





## **Statement of the Acting Deputy Inspector General**

I am pleased to present the Office of Inspector General's (OIG) annual plan for fiscal year (FY) 2006. This plan consolidates our audit, investigative and other activities into a single document that articulates our planned work in 2006 at the Millennium Challenge Corporation and it highlights accomplishments vis-à-vis our FY 2005 plan.

The annual plan details the audit, investigative, and other activities 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 plan recognizes that the Millennium Challenge Corporation has been in existence for less than two years and allows for changes resulting from developing policy and program implementation.

Our overriding goal is to support management in the delivery of its programs by ensuring that the Corporation operates efficiently, effectively and with integrity. We do this through our audit and investigative activities and by advising management on program risks and the need for associated internal controls that promote effective and efficient program delivery. In performing our duties, we work with the Corporation's Board of Directors, management and staff as well as with members of Congress and their staffs to understand their particular interests and to provide them with information 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 we met applicable professional standards.

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 the Corporation's Directors, its managers 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.



Paula F. Hayes  
Acting Deputy Inspector General



**Millennium Challenge Corporation**

**Office of Inspector General**

# **Annual Plan**

**Fiscal Year 2006**

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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 to serve 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 states further that, in fulfilling this responsibility, the Inspector General shall report to and be under the general supervision of the Corporation's Board of Directors. To carry out this authority and responsibility the Office of Inspector General established an Assistant Inspector General (AIG/MCC) to coordinate audit and investigative activities at the MCC. The AIG/MCC has and, for the near term, will continue

to 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; Cairo, Egypt; Dakar, Senegal; Frankfurt, Germany; 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 for which it has oversight responsibilities.

## 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, demonstrating 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 achieve this goal, the OIG will assist the Corporation as it continues to develop organizationally and expand its assistance programs. The OIG will continue its policy of involvement with the Corporation's Board and the Corporation's managers to help ensure good oversight. The OIG 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.

### Activities Accomplished this Past Year to Help Ensure that MCC Operates Efficiently, Effectively and with Integrity

- In fiscal year 2005, the Corporation entered into interagency agreements with the U. S. Department of Agriculture, the Department of the Treasury and the Army Corp of Engineers for technical expertise on developing assistance Compacts. We have notified the Inspectors General of these organizations of the existence of the agreements and we will work with the Inspectors General to insure effective audit oversight of all MCC-funded activities.
- We completed six audits and reviews scheduled for fiscal year 2005 and four were in process as of September 30, 2005.
- We have developed audit guidelines for non-U.S. auditors that will be contracted to audit MCC Compact activities.
- We provided two fraud awareness briefings to MCC staff to alert them to fraudulent practices and schemes and advise them on how to report fraud if it is encountered.
- We continued our meetings and consultations with GAO, OMB and Congressional staff members to ensure awareness of ongoing MCC activities,

and in the case of GAO to also coordinate audit and oversight work. Also we have expanded our involvement with the Corporation Board by briefing the Secretary of State (Chair) on our ongoing work at MCC.

Collaboration with other organizations is a significant element in performing our audit and investigative work and providing oversight for MCC's program activities. We will continue to consult with other organizations to consider work they have performed, seek opportunities for joint work, and obtain additional information that will have an effect on our planning. For example, we will collaborate with the Government Accountability Office and keep abreast of the U.S. Agency for International Development's (USAID) activities in support of MCC's mission.

### Government Accountability Office

The IG Act requires coordination with the Government Accountability Office (GAO) to avoid 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 developing the OIG's annual audit plan.

"... each Inspector General shall give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring effective coordination and cooperation."

In addition to the general OIG policy, AIG/MCC has established a consultative process with GAO staff involved in reviewing MCC activities. As we plan and initiate our audit work at MCC, we coordinate with GAO on an ongoing basis to ensure there is no duplication of effort while making sure that all relevant areas relating to MCC are covered. For example, we discuss such areas as access to MCC information, work plans to ensure that there is no duplication of effort and that all relevant areas are covered, MCC management issues, and the progress and results of our ongoing oversight work. As a result of these activities we are able to establish a reasonable degree of assurance that the Corporation's

risks and vulnerabilities are being addressed and reported to the Corporation and to the Congress.

### **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. For example, USAID is required to seek to ensure that appropriate USAID programs play a primary role in preparing MCC's candidate countries to become eligible for MCC Compacts. MCC's Board of Directors has approved \$185 million for that activity, of which \$80 million has been allocated to USAID as of September 30, 2005. 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.

"During any discussion with a country for the purpose of entering into a Compact with the country, officials of the Corporation participating in such discussions shall, at a minimum, consult with appropriate officials of the United States Agency for International Development..."

was still developing and defining the specific laws and federal regulations that it will follow. Pending the completion of that process it plans to continue following government-wide rules and regulations. Further, given its limited staff both short term and long term, the Corporation has contracted with the Department of Interior's National Business Center (NBC)\* in Denver, Colorado for most of its support needs such as accounting and financial statement preparation, payroll management, and its human resources management.

For fiscal years 2004 and 2005 the Corporation obligated about \$428.5 million and disbursed about \$43.5 million of its \$2.494 billion combined fiscal year 2004-2005 appropriations. This was primarily for salary, administrative and start-up related expenses.

As the Corporation expands its Compact award program the largest portion of its expenditures long term will be for programs implemented overseas. For example, as of September 30, 2005, the value of the five Compacts that MCC has signed is \$905 million. Twelve additional countries are currently approved to submit proposals for assistance to be funded from MCC's fiscal year 2004-2005 funds.

### **Organization of the Millennium Challenge Corporation**

The Millennium Challenge Corporation is headquartered in Washington, D. C., having moved from Arlington, Virginia in May 2005.

During fiscal year 2005, the Corporation continued to develop its organizational structure and get its Compact assistance program underway. In April 2005 the Corporation signed its first Compact, a \$110 million rural development project, with the Government of Madagascar. Since then it has signed four more Compacts with the governments of Honduras, Nicaragua, Cape Verde and Georgia. As of September 30, 2005 it had about 140 U.S. staff on board (including contractors) and planned to complete its full staffing level of about 200 U.S. positions by December 2005. The Corporation

\* 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 Corporation 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

The following planned audit and investigative activities for fiscal year 2006 are designed to address these strategic goals.

### Planned Activities for Fiscal Year 2006

#### **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 have issued our third Semiannual Report to Congress which covered the six-month period ending September 30, 2005.
- 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 Compact program oversight and monitoring efforts. We also plan to brief the CEO and senior MCC managers to bring matters of importance to their attention within a time frame enabling those managers to take effective remedial action.

- Present timely briefings to key congressional staff on the status of significant OIG audit and investigative activities, problems and issues identified, and the necessity for and progress of corrective actions being taken by MCC.
- 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 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 federal requirements. In addition, the OIG has instituted procedures for electronically distributing audit reports directly to congressional members and staffs.

Issued six audit reports in FY 2005
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## **Promote Sound Accounting and Reporting on Financial Activities and Information Security**

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

### **Limited Scope Survey/Risk Assessments of the Financial Accountability Arrangements for Compact Implementation (in new Compact countries as they reach the point of first re-disbursement)**

By September of 2005 the Millennium Challenge Corporation had entered into its first five country Compact agreements and expected to enter into several more agreements by the end of the calendar year. Under its FY 2005 audit plan the OIG performed on-the-ground surveys/risk assessments of the financial implementation arrangements of the two initial country Compacts - Madagascar and Honduras - as part of its FY 2006 audit plan, the OIG plans to continue reviews of the financial implementation arrangements for new Compacts.

The 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 surveys is that we will provide MCC with a greater level of assurance that the funds provided to the recipients are effectively controlled and managed. We may also be able to provide recommendations for enhancing the financial management practices in place at the selected recipients.

### **Audit of the Millennium Challenge Corporation's Management of Its Travel Activities**

Due to the nature of the Millennium Challenge Corporation's business, expenses relating to travel are going to make up a material portion of its operational expenses. The Millennium Challenge Corporation has been given wide discretion in

determining how certain laws and regulation apply to the Corporation. We will examine the MCC travel policies and procedures and select a sample of the travel activities that have occurred to determine whether MCC has established policies and procedures related to travel; trips are made in accordance with the policies and procedures, and the travel activity is in compliance with government travel regulations.

By reviewing the policies and procedures and a sample of the travel activity we expect to be able to provide MCC reasonable assurance that its policies and procedures and travel activity are consistent with the Government Travel Regulations. We will also be able to inform MCC's management whether its policies and procedures are being followed.

### **Audit of Millennium Challenge Corporation's Controls Over Its Contract for Information Technology Services**

The Millennium Challenge Corporation (MCC) outsources its information technology (IT) operations and related services. It requires technologies that continuously update systems and improve mission performance and business solutions in the most economical and efficient manner. To accomplish this, in November 2004, MCC awarded a contract to a privately held IT and management consulting firm.

Federal Acquisition Regulation Part 39, "Acquisition of Information Technology;" National Institute of Standards and Technology Special Publication 800-53, "Information Security;" and Office of Management and Budget Circular A-130 provide requirements for acquiring information technology services.

This audit will determine whether MCC implemented controls necessary to monitor its contractor's performance against the required service and security levels, and engineering upgrades. The audit will also determine whether (1) performance measures were incorporated into the statement of work for each type of service to be provided; (2) the service level was completely and clearly defined in the statement of work; (3) performance-based incentives were

included in the terms of the agreement, and (4) the statement of work required the contractor to provide engineering upgrades and whether corresponding incentives were included in the contract. The results of the audit will be used to complete our annual audit pursuant to the Federal Information Security Management Act of 2002.

### **Audit of Millennium Challenge Corporation's FY 2006 Financial Statements**

One of the OIG's responsibilities is to conduct or oversee an annual audit of the Millennium Challenge Corporation'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 audit MCC's fiscal year 2006 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.

### **Review of Millennium Challenge Corporation Compliance with the Provisions of the Federal Information Security Management Act for FY 2006**

The Federal Information Security Management Act of 2002 (FISMA), Public Law 107 347, requires each agency to 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. The Act also addresses program management and the evaluation of information security controls.

This annually mandated audit will determine whether the Millennium Challenge Corporation's information system security program meets the requirements of the Federal Information Security Management Act of 2002. It will also contribute to the protection of data files, computer equipment, and resources from unauthorized access, modification, or destruction.

### **Assess Capabilities and Approve Local Accounting Firms for Auditing Millennium Challenge Corporation Compacts**

MCC assistance Compacts will be signed for amounts of over \$100 million to nearly \$300. While the Office of Inspector General maintains a list of in-country audit firms capable of auditing USAID projects (grants), it is not certain that these firms have the capacity to audit grants as large as MCC's Compacts are likely to be.

By assessing the capabilities of local accounting firms we can identify those firms capable of performing financial audits of large (over \$100 million) Compact programs and determine early on if alternative auditing mechanisms are needed, such as U. S. based accounting firms or the Defense Contract Audit Agency (DCAA).

### **Oversight of Contracted Financial Audits of the Millennium Challenge Corporation'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's oversight of these audit activities will ensure that: (1) nonfederal auditors have adequately

assessed the allowability of MCC award expenditures; (2) nonfederal auditors are familiar with the compliance auditing requirements of MCC Compact agreements; (3) the independence of the nonfederal auditors has not been compromised in appearance or in fact, and (4) nonfederal auditors assess the adequacy of the audited entity's internal controls in relation to the audited awards.

### **Promote Economy, Efficiency, and Effectiveness and Assess Program Results**

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

#### **Review of the Millennium Challenge Corporation's Due Diligence Process Leading to Compact Awards**

The Millennium Challenge Act of 2003, under Section 605(d)—Application—states that the Chief Executive Officer, in consultation with the Board and working with eligible countries selected by the Board for negotiation of Compacts, should develop and recommend procedures for considering solicited and unsolicited proposals in Compacts prior to an approval of the Compacts by the Board.

MCC has developed and posted to its website "Guidance for Developing Proposals for MCA Assistance" intended to help eligible countries develop their proposals. MCC's guidance provides, among other things, that a country's proposal identify its specific development goals as well as plans for continued policy reform and the strengthening of institutions critical to economic growth and poverty reduction. A proposed request for MCC funding must delineate measurable goals, accountability for results and effective financial oversight. Prior to negotiation with the eligible country, MCC performs a detailed due diligence exercise on those elements of the country's proposed programs to ensure that the proposed activities are feasible and are a good investment for MCC.

By reviewing MCC's due diligence process we may be able to provide an objective evaluation of the thoroughness and completeness of the process, identify important areas not covered, if any, and recommend corrective actions. This will lead to ensuring that MCC is funding the best projects and improving the prospects for a successful Compact project.

#### **Review of the Millennium Challenge Corporation's Coordination with USAID in Assisting Threshold Countries to Become Eligible To Apply for Millennium Challenge Assistance**

Section 616 of the Millennium Challenge Act - Assistance to Certain Candidate Countries, authorizes MCC's Board of Directors to provide assistance to candidate countries in order to assist them to become eligible for Compact assistance. 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. 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 \$185 million to assist the threshold countries. Other U.S. agencies and departments may also be involved in providing threshold assistance.

OIG will conduct a review of the Threshold Program to determine how MCC is coordinating the activities with USAID to administer the program. Primarily, the review will examine and evaluate evidence MCC has for assuring itself that the program has reasonable expectation of making the assisted countries eligible for future MCC assistance through Compacts. The review will assess how MCC is coordinating the activities, the responsibilities each organization has in carrying out the program, and the adequacy of MCC's coordination activities.

## **Audit of the Millennium Challenge Corporation's Plans for Monitoring Country Programs**

A program's potential for success can only be assessed by effective oversight and monitoring. Millennium Challenge Corporation Compacts contain Monitoring and Evaluation Plans and MCC has published the following monitoring statement on its web-site regarding its Compact projects:

- MCC Compacts will be monitored by the MCC staff, the administrators within the countries and by independent experts employed by the MCC. These monitoring activities will occur contemporaneously to provide checks against each other. MCC will seek to design Compacts so that they are amenable to effective monitoring. The monitoring activities will include the following: an initial assessment of the priority and impact of the program on maximizing growth and poverty reduction; ongoing assessments of whether the intermediate objectives of the programs are being accomplished on schedule and within the budget; ongoing assessments of whether value added will indeed be increased by the Compact, and a retrospective assessment of the impact of the project on economic growth after completion.

We plan to audit this activity to determine if MCC has an effective monitoring system in place to ensure proper management oversight of MCC-funded activities. The audit will evaluate the monitoring system MCC plans to implement to monitor the results of its program assistance activities and identify any apparent weaknesses and recommend actions to keep or get the programs on track.

## **Audit of the Millennium Challenge Corporation's Management of Section 609(g) Funds**

Section 609(g) – Assistance for Development of Compact - of the Millennium Challenge Act of 2003 provides for using MCC funds to assist eligible countries in developing Compacts. Specifically the legislation states that "... the Chief Executive Officer (of the Corporation) may enter into contracts or make grants for any eligible country for the purpose of facilitating the development and implementation

of the Compact between the United States and the country".

Assistance under this section could address such things as the economic reasoning of the proposal, statistical issues or baseline surveys, engineering feasibility and design, and environmental impact assessments. MCC will consider 609(g) funding for Compact development and implementation activities only in the event of a demonstrated and justified need for such funding. In addition, MCC must be satisfied that adequate financial controls, in terms of financial management and procurement processes, have been identified and that the country has developed an acceptable work plan (with timeline and estimated budget) for use of the 609(g) funding.

We will audit this activity to determine if MCC followed its guidelines in deciding to fund an eligible country using 609(g) funds and if MCC monitored the use of the funds to ensure compliance with the intent of the MCC Act. The audit is timely because by reviewing MCC's evaluation and monitoring early on we can make recommendations while the Compact development and implementation process is in its early stages.

## **Survey/Risk Assessment of Compact Program Implementation in Georgia**

Georgia is one of the original 16 countries that The Millennium Challenge Corporation considered eligible to submit a proposal for a Compact project. As of September 2005, MCC had selected 17 countries as eligible to apply for MCC Compact assistance and had signed Compacts with five of the countries – Madagascar, Cape Verde, Honduras, Nicaragua and Georgia. MCC is currently evaluating proposals from the other 12 countries and plans to sign Compacts with Ghana, Armenia, Benin and Vanuatu by the end of December 2005.

We plan to perform this risk assessment to find out what major programs and/or project activities Georgia is planning for MCC funding and how they are being implemented; what the significant areas of administrative and operational risk and vulnerability are and the action the Millennium Challenge



Corporation is taking to mitigate the risks. The anticipated benefit of this risk assessment 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 the Millennium Challenge Corporation's Progress in Meeting the Requirements of the Government Performance and Results Act**

As a government corporation, the MCC is considered a federal agency under Section 105, Title 5 of the USC, and is therefore subject to the requirements of the Government Performance and Results Act of 1993 (GPRA).

GPRA creates a framework for more effective planning, budgeting, program evaluation and fiscal accountability for federally funded programs. The intent of the Act 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.

As provided for in the Act, MCC is required to prepare:

**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 will determine whether the MCC has complied with the requirements of GPRA.

### **Preserve and Protect the Millennium Challenge Corporation's Program and Employee Integrity**

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 2006.

#### **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**

#### *Conduct 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 design audits to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of contracts or grant agreements that have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. 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.

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. Accordingly, the OIG will complete employee integrity investigations within 120 days of receipt of an allegation.

### **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. OIG recommendations, along with MCC's responses, will be included in OIG audit reports and summarized in the OIG's semiannual report to Congress.

Other 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 16 countries originally eligible for MCC assistance is not certain.

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 2006, 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 and corruption in many countries is a significant consideration. 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 for MCC assistance under MCC’s fiscal year 2004 and 2005 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.



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The MCC Annual Plan is available on the Internet at  
[www.usaid.gov/oig/public/mcc\\_report/mcc\\_ann\\_report.htm](http://www.usaid.gov/oig/public/mcc_report/mcc_ann_report.htm)