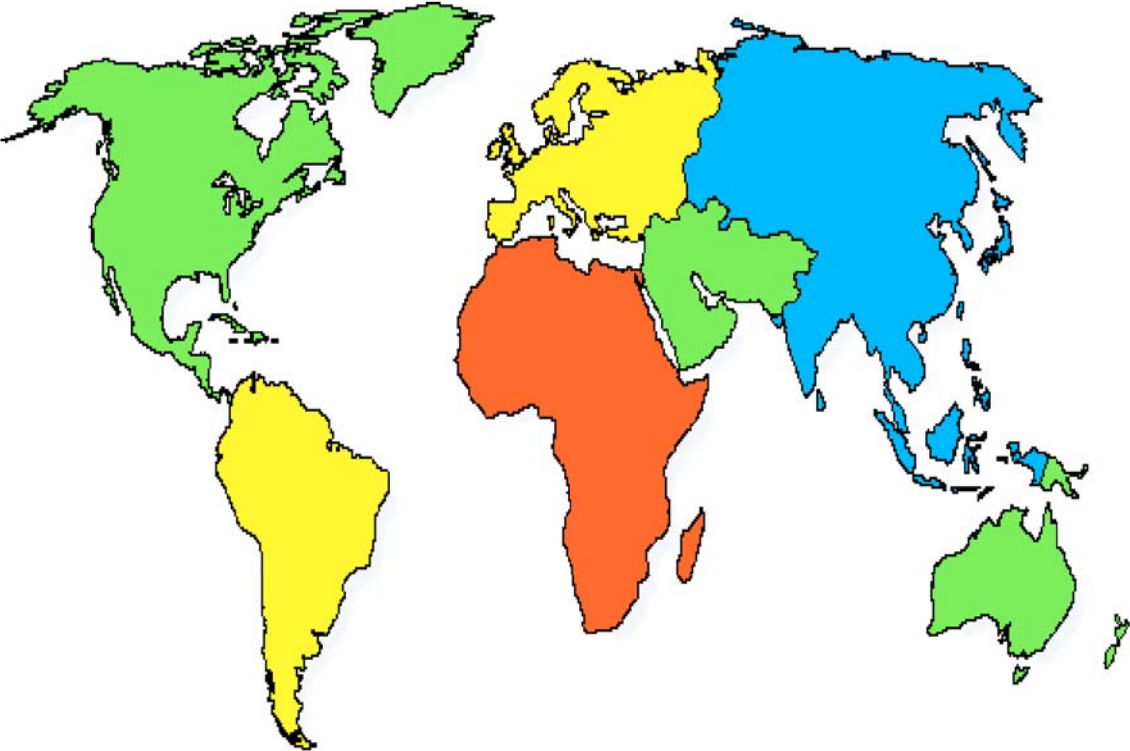


**Millennium
Challenge
Corporation**

**Office of
Inspector
General**

Annual Plan 2005



Statement of the Acting Inspector General

I am pleased to present the Office of Inspector General's (OIG) annual plan for fiscal year (FY) 2005. This document articulates our planned work in 2005 at the Millennium Challenge Corporation.

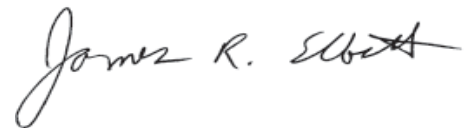
This annual plan provides details on the audit, investigative, and other activities that the OIG plans to undertake in order to provide the best service possible in helping the Millennium Challenge Corporation achieve its development assistance objectives.

This annual plan recognizes that the Millennium Challenge Corporation is a new organization and allows for changes resulting from developing policy and program implementation.

Our overriding goal is to support management in the delivery of its programs. We do this through our audit and investigative activities and by advising management on program risks and the need for associated internal controls for promoting effective and efficient program delivery. In performing our duties, we work with the Corporation's management and staff as well as with members of Congress and their staffs to understand their particular interests and to provide them with information that they can use in developing and administering the Millennium Challenge Corporation's programs and activities.

We can do this because we have a professional and well-trained staff operating under professional standards mandated by law and promulgated by the Comptroller General of the United States and the President's Council on Integrity and Efficiency. Under these standards, our operations are subject to an external peer review performed by another independent inspector general's office. The most recent review, completed in 2004, reported that applicable professional standards were met.

In addition, and most important, we can serve the Corporation and Congress by providing management with timely recommendations, suggestions, and advice that they can rely on because of the independence that the Inspector General Act of 1978 provides. The Act created an independent Inspector General by requiring the Inspector General to report both to the head of the organization and to Congress, keeping both fully informed on problems identified during the course of our work. We accomplish this task through our regular reporting processes, including our audit and investigation reports and our semiannual reports to Congress, and through frequent briefings to both the Corporation's management and members of Congress and their staffs. Our goal through this cooperative approach is to assist the Corporation's management by providing solid information and recommendations for solutions to problems as they carry out their day-to-day business.



James R. Ebbitt
Acting Inspector General

Millennium Challenge Corporation

Office of Inspector General

Annual Plan

Fiscal Year 2005



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Authority and Responsibility

The United States Agency for International Development (USAID) Office of Inspector General (OIG) was established on December 16, 1980, by Public Law 96-533, which amended the Foreign Assistance Act of 1961. On December 29, 1981, the President signed the International Security and Development Cooperation Act of 1981, bringing the USAID Inspector General under the purview of the Inspector General Act of 1978. The OIG assumed audit and investigative oversight of the African Development Foundation (ADF) and the Inter-American Foundation (IAF) in 1999 in accordance with Public Law 106-113. Finally, on January 23, 2004, the USAID Inspector General was appointed as the Inspector General for the Millennium Challenge Corporation through Public Law 108-199 (The Consolidated Appropriations Act of 2004).

The Inspector General Act of 1978, as amended, authorizes the Inspector General to conduct and supervise audits and investigations. In doing this work, the OIG (1) promotes economy, efficiency, and effectiveness and (2) detects and prevents fraud, waste, and abuse in programs and operations. The Inspector General is responsible for keeping the head of the respective organization and Congress fully informed of the results of audits and investigations related to the organization's programs and operations, as well as the necessity for, and progress of, corrective actions.

The Consolidated Appropriations Act, having designated the USAID Inspector General to serve as the Inspector General for the Millennium Challenge Corporation (MCC or Corporation), states that the Inspector General may conduct reviews, investigations and inspections of all aspects of the operations and activities of the Corporation. The legislation further states that, in carrying out this responsibility, the Inspector General shall report to and be under the general supervision of the Corporation's Board of Directors.

Given the Corporation's unique structure and the substantial level of development assistance it

will administer, the Office of Inspector General established a separate Assistant Inspector General (AIG/MCC) to coordinate all audit and investigative activities at the MCC. The AIG/MCC will coordinate with and accomplish much of its work through the staffs of the USAID Assistant Inspectors General for Audit, Management and Investigations, as well as through the OIG's seven Regional Inspectors General located in Baghdad, Iraq; Budapest, Hungary; Cairo, Egypt; Dakar, Senegal; Manila, Philippines; Pretoria, South Africa; and San Salvador, El Salvador. We will also make use of contractors whenever deemed appropriate and efficient.

Mission

The mission of the OIG is to contribute to and support integrity, efficiency, and effectiveness in all activities of the organizations it has oversight responsibilities for.

Values

In accomplishing our mission, we are committed to the following:

Integrity. Strive to display character, decency, and honor in everything we do; work openly and fairly with our colleagues and partners; show respect for one another; maintain independence to ensure objectivity and impartiality; and accept responsibility for our actions.

Excellence. Strive to produce work that has distinction, merit, quality, and a positive effect; work efficiently with highly trained people who enjoy equal opportunities to excel; deliver products that are accurate, timely, complete, concise, and meaningful; and present work in a way that is most useful to those who are responsible for implementing the organization's goals and objectives.

Teamwork. Work with the organization's management to understand its program objectives; collaborate with the organization, demon-

strating and encouraging integrity and achieving excellence; understand the entire OIG program and its effect on the organization's programs; help management find solutions to problems; and remember that our success is measured in part by the success of our colleagues and partners.

OIG General Goals and Objectives

The goal of the OIG with respect to the Millennium Challenge Corporation is to ensure that the MCC operates efficiently, effectively, and with integrity. To meet this goal, the OIG will assist the MCC as the Corporation establishes its organizational structure and begins its assistance programs. The OIG will continue its policy of early involvement in the Corporation's activities to help ensure good oversight and will support key MCC programs and management functions through audit and investigative activities designed to ensure that the Corporation operates efficiently, effectively, and with integrity.

A significant element in performing our audit and investigative work is our collaboration with other organizations in providing oversight for MCC's program activities. We will consult with other organizations to consider the work they have performed, seek opportunities for joint work, and obtain additional information that will have an effect on our planning. Specifically, we will collaborate with the Government Accountability Office and we will keep abreast of the U.S. Agency for International Development's activities in support of MCC's mission. We have provided more specific detail regarding our plans to accomplish these efforts as follows.

Government Accountability Office

The IG Act requires coordination with the Government Accountability Office (GAO) to prevent duplication and to ensure effective coordination and cooperation. The OIG has assigned a liaison to serve as the principal contact with GAO. The liaison is responsible for keeping the OIG advised of GAO's relevant audit work and reports, which are used for OIG planning. Consultation and coordination are undertaken in planning our annual audits.

In addition to the general OIG policy, AIG/MCC has established a consultative process with GAO staff involved in reviewing MCC activities. AIG/MCC maintains a continuing dialog with GAO which will be a major factor in planning our audit and investigative activities at the Corporation.

United States Agency for International Development

USAID has an important role in assisting the Corporation with its country compact development process. The Millennium Challenge Act requires that the Corporation's Chief Executive Officer consult with the Administrator of USAID to coordinate activities of the Corporation with those of USAID. USAID is also required to seek to ensure that appropriate programs of USAID play a primary role in preparing MCC's candidate countries to become eligible countries. In this context the AIG/MCC is in ongoing consultation with appropriate USAID staff in order to keep fully informed of the coordination efforts of USAID and the Corporation.

Organization of the Millennium Challenge Corporation

The Millennium Challenge Corporation is headquartered in Arlington, Virginia. During fiscal year 2004, the Corporation was in a start-up mode. As of September 30, 2004, it had about 63 U.S. staff on board (including contractors) and planned to build to a full staffing level of about 200 U.S. positions by December 2005. Several of its key administrative staff had only recently been hired and it had not yet developed MCC-specific operating procedures. Pending the development of MCC-specific procedures, it planned to follow government-wide rules and regulations. Further, given its limited staff both short term and long term, the Corporation intends to contract out most of its support needs.

In late March 2004, MCC entered into Interagency Agreements with the Department of Interior's National Business Center (NBC)* in Denver, Colorado for human resource management, payroll, and accounting services. MCC's plans are that its accounting records will primarily be located at the NBC and that the Corporation will interface with the NBC's systems electronically for disbursing authentication, as well as financial reports and statements.

For fiscal year 2004 the Corporation obligated about \$15 million and spent about \$4 million of its \$994 million fiscal year 2004 appropriation. This was primarily for salary, administrative and start-up related expenses.

The largest portion of the Corporation's expenditures long term will be for programs implemented overseas. In 2004, 16 countries were approved to submit proposals for assistance to be funded from MCC's fiscal year 2004 funds. Given the time

involved for countries to develop high quality proposals and the negotiations that will take place after the receipt of the initial proposals, MCC expects money to begin flowing under these potential agreements (called country compacts) in fiscal year 2005. Longer term, as its budget increases, the number of country agreements is expected to grow substantially.

As noted earlier, the MCC was essentially in an organizational and start-up mode at the time of preparing this annual plan. Therefore, we have made assumptions and projections based on the state of the Corporation's development. These assumptions and projections include:

- MCC will continue to contract its human resources management, payroll, and accounting services through Interagency Agreements with the NBC.
- MCC will have developed written operating and accounting policies and procedures by mid-fiscal year 2005.
- Accounting documentation will be electronically approved by MCC, and maintained and stored at NBC.
- MCC will have auditable financial statements for fiscal year 2004 and forward.
- Country compact funding will be given directly to recipient government fiscal agents and disbursements to project implementing entities will be done by the government fiscal agent.
- Country compacts will contain "audit rights" clauses permitting AIG/MCC to audit country projects.
- Country compacts will have been executed and be operational by mid-fiscal year 2005.

* NBC is an administrative and computer information service provider for the Department of Interior and other federal agencies.

OIG Strategic Goals

The OIG's strategic goals with respect to the MCC are to:

- Keep the Head of the Corporation and Congress Fully Informed on the Status of the MCC's Administration and Operations and the Need for Corrective Action
- Promote Sound Accounting and Reporting On Financial Activities and Information Security
- Promote Economy, Efficiency, and Effectiveness, and Assess Program Results
- Preserve and Protect the Millennium Challenge Corporation's Program and Employee Integrity

Below we provide our planned audit and investigative activities for fiscal year 2005 to address these strategic goals.

Planned Activities for Fiscal Year 2005

Keep the Head of the Corporation and Congress Fully Informed on the Status of the MCC's Administration and Operations and the Need for Corrective Action

The OIG will accomplish this goal by doing the following:

- Prepare and submit semiannual reports to Congress as required. The IG Act requires that the OIG provide Congress with written reports of its activities and accomplishments every six months. The reports include our audit and investigative highlights as well as summaries of significant audits conducted during the reporting period. We will issue our first Semiannual Report to Congress for the period ending September 30, 2004.

- Present timely briefings to the Board, Chief Executive Officer and key MCC officials on critical problem areas identified by OIG audits and investigations. We plan to brief the Board on significant audits and investigations and to discuss the status of the Corporation's management controls and program oversight and monitoring efforts. We also plan to brief the CEO and senior MCC staff to bring matters of importance to the attention of MCC management in a time frame enabling those managers to take effective remedial action. In addition, the OIG will endeavor to identify issue areas of priority importance and establish a schedule of formal presentations to brief MCC managers on the status of internal controls and OIG activity in those areas.
- Present timely briefings to key congressional staff on the status of significant OIG audit and investigative activities, problems and issues identified by these efforts, and the necessity for and progress of corrective actions being taken by MCC. The OIG continually tries to identify issue areas of priority importance, and it also establishes a schedule of formal presentations to brief congressional members and staff on the status of internal controls and OIG activity in those areas.
- Conduct audits and distribute audit reports to MCC management and congressional staff in a timely manner. The OIG continually assesses its planning information to help identify issues and areas of potential audit and investigative concern as expeditiously as possible. The OIG also continually reviews report distribution and dissemination procedures to bring its message more efficiently to its congressional, MCC, and public clients. Audit reports are placed on the Internet in a format complying with all federal requirements. In addition, the OIG has instituted procedures for electronically distributing audit reports directly to congressional members and staffs.

<p>Promote Sound Accounting and Reporting on Financial Activities and Information Security</p>

OIG activities to accomplish this strategic goal during fiscal year 2005 are the following.

Audit of Millennium Challenge Corporation's FY 2005 Financial Statements

One of the OIG's newly assigned responsibilities is to conduct or oversee an annual audit of the MCC's financial statements. In accordance with the Government Corporation Control Act (USC Title 31, chapter 91) MCC is required to have its consolidated financial statements audited by the MCC Inspector General or an independent external auditor as determined by the Inspector General. Conforming to section 9105 of Title 31, the OIG will contract an independent external auditor to conduct the audit of MCC's fiscal year 2005 financial statements.

The audit objectives will be to determine whether MCC's principal financial statements: (1) Statement of Financial Position, (2) Statement of Operations, (3) Statement of Cash Flows, and (4) Statement of Budgetary Resources are presented fairly in all material respects and conform to generally accepted accounting principles. The auditors will also obtain an understanding of MCC's internal control structure and will perform tests of compliance with laws and regulations that could have a direct and material effect on the principal financial statements.

Oversight of Contracted Financial Audits of MCC's Program Implementing Entities

Under the terms of MCC's compact agreements, annual audits will be required of MCC compact implementing entities. These audits will be required to be conducted in accordance with generally accepted government auditing standards in the U.S. or other internationally recognized auditing standards. MCC will rely

on nonfederal auditors to do these audits.

The OIG oversight activities will ensure the following:

Nonfederal auditors have adequately assessed allowability of MCC award expenditures.

Nonfederal auditors are familiar with the compliance auditing requirements of MCC compact agreements.

The independence of the nonfederal auditors has not been compromised in appearance or in fact.

The objective of the OIG oversight is to ensure that nonfederal auditors are independent, familiar with the compliance auditing requirements for MCC's programs, adequately assess the allowability of MCC award expenditures, and assess the adequacy of the audited entity's internal controls in relation to the audited awards.

The OIG will conduct quality control reviews to ensure that the work of nonfederal auditors meets applicable standards.

Risk Assessments of the Financial Aspects of Country Compact Implementation

The Millennium Challenge Corporation expects to enter into its first country compact agreements around mid fiscal year 2005. As part of the OIG FY 2005 audit plan, the OIG plans to do on-the-ground assessments of the financial implementation arrangements of the initial country compacts.

Our risk assessment objectives are to determine whether the recipients are complying with the financial requirements of the compact and whether the financial policies and procedures are adequate to provide sound management and accounting practices for the funds provided by the MCC.

The anticipated benefit of these risk assessments is that we will provide the MCC with a greater level of assurance that the funds provided to the recipients are effectively managed and the MCC is receiving the maximum benefits for the funds provided. We may also be able to provide recommendations for enhancing the financial management practices in place at the selected recipients.

Review of Millennium Challenge Corporation's Compliance with Federal Information Security Management Act

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107-347 states that:

Each agency shall develop, document, and implement an agency-wide information security program... to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source....

MCC, as a Government corporation, is subject to FISMA. This audit will contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, and destruction. Specifically, it will determine whether MCC's information system security program meets the requirements of the FISMA.

Audit of MCC's Plans for Using E-Commerce Solutions to Implement the Paperwork Reduction Act

The head of each agency is responsible for carrying out the agency's information resources management activities to improve agency productivity, efficiency, and effectiveness; and complying with the requirements of this Act.

The Millennium Challenge Corporation has indicated that, as much as practicable, it intends to establish a paperless office. The implementation of

e-commerce software solutions could eventually reduce or eliminate additional paperwork, reduce purchasing cycle times, and lower the costs of goods and services to the Corporation.

The objective of this audit is to determine whether the MCC's plans for integrating e-commerce software solutions adequately address the requirements of the Paperwork Reduction Act.

<p>Promote Economy, Efficiency, and Effectiveness and Assess Program Results</p>

The OIG will address this strategic goal through the following planned audits.

Audit of the Millennium Challenge Corporation's Efforts to Establish Its Internal Control Structure

MCC was established in January 2004 as a Government corporation and is subject to the Government Corporation Control Act, Chapter 91 of Title 31 of the US Code.

Section 9106 of Chapter 91 requires that a Government corporation shall submit an annual management report to the Congress not later than 180 days after the end of the corporation's fiscal year. The report shall include, among other things, a statement on internal accounting and administrative control systems by the head of the corporation consistent with the requirements for agency statements on internal accounting and administrative control systems under the amendments made by the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255).

The importance of internal controls is addressed, both explicitly and implicitly, in many statutes and executive documents. The Federal Managers' Financial Integrity Act (FMFIA) establishes specific requirements with regard to management controls. The agency head must establish controls

that reasonably ensure that: (i) obligations and costs comply with applicable law; (ii) assets are safeguarded against waste, loss, unauthorized use or misappropriation; and (iii) revenues and expenditures are properly recorded and accounted for. In addition, FMFIA requires agency heads to conduct an annual evaluation and report on the control and financial systems that protect the integrity of Federal programs. The Act encompasses program, operational, and administrative areas as well as accounting and financial management.

The audit will determine whether the Millennium Challenge Corporation implemented a system of internal controls consistent with the requirements of the Federal Managers' Financial Integrity Act.

Review of the Millennium Challenge Corporation's Progress in Achieving its Planned Organizational Structure and Beginning its Assistance Programs (As of February 28, 2005)

The review will be a follow up of the August 2004 review which we reported on in Report No. M-000-04-001-S dated September 30, 2004. We will continue assessing MCC's developmental and organizational progress as it moves toward full operational status. As in the previous review, the objectives will be to determine the progress the Millennium Challenge Corporation has made in achieving its planned organization structure and the status of its program development process.

Review of Millennium Challenge Corporation's Progress in Meeting the Requirements of the Government Performance and Results Act

As a Government corporation, the MCC is considered to be a federal agency under Section 105, Title 5 of the U.S.C., and is therefore required to meet the requirements of the Government Performance and Results Act of 1993 (GPRA).

GPRA places new expectations and requirements on federal agencies by creating a framework for more effective planning, budgeting, program evaluation and fiscal accountability for federally funded programs.

The intent of GPRA is to improve public confidence in federal agencies' performance by holding agencies accountable for achieving program results and to improve congressional decision making by clarifying and stating program performance goals, measures, and costs.

Basic GPRA requirements include:

Strategic Plans – MCC will be required to submit five-year Strategic Plans that include a comprehensive mission statement, a set of outcome-related strategic goals, and a description of how the MCC intends to achieve those goals. The Strategic Plan has to be updated every three years.

Annual Performance Plans – MCC is required to submit to the Office of Management and Budget (OMB) Annual Performance Plans covering each program activity set forth in its budget. MCC's annual plans must be consistent with its Strategic Plan; establish quantifiable performance goals; define the level of performance to be achieved during the fiscal year; and describe the operational processes and resources required to meet the performance goals.

Annual Performance Reports – By March 31 of each year, MCC will be required to issue to the President and the Congress a performance report for the previous fiscal year. This report will assess MCC's performance vis-a-vis the strategic goals established for that year, analyze progress towards those goals, and explain deviations from the goals and how impediments will be overcome in the future.

The audit objective will determine whether the MCC has complied with the requirements of GPRA.

Audit of the Millennium Challenge Corporation's Monitoring System for Its Assistance Activities

Monitoring is very important in project planning and implementation. Monitoring provides information useful to analyzing the project; determining whether the inputs to the project are well defined and utilized; identifying problems facing the project and finding solutions, and ensuring all activities are carried out as intended and in a timely manner.

MCC's Monitoring and Evaluation office is responsible for overseeing the assessment of economic logic and growth impact of country proposals, the establishment of monitoring and evaluation plans, and the collection and analysis of performance measurement data.

The audit objective will be to describe the monitoring system MCC plans to implement to monitor the results of its program assistance activities and assess any apparent weaknesses.

Audit of the Millennium Challenge Corporation's Coordination with Other Donors to Implement Its Assistance Program

Section 609(f) of the Millennium Challenge Act requires that "to the maximum extent feasible, activities undertaken to achieve the objectives of the Compact shall be undertaken in coordination with the assistance activities of other donors." Section 615(a) requires that "The Chief Executive Officer [of MCC] shall consult with the Administrator of the United States Agency for International Development in order to coordinate the activities of the Corporation with the activities of the Agency."

MCC's Guidance for Developing Proposals for MCC Assistance in FY 2004 asks that country proposals contain a description of other donor activity in the proposed activity areas and mechanisms for coordination with MCC activities. It is one of the elements intended to be included in country proposals and should include contributions of

other donors who have provided development assistance to the country in recent years, how existing and past projects related to the priorities and goals presented in the country's proposal fared, and how the activities undertaken to achieve the program goals would be coordinated with the assistance activities of other donors during the duration of the program.

The audit will determine whether MCC implemented a system to track and coordinate other donors' assistance in implementing MCC's assistance program.

Audit of the Millennium Challenge Corporation's Contract Management Process

According to the Federal Acquisition Regulations, contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. Due to MCC's plans for limiting its direct hire staff and increasing the use of contractors to implement MCC's programs, there is significant risk that required monitoring by MCC of its contractors will not be sufficient to ensure program objectives are achieved and funds are used in accordance with laws, regulations and agreement terms. Additionally, there is high congressional interest in how MCC plans to monitor its activities.

The audit will assess whether the MCC has managed its contracting process, including monitoring of contract activities, in accordance with applicable laws and regulations.

Review of the Millennium Challenge Corporation's Progress in Achieving its Planned Organizational Structure and Beginning its Assistance Programs (As of August 31, 2005)

As of August 31, 2005, the review will be the second follow up of the August 2004 review which we reported on in Report No. M-000-04-001-S dated September 30, 2004. We will continue assessing MCC's developmental and organizational progress as it moves toward full operational status. As in previous reviews, the objectives will determine the progress the MCC has made in achieving its planned organization structure and the status of MCC's program development process.

Review of MCC's Coordination with USAID in Managing Threshold Country Programs

Section 616, Assistance to Certain Candidate Countries, of the Millennium Challenge Act authorizes the MCC's Board of Directors to provide assistance to a candidate country in order to assist it to become an eligible country. The Act identifies these countries as countries that have not yet qualified for MCA assistance but have demonstrated a significant commitment to improve their performance on the MCA eligibility criteria. As a result, the MCC established the "Threshold Program." Threshold Program assistance will be used to help such countries address the specific policy weaknesses indicated by the country's scores on the sixteen policy indicators that are central to the MCA eligibility criteria and methodology.

USAID, in partnership with MCC, will take the lead in implementing and managing the Threshold Program. MCC's Board of Directors authorized MCC to enter into an Interagency Agreement with USAID for up to \$40 million to assist the threshold countries. Other U.S. agencies and departments may also be involved in providing threshold country assistance.

On September 30, 2004, the MCC's Board of Directors invited seven countries to apply for FY 2004 MCC Threshold Program assistance:

Albania, East Timor, Kenya, Sao Tome and Principe, Tanzania, Uganda, and Yemen. These countries will be invited to submit assistance proposals to help them achieve policy and other reforms necessary to improve their performance on the indicators. MCC and USAID will then evaluate the proposals and determine which of the proposals merit MCC funding.

The objective of the audit will be to determine whether the MCC is adequately coordinating the Threshold Program activities with USAID and complying with applicable laws and regulations.

<p>Preserve and Protect the Millennium Challenge Corporation's Program and Employee Integrity</p>
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The OIG plans to combine both investigative and audit activities to meet this strategic goal. Below are the strategic objectives under this goal and the OIG investigative and audit activities planned to accomplish our oversight responsibilities during fiscal year 2005.

Investigate allegations of fraud, waste and abuse in the programs and operations of the Millennium Challenge Corporation

The OIG will investigate all allegations of fraud, waste, and abuse received from MCC personnel, OIG staff, contractors, grantees, the Hotline, or other sources. When appropriate, the OIG will refer cases to MCC for administrative action and to the Department of Justice for criminal and/or civil action(s).

The OIG will prioritize program integrity cases involving any major fraud in the programs and operations of MCC. Major fraud investigations are the investigations involving large dollar losses by the MCC.

The OIG will also report the number of investigations conducted, and the number of criminal, civil, and administrative actions taken.

Prevent fraud, waste and abuse in the programs and operations of the Millennium Challenge Corporation

Fraud Awareness Briefings

The OIG will promote awareness of fraud by providing training to MCC employees, contractors, grantees, and others to alert them to fraudulent schemes and practices. The OIG will develop and distribute fraud awareness literature, audiovisual aids and other material to MCC and its partners. In furtherance of OIG fraud-prevention efforts, the OIG will offer advice and support to MCC and its partners on antifraud strategies through briefings, meetings, conferences and other forums.

Recommend Systemic Improvements

The OIG will make recommendations for systemic improvements if weaknesses are uncovered in MCC programs or operations and will work with MCC to correct the problems.

Promote the Hotline

The OIG will continue to promote the Hotline as a tool for reporting fraud, waste, and abuse in fraud awareness presentations and other forums.

The OIG believes that the Hotline is both an effective medium for receiving allegations and an active deterrent against fraud.

Audit of Millennium Challenge Corporation's Controls to Assess its Employees' Compliance with the Office of Government Ethics Standards

Chapter XVI—Office of Government Ethics, Subchapter B—Government Ethics, under Title 5—Administrative Personnel, of the Code

of Federal Regulations (CFR) delineates the responsibilities of employees and agencies for ensuring the integrity of federal employees. Part 2635—Standards of Ethical Conduct for Employees of the Executive Branch under Subchapter B defines Agency (SS 2635.102) to mean an executive agency as defined in 5 U.S.C. 105. Subsection 105 of Title 5 U.S.C. defines executive agency to mean an executive department, a Government corporation, and an independent establishment. Therefore, the Millennium Challenge Corporation is covered by the standards and provisions of the Office of Government Ethics.

Subsection 2635.101 of Title 5, Subchapter B sets forth the basic obligations of public service. Public service is a public trust, and therefore, each employee has a responsibility to the United States Government and its citizens to place loyalty to the Constitution, laws and ethical principles above private gain. To ensure that every citizen can have complete confidence in the integrity of the Federal Government, each employee shall respect and adhere to the principles of ethical conduct set forth in Subchapter B, as well as its implementing standards and supplemental agency regulations.

Subpart B—Designated Agency Ethics Official—sets forth the responsibilities of the agency head. In general, the head of each agency is responsible for and shall exercise personal leadership in establishing, maintaining, and carrying out the agency's ethics program. He or she shall make available to the ethics program sufficient resources (including investigative, audit, legal, and administrative staff as necessary) to enable the agency to administer its program in a positive and effective manner.

The head of each agency shall appoint an individual to serve as the designated agency ethics official and an individual to serve in an acting capacity in the absence of the primary designated agency ethics official (alternate agency ethics official). In selecting these two individuals, the head of an agency

should ensure that the individuals have appropriate skills in the administrative, legal, managerial, and analytical areas.

The audit will determine whether the MCC established an ethics program that meets government ethics requirements under CFR Title 5.

Preserve and protect MCC employee integrity by conducting and concluding investigations of employee integrity efficiently and expeditiously.

The OIG will investigate all allegations of personnel misconduct received from MCC personnel, contractors, grantees, the Hotline, and other sources. Evidence of wrongdoing by any employee will be reported to the Department of Justice for criminal/civil prosecution and/or to MCC for administrative action.

The OIG recognizes the effect that employee investigations have on the Corporation's programs and operations; the OIG will complete employee integrity investigations within 120 days of receipt of an allegation.

The OIG will also report the number of investigations conducted, and the number of criminal, civil, and administrative actions taken.

Factors Affecting OIG Audit and Investigative Activities

The OIG faces several factors, some of which are beyond its control, that could affect its ability to achieve its goals and objectives with respect to the MCC. For example, the OIG has no implementation authority and can only make recommendations to MCC on the basis of audit and investigative findings. MCC is not obligated to accept any of the OIG's recommendations.

The OIG's recommendations, along with MCC's responses, will be included in OIG audit reports and summarized in the OIG's semiannual report to Congress. In addition, factors both internal

and external to MCC affect the OIG's ability to accomplish its work.

Since MCC is a new organization, its operating policies, procedures and program activities are still undergoing development. And the number of Compacts that will be operational in the initial 16 eligible countries is still unknown.

Furthermore, over time MCC will be executing Compacts in many more countries as its development program expands. For example, in July of 2004, MCC identified 57 new candidate countries that the Corporation's Board of Directors will consider for eligibility to apply for assistance in 2005, plus 13 of the original 16 deemed eligible in 2004.

The working environment overseas is complex, given the differences in language, laws, and standards of accountability. Also, according to the World Bank, corruption—the abuse of public office for private gain—is a global problem that exists in varying degrees. Transparency International (TI) publishes a corruption-perception index, rating countries surveyed on a scale from 10 (least corrupt) to 0 (highly corrupt). Of 133 countries rated by TI for 2003, 96 received a rating below 5. Eleven of the 16 countries selected as eligible to submit proposals to MCC assistance under MCC's fiscal year 2004 funding were ranked at 3.4 or below, indicating a high level of corruption. The other five countries were not rated by Transparency International in 2003.

In carrying out its audits and investigations, OIG staff must be aware of these vulnerabilities and factor the high-risk environments into designing audit and investigative strategies.

Millennium Challenge Corporation
Office of Inspector General
1300 Pennsylvania Avenue, NW
Room 6.06D
Washington, DC 20523

The MCC Annual Plan is available on the Internet at
www.usaid.gov/oig/public/mcc_report/mcc_ann_report.htm