

February 05, 2024

Ms. Mildred Callear  
Chief Financial Officer, Vice President, Financial and Portfolio Management  
U.S. International Development Finance Corporation (DFC)  
1100 New York Ave, NW  
Washington, D.C. 20257

Dear Ms. Callear:

This engagement letter serves to confirm that RMA Associates, LLC (RMA), under the oversight of the DFC Office of Inspector General (DFC OIG), will conduct a review of DFC's compliance with the payment integrity / improper payments requirements and the applicable reporting requirements set forth by the Payment Integrity Information Act of 2019 (PIIA). PIIA repealed and replaced the following statutes, but retained substantially similar provisions:

- Improper Payments Information Act of 2002 (IPIA);
- Improper Payments Elimination and Recovery Act of 2010 (IPERA);
- Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA); and
- Fraud Reduction and Data Analytics Act of 2015 (FRDA).

This engagement letter does not change the terms of our contract task order number 140D0421F0244 to conduct this review in accordance with the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement*.

The objectives and scope of our review are as follows:

1. Determine whether DFC is in compliance with the PIIA of 2019. PIIA requires DFC to have:
  - a. Published payment integrity information with the annual financial statement [Annual Management Report (AMR) for DFC] and in the accompanying materials to the AMR of the agency for the most recent FY in accordance with OMB guidance;
  - b. Posted the AMR and accompanying materials on the agency website;
  - c. Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years;
  - d. Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold;
  - e. Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the AMR;
  - f. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR;
  - g. Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the AMR;
  - h. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
  - i. Developed a plan to meet the IP and UP reduction target; and
  - j. Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the AMR.

Upon completion of our review, we will issue a written report reflecting our conclusions consistent with these objectives.

### **Relevant Criteria**

Provided below are the applicable criteria on which our audit findings and conclusions will be based:

- PIIA;
- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Appendix C, *Requirements for Payment Integrity Improvement* (revised 3/5/21);
- OMB Circular No. A-136, *Financial Reporting Requirements* (revised 5/19/2023); and
- OMB Annual Data Call Instructions.

### **Management's Responsibilities**

Our review will be conducted on the basis that DFC management acknowledges and understands that it has responsibility for the following:

1. Complying with the criteria identified within the "Relevant Criteria" section above; and
2. Maintaining adequate accounting records, selecting, and applying appropriate accounting policies, and safeguarding U.S. government assets related to payment integrity financial reporting.

In addition, DFC management acknowledges and understands that it has the responsibility to provide us with:

1. Access to all information of which management is aware that is relevant to DFC's improper payments and payment integrity;
2. Additional information that we may request from management for the purpose of the audit; and
3. Unrestricted access to persons within DFC from whom we determine it necessary to obtain audit evidence.

DFC management agrees to communicate to us the following:

1. The discovery, from either internal or external parties, of any instances of noncompliance with the criteria listed within the "Relevant Criteria" section for FY 2023;
2. The discovery, from either internal or external parties, of any material misstatement or deficiencies in the design or operation of internal control over payment integrity that would affect its compliance with the criteria listed within the "Relevant Criteria" section for FY 2023;
3. A description of any fraud, or suspected fraud, that did, or could, result in a noncompliance with the criteria listed within the "Relevant Criteria" section for FY 2023;
4. Whether, subsequent to September 30, 2023, there were any changes in internal control or other factors that might significantly affect internal control, including any corrective actions taken by management with regard to material weaknesses and significant deficiencies; and
5. Any events occurring, or facts discovered, subsequent to September 30, 2023, of which management may become aware that may affect the DFC's compliance and reporting requirements as defined by the statutes within the "Relevant Criteria" section.

## **Definition and Limitations of Internal Control over Financial Reporting and Compliance**

An entity's internal control over financial reporting and compliance is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) the entity is compliant, in all material respects, with all relevant provisions of laws and regulations that can be measured objectively, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, and contracts, noncompliance with which could have a material effect on the compliance and financial reporting objectives.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements or noncompliance due to fraud or error.

## **Reviewer's Responsibilities**

At the conclusion of the review, we will issue a report on our conclusions based on the objectives and any findings. We will report a matter as a finding when we conclude, based on sufficient, appropriate evidence, that (1) noncompliance with provisions of laws, regulations, contracts, and grant agreements either has occurred or is likely to have occurred that is significant within the context of the objectives; or (2) deficiencies in internal control exist that are significant within the context of the objectives and based upon the review work performed. We will provide recommendations for corrective action if findings are significant within the context of the objectives. We will obtain and report the views of DFC officials and the DFC OIG concerning the findings, conclusions, and recommendations in the report, as well as any planned corrective actions.

We will communicate findings in writing to DFC officials and the DFC OIG when we detect conditions that are not significant within the context of the objectives but warrant the attention of those charged with governance, to include (1) instances of noncompliance with provisions of laws, regulations, contracts, and grant agreements; (2) any deficiencies; and (3) instances of fraud.

## **Review Timing**

Our review fieldwork is expected to occur from the date of this letter through April 29, 2024. Our draft report is due to the DFC OIG by April 19, 2024, and our final report is due to the DFC OIG by May 13, 2024. If we encounter problems that will affect our audit timeline, we will discuss them with you in a timely manner.

## **Review Coordination and Other Matters**

We look forward to working with DFC, and we appreciate your cooperation in helping us complete the review in a timely manner.

This assignment will be conducted under my direction, with assistance from Mr. Marc Hebert, Principal, who can be reached at (703) 200-8090 or by e-mail at [m.hebert@rmafed.com](mailto:m.hebert@rmafed.com).

Should this letter not represent your understanding of the nature of this engagement, or should you have any questions or need further information, please contact Reza Mahbod, Partner, at (202) 285-5868 or by e-mail at [r.mahbod@rmafed.com](mailto:r.mahbod@rmafed.com). We look forward to a successful engagement.

Sincerely,



Reza Mahbod  
Partner  
RMA Associates, LLC  
4121 Wilson Blvd., Ste. 1100  
Arlington, VA 22203

cc: Mr. Anthony Zakel  
Office of Inspector General  
U.S. International Development Finance Corporation  
1100 New York Ave, NW  
Washington, DC 20257