

OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MCC Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019

Final Report 0-MCC-22-012-C
June 6, 2022



Financial Audits Division



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

MEMORANDUM

DATE: June 6, 2022

TO: Millennium Challenge Corporation, Chief Executive Officer, Alice Albright

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

SUBJECT: MCC Complied in Fiscal Year 2021 With the Payment Integrity Information Act of 2019 (0-MCC-22-012-C)

Enclosed is the final report on Millennium Challenge Corporation's (MCC) 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 RMA Associates LLC (RMA) to conduct the review. The contract required the audit firm to perform the review in accordance with the PIIA, Office of Management and Budget (OMB), Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement (M-21-19), March 5, 2021; the Council of the Inspectors General on Integrity and Efficiency (CIGIE), Guidance for Payment Integrity Information Act Compliance Reviews, October 26, 2021; and CIGIE, Quality Standards for Inspection and Evaluation, December 2020.

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 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 review objective was to determine whether MCC's improper payment reporting in fiscal year 2021 complied with PIIA. To answer the objective, RMA reviewed the payment integrity section of MCC's Agency Financial Report and any accompanying material to assess the agency's compliance with PIIA and related OMB guidance.

The audit firm concluded that MCC complied with the requirements of PIIA for fiscal year 2021. RMA also determined MCC's performance in reducing and recapturing improper payments to be generally accurate and complete. However, RMA noted a finding regarding incomplete and inaccurate agency data reported on PaymentAccuracy.gov and made one recommendation.

To address the finding identified, we recommend that MCC's Chief Financial Officer:

Recommendation I. Implement additional controls to ensure the information in the agency's Improper Payment Tracker is periodically reconciled with the information from all prior audits and reflected on PaymentAccuracy.gov.

In finalizing the report, the audit firm evaluated MCC's response to the recommendation. After reviewing that evaluation, we consider recommendation I resolved but open pending completion of planned activities. For recommendation I, please provide evidence of final actions to OIGAuditTracking@usaid.gov.

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

Millennium Challenge Corporation
Payment Integrity Information Act Review
Independent Auditor's Final Report
June 6, 2022

To the Inspector General
U.S. Agency for International Development

To the Board of Directors
Millennium Challenge Corporation

6 June 2022

RMA Associates, LLC (RMA) conducted a review of the Millennium Challenge Corporation's (MCC) compliance with the Payment Integrity Information Act of 2019 (PIIA) for the fiscal year (FY) ending September 30, 2021.

Our review objective was to determine if MCC's improper payment reporting in its FY 2021 Agency Financial Report (AFR) complied with PIIA.

We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Guidance for Payment Integrity Information Act Compliance Reviews, and CIGIE's Quality Standards for Inspection and Evaluation. These standards require we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

As a result of the assessment, we found that MCC complied with PIIA requirements for FY 2021. We also identified areas of incompleteness and inaccuracy in the Agency's data reported on PaymentAccuracy.gov.

Additional information on our finding and recommendation is included in the accompanying report.

Respectfully,



RMA Associates, LLC

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Executive Summary

RMA Associates, LLC (RMA), under the oversight of the United States Agency for International Development (USAID) Office of Inspector General (OIG), conducted a review of the Millennium Challenge Corporation's (MCC) compliance with the Payment Integrity Information Act of 2019 (PIIA) ([Public Law 116-117](#)) for the fiscal year (FY) ending September 30, 2021 in accordance with 1) the Office of Management and Budget (OMB) Memorandum M-21-19, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*; 2) Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guidance for Payment Integrity Information Act Compliance Reviews* (PIIA Guide); and 3) CIGIE's *Quality Standards for Inspection and Evaluation* (Blue Book). Our review period was from February 2022 through April 2022.

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

What We Concluded

RMA concluded that MCC was in compliance with PIIA for FY 2021 (**Table 1**). We also determined MCC's performance in reducing and recapturing improper payments to be generally accurate and complete. However, we did identify areas of incompleteness and inaccuracy in the Agency's data reported on [PaymentAccuracy.gov](#).

Table 1: PIIA Compliance Reporting Table¹

Program Fund Name	Published an AFR	Conducted a Risk Assessment	Published an Improper Payment Estimate	Published Corrective Action Plans	Published and Met Reduction Targets	Reported an Improper Payment Rate of Less than 10%
609(g)	✓	✓	N/A	N/A	N/A	N/A
Administrative	✓	✓	N/A	N/A	N/A	N/A
Audit	✓	✓	N/A	N/A	N/A	N/A
Compact & CIF	✓	✓	N/A	N/A	N/A	N/A
Due Diligence	✓	✓	N/A	N/A	N/A	N/A
Threshold	✓	✓	N/A	N/A	N/A	N/A
Global Health	✓	✓	N/A	N/A	N/A	N/A

¹ Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, [M-21-19](#), March 5, 2021, page 52.

Background

PIIA ([Public Law 116-117](#)) aims to improve efforts to identify and reduce government-wide improper payments. Agencies are required to identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by OMB. Payment integrity information is published with the agency's annual financial statement in accordance with payment integrity guidance in OMB Circular A-136. The agency must also publish payment integrity information required in the accompanying materials to the annual financial statement in accordance with applicable guidance. The most common accompanying materials to the annual financial statement are the payment integrity information published on [PaymentAccuracy.gov](#). Agency Inspector Generals are to review payment integrity reporting for compliance and issue an annual report.

Guidance addressing PIIA requirements is found in Appendix C to OMB Circular A-123 issued March 5, 2021 ([M-21-19](#)). This Appendix is effective for FY 2021. Each program with annual outlays over \$10,000,000 must conduct an improper payment risk assessment at least once every three years to determine whether the program is likely to have improper payments above the statutory threshold.²

The term improper payment means any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement. This includes: 1) any payment to an ineligible recipient; 2) any payment for an ineligible good or service; 3) any duplicate payment; 4) payment for a good or service not received, except for those payments where authorized by law; and 5) any payment that does not account for credit for applicable discounts.

The threshold is determined by statute. Programs are considered to be above the statutory threshold if reporting an annual improper payment and unknown payment estimate above \$10,000,000 and 1.5% of the program's total annual outlays or above \$100,000,000 regardless of the associated percentage of the program's total annual outlays that the improper payment and unknown payment estimate represents.³

MCC is required to perform a risk assessment of its programs at least once every three years under Section II.A. Phase 1, Appendix C. MCC conducted its latest risk assessment in FY 2020. Accordingly, MCC did not conduct a risk assessment in FY 2021. MCC identified six programs requiring a risk assessment in compliance with Appendix C. MCC uses an Improper Payments (IP) Risk Assessment Tool to assess the risk of significant erroneous payments for all MCC administered program funds. The IPs are based on management awareness, vendor complaints and notifications, payment adjustment records, results of reviews and monitoring activities, and all other relevant and available information. The Tool is used to document the risk assessment for each of MCC's funds (i.e., 1) Compact; 2) 609(g); 3) Threshold; 4) Admin; 5) Due Diligence; and 6) Global Health) but excluded Audit and 614(g). MCC applied a low (below 35%), medium

² Ibid, page 6-7.

³ Ibid, page 19.

(between 35%-55%), and high (above 55%) risk assessment score to each program based on the risk assessment's weighted scoring results. In addition to this Tool, MCC uses a self-identified IP Tracker (Tracker) to record and aggregate all IPs, overpayments, and recoveries. MCC tracks the IP date, vendor, amount, cause, the amount recovered, and the over or underpayment. The overpayments and recapture amounts reported to OMB are derived from the IP Tracker.

Objectives

The objective is to determine if MCC's improper payment reporting in its FY 2021 Agency Financial Report (AFR) complied with PIIA.

Legal Requirements/Compliance with PIIA

The term "compliance" with PIIA and OMB guidance means that the agency complied with the 10 items listed in 1a through 6 below. If the agency does not meet one or more of these requirements, then it is not compliant.

- **1a:** Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent FY in accordance with OMB guidance;
- **1b:** Posted the annual financial statement and accompany materials required under guidance of OMB on the agency website;
- **2a:** 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:** Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold;
- **3:** Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
- **4:** Published 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;
- **5a:** Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
- **5b:** Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
- **5c:** Developed a plan to meet the IP and UP reduction target; and
- **6:** Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

Criteria

RMA conducted the review in accordance with standards relevant assessment in accordance with the CIGIE [PIIA Guide](#), and other authoritative guidance such as:

- [Payment Integrity Information Act of 2019](#);
- [CIGIE's Quality Standards for Inspection and Evaluation](#);
- [Improper Payments Elimination and Recovery Act of 2010](#) (IPERA);
- [Federal Improper Payments Coordination Act of 2015](#) (Public Law 114-109);
- [31 U.S.C § 3321](#), Disbursing Authority in the Executive Branch;
- [OMB Circular A-123](#), *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 15, 2016;
- [OMB Circular A-136](#), *Financial Reporting Requirements*, August 10, 2021; and
- [OMB Memorandum M-21-19](#), *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, March 5, 2021.

Prior Year Results

In CliftonLarsonAllen, LLP's (CLA) PIIA Audit and Financial Statement Audit (FSA) for MCC in FY 2020, they identified non-significant matters related to internal controls deficiencies, which were communicated to the agency. As a part of our FY 2021 review, we followed up to determine if the agency addressed these deficiencies. Specifically, MCC stated they revised their IP Tracker to account for the missing improper payments. We then followed up on MCC's actions and determined MCC's OMB Data Call and IP Tracker did not include the IP information identified in the FY 2020 audit results:

- **Program A:** Nineteen (19) IPs for 609(g) for **\$87,254.62** and recoveries for FY 2020. MCC did not determine the status of the remaining ineligible questioned costs until March 2021.⁴
- **Program B:** The Accountable Entity did not withhold taxes on **\$181,387.89** for a total of twelve (12) local Compact payments, which may result in the Accountable Entity being liable to pay the amount of tax that was not withheld. These were IPs because the payments were not made in accordance with the compact agreement, resulting in overpayments that should have been reported in FY 2020.
- **Program C:** The Payment Authorization Form was not signed by the person responsible for the request. This was an IP as it should not have been made under administrative requirements and should have been reported by MCC in FY 2020. The amount paid on October 12, 2018, was Q.20,166.24 in local currency; the exchange rate was \$0.13 totaling **\$2,621.61**.

⁴ MCC management confirmed Program A funds were recaptured in September 2020; however, this was not included in the MCC's IP Tracker.

Results of Review

RMA reviewed the agency's Improper Payments Information Act section of MCC's FY 2021 AFR posted on the agency's website for compliance with PIIA, as well as, the PaymentAccuracy.gov Data Call, and the OMB 2020 Supplemental Data Call. Per MCC's Improper Payments Procedures, at the beginning of each quarter, the Financial Management Division (FMD) Accountant sends out an email to MCC staff (Program Financial Service (PFS) leads and Contract Office Representatives (COR)) to ask for any IPs that have been identified during the previous quarter. In addition, the accountant emails the data call questionnaire requesting information about new and all types of IPs, recovery of previous IPs from prior periods, and questioned costs and/or IPs, and final action on MCC Millennium Challenge Accounts (MCA) audit findings and recommendations. All reported IPs are reviewed and compiled in the IP Tracker to ensure accuracy and completeness. The Director of Internal Controls and Audit Compliance (ICAC) is required to complete an annual OMB Appendix C Checklist to ensure compliance with applicable supporting documentation during each assessment period.

During our review, we found MCC management did not completely and accurately report IPs as the overpayment amount identified for recapture on PaymentAccuracy.gov. Specifically, the formula embedded in the summary tab of MCC's IP Tracker inaccurately represented the IPs available for recapture. We were able to determine the correct formula needed to align with the reported figures on PaymentAccuracy.gov. However, MCC management did not perform an adequate review of their IP Tracker to determine if the information reported is complete and accurate. This resulted in an underreporting of MCC's overpayment amount identified for recapture on PaymentAccuracy.gov. MCC did not update their MCC IP Tracker to include IPs identified in FY 2020 by CLA. The FY 2021 recapture rates are outlined in **Table 2** along with the corrected MCC IP Tracker results.

Table 2: Reported Recapture Summary

Source	Overpayment Amount Identified for Recapture (\$M)	Overpayment Amount Recovered (\$M)	Recovery Rate
FY 2021 PaymentAccuracy.gov	\$0.85M	\$0.80M	94.3%
RMA's recalculation of MCC's IP Tracker with the inclusion of IPs CLA identified in prior year audits	\$1.12M	\$0.88M	79.1%

Criteria

RMA referenced the following criteria when assessing compliance:

1. [OMB Circular A-136, Financial Reporting Requirements, Section II.4.5. Payment Integrity Information Act Reporting](#) (Pg. 111) states, "Information previously contained in this section that is not explicitly required below will be collected by OMB through the Annual Data Call and published on PaymentAccuracy.gov."

2. [Government Accountability Office \(GAO\), *Standards for Internal Control in the Federal Government, Design of Appropriate Types of Control Activities, Section 10.03* \(Pg. 48\)](#) states, “*Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.*”

Recommendation

RMA recommends MCC management implement additional controls to ensure the information in the agency’s IP Tracker is periodically reconciled with the information from all prior audits and reflected on PaymentAccuracy.gov.

MCC concurred with the recommendation and provided their response and management decision with a completion date of July 29, 2022 (Appendix B).

RMA’s Evaluation of the Management Response

RMA acknowledges MCC’s concurrence with the recommendation. It is important that MCC communicate a detailed corrective action plan to include what policy revisions and additional controls will be implemented in their PIIA procedures.

Conclusion

For FY 2021, RMA concluded the MCC complied with all requirements applicable to the agency for improper payment reporting. According to OMB guidance and the CIGIE PIIA Guide, compliance with PIIA means that the agency met the following six requirements, as appropriate (**Table 3**).

Table 3: MCC's Appendix C Compliance

Requirements for PIIA Compliance		MCC Compliance ⁵
1a	Published payment integrity information with the annual financial statement and in the accompanying materials to the annual financial statement of the agency for the most recent FY in accordance with OMB Guidance.	✓
1b	Posted the annual financial statement and accompanying materials required under guidance of OMB on the agency website. ⁶	✓

⁵ Requirements 3 through 6 are not applicable due to MCC identifying no programs susceptible to significant improper payment or high priority programs.

⁶ To achieve compliance, the agency must publish any applicable payment integrity information in its annual financial statement in accordance with payment integrity guidance provided in OMB Circular A-136. In addition, the agency must publish any applicable payment integrity information required in the accompanying materials to the annual

Requirements for PIIA Compliance		MCC Compliance ⁵
2a	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	Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold.	✓
3	Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.	N/A
4	Published 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.	N/A
5a	Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.	N/A
5b	Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.	N/A
5c	Developed a plan to meet the IP and UP reduction target.	N/A
6	Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.	N/A

MCC concluded that the agency has not identified any program that constitutes a high risk for improper payments. As a result, the MCC identified no programs susceptible to significant improper payment and assessed all its programs to be low to medium risk of improper payments. We concluded the MCC is compliant with PIIA requirements for FY 2021. Specifically, the MCC is compliant with requirements 1 and 2. Requirements 3 through 6 are not applicable to the agency.

financial statements in accordance with applicable guidance. The agency's payment integrity information that is published on PaymentAccuracy.gov is the most common accompanying material to the annual financial statement.

Appendix A: Scope and Methodology of the Review

The scope of this review focused on the payment integrity section in the FY 2021 AFR and tri-annual Risk Assessment to determine MCC's compliance with PIIA. The review was conducted from February 2022 through April 2022. To achieve the objectives, RMA:

1. Reviewed the payment integrity section of the MCC's FY 2021 AFR and any accompanying material to assess the agency's compliance with PIIA and related OMB guidance.
2. Reviewed information on <https://paymentaccuracy.gov/> through the annual OMB payment integrity data call. The information collected through the data call and published on [PaymentAccuracy.gov](https://paymentaccuracy.gov/) is considered accompanying materials to the financial statement.
3. Reviewed applicable Federal laws, OMB guidance, and agency policy and procedures.
4. Requested source data from the agency used to support applicable payment integrity information in the financial statement and accompanying materials.
5. Analyzed the source data to ensure accuracy and completeness of payment integrity information in the financial statement and accompanying materials.
6. Concluded whether the agency met each of the ten PIIA compliance requirements for each of the reported programs.
7. Determined whether an issue is significant in the context of the agency under review.
8. Leveraged any prior or ongoing audits or work in deciding the level of work to do for the PIIA compliance review.
9. Identified and reviewed relevant prior work and evaluated whether MCC took appropriate corrective action to address findings and recommendations from any prior engagements that are significant within the context of the objectives.
10. Evaluated the accuracy, completeness, and timeliness of improper payment risk assessments and whether appropriate conclusions were reached in determining if a program was likely to make improper payments (IP) and/or unknown payments (UP) above or below statutory thresholds.
11. Evaluated the adequacy of the agency's sampling and estimation methodology plans (S&EMP), the accuracy of IP and UP estimates, and whether the sampling and estimation plans used were appropriate given program characteristics.
12. Examined corrective action plans to determine whether they were adequate and focused on the true causes of IPs and UPs, adequately addressing the causes, effects, effectively implemented, prioritized within the agency, and reducing IPs.
13. Evaluated the published reduction targets and whether they were appropriately aggressive and realistic given program characteristics.
14. Reviewed MCC's plan to meet IP and UP reduction targets and focus on the actions the program would take during the following year to meet the IP and UP reduction targets they had established for the following FY.
15. Reviewed published IP and UP estimates, which should be less than 10 percent to be in compliance with PIIA.
16. Obtained an understanding of MCC's internal controls in place for compiling, validating, and reporting the payment integrity information in the AFR and accompanying materials.

17. Assessed the risk of fraud occurring that was significant within the context of the objectives or that could affect the findings and conclusions.

Appendix B: MCC Management Comments



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

DATE: May 20, 2022

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

FROM: Fouad Saad
Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

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SUBJECT: MCC's Management Response to the Draft Report, "MCC Complied in Fiscal Year 2021 with the Payment Integrity Information Act of 2019," dated May 18, 2022

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the Office of Inspector General (OIG)'s draft report titled, "MCC Complied in Fiscal Year 2021 with the Payment Integrity Information Act of 2019," dated May 18, 2022. 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. The report identified one recommendation which is addressed below.

Recommendation 1 – MCC's Chief Financial Officer implement additional controls to ensure the information in the agency's Improper Payment Tracker is periodically reconciled with the information from all prior audits and reflected on PaymentAccuracy.gov.

MCC's Response and Management Decision – MCC concurs with the recommendation. MCC will revise its current process and implement additional controls to ensure all audits are completely and accurately reflected in the tracker data and supporting documentation. Afterwards, MCC will reconcile the tracker with PaymentAccuracy.gov. MCC will complete the final action no later than July 29, 2022.

If you have any questions, please contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or Kovaljg@mcc.gov.

CC: Damian Wilson, Principal Audit Director, Financial Audits Division, OIG, USAID
Anna Elias, Assistant Audit Director, Financial Audits Division, OIG, USAID

Davida Wilhelm, Assistant Audit Director for Financial Statement Audits, OIG, USAID
Chinwe Mbanefo, Lead Auditor, Financial Audits Division, OIG, USAID
Lori Giblin, Chief Risk Officer, A&F, MCC
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC
Jude Koval, Senior Director, ICAC, A&F, MCC