



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

Assessment of MCC's FY2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments

AUDIT REPORT 0-MCC-21-008-C
JULY 29, 2021

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

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MEMORANDUM

DATE: July 29, 2021

TO: Millennium Challenge Corporation, Acting Vice President and Chief Financial Officer, Department of Administration and Finance, Brian Corry

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

SUBJECT: Assessment of MCC's FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments (0-MCC-21-008-C)

Enclosed is the final audit report on the risk assessment and performance audit of the Millennium Challenge Corporation (MCC) charge card programs for fiscal year (FY) 2020. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to conduct the engagement. The contract required CLA to perform the engagement in accordance with generally accepted government auditing standards; Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194; and Office of Management and Budget (OMB) Circular No. A-123, Appendix B, a Risk Management Framework for Government Charge Card Programs (Aug. 27, 2019).

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related documentation and inquired of its representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which CLA did not comply, in all material respects, with applicable standards.

The engagement objective was to assess the risks of illegal, improper, and erroneous purchases and payments in MCC's FY 2020 charge card programs. To answer the objective, CLA analyzed and tested MCC's internal controls over its charge card programs from October 1, 2019, to September 30, 2020. Charge card disbursements during this period totaled \$1,792,894.

The audit firm concluded that MCC's charge card programs identified a moderate risk of illegal, improper, and erroneous purchases and payments in FY 2020. This assessment of moderate risk remains unchanged from the FY 2018 and FY 2019 assessments, respectively. CLA's detailed testing of the purchase and travel card transactions identified internal control deficiencies and noncompliance with MCC's Charge Card Program Standard Operating Procedures, OMB Circular A-123, Appendix B, Charge Card Abuse Prevention Act, MCC's

Individually Billed Account Travel Charge Card Policy and MCC's Temporary Duty Travel Policy and Procedures.

In addition, CLA's testing results for FY 2020 travel card transactions identified noncompliance with the Federal Travel Regulation and OMB Circular A-123, Appendix B that CLA determined were quantitatively insignificant, but that qualitatively increased the risk of illegal, improper, or erroneous use in the MCC travel card program. For example, two cardholders for 2 of 35 sampled travel card transactions claimed travel or cash advance expenses that were excessive and unsupported by valid business needs. In addition, travel expenses were claimed for dates when an employee's timesheets reported no hours worked. These expenses were reimbursed without adequate due diligence review or control. The sample error rate based on the amount tested was less than 1 percent (\$50 out of the \$311,375 sample population).

The auditors made three recommendations to help strengthen MCC's internal controls over its charge card programs. To address the weaknesses identified in the report, we recommend that MCC's Chief Financial Officer:

Recommendation 1. Implement a review process incorporating charge card spending analytics on a monthly basis to identify potential areas of abuse.

Recommendation 2. Revise the receipt requirements for expenses susceptible to potential abuse such as ground transportation and miscellaneous charges.

Recommendation 3. Improve its voucher review process to identify travel claims that may be excessive or wasteful.

In finalizing the report, the audit firm evaluated MCC's response to the recommendations. After reviewing that evaluation, we consider all recommendations open and unresolved. We ask that you provide written notification of actions planned or taken to reach management decisions on recommendations 1 through 3.

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

**Millennium Challenge Corporation's Charge Card Programs Pose a
Moderate Risk of Illegal, Improper, or Erroneous Purchases and
Payments**

Fiscal Year 2020

**Performed by
CliftonLarsonAllen LLP**

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

July 22, 2021

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Millennium Challenge Corporation's Charge Card Programs Pose a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments

EXECUTIVE SUMMARY

Why CLA Did This Audit

CliftonLarsonAllen LLP (CLA), was engaged by the United States Agency for International Development (USAID) Office of Inspector General (OIG) to perform a risk assessment and performance audit of Millennium Challenge Corporation's (MCC's) Charge Card Programs for the period October 1, 2019 to September 30, 2020 (FY 2020). The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, and the Office of Management and Budget (OMB) Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs* requires the OIG to perform an annual risk assessment. The purpose of this assessment is to analyze the risks of illegal, improper, or erroneous purchases and payments in MCC's charge card programs. MCC's charge card programs include the purchase card and travel card programs. USAID OIG uses the results of the risk assessment in determining the necessary scope, frequency, and number of OIG analyses, reviews, or audits of these programs.

We performed the risk assessment and performance audit in accordance with performance audit standards as defined in *Generally Accepted Government Auditing Standards* (GAGAS). Our performance period was from February 2021 through July 2021.

What CLA Concluded

Based on the risk assessment and performance audit, we determined that MCC's charge card programs, comprising of the purchase cards and travel cards, pose a moderate risk of illegal, improper, or erroneous purchases and payments. The results of our risk assessment should not be interpreted to conclude that the charge card programs with moderate risk are free of illegal, improper, or erroneous purchases and payments. Likewise, a high risk in the charge card programs should not be interpreted to indicate actual or known illegal, improper, or erroneous purchases and payments.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**Arlington, VA
July 22, 2021**

PROGRAM BACKGROUND

On October 5, 2012, the President signed into law the *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law (P.L.) 112-194, which reinforced the Administration's efforts to prevent fraud, waste, and abuse of Government-wide charge card programs.

OMB Circular No. A-123, Appendix B, *A Risk Management Framework for Government Charge Card Programs*, lists the following aspects of compliance with the Charge Card Act:

1. Agency's required safeguards and internal controls;¹
2. Agency and OIG reports of purchase card violations;² and
3. OIG's risk assessments and analyses or audits.³

OBJECTIVE, SCOPE AND METHODOLOGY

Objective:

The objective of the risk assessment is to assess the risks of illegal, improper, or erroneous purchases and payments in MCC's charge card programs for USAID OIG to determine the necessary scope, frequency, and number of periodic OIG audits or reviews of these programs.⁴ Due to a moderate risk identified in the prior year assessment, we conducted a performance audit of MCC's charge card programs.

Scope:

CLA assessed the charge card programs as implemented in FY 2020. MCC's charge card programs include purchase card and travel card programs. MCC does not have an integrated card program.⁵ MCC's total purchase card spending was less than \$10 million in FY 2020. Accordingly, the Agency and OIG semi-annual Joint Purchase Card Violation Report reporting requirement is not applicable to MCC.

Table I shows the total number of charge cardholders and the total spending in FY 2020 for each charge card program. MCC discontinued its fleet card program in FY 2020 and there were no fleet cardholders or spending identified.

¹ The Charge Card Act requires all executive branch agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts.

² The requirement for the agency head and OIG to submit a semi-annual Joint Purchase Card Violation Report for submission to OMB is only applicable to agencies with more than \$10 million in purchase card spending in the prior fiscal year.

³ Analyses or audits for purchase cards are required only for agencies with more than \$10 million in prior year purchases. For travel cards, analyses or audits are required only for agencies with \$10 million in prior year travel spending. Each IG should perform an annual purchase card risk assessment. These risk assessments shall guide analyses or audits as necessary.

⁴ As part of the risk assessment, we conducted a performance audit of MCC's purchase card programs for FY 2020.

⁵ The integrated card is a combination of two or more business lines on a single card, e.g., purchase and travel.

Table 1: FY 2020 Number of Charge Cardholders and Spending

Charge Card Program	Number of Cardholders	FY 2020 Disbursements (Rounded)
Purchase	19	\$489,578
Travel	319	\$1,303,316
Total	338	\$1,792,894

There were two account types within the GSA SmartPay Program⁶ that MCC's cardholders participated in:

1. Centrally Billed Accounts (CBAs) – are established by the agency to pay for official purchases, travel, and travel related expenses. Payments are made directly to the bank by the Federal Government.
2. Individually Billed Accounts (IBAs) – are issued to employees to pay for official travel and travel related expenses. Payments are made directly to the bank by the individual.

Our risk assessment and performance audit included the CBAs, but did not include the IBAs due to the fact that the majority of travel transactions are the liability of the individual cardholder, and not the Federal Government.⁷ Employee's business travel expenses using the IBA travel cards are reimbursed by MCC through the normal process of submitting travel vouchers and were included in our testing.

Methodology:

CLA conducted risk assessments and performance audit of the purchase card and travel card programs using a Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis.

- We reviewed the strengths (S) and weaknesses (W) in the design and the operating effectiveness of the purchase card and the travel card programs' internal controls based on industry standards.
- We identified and evaluated opportunities (O) to establish controls in the purchase and travel card programs; (e.g., third party system controls; merchant codes; and daily, weekly, or monthly charge card spending limits).
- We identified and evaluated the threats (T) to the purchase and travel card programs, their likelihood to occur, and their impact quantitatively and qualitatively.

⁶ Established in 1998, the GSA SmartPay Program is the world's largest government charge card and commercial payment solutions program, providing services to more than 560 Federal agencies, organizations, and Native American tribal governments. GSA SmartPay payment solutions enable authorized government employees to make purchases on behalf of the Federal Government in support of their agency/organization's mission.

⁷ See OMB Circular Circular No. A-123, Appendix B, Section 5.3.3. Reports on Violations.

We conducted the risk assessment and performance audit in accordance with performance audit standards as defined in *Generally Accepted Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our objective.

As part of the risk assessment and performance audit, we:

- Read and understand the requirements of the following applicable laws and regulations:
 - Charge Card Act
 - OMB Circular No. A-123, Appendix B, A Risk Management Framework for Government Charge Card Programs
 - 49 U.S.C 40118, Fly America Act – requiring Federal travelers to use United States (U.S.) air carrier service for all air travel services funded by the U.S. government
 - MCC Charge Card Program Standard Operating Procedures (October 1, 2019)
 - MCC Charge Card Management Policy (May 2012 version)
 - MCC Individually Billed Account Travel Charge Card Policy (August 2017 version)
 - MCC Travel Office Procedures and Handbook (April 2019 version)
 - MCC Temporary Duty Travel Policy and Procedures (December 2019 version)
- Obtained an understanding of MCC internal controls over its charge card programs and evaluated the design and operating effectiveness of relevant purchase and travel authorizations and payment controls.
- Reviewed OMB A-123, Appendix B test results performed by MCC in FY 2020.
- Ensured that MCC purchase cards and travel cards disbursements data used in our analysis were complete by reconciling it to the disbursement amount reported in the government-wide account statement for FY 2020 as a part of the data reliability procedures performed.
- Analyzed the purchase and travel cards' data attributes to assess the effectiveness of the design of their internal controls.
- Reviewed the FY 2020 Agency Financial Report (AFR) auditors' report and the report on internal control over financial reporting for weaknesses in travel and purchase card programs.
- Judgmentally selected a sample of 15 purchase cards and 35 travel cards transactions for FY 2020 and reviewed related supporting documentation for those transactions, and considered the strengths and weaknesses in MCC's internal controls.

RESULTS

MCC had 338 cardholders in FY 2020. Out of the 338 cardholders, 15 employees had both a purchase card and a travel card.

The purchase card program had 19 cardholders. All charges made on the 19 purchase cards were billed to one CBA. The travel card program had 319 cardholders. All charges made on the 319 travel cards were IBAs except for employee business travel airfares, which were billed to one CBA.

We sampled and tested 50 out of 2,072 transactions from MCC’s total charge card disbursements in FY 2020 as shown in Table 2.

Table 2: Distribution of Sample Size Tested

Charge Card Program	Sample Count	Total Amount of Sample Tested (Rounded)	FY 2020 Total Number of Transactions	FY 2020 Total Disbursements (Rounded)	Percentage of Disbursements to Total Disbursements (Rounded)
Purchase	15	\$82,767	718	\$489,578	27%
Travel	35	\$311,375	1,354	\$1,303,316	73%
Total	50	\$394,142	2,072	\$1,792,894	100%

Our detailed testing of the travel card transactions identified noncompliance with the Federal Travel Regulations, OMB Circular A-123, Appendix B and waste that though are quantitatively de-minimis, the identified noncompliance qualitatively increase the risk of illegal, improper, or erroneous use in the MCC travel card program. These exceptions are included in Appendix I. Management’s response is presented in Appendix II. We did not audit MCC’s response, and accordingly, we express no opinion on it.

In addition, our detailed testing of the purchase and travel card transactions identified internal control deficiencies and noncompliance with MCC’s Charge Card Program Standard Operating Procedures, MCC’s Individually Billed Account Travel Charge Card Policy, and MCC’s Temporary Duty Travel Policy and Procedures that we communicated separately to MCC.

CONCLUSION

Based on the procedures performed, we determined that MCC’s charge card programs comprising of the purchase cards and travel cards pose a moderate risk of illegal, improper, or erroneous purchases and payments. The results of our risk assessment and performance audit should not be interpreted to conclude that the charge card programs with low risk are free of illegal, improper, or erroneous purchases and payments. Likewise, a high risk in the charge card programs should not be interpreted to indicate actual or known illegal, improper, or erroneous purchases and payments.

APPENDIX I
Fiscal Year 2020 Travel Card Testing Exceptions

Travel Card (TC) Testing

We judgmentally selected 35 out of 1,354 travel card transactions that accounted for \$311,375 out of the total travel card cost of \$1,303,316. MCC travel was limited in FY 2020 due to COVID-19 travel restrictions. The sample population was significantly reduced as it covered transactions from October 2019 to February 2020. Additionally, based on the results of prior year findings, we believe a moderate risk is applicable to FY 2020. We tested both the airfare and travel costs for each traveler and noted the following non-compliance issues:

TC Exception I: For 2 of 35 travel card transactions, sample error rate: less than 1 percent (\$50 out of \$311,375 sample population), travel/cash travel expenses claimed by two cardholders were excessive or unsupported by valid business needs. In addition, travel expenses were claimed for dates when an employee's timesheets reported no hours worked. These expenses were reimbursed without adequate due diligence review/control.

Criteria:

1. Federal Travel Regulation, Sections 301-70.300 and 301-71.203, states,

§301-70.300 - How should we administer the authorization and payment of miscellaneous expenses?

You should limit payment of miscellaneous expenses to only those expenses that are necessary and in the interest of the Government.

§301-71.203 - Who is responsible for the validity of the travel claim?

The certifying officer assumes ultimate responsibility under 31 U.S.C. 3528 for the validity of the claim; however:

- a) *The traveler must ensure all travel expenses are prudent and necessary and submit the expenses in the form of a proper claim;*
- b) *The authorizing/approving official shall review the completed claim to ensure that the claim is properly prepared in accordance with regulations and agency procedures prior to authorizing it for payment.*

2. OMB Circular A-123, Appendix B (Revised 8/27/19), A.I Glossary, states,

Waste: *Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose. For the purposes of this Guidance, waste is any activity taken with respect to a government charge card that fosters, or results in, unnecessary costs or other program inefficiencies.*

Corrective Actions Recommended:

We recommend MCC Chief Financial Officer to:

1. Implement a review process incorporating charge card spending analytics on a monthly basis to identify potential areas of abuse.

APPENDIX I
Fiscal Year 2020 Travel Card Testing Exceptions

2. Revise the receipt requirements for expenses susceptible to potential abuse such as ground transportation and miscellaneous charges.
3. Improve its voucher review process to identify travel claims that may be excessive or wasteful.

APPENDIX II
Fiscal Year 2020 Travel Card Management Response



DATE: July 22, 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, "Assessment of MCC's FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments," dated July 15, 2021



Digitally signed by BRIAN M. CORRY
(affiliate)
DN: c=US, o=U.S. Government,
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ou=Certificates, ou=Users,
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Date: 2021.07.22 15:34:38 -0400'

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report on the Office of Inspector General (OIG)'s audit, "Assessment of MCC's FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments," dated July 15, 2021. MCC concurs with the conclusion of the report and its three recommendations, and will provide our management decisions within six months from the date of the final report. During this period, MCC will perform due diligence in regards to potential corrective action plans. The recommendations are listed for reference below.

- *Recommendation #1 – Implement a review process incorporating charge card spending analytics on a monthly basis to identify potential areas of abuse.*
- *Recommendation #2 – Revise the receipt requirements for expenses susceptible to potential abuse such as ground transportation and miscellaneous charges.*
- *Recommendation #3 – Improve its voucher review process to identify travel claims that may be excessive or wasteful.*

APPENDIX II
Fiscal Year 2020 Travel Card Management Response

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.

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