Millennium Challenge Corporation

MCC Fraud and Corruption Oversight Tools and Techniques Resource Guide

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MILLENNIUM
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The Millennium Challenge Corporation (MCC), in coordination with the USAID MCC Office of Inspector General (OIG), engages in the prevention, detection, and remediation of fraud and corruption in its oversight responsibilities using a number of formal and informal strategies. The objective of this set of tools and techniques is to provide MCC Resident Country Mission (RCM) and MCC HQ staff with a resource guide detailing the availability and objective of each of these "tools". It is not intended to catalog every aspect of MCC, Accountable Entity , and implementing entity (IE) operations that are intended to protect against fraud and corruption, as many structural elements (Fiscal and Procurement Agents, functioning bid challenge systems, Implementing Entity Agreements (IEAs), and government liability for unallowable expenditures, etc.) are assumed.

Consistent with MCC's oversight model, Accountable Entities are required to provide leadership in the proactive detection and prevention of fraud and corruption in the implementation of their compacts. As a result, it is vital that many of the tools and techniques in this document are implemented in coordination with MCA management. MCC RCM and MCC HQ staffs are encouraged to share elements of this document with their counterparts.

Tools and Techniques Guide:

1) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Country-specific Fraud and Corruption Risk Assessments / Accountable Entity Action Plans	Assessments intended to provide a framework for joint MCA / MCC discussion on compact specific vulnerabilities.	An Accountable Entity Action Plan which has buy-in from the MCA management and board, includes a focus on IE operations if relevant, and sets the agenda for proactive detection and prevention of fraud and corruption.	Accountable Entity Management and Board, MCC HQ, MCC RCM, IE	Assessments: Jointly performed, jointly funded Plan Development: Accountable Entity performed and funded

Details: For detailed information on assessment methodology and questions, MCC RCM staff and Accountable Entities will be provided with a country-specific report on the scope of assessments already completed, which will serve as the basis for the Fraud and Corruption Risk Assessment Terms of Reference (TOR).

2) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Improvement of Accountable Entity website transparency	Create greater transparency in posting of bidding notices, contract awards and related information	Visitors to the website will have no difficulty finding and understanding the postings. This should hold true for all required languages.	All visitors to the website (contractors, MCC staff, auditors, stakeholders, and the general public).	Performed by Accountable Entity with guidance from MCC staff. Accountable Entity funded.

3) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
MCC and USAID MCC-OIG contact information for reporting allegations of fraud and corruption	Provide MCC and Accountable Entity staff with relevant contact information.	Clarity on who can be contacted for and knowledge about different types of related issues.	Accountable Entity, MCC HQ, MCC RCM, IE, general public	MCC/OIG, MCC

Details: For detailed information on OIG and MCC points of contact, see Annex I.

4) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Procedural Guidance for MCC action on allegations of fraud & corruption	To define MCC's administrative response to allegations that a person or entity has engaged in an alleged fraudulent or corrupt activity in connection with MCC-funded threshold or compact programs.	Binding procedures that outline steps in the reporting process.	Accountable Entity, MCC, general public	MCC Office of General Counsel (OGC), funded by MCC.

Details: To be released.

5) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
USAID MCC-OIG fraud and corruption awareness training	Create broader awareness of and sensitivity to the MCC-OIG's role in investigation of allegations of fraud and corruption indicators, as well as information about indicators of fraud schemes.	Audiences can understand the OIG's mission, the investigation process, and knowledge of who to contact at the OIG in the event they have information to report. In addition, audiences can identify some of the most common fraud and corruption indicators and work with MCC to proactively identify how to respond to them appropriately.	Accountable Entity, MCC RCM, Accountable Entity boards, IE	MCC/OIG, MCC

Details:

6) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Accountable Entity or IE Control Self-Assessment Workshop	This workshop is a self-assessment exercise that engages a team/unit in a series of discussions that enable it to identify improvements to formal (e.g. policies) and informal (e.g. communication) controls.	Accountable Entity or IE-driven control improvements. Identification of actions to improve controls. Early warning about institutional risks.	Accountable Entity, Accountable Entity boards, Implementing Entities	Accountable Entity under the direction and with the assistance of a professional facilitator

Details:

7) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Strategies for Technical Evaluation Panel (TEP) composition	Ensuring greater transparency and impartiality in the TEP process.	Accountable Entity and MCC RCM/Project staff understand the different tools available to them to help prevent fraud and corruption in the procurement process through more open technical evaluation panels.	Accountable Entity, MCC RCM, MCC HQ Staff	Procurement Agents, Accountable Entity

Details: Strategies include:

- Procurement of external consultants for TEP membership in the absence of sufficient qualified and/or impartial membership in country.

- Firm requirement of non-disclosure statement signed by each participating member as well as a statement signed by the panel member attesting to full disclosure of any confliction in serving as a panel member.

- Greater openness by encouraging the inclusion of Non-Governmental Organization (NGO) and/or private sector participation on the panel as a voting member where possible and within existing guidance on TEP composition. Also, if NGO and/or private sector participation cannot be accomplished for a given procurement due to existing guidance requiring technical expertise, encourage participation as observers rather than voting members.

8) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Large works procurement and contract administration oversight tools	Strategies to ensure that the administration of awarded works contracts yields the expected results while minimizing the risks of corrupt activities unique to this sector.	Mitigation of construction sector risk factors during the procurement process combined with greater visibility by MCC, the Procurement Agent and the Accountable Entity in the day to day administration of these contracts.	Accountable Entity, IE, MCC RCM, MCC HQ Staff, Procurement and Fiscal Agents	Various – performed and funded by Accountable Entity, MCC, and Procurement Agents

9) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Oversight of fraud and corruption in operations, i.e., outside of the procurement and financial management processes	To highlight vulnerabilities for fraud and corruption that exist outside of the procurement and financial management processes.	Stronger mitigation measures to be included in compact development/program design, MCC RCM oversight activities and Accountable Entity Fraud and Corruption Action Plans particular to this type of fraud and corruption.	Accountable Entity, MCC RCM, MCC HQ Staff, IE	Performed by MCC and Accountable Entity. No direct funding requirement.

Details:

Some examples of this type of fraud and corruption include:

- manipulation of land rights and falsification of documents used as evidence for land claims;

- misuse of government authority and rent-seeking;

- unauthorized use of equipment and vehicles for personal profit;

- undue pressure or threats to land occupants to resolve conflicts; and

- deliberate distortion of data to demonstrate progress, attain project goals or achieve eligibility for projects services

Strategies to prevent and mitigate these cases include:

- contracts with individuals and firms should include statements prohibiting these types of activities with clear dismissal clauses;

- continual oversight on contractors by Accountable Entity staff trained in red flags of these activities;

- non-governmental community organizations engaged as a 'third party' monitor so as to encourage transparency; and

- Training of Accountable Entity and MCC staff.

10) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Addressing conflict of interest issues	To develop direct, country specific strategies for confronting conflicts of interest among key stakeholders.	Begin the process of stemming conflicts of interest and disclosure of sensitive information at multiple levels of engagement.	Accountable Entity, MCA Boards, partner country governments	Performed by MCC and Accountable Entity. No direct funding requirement.

11) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Interim Activity Reviews (IARs)	To evaluate and, if appropriate, recommend changes to procedures or program designs of on-going Compact activities.	Increased effectiveness, accuracy and accountability in implementation activities.	Accountable Entity	Performed by MCC and funded by MCC.

Details:

- There are four different types of IARs that MCC may elect to perform. The timing and mix of these reviews will be determined by DCI sector specialists, RCM staff and management and will vary depending on the state of development of each Compact activity, among other considerations. The four types of assessments are:

- Operational Quality Reviews (typically overseen and coordinated by a non-Infrastructure sector units);

- Procurement Process Reviews (typically overseen and coordinated by Accountability);

- Construction Planning, Performance and Close Out Reviews; and

- ESA Reviews (which for large works may be part of the Construction Planning and Performance Reviews).

12) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Common Payment System (CPS) reporting	Increase transparency of payments through regular monitoring of CPS reports by MCC and Accountable Entity staff.	Informed MCC RCM and Accountable Entity management staff who have access to, and knowledge of, CPS reporting, as well as a commitment to regular monitoring to ensure that the reports reflect on the ground reality.	MCC RCM, Accountable Entity	Performed by National Business Center (NBC) with coordinated effort by MCC Fiscal Accountability staff.

13) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Financial Management Director In-Country Reviews	Identification of weak financial management controls that create fraud and corruption vulnerabilities.	Corrections to specific controls made by the Accountable Entity after MCC Financial Management directors carefully review findings and formally recommend changes. These corrections should be enshrined in the Fiscal Accountability Plan (FAP).	Accountable Entity	Performed by MCC and funded by MCC.

14) Tool / Technique Name	Purpose	Expected Outcome	Target Audience	Performed By / Funding Source
Semi-annual audits of Accountable Entity Fund Accountability Statements	Provide a standard tool for oversight of Accountable Entity expenditures, AND continually improve use of that tool for MCC's and the Accountable Entities' daily management and oversight.	Awareness of how the audit process works and actual follow-up on every audit finding for better management and oversight.	Accountable Entity, MCC RCM, IE	Performed by external auditors, funded by Accountable Entities.

Details:

The semi-annual financial audit requirement is a standard element of oversight efforts and has been fully implemented in its basic form. To effectively build on this foundation, MCC staff, including MCC RCM, have begun in-depth use of this tool to assist in detecting and preventing areas of vulnerability to fraud and corruption. Specifically, MCC RCM staff will take the following steps to improve their awareness (in coordination with Fiscal Accountability Directors):

- Know the steps of the audit cycle and whether the Accountable Entity is current and on track with audit requirements.

- Review the audit plan and attend any formal meetings with the auditor.

- Read the audit reports and Accountable Entity Corrective Action Plans (CAP).

- Assess whether the report findings (or lack of) are (is) consistent with first hand knowledge of in-country fraud and corruption vulnerabilities.

- Recommend updates to the audit firm's Description of Services or audit strategy to account for short falls in audit performance. A clean audit is not necessarily a good audit.

Annex I: MCC and USAID MCC-OIG Oversight Structure and Points of Contact for Guidance

USAID MCC-OIG

The Office of Inspector General (OIG) of MCC is responsible for all investigations of alleged fraud and corruption, as well as overseeing regular and special audits of Accountable Entities. Since an important tool for effective coordination is knowledge of where and to whom allegations of fraud and corruption are reported to the USAID-OIG on their Hotline:

- 800-230-6539 (toll free from anywhere in the U.S.)

- 202-712-1023 (within D.C.)

- ig.hotline@usaid.gov (email)

The following are direct numbers to the USAID/OIG Regional Inspector General (RIG) offices throughout the world:

- Asia - RIG/Manila Office = +632-552-9981

- Middle East - RIG/Cairo Office = +202-2522-7283

- Africa - RIG/Pretoria Office = +27-12-452-2141

- Latin America/Caribbean - RIG/San Salvador Office = +503-2501-3101

- Eastern Europe = Call Washington, D.C. number

- Iraq (non-regional office) - OIG/Iraq Office = 202-216-6276 (D.C. number that will automatically connect to Baghdad)

MCC

Any MCC staff member having knowledge of an allegation of fraud and corruption in the development or implementation of a compact will:

- report such allegation to the Intake Team at allegations@mcc.gov; or

- report such allegation to the OIG; or

- report such allegation to both the OIG and the Intake Team.

MCC staff members are encouraged to report allegations directly to the OIG.