

# OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

## MCC Complied in Fiscal Year 2022 With the Payment Integrity Information Act of 2019

Final Report 0-MCC-23-005-C  
May 19, 2023





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

**DATE:** May 19, 2023

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

**FROM:** Deputy Assistant Inspector General for Audit, Alvin Brown

**SUBJECT:** MCC Complied in Fiscal Year 2022 With the Payment Integrity Information Act of 2019 (0-MCC-23-005-C)

Enclosed is the final report on 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 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," November 8, 2022; and CIGIE Quality Standards for Inspection and Evaluation, December 2020.

In carrying out its oversight responsibilities, OIG reviewed the firm's report and related review documentation and inquired of its representatives. The 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 2022 complied with the PIIA. To answer the objective, RMA reviewed the payment integrity information in MCC's Annual Management Report and any accompanying materials to assess the agency's compliance with the PIIA and related OMB guidance.

The firm concluded that MCC complied with the requirements of the PIIA for fiscal year 2022.

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**  
**May 11, 2023**

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

To the Board of Directors  
Millennium Challenge Corporation

11 May 2023

RMA Associates, LLC 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, 2022.

Our review objective was to determine if MCC's improper payment reporting in its FY 2022 Annual Management Report 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 2022. Additional information on our results is included in the accompanying report.

Respectfully,

*RMA Associates*

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, 2022 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 was conducted from February 2023 through April 2023.

As part of this review, we also evaluated the accuracy and completeness of MCC's efforts in preventing and reducing improper payments (IPs) and unknown payments (UPs).

### *What We Concluded*

RMA concluded that MCC was in compliance with PIIA for FY 2022 (**Table 1**). We also determined MCC's efforts in preventing and reducing IPs and UPs to be accurate and complete.

Table 1: PIIA Compliance Reporting Table<sup>1</sup>

Program Fund Name	Published Payment Integrity Information with the AMR	Posted the AMR and Accompanying Materials on the Agency Website	Conducted IP Risk Assessments for Each Program with Annual Outlays Over \$10,000,000	Adequately Concluded Whether Program is Likely to Make IPs and UPs Above or Below the Statutory Threshold	Published IP and UP Estimates	Published Corrective Action Plans	Published an IP and UP Reduction Target	Demonstrated Improvements to Payment Integrity	Developed a Plan to Meet the IP and UP Reduction Target	Reported an IP and UP Estimate of Less Than 10%
614(g) of the Millennium Challenge Act of 2023	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Audit	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Compact Assistance	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Compact Development Funding	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Due Diligence	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Threshold Programs	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A
Global Health	✓	✓	✓	✓	N/A	N/A	N/A	N/A	N/A	N/A

**Legend**

- ✓ MCC complied with OMB Circular A-123 requirements for Payment Integrity Improvement.
- N/A Not applicable due to MCC identifying no programs susceptible to significant improper payment or high priority programs.

<sup>1</sup> 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 2022. 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.<sup>2</sup>

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 statutory, contractual, administrative, or other legally applicable requirements. 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.<sup>3</sup>

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 identified six programs requiring a risk assessment in compliance with Appendix C. MCC uses an Improper Payments (IP) Risk Assessment Tool (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).

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<sup>2</sup> Ibid, page 6-7.

<sup>3</sup> Ibid, page 19.



MCC applied a low (below 35%), medium (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. MCC did not conduct a risk assessment in FY 2022.

## Objectives

The objective is to determine if MCC's improper payment reporting in its FY 2022 Annual Management Report (AMR) 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 [AMR for MCC] and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance.
- **1b:** Posted the AMR and accompanying materials required under the guidance of OMB on the agency website.
- **2a:** Conducted IP 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 AMR.
- **4:** Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR.
- **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 AMR.
- **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 targets.
- **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 AMR.

## 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*, June 3, 2022; 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

During RMA's review of improper payment reporting in MCC's FY 2021 Agency Financial Report (AFR), we found MCC management did not completely and accurately report 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.

RMA recommended MCC 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 updated their improper payment procedures in June 2022. OIG determined that the corrective action addressed the recommendation and was implemented. The recommendation was closed in July 2022.

## Results of Review

RMA reviewed the Payment Integrity section of MCC's FY 2022 AMR posted on the agency's website for compliance with PIIA, as well as any applicable payment integrity information required in the accompanying materials to the AMR. Per MCC's improper payment procedures, at the beginning of each quarter, the Financial Management Division Accountant sends out an email to MCC staff (Program Financial Service leads and Contract Office Representatives) 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 has completely and accurately reported payment recapture results on PaymentAccuracy.gov (**Table 2**).

*Table 2: MCC FY 2022 Information Reported in PaymentAccuracy.gov*

Overpayment Amount Identified for Recapture (\$M)	Overpayment Amount Recovered (\$M)	Recovery Rate
\$0.12	\$0.11	91.67%

## Conclusion

For FY 2022, 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 <sup>4</sup>
1a	Published payment integrity information with the AMR and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance.	✓
1b	Posted the AMR and accompanying materials required under the guidance of OMB on the agency website.	✓
2a	Conducted IP 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 management report.	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 AMR.	N/A

<sup>4</sup> Requirements 3 through 6 were not applicable due to MCC identifying no programs susceptible to significant improper payment or high priority programs.

Requirements for PIIA Compliance		MCC Compliance <sup>4</sup>
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 AMR.	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 targets.	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 AMR.	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 2022. Specifically, the MCC was compliant with requirements 1 and 2. Requirements 3 through 6 were not applicable to the agency.

## Appendix A: Scope and Methodology of the Review

The scope of this review focused on the payment integrity section in the FY 2022 AMR and tri-annual Risk Assessment to determine MCC's compliance with PIIA. The review was conducted from February 2023 through April 2023. To achieve the objectives, RMA:

1. Reviewed the payment integrity section of the MCC's FY 2022 AMR 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 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 IPs and/or UPs 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 AMR 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: Management's Comments**



DATE: May 10, 2023

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 /s/  
Vice President and Chief Financial Officer  
Department of Administration and Finance  
Millennium Challenge Corporation

FOUAD P  
SAAD  
(affiliate)

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FOUAD P SAAD  
(affiliate)  
Date: 2023.05.10  
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SUBJECT: MCC's Management Response to the Draft Report, "MCC Complied in Fiscal Year 2022 with the Payment Integrity Information Act of 2019," dated May 10, 2023

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 2022 with the Payment Integrity Information Act of 2019," dated May 10, 2023. MCC concurs with the conclusion of the report and confirmation of the agency's compliance with the Payment Integrity Information Act of 2019.

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](mailto:Kovaljg@mcc.gov).

CC: Damian Wilson, Principal Audit Director, Financial Audits Division, OIG, USAID  
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Michael Wright, Controller, FMD, A&F, MCC  
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