

§301-10.125 of 41 CFR, Chapters 300 through 304 states:

“(a) You may use the 14-hour rule to travel via other than coach-class when:

- (1) The origin and/or destination are OCONUS; and
- (2) The scheduled flight time, including non-overnight stopovers and change of planes, is in excess of 14 hours; and
- (3) You are required to report to duty the following day or sooner.

(b) Scheduled flight time is the flight time between the originating departure point and the ultimate arrival point including scheduled non-overnight time spent at airports during plane changes. Scheduled non-overnight time does not include time spent at the originating or ultimate arrival airports.



(c) If other than coach-class accommodation is authorized based on the 14-hour rule then you will not be eligible for a rest stop en route or a rest period upon arrival at your duty site, in accordance with internal agency procedures pursuant to §301-70.102.”

2012 MCC Premium Travel Duty, Appendix 2: Guidelines for Reimbursable Miscellaneous Expenses, Page 4 states:

“Coach Class (Premium)

Premium Coach Class – Additional Cost to MCC: If an airline has a premium coach class seat or cabin that provides passenger with extra legroom or other comfort features not available in regular coach class, MCC will pay for the premium coach class seat if sufficient funds were approved in the original Travel Approval Form (TAF) to cover this additional cost; Origin or destination point is OCONUS; and the travel time for the trip is 14 hours or more.”

*Cause*

MCC’s E2 Travel System does not have an automated control to calculate the trip length from initial departure to final arrival and provide 14-hour-not-met warning reports for MCC management.

*Effect*

MCC increases the risk that unnecessary and excessive costs are incurred for travel that does not meet the 14-hour rule but is processed as premium travel, as the process is currently performed by approving officials and travel assistants manually.

*Recommendation*

We recommend MCC implement a process for ensuring that all flights considered for premium class travel meet the 14-hour rule as defined by the §301-10.125 of 41 Code of Federal Regulations.

**Finding 2: Noncompliance with Timeframe Guidelines for Premium Travel Approval (MCC-20-02)**

*Condition*

MCC TDY policy requires travelers make travel arrangements no later than 15 days prior to departure. Exceptions to the two-week requirement are allowed if justification from a Managing Director is provided for travel arrangements made less than two weeks prior to departure or if justification from a Vice President or Deputy Vice President is provided for travel arrangements less than one week prior to departure. Approval is required prior to departure unless expressly allowed by the Travel Office for extraordinary reasons. There were 697 of 1,470 completed, unamended premium travel events from FY 2013 to FY 2019 that had approval dates within two weeks or less of the departure date. To provide a statistically valid sample using a stratified sampling approach of the aforementioned 697, we tested 15 completed, unamended premium travel events.



During our sampling, we found 13 of the 15 samples (87%) did not have justification for late approval. We also found eight of the 11 samples (73%) (the same 15 samples were tested but evidence for four was not provided) used approving officials that lacked the appropriate level of authority for late approvals.

We are 90% confident that 87% of this population of 697 lacks justification for late approvals and 73% of this population did not use the appropriate level of authority for late approvals.

### *Criteria*

2012 MCC TDY policy page 16 states:

#### “5.17 Early Flight Reservations

In all but exceptional cases, MCC travelers should make reservations no later than fifteen (15) business days prior to departure since MCC must clear travel with the appropriate U.S. embassy at least ten (10) business days in advance. If a traveler starts making travel arrangements less than two weeks prior to their departure date, a justification from their MD is required. If the traveler starts making travel arrangements less than one week prior to the departure date, the same justification is required from their Vice President or Deputy Vice President. Reservations will not be booked until the Travel Office and the TMC receive the TAF and the justification.”

2019 MCC TDY policy page A-6

#### “Flight Reservations

MCC travelers should make flight reservations and submit a travel authorization at least two weeks prior to departure to provide sufficient time for travel authorization and eCC approval. Travel authorizations submitted less than one week prior to the departure date require traveler’s department VP and VP A&F approval.”

### *Cause*

MCC Management does not enforce the TDY policy requiring justification for late approval prior to booking the premium travel event nor validate that the appropriate level of authority for late approvals is used.

### *Effect*

Without adequate review and approval of premium travel requests prior to departure, MCC increases the risk that unnecessary premium travel costs are incurred at odds with the agency’s policy.

### *Recommendation*

We recommend MCC:

- Provide training to reinforce the MCC TDY policy requiring (1) a justification for late approval for each premium travel event prior to departure and (2) use of the appropriate level of authority.

- Provide training to reinforce the 2019 flight reservation policy to book travelers on coach class, or lower available fare, when submitting authorizations in E2 seven days or less from the date of departure unless another class of service is approved by the VP A&F.

### Finding 3: Noncompliance with Report to Work Requirements and Use of Per Diem (MCC-20-03)

#### Condition

Of the 2,782 premium travel events, RMA segmented the population to identify travelers arriving at their TDY stations or their official duty stations on Friday or Saturday to test compliance with report to work requirements (Table 4).

*Table 4: Arrival at TDY Stations or Official Duty Stations on Friday or Saturday*

Subpopulation	Number of Premium Travel Events
A: Premium travel events arriving at TDY location on Friday or Saturday	1,241
B: Premium travel events arriving at official duty station on Friday or Saturday	895
C: Premium travel events meeting both parameters identified above	389
(A+B)-C: Subpopulation tested when combining both parameters to include each unique premium travel event once	1,747

To provide a statistically valid sample using a stratified sampling approach, we sampled 18 of the 1,747 premium travel events and examined the associated QuickTime<sup>6</sup> timesheets and per diem reports.

During our sampling, we found four of the 14 samples (29%) (18 were selected but only 14 testable)<sup>7</sup> in which travelers did not report to work the following day or sooner and of these four, two claimed per diem.<sup>8</sup>

#### Criteria

2012 MCC TDY policy, Appendix 1 states:

“Cabin Class Eligibility Criteria: (1) Business Class: a. Must report to work the following day or sooner. b. Traveler will not take a rest stop. c. Annual leave taken during the outbound leg of official TDY travel negates business class eligibility for that leg. Annual leave taken after arrival at a TDY location negates business class eligibility for any subsequent travel prior to return to the permanent duty location.”

<sup>6</sup> QuickTime is MCC’s time and attendance reporting system.

<sup>7</sup> Of the 18 premium travel events selected, four were removed: 1) one travel event was not premium as the premium travel designation provided by the E2 Travel System did not reflect the actual travel data and 2) three travel events did not require report to work because the travel leg tested was flown in coach. Travel classification was not available for individual legs until sampled. If one leg was flown in premium, the entire trip was identified as premium travel in the E2 Travel System.

<sup>8</sup> The subpopulation of 1,747 premium travel events is subject to the data limitations described in Appendix II Limitations of the Data. The E2 Travel System classifies travel events as premium when one leg of the trip was premium. Therefore, we did not extrapolate to the population of 1,747 premium travel events.

41 CFR, Chapters 300 through 304, §301-10.125

“You may use the 14-hour rule to travel via other than coach-class when: (1) The origin and/or destination are OCONUS; and (2) The scheduled flight time, including non-overnight stopovers and change of planes, is in excess of 14 hours; and (3) You are required to report to duty the following day or sooner.”

41 CFR, Chapters 300 through 304, §301-11.21

“In general, you will be reimbursed as long as your travel status requires your stay to include a non-workday, (e.g., if you are on travel through Friday and again starting Monday you will be reimbursed for Saturday and Sunday), however, your agency should determine the most cost effective situation (i.e., remaining in a travel status and paying per diem or actual expenses or permitting your return to your official station.)”

FTR §301-10.125 and MCC TDY policy dated 2012 require that travelers using the 14-hour rule to travel other than coach-class report to work the following day or sooner from the incidence of travel. FTR §301-11.21 states that travelers will be reimbursed for per diem or actual expenses on non-workdays while on official travel so long as the traveler’s work status requires the inclusion of the non-workday. However, the traveler’s agency should determine the most cost-effective situation (e.g., if you are on travel through Friday and again starting Monday you will be reimbursed for Saturday and Sunday).

*Cause*

MCC Travel Office does not have adequate controls to determine if a traveler has complied with report to work requirements after premium travel events; thereby allowing per diem to be claimed.

*Effect*

Without the ability to assess report to work requirements and the resultant per diem claim, MCC increases the risk that travelers incur unallowable per diem not in compliance with Federal regulations.

*Recommendation*

We recommend MCC update their TDY policy to (1) reinforce the requirement to report to work the following day or sooner regarding travelers utilizing premium class and (2) establish a control aligning a traveler’s report to work requirements with the claiming of per diem during premium travel events.

## Appendix I – MCC Management Comments



DATE: June 9, 2020

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

FROM: Ken Jackson /s/  
Vice President and Chief Financial Officer  
Department of Administration and Finance  
Millennium Challenge Corporation

**KENNETH S JACKSON**  
(affiliate)  
Digitally signed by  
KENNETH S JACKSON  
(affiliate)  
Date: 2020.06.09  
17:10:15 -04'00'

SUBJECT: MCC's Management Response to the Draft Report, "Enhanced Controls are Needed to Ensure the Cost-Effectiveness of MCC Travel and Prevent Waste and Abuse (0-MCC-20-012-C)," dated June 2, 2020

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report on the Office of Inspector General (OIG)'s audit, "Enhanced Controls are Needed to Ensure the Cost Effectiveness of MCC Travel and Prevent Waste and Abuse," dated June 2, 2020. The report contained four recommendations. The recommendations and management decisions are discussed at the conclusion of this response. Although in agreement with the recommendations, MCC would like to provide additional information about the report content.

In December 2019, MCC implemented a revised Temporary Duty (TDY) Travel Policy and believes that the new MCC TDY policy better addresses cost efficiencies, strengthens controls and enhances accountability. Changes were made as follows:

- **Additional approval for round trip flight cost lowered from \$12,000 to \$10,000** – MCC revised their policy to require additional approvals for flight costs exceeding \$10,000 and notification to the Office of the Chief Executive Officer (CEO). Previously, the limit was \$12,000 which was established in FY 2017. This revision requires greater accountability for high cost tickets.
- **Premium class travel eligibility** – When submitting a travel authorization, travelers requesting other than coach class accommodations must include a

rationale in their scope of work documentation for use of a higher class of service for any portion of their itinerary for which a higher cabin class is requested.

Also, the traveler must include and attest to the following statement in the travel authorization in the remarks: *“Premium class air travel is authorized for TDY travel in excess of 14 hours in lieu of a rest stop. The traveler is required to report to the TDY location on the day of arrival and cannot depart earlier to accommodate the rest stop.”*

- **Rest stop maximum length must be less than 24 hours** – Rest stops cannot exceed 24 hours based on the revised TDY Travel Policy. The previous policy did not state this requirement.
- **Clarified Report to Work Requirements** – According to the updated policy, MCC travelers who are authorized to fly premium class travel must report to work upon arrival (same day) or no later than 24 hours after arrival.
- **Clarified Traveler’s responsibilities** – The revised policy states that *“travelers must exercise the same care in incurring expenses that a prudent person would exercise if traveling on personal business and pay for expenses above the pre-authorized amounts and costs resulting from circuitous routes, delays, or luxury accommodations or services unnecessary or unjustified in the performance of official business.”*

Further, in order to establish a tone of accountability, the CEO and the staff in the Office of the CEO do not fly business class in any situation.

MCC concurs with the four recommendations and provides our management decisions below:

- *OIG Recommendation #1 – Implement a process for ensuring that all flights considered for premium class travel meet the 14-hour rule as defined by the §301-10.125 of 41 Code of Federal Regulations.*

MCC Response – MCC concurs with the recommendation and will continue to improve its process no later than December 31, 2020.

- *OIG Recommendation #2 – Provide training to reinforce the MCC TDY policy requiring (1) a justification for late approval for each premium travel event prior to departure and (2) use of the appropriate level of authority.*

MCC Response – MCC concurs with the recommendation. MCC will develop and deliver the recommended training to relevant employees and Personal Services Contractors no later than March 31, 2021.

- *OIG Recommendation #3 – Provide training to reinforce the 2019 flight reservation policy to book travelers on coach class, or lower available fare, when submitting authorizations in E2 seven days or less from the date of departure unless another class of service is approved by the Vice President for Administration and Finance (VP A&F).*

MCC Response – MCC concurs with the recommendation. MCC will develop and deliver the recommended training to relevant employees and Personal Services Contractors no later than March 31, 2021.

- *OIG Recommendation #4 – Update MCC's TDY policy to (1) reinforce the requirement to report to work the following day or sooner regarding travelers utilizing premium class and (2) establish a control aligning a traveler's report to work requirements with the claiming of per diem during premium travel events.*

MCC Response – MCC concurs with the recommendation. MCC will develop a new process and corresponding controls to manage and provide oversight of the report to work requirements. The process will be included in a future MCC TDY policy revision. Furthermore, MCC will include the new process in the training curriculum previously introduced in our response to Recommendations #2 and 3. These actions will be completed no later than March 31, 2021.

If you have any questions or require additional information, please contact me via phone, 202-521-2686; or by email [jacksonks@mcc.gov](mailto:jacksonks@mcc.gov). Additionally, you can also contact Jude Koval, Acting Chief Risk Officer and Director of Internal Controls and Audit Compliance (ICAC) via phone, 202-521-7280; or by email [kovaljg@mcc.gov](mailto:kovaljg@mcc.gov).

CC: Damian Wilson, Principal Director, OIG, USAID  
Amy Markel, Assistant Audit Director, OIG, USAID  
Anna Elias, Auditor, Financial Audits Division, OIG, USAID  
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC  
Eric Redmond, Controller, FMD, A&F, MCC  
Jeanette Powers, Travel Manager, A&F, MCC  
Michael Wright, Director, A&F, MCC  
Jude Koval, Acting Risk Officer and Director, ICAC, A&F, MCC

## Appendix II – Scope and Methodology

### Scope

The audit was conducted in Washington D.C. from April 09, 2020 through May 26, 2020. RMA conducted this performance audit over MCC’s usage of premium travel for fiscal years 2013 through 2019 in accordance with GAGAS. These standards require 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RMA determined the risk of noncompliance with FTR and MCC TDY policy by identifying and understanding the inherent risk and reviewing controls used to mitigate it. We categorized the risk with reviews of policies and procedures, walk-through of the E2 Travel System, interviews with MCC personnel, and testing of samples. The three primary risk subpopulations tested included:

1. Premium travel with flight durations below the 14-hour rule;
2. Timeframe guidelines for premium travel approval; and
3. Report to work requirements when using premium travel.

Based on risk factors identified during the preliminary risk assessment, we also tested MCC’s highest costing premium flights.

### Methodology

RMA developed complete and accurate work papers that document all work performed and support all conclusions reached. In addition, our work papers document the results of all test procedures performed in connection with the audit plan and document all audit findings and their required elements in accordance with GAGAS.

Our tests include interviews with and completion of questionnaires from the MCC Travel Office; inspection of federal regulations and MCC’s TDY policies and procedures; walk-through of the E2 Travel System; and inspection of travel documentation.

### Limitations of the Data

RMA performed a data reliability assessment per GAO’s *Assessing Data Reliability* guidelines issued December 2019 by interviewing subject matter experts within the MCC Travel Office, reviewing the provided data, and conducting sample testing. As a result, RMA determined that the travel data is reliable for purposes of the performance audit.

There were limitations imposed by the E2 Travel System on the travel data provided in terms of the classification of premium travel. For the entire audit period, the E2 Travel System lacked the



ability to distinguish travel between business class and coach class travel. To address this limitation, RMA compared the Premium Travel Report to the Air Reports which contained all travel (not just premium travel).<sup>9</sup> Per feedback obtained from the MCC Travel Office during the E2 Travel System walkthrough, we identified additional travel events as premium from the Air Report. Those designated with a 'Class of Service' of 1) blank or 2) a combination of blank and Economy were also identified as premium travel.

The E2 Travel System also classifies travel events as premium even if one leg of the trip was premium. To address these limitations, RMA relied on the travel event classification and start and end dates to determine a sample and subsequently removed sampled trips not conforming to the premium travel criteria.

Per the MCC *Cabin Class Eligibility by Country* guidelines, the cabin class levels which constitute premium travel included:

- Business class;
- Premium coach;
- Premium coach cabin; and
- Voyager with a rest stop.

## Preliminary Risk Assessment

A preliminary risk assessment was performed to 1) identify and understand the inherent risk and 2) review controls used to mitigate it. The conclusions developed from this risk assessment defined the audit plan.

RMA used Benford's Law Analysis to review the premium travel data and identify potential areas of risk. Benford's Law Analysis helps to identify irregularities in the distribution of numerical data. The following observations were noted during our analysis:

- Large variation between prices within destinations;
- Six destinations twice above-average variance in price;
- Large variation between premium and coach prices within the same destination;
- No consistency in prices and a large number of outliers;
- Top 5 travelers were flagged across years;
- 57 unique employees and 84 travels with a variance in price of \$605,000;
- Top nine destinations with the same 17 employees;
- Most of the travels begin and/or end during weekends; and
- 11 duplicate trips for five employees during FY 2018.

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<sup>9</sup> Air Report is a standard report from the E2 Travel System.

These preliminary observations shaped our sampling plan by focusing on the subpopulations identified in the Sampling section below.

## Sampling

Sample sizes were stratified using the Neyman Optimization formula. This formula ensures that all strata are mutually exclusive and collectively exhaustive, thus covering the entire population of transactions. These allocations are based on the dollar value of the transactions.

RMA's sampling method was in accordance with GAGAS. As defined in GAGAS 8.107, the sample selection method depended on the audit objectives and isolated risk factors to the selection. We obtained statistically valid samples of premium travel for each four testing subpopulations, as follows:

- **Compliance with the 14-Hour Rule:** RMA segmented the premium population to identify premium travel under the 14-hour travel requirement and had insufficient cabin class justification. All cabin class justifications with the exception of 1) *Accommodate Special Need* and 2) *Overall Cost Savings* were deemed insufficient when trips were less than 14-hours. Google Flights (<https://www.google.com/flights>) was used to compare the recorded flight hours. The segmented population was further refined to exclude travel events that were canceled but appeared in the premium travel population (132 of the 2,782 premium travel events did not meet the 14-hour rule). 12 samples out of 132 were tested for documentation of justification overriding the 14-hour rule.
- **Compliance with Timeframe Guidelines for Premium Travel Approval:** RMA segmented the premium travel population to only those where the traveler made travel arrangements less than 2 weeks prior to their travel departure. The segmented population was further refined to exclude amended and canceled travel events that appear in the premium population (697 of 1,470 completed, unamended premium travel events). 15 samples out of 697 were tested for documentation of justification for late approval.
- **Compliance with Report to Work Requirements and Use of Per Diem:** RMA segmented the premium travel population to highlight occurrences where travelers arrived at their TDY stations or their official duty stations on Friday or Saturday. MCC travelers using premium travel are required to report to work the following day or sooner. The subpopulation was further refined to exclude canceled travel events that appeared in the premium population (1,747 of 2,782 premium travel events). 18 samples out of 1,747 were tested for evidence of reporting to work the following day or sooner and per diem use from QuickTime timesheets and detailed voucher reports, respectively.
- **Ten Highest Costing Premium Flights:** RMA inspected the ten highest cost premium travel events and compared them to the quoted coach fare in the associated travel itineraries. Per diem calculated for the final TDY location was included as well.

## Quality Control

We prepared working papers in accordance with our firm's quality control standards. We have developed an extensive internal quality control plan to meet GAGAS and American Institute of Certified Public Accountants (AICPA) requirements.