



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

MCC Complied in Fiscal Year 2020 With the Payment Integrity Information Act of 2019

AUDIT REPORT 0-MCC-21-006-C
MAY 14, 2021

1300 Pennsylvania Avenue NW • Washington, DC 20523
<https://oig.usaid.gov> • 202-712-1150

The Office of Inspector General provides independent oversight that promotes the efficiency, effectiveness, and integrity of foreign assistance provided through the entities under OIG's jurisdiction: the U.S. Agency for International Development, Millennium Challenge Corporation, U.S. African Development Foundation, and Inter-American Foundation.

Report waste, fraud, and abuse

USAID OIG Hotline

Email: ighotline@usaid.gov

Complaint form: <https://oig.usaid.gov/complainant-select>

Phone: 202-712-1023 or 800-230-6539

Mail: USAID OIG Hotline, P.O. Box 657, Washington, DC 20044-0657



MEMORANDUM

DATE: May 14, 2021

TO: MCC, Acting Chief Executive Officer, Mahmoud Bah

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

SUBJECT: MCC Complied in Fiscal Year 2020 with the Payment Integrity Information Act of 2019 (0-MCC-21-006-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) compliance with Public Law 116-117, the Payment Integrity Information Act of 2019 (PIIA). The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards, the PIIA, and Office of Management and Budget (OMB) Memorandum (M-18-20) updating Circular No. A-123, Appendix C, "Requirements for Payment Integrity Improvement," (dated June 26, 2018) and Council of the Inspectors General on Integrity and Efficiency, "Guidance for Payment Integrity Information Act Compliance Reviews" (dated November 2020).

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 CLA 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 B.

The audit objective was to determine if MCC's improper payment reporting in fiscal year 2020 complied with PIIA. To answer the audit objective, CLA reviewed MCC's Agency Financial Report and evaluated the accuracy and completeness of MCC's reporting and performance in reducing and recovering improper payments and evaluated whether MCC conducted a program-specific risk assessment for all programs covered by OMB requirements.

The audit firm concluded that MCC complied with the requirements of PIIA for fiscal year 2020. CLA also determined that MCC's reporting and performance in reducing and recapturing improper payments were substantially accurate and complete. CLA's report did not include any recommendations.

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



CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

MCC Complied in Fiscal Year 2020 with the Payment Integrity Information Act of 2019

**Audit Performed
by
CliftonLarsonAllen LLP**

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

April 30, 2021

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
EXECUTIVE SUMMARY	1
PROGRAM BACKGROUND.....	3
RESULTS AND CONCLUSION.....	4
APPENDIX A – OBJECTIVES, SCOPE AND METHODOLOGY.....	7
APPENDIX B – MCC'S MANAGEMENT RESPONSE.....	10



Independent Auditors' Report MCC Complied in Fiscal Year 2020 with the Payment Integrity Information Act of 2019

EXECUTIVE SUMMARY

WHY WE DID THIS AUDIT

CliftonLarsonAllen LLP (CLA) was engaged by the United States Agency for International Development (USAID) Office of Inspector General (OIG) to conduct a performance audit of the Millennium Challenge Corporation's (MCC) compliance with the Payment Integrity Information Act of 2019 (PIIA) for fiscal year (FY) 2020 in accordance with Part IV.A.(3) of the Office of Management and Budget (OMB) Memorandum M-18-20 (M-18-20), Appendix C to OMB Circular No. A-123 (A-123), *Requirements for Payment Integrity Improvement*, dated June 26, 2018.¹

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

Our audit performance period was from February 2021 through April 2021. We conducted our audit in accordance with generally accepted government auditing standards.

WHAT WE CONCLUDED

We concluded that MCC was in compliance with PIIA for FY 2020, shown in Table I below. We also found MCC's reporting and performance in reducing and recapture improper payments to be generally accurate and complete. We also communicated matters to MCC management involving internal control that were not significant within the context of the audit objectives, so no recommendations were made.

¹ On March 2, 2020, the President signed the Payment Integrity Act of 2019 (PIIA), which repealed the 2002 Improper Payments Information Act (IPIA), the 2010 Improper Payments Elimination and Recovery Act (IPERA), the 2012 Improper Payments Elimination and Recovery Improvement Act (IPERIA), and the 2015 Fraud Reduction and Data Analytics Act (FRDAA). The PIIA required agencies to follow OMB Circular A-123, Appendix C (M-18-20) until OMB publishes the implementation guidance.

TABLE I: PIIA Compliance Requirements Reporting Table

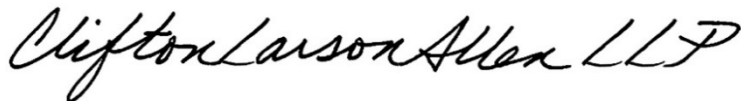
Program Fund Name	Published an AFR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and is Meeting Reduction Targets	Reported an Improper Payment Rate of Less than 10 percent
609(g)	Compliant	Compliant	NA	NA	NA	NA
Administrative	Compliant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

Legend: The NA in Table I means Not Applicable because MCC did not have programs or activities determined to be susceptible to significant improper payments under Part I.B.2 of Appendix C of OMB A-123. In addition, for programs or activities that are deemed to be not susceptible to significant improper payments, MCC is required to perform a risk assessment at least once every three years under Part I.C.1 of Appendix C. MCC conducted its latest risk assessment in FY 2020. We also observed and communicated opportunities for improvement in MCC’s risk assessment process and procedures for tracking and reporting PIIA information to OMB in the PaymentAccuracy.gov website. However, they did not impact MCC’s compliance with requirements of PIIA. As such, no recommendations were made.

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

We appreciate the assistance provided by MCC management and staff.

CliftonLarsonAllen LLP



Arlington, VA
April 30, 2021

PROGRAM BACKGROUND

The Payment Integrity Information Act (PIIA) of 2019 requires the Inspector General (OIG) of each agency to determine whether the agency is in compliance with PIIA and submit a report on that determination annually. The current OMB implementation guidance, M-18-20, Appendix C to OMB Circular A-123, *Requirements for Payment Integrity Improvement*, was issued on June 26, 2018.

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

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

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

Under PIIA, each agency shall periodically review all programs and activities and identify those that are susceptible to significant improper payments.² For those programs that are identified as susceptible to significant improper payments, the agency is required to produce a statistically valid estimate of the annual amount of improper payments in those programs and activities and include those estimates in the accompanying materials to the Agency Financial Report (AFR) or Performance Accountability Report (PAR)³ of the agency.

In the Payment Integrity section of MCC's FY 2020 AFR,⁴ MCC reported that recapture audits would not be cost-effective as MCC programs are not susceptible to significant improper payments and therefore, MCC does not have a recovery audit program. In addition, MCC stated that information on MCC's recapture efforts in FY 2020 were reported to OMB through the annual

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

³ Beginning with FY 2020 AFR/PAR reporting, information previously required in the AFR/PAR will be reported in <https://paymentaccuracy.gov/> through the annual OMB payment integrity data call. If an agency provides information to OMB through paymentaccuracy.gov, then the agency must include the paymentaccuracy.com website link in their AFR or PAR.

⁴ MCC's FY 2020 AFR, <https://assets.mcc.gov/content/uploads/report-fy20-afr-508.pdf>, pp. 91-95.

payment integrity data call and a link to the PaymentAccuracy.gov website was provided. MCC also reported on its fraud reduction efforts taken in FY 2020.

RESULTS AND CONCLUSION

We conclude that MCC was in compliance with the requirements of the payment integrity reporting in Fiscal Year 2020. Table 2 below shows the OMB compliance requirements, MCC compliance status, and the results of CLA’s audit.

Table 2: Results of MCC Compliance with the Requirements of PIIA			
Compliance Reference	OMB Compliance Requirement	MCC Compliance Status	CLA Audit Results
1a.	Published improper payments information with the annual financial statement of the agency for the most recent fiscal year;	Compliant	MCC FY 2020 AFR was published on November 16, 2020, on MCC website.
1b.	Posted on the annual financial statement and any accompanying materials required by OMB on the agency website;	Compliant	MCC did include a link to paymentaccuracy.gov in its AFR. OMB did not require any additional materials to be posted on the agency website.
2a.	Conducted a program specific risk assessment for each program with annual outlays greater than \$10,000,000 at least once in the last three years;	Compliant	MCC conducted a qualitative risk assessment of six programs in FY 2020 excluding the Audit program fund due to 96 percent of the disbursement transactions for the Audit program fund were intragovernmental specific, and the Audit program funding was capped at \$5 million in FY 2020. As such, MCC deemed its Audit program fund to be low risk. We reviewed MCC’s risk assessment methodology and noted that it complied with OMB’s guidance.

Table 2: Results of MCC Compliance with the Requirements of PIIA			
Compliance Reference	OMB Compliance Requirement	MCC Compliance Status	CLA Audit Results
2b.	Agency adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;	Compliant	We found that MCC's risk assessment was adequate to conclude that its programs were not susceptible to significant improper payments.
3.	Published improper payment estimates for all programs susceptible to significant improper payments in the accompanying materials to the annual financial statement (if required);	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
4.	Published programmatic corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
5a.	Published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.

Table 2: Results of MCC Compliance with the Requirements of PIIA			
Compliance Reference	OMB Compliance Requirement	MCC Compliance Status	CLA Audit Results
5b.	Met the improper payment reduction targets (published in FY2019) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
5c.	Developed a plan to meet the improper payment reduction targets;	Not Applicable	This requirement was not applicable as none of MCC's programs or activities were determined to be susceptible to significant improper payments.
6.	Reported an improper payment estimate of less than 10 percent for each program for which an estimate was published in accompanying materials to the annual financial statement.	Not Applicable	MCC determined that none of its programs or activities were susceptible to significant improper payments. Therefore, this requirement was not applicable.

We also communicated matters to MCC management involving internal control that were not significant within the context of the audit objectives, so no recommendations were made.

APPENDIX A - OBJECTIVES, SCOPE AND METHODOLOGY

Objectives and Scope

Our objective was to determine if MCC's improper payment reporting in its FY 2020 AFR was in compliance with PIIA and in accordance with OMB M-18-20 Part IV.A.(3) of Appendix C of OMB A-123. As part of this audit, we also evaluated the accuracy and completeness of MCC's reporting, and evaluated MCC's performance in reducing and recapturing improper payments.

Methodology

OMB M-18-20, Part IV.A.(3), states that the agency Inspector General should review the agency's AFR or PAR (and any accompanying information) for the most recent fiscal year. The Council of the Inspectors General on Integrity and Efficiency issued *Guidance for Payment Integrity Information Act Compliance Reviews* in November of 2020, indicating that the following compliance requirements should be evaluated when determining an agency's compliance with PIIA for FY 2020:

- 1a. The agency published improper payments information with the annual financial statement of the agency for the most recent fiscal year;
- 1b. The agency posted the annual financial statement and accompanying materials required under the guidance of OMB on the agency website;
- 2a. The agency conducted improper payment risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
- 2b. The agency adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;
3. The agency published improper payment estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement;
4. The agency published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 5a. The agency published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 5b. The agency is meeting the improper payment reduction targets (published in FY2019) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- 5c. The agency developed a plan to meet the improper payment reduction targets; and

6. The agency reported an improper payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

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

As part of our audit, we:

- Reviewed all applicable laws, rules, and regulations pertaining to improper payments, as well as MCC guidance, policies, and procedures.
- Obtained an understanding of MCC internal controls over improper payments and evaluated the design and operating effectiveness of relevant payments, reduction, and recapture controls.
- Evaluated MCC's FY 2020 improper payment risks assessment which included whether MCC complied with OMB Circular A-123, Appendix C, Part I, C) Risk Assessments.
- Reviewed the improper payments reporting details in MCC's Self-Identified Improper Payments Tracker for accuracy and completeness and the FY 2020 AFR for compliance with PIIA requirements.
- Assessed the overall presentation of the improper payments in the AFR for completeness as per Section II.4.5. of OMB Circular A-136, *Financial Reporting Requirements* (OMB A-136).
- Agreed the Accounts Receivable Balance reported in MCC's September 30, 2020 Balance Sheet (and Note 4 of the AFR) to MCC's Self-Identified Improper Payments Tracker.
- Reviewed the MCC reported information within the PaymentAccuracy.gov website to verify that it is supported by MCC's Self-identified Improper Payments Tracker.

In planning our work, we gained an understanding of the internal controls over MCC's improper payments identification, reduction, recapture, and reporting processes. We reviewed MCC's improper payment risk assessment of its programs for compliance with OMB Circular A-123, Appendix C and the documentation supporting it. Our audit procedures include inquiries, reviews of the MCC Self-Identified Improper Payments Tracker including the documentation supporting that information and the AFR, as per OMB Circular A-123, Appendix C. To determine the reliability of the information reported to OMB, we verified that the improper payment information reported to OMB agreed with MCC's Self-Identified Improper Payment Tracker. To check for possible omissions to MCC's Self-Identified Improper Payment Tracker, we followed-up on Compact and Threshold audits to determine if there were any improper payments that MCC did not report. We also reviewed the results of MCC's internal control testing associated with OMB Circular A-123, Appendix A, to ascertain if MCC identified any improper payments that were not reported and reviewed our testing performed during the FY 2020 financial statement audit to determine if there were any improper payments noted that MCC did not report.

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

APPENDIX B - MCC'S MANAGEMENT RESPONSE



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE: May 10, 2021

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

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

SUBJECT: MCC's Management Response to the Draft Report, "MCC Complied in Fiscal Year 2020 with the Payment Integrity Information Act of 2019," dated May 5, 2021

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report on the Office of Inspector General (OIG)'s audit, "MCC Complied in Fiscal Year 2020 with the Payment Integrity Information Act of 2019," dated May 5, 2021. MCC concurs with the conclusion of the report and deemed the report constructive in helping to validate the agency's compliance with the Payment Integrity Information Act of 2019.

There were no recommendations as part of this audit, and as such, MCC does not provide a corrective action plan. However, MCC will consider all suggestions provided during the audit.

If you have any questions, please contact me at 202-521-3693 or Corrybm@mcc.gov. Additionally, you can also contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or 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
Lori Giblin, Chief Risk Officer, ARC, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC
Jude Koval, Senior Director, ARC, A&F, MCC