



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

MCC Complied With the GONE Act and Has a Low Risk of Delayed Grant Closeout

AUDIT REPORT 0-MCC-20-005-C
MARCH 30, 2020

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MEMORANDUM

DATE: March 30, 2020

TO: MCC, Vice President, Department of Administration and Finance, Chief Financial Officer, Ken Jackson

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

SUBJECT: MCC Complied With the GONE Act and Has a Low Risk of Delayed Grant Closeout (0-MCC-20-005-C)

Enclosed is the final audit report on Millennium Challenge Corporation's (MCC) grant closeout process and compliance with the reporting requirements of the Grants Oversight and New Efficiency (GONE) Act. The USAID Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates, LLC (RMA) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards.

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and inquired of its representatives. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which RMA did not comply, in all material respects, with applicable standards. In finalizing the report, we considered your comments on the draft and included them in their entirety, excluding attachments, in appendix I.

The audit objectives were to: (1) perform a risk assessment and performance audit of MCC's grant closeout process and (2) issue a report that addresses the identified risks and makes recommendations to aid the agency with alleviating its challenges regarding the grant closeout process. To answer the audit objectives, the audit firm examined agency policies and procedures related to grant closeout, evaluated consistency of the procedures with laws and regulations, and assessed MCC's internal control and compliance related to grant closeout process.

The audit firm concluded that the overall risk of delayed grant closeout is low. The audit firm did not identify any weaknesses and concluded that MCC complied with the reporting

requirements of the GONE Act in fiscal years 2017 and 2018. RMA's report did not include any recommendations.

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



**Millennium Challenge Corporation (MCC)
Grants Oversight and New Efficiency (GONE) Act Audit
Independent Auditor's Final Report
March 24, 2020**



March 24, 2020

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

Dear Mr. Wilson:

RMA Associates, LLC (RMA) is pleased to present our report on the Millennium Challenge Corporation's (MCC) compliance with the Grants Oversight and New Efficiency (GONE) Act of 2016.

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

Respectfully,

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

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



Inspector General
United States Agency for International Development

24 March 2020

RMA Associates, LLC (RMA) conducted a risk assessment and performance audit of the Millennium Challenge Corporation's (MCC) compliance with the Grants Oversight and New Efficiency (GONE) Act of 2016 relevant to its grant closeout process from September 1, 2019 to March 6, 2020.

As part of our audit, we conducted a risk assessment that included assessments of procedures, compliance with federal regulation, governance, status of expired grants and internal controls. The performance audit included testing of training procedures and closeout documentation guidelines.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As a result of the assessment, we determined that MCC has a low risk of not closing grants that have been expired for two or more years timely as outlined in the GONE Act.

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

Respectfully,

A handwritten signature in blue ink that reads 'RMA Associates' in a cursive, slightly stylized font.

RMA Associates, LLC

Contents

Background	1
Objective	1
Summary of Results	2
Risk Assessment Results	2
Audit Results	2
Summary of Findings	3
Recommendations	3
Status of Prior Recommendations	3
Appendix I – MCC Management Comments	4
Appendix II – Scope and Methodology	6
Scope	6
Methodology	6

Background

Millennium Challenge Corporation (MCC) is an innovative and independent U.S foreign assistance agency that is helping the fight against global poverty. It was established by Congress in 2004 and forms partnerships with developing countries who are committed to good governance, economic freedom, and investing in their citizens.

Government Accountability Office (GAO) reports in 2012 and 2016 identified nearly \$1 billion of undisbursed funding in expired grant accounts. The Grants Oversight and New Efficiency (GONE) Act was passed in 2016 and its goal is to direct federal agencies to close out expired grants efficiently, including deobligation of any remaining expired funding. In addition, the effort intends to provide oversight to the grant closeout process of federal agencies, improve grant closeout procedures, and enhance fiscal responsibility throughout the government.

The GONE Act of 2016 addresses the issues associated with expired grant accounts not closed out properly and timely by requiring agencies such as MCC to sequentially report to Congress their number of expired grant accounts and the challenges impeding them from timely closeout, provide Congress with the progress made on efficient grant closure, and perform a subsequent risk assessment of the process.¹

This engagement satisfied the GONE Act requirement for the Office of Inspector General (OIG) to perform a risk assessment of its grant closeout process.

Objectives

The objective of the engagement was to perform a (1) risk assessment and performance audit of MCC's grant closeout process and (2) issue a report that addresses the identified risks and makes recommendation to aid the agency with alleviating its challenges regarding the grant closeout process.

¹ MCC administers Compacts, 609(g)s and Threshold Programs grants.

Summary of Results

Risk Assessment Results

RMA Associates, LLC (RMA) performed a risk assessment to determine the level of risk in the grant closeout process by identifying and understanding the inherent risk and reviewing controls used to mitigate it. In addition, we reviewed the grant closeout process to identify potential challenges or deficiencies. We categorized the risk assessment by reviewing the following controls/parameters:

1. Grant closeout procedures;
2. Compliance with Federal regulations;
3. Governance;
4. Status of expired grants;
5. Internal controls;
6. Closeout training; and
7. Closeout documentation.

The following procedures were completed to assess the risk in MCC's grant closeout process:

1. Evaluated the nature and type of grants issued to recipients.
2. Examined agency policy and procedures related to grant closeout.
3. Reviewed consistency of procedures with federal regulation, industry standards, other guidance, including but not limited to:
 - Evaluated the complexities of procedures in the grant closeout process;
 - Assessed the population of expired grant accounts;
 - Reviewed information systems used to process grant data;
 - Assessed challenges; and
 - Assessed internal controls.

As a result of the assessment, we determined MCC has a low risk of timely closure of grants that have been expired for two or more years as outlined in the GONE Act.

Audit Results

As a part of our audit procedures, RMA performed attribute testing on the entire population while testing for status of expired grants. Additionally, we obtained samples based on the assessed risk categories. During our testing, we determined:

Design of Procedures: MCC maintains clear and detailed procedures for grant closeout. For example, MCC's *Program Closure Guideline* discusses the governing principles that apply to the closure of a program, the development of a Program Closure Plan, and the applicable timelines for submission of requirements. The guidelines include information for modifications to the closure plan. It also describes the closeout process of liquidation of funds and other program assets after

the grant has been closed. These comprehensive guidelines enable the understanding and execution of grant closeout by responsible parties.

Compliance with Federal Regulations: MCC complied with the GONE Act requirements as reported on its fiscal year (FY)2017 and FY2018 Agency Financial Reports (AFR) including the number of expired grants that remain open, amount of undisbursed funds, and challenges with closing out the 30 oldest grants. The GONE Act requires agencies to identify expired accounts and provide explanation of the delay in closeout. MCC reported data on expired grant accounts that have remained open for two years or more following the end of the period of performance. These metrics were reported in their respective AFRs for both FY2017 and FY2018.

Establishment of Governance: MCC centrally manages grant closeouts and clearly defines roles and responsibilities for those participating in the closeout process to mitigate the risk of process complexities. The process centralization and management reduce the risk of untimely closeouts.

Performance of Internal Controls: MCC has controls in place to ensure grant closure activities take place prior to the end of the grant's expiration. For instance, awardees of grants must deliver program closure plans within a certain time before grant expiration to receive grant disbursements. Disbursements are distributed quarterly and not until all requirements in that quarter are satisfied.

Status of Expired Grants: RMA assessed MCC's current grant population and found no grants carry an unliquidated amount.

Completion of Closeout Training: RMA found five out of five sampled Agreement Officer's Representative (AOR)/Contracting Officer's Representative (COR) had up-to-date COR certifications or the COR certification was not applicable.

Availability of Closeout Documentation: RMA found four out of four sampled 609(g) grants have documentation to confirm grant closeout. MCC uses a *Contract Closeout Modification File Checklist* to monitor completion of the individual closeout documents. The Checklist was accompanied by the respective closeout forms. The closure of the compact also entails closure of all contractual arrangements (e.g., 609g) related to the grant.

Summary of Findings

MCC did not have any findings that were reported during the scope of the audit period.

Recommendations

MCC did not have any findings reported; hence recommendations were not provided by RMA.

Status of Prior Recommendations

MCC did not have any previous recommendations examined by RMA for this audit scope.

Appendix I – MCC Management Comments



DATE: March 19, 2020

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

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

SUBJECT: MCC's Management Response to the Draft Report, "MCC Complied with the GONE Act and Has a Low Risk of Delayed Grant Closeout (0-MCC-20-005-C)," dated March 13, 2020

The Millennium Challenge Corporation (MCC) appreciates the opportunity to review the draft report on the Office of Inspector General (OIG)'s audit, "MCC Complied with the GONE Act and Has a Low Risk of Delayed Grant Closeout," dated March 13, 2020. MCC concurs with the conclusion of the report and deemed the report constructive in helping to validate the agency's compliance with the GONE Act.

There were no recommendations as part of this audit, and as such, MCC does not provide a corrective action plan.

If you have any questions or require additional information, please contact me at 202-521-2686 or Jacksonks@mcc.gov. Additionally, you can also contact Jude Koval, Director of Internal Controls and Audit Compliance (ICAC), at 202-521-7280 or Kovaljg@mcc.gov.

CC: Damian Wilson, Principal Director, OIG, USAID
Alice Miller, Chief Risk Officer, A&F, MCC
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Brian Corry, Managing Director, CGM, A&F, MCC

Eric Redmond, Controller, FMD, A&F, MCC
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Jude Koval, Director, ICAC, A&F, MCC

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Appendix II – Scope and Methodology

Scope

The audit was conducted in Washington D.C. during September 30, 2019 through March 6, 2020. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

A risk assessment was performed by RMA Associates, LLC (RMA) to determine the level of risk in the grant closeout process by identifying and understanding the inherent risk and reviewing controls used to mitigate it. We categorized the risk assessment with reviews of policies and procedures, interviews with subject matter experts, and testing of samples (when applicable) across the following controls / parameters:

1. Grant closeout procedures;
2. Compliance with Federal regulations;
3. Governance;
4. Status of expired grants;
5. Internal controls;
6. Closeout training; and
7. Closeout documentation.

Methodology

RMA developed work papers that document all work performed and support all conclusions reached. In addition, our work papers document the results of all test procedures performed in connection with the audit program and document all audit findings and their required elements in accordance with *Generally Accepted Government Auditing Standards*.

Sampling methods were risk-based, in the sense that where current control testing has indicated low risk, we use that information to reduce what otherwise would have been a larger test of details sample size under purely data-driven formulas for statistical projection. Thus, the sample size is not driven by dollar value alone, but also the risk assessed to each process. RMA performed attribute testing on the entire population while testing for status of expired grants. Training certification and grant closeout documentation testing was performed. RMA obtained samples of four closeout grants and five training certifications. The testing attributes addressed the risks assessment as noted above.

As for part of the audit, RMA reviewed MCC's FY2017 and FY2018 unliquidated expired grant amounts for the GONE Act compliance.

Our tests include interviews with appropriate management, supervisory, and staff personnel; inspection of MCC's close-out process policies and procedures; and observation of MCC's grant close-out process.

We prepared working papers in accordance with quality control standards defined within our Quality Control plan to capture results from our testing. We have developed an internal quality control plan to meet GAGAS and American Institute of Public Accountants (AICPA) requirements.