



Report to the Ranking Member,  
Subcommittee on State, Foreign  
Operations, and Related Agencies,  
Committee on Appropriations, U.S.  
Senate

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June 2013

# MILLENNIUM CHALLENGE CORPORATION

## Review of Compact Records and Information Management Program

# GAO Highlights

Highlights of [GAO-13-615](#), a report to the Ranking Member, Subcommittee on State, Foreign Operations, and Related Agencies, U.S. Senate

## Why GAO Did This Study

MCC has approved 26 bilateral compact agreements, providing a total of about \$9.3 billion to help eligible developing countries reduce poverty and stimulate economic growth. MCC is subject to the Federal Records Act, which requires that agencies preserve all records documenting its functions and other important transactions.

GAO was asked to review MCC's management of records and information. This report (1) examines MCC's records and information management program and practices and (2) assesses partner governments' implementation of MCC's information retention guidelines. GAO analyzed MCC documents, interviewed MCC officials, and tested MCC's ability to retrieve compact-related information from five closed compacts. GAO selected these compacts because they closed after May 2011, when MCC's *Program Closure Guidelines* went into effect.

## What GAO Recommends

To strengthen MCC's records and information management program, MCC's Chief Executive Officer should (1) develop a policy requiring—and conduct—periodic reviews of MCC's compact-management records to ensure they are complete, (2) revise guidelines to include a sample document retention schedule specifying standard types of compact-related information compacts should retain, and (3) review MCC's policy of delegating storage of most compact-related information to partner governments. MCC agreed with all three recommendations and stated that they have already taken steps to implement them.

View [GAO-13-615](#). For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

June 2013

## MILLENNIUM CHALLENGE CORPORATION

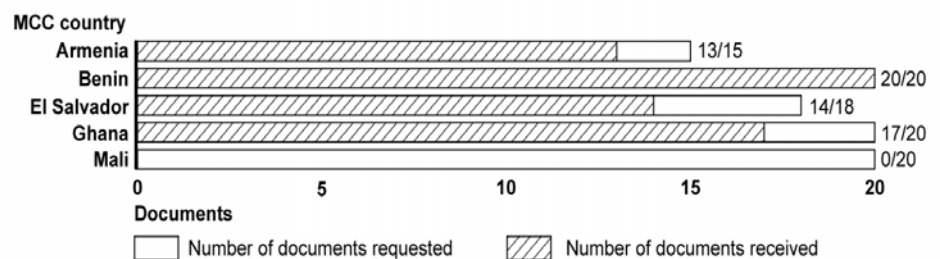
### Review of Compact Records and Information Management Program

## What GAO Found

In 2006, the Millennium Challenge Corporation (MCC) established a records and information management program to maintain and preserve its federal records. The program includes policies related to compact management records—a subset of MCC's federal records. These policies also address the handling of other compact-related information generated by MCC partner governments' accountable entities, which typically manage compact implementation until the 5-year compacts close. MCC's policies require that the entities transfer their compact management records to MCC for storage before compact closure. MCC also requires that partner governments retain compact-related information not classified as records, such as survey data and data quality reviews, for at least 5 years after their compacts close, to facilitate audits and analysis of MCC assistance. However, MCC does not require, and has not conducted, periodic reviews to determine whether it has received all compact-management records from the accountable entities consistent with federal internal control standards. As a result, MCC cannot be sure that it is meeting the federal requirement that it preserve all records documenting its functions, activities, and other transactions.

In reviews of five closed compacts—Armenia's, Benin's, El Salvador's, Ghana's, and Mali's—GAO found variation in the accountable entities' implementation of MCC document retention requirements and the partner governments' ability to retrieve requested compact-related information after the compacts closed. As required by MCC's compact closure guidelines, all five program closure plans that we reviewed contained some discussion of retaining and storing documents, but each accountable entity addressed the guidelines' requirements differently. MCC's guidelines do not provide a list specifying standard types of compact-related information that most compacts should retain. Such variation in approaches to retaining and storing compact-related information will make it more difficult for MCC to verify that standard compact information is retained in all partner countries after the compacts close. In addition, in a test of MCC's ability to retrieve documents from the partner governments after compact closure, GAO found that four of the five governments provided all or most requested documents within 30 days, but Mali's, which is involved in political turmoil, provided no documents (see fig.). Political turmoil in Madagascar, another compact-recipient country, has also impeded MCC's ability to obtain compact information that may be needed to conduct future audits, evaluate project impact, or inform future compact designs.

Number of Documents Returned to GAO within 30 Days, by Country



Source: GAO.

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**Abbreviations**

FOIA	Freedom of Information Act
OIG	Office of the Inspector General
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
NARA	National Archives and Records Administration
USAID	United States Agency for International Development

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June 20, 2013

The Honorable Lindsey Graham  
Ranking Member  
Subcommittee on State, Foreign Operations, and Related Agencies  
Committee on Appropriations  
United States Senate

Dear Senator Graham:

The Millennium Challenge Corporation (MCC), a U.S. government corporation, provides aid to developing countries that have demonstrated a commitment to ruling justly, encouraging economic freedom, and investing in people. MCC provides its assistance to eligible countries through 5-year compact agreements with the specific goal of reducing poverty by stimulating economic growth. Since its establishment in 2004, MCC has signed 26 compacts with the governments of 25 low-income or lower-middle-income countries, committing approximately \$9.3 billion for compact assistance.<sup>1</sup> The partner governments vest accountable entities, generally referred to as Millennium Challenge Accounts (MCAs), with responsibility for implementing the compacts, including managing compact records and other information, in accordance with MCC policies and guidelines.

The Federal Records Act of 1950, as amended, requires each federal agency, including MCC, to make and preserve records that, among other things, document the agency's decisions, procedures, and essential transactions.<sup>2</sup> Since 2009, the National Archives and Records Administration (NARA) has required agencies to complete an annual self-

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<sup>1</sup>MCC commits funding when a compact is signed and obligates funds after the compact enters into force. As of May 2013, MCC had signed initial compacts with, in chronological order, Madagascar, Honduras, Cape Verde, Nicaragua, Georgia, Benin, Vanuatu, Armenia, Ghana, Mali, El Salvador, Mozambique, Lesotho, Morocco, Mongolia, Tanzania, Burkina Faso, Namibia, Senegal, Moldova, the Philippines, Jordan, Malawi, Indonesia, and Zambia. The compacts with Honduras, Cape Verde, Georgia, Vanuatu, Nicaragua, Armenia, Benin, Ghana, and El Salvador have ended. In addition, MCC terminated the compacts with Madagascar and Mali because both countries underwent a nondemocratic change of government. In February 2012, MCC signed a second compact with Cape Verde.

<sup>2</sup>Codified at 44 U.S.C., chapters 21, 29, 31, and 33.

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assessment of their records management practices, which it uses to rate the agencies' compliance with the Federal Records Act and other laws and regulations related to records management. As our previous work has shown, agencies with poorly managed records risk increased costs when attempting to search their records in response to Freedom of Information Act (FOIA) requests or litigation-related discovery actions. Without effective management of the documentation of government actions, the ability of the people to hold the government accountable is jeopardized.<sup>3</sup> In addition, effective records management is an important tool for efficient government operation; without adequate and readily accessible documentation, agencies may not have access to important operational information to make decisions and carry out their missions.<sup>4</sup>

You asked us to review MCC's approach to records management, including its practice of delegating the retention and storage of most compact-related information to partner governments. This report (1) examines MCC's records and information management program and practices and (2) assesses partner governments' implementation of MCC guidelines for retention and storage of compact-related information.

To describe MCC's approach to records management, we reviewed NARA's records-management guidance and the self-assessment survey that NARA administers to assess agencies' compliance with federal requirements. We also reviewed MCC's policies and procedures and interviewed cognizant officials at MCC and NARA. To assess the extent to which MCAs have implemented MCC's guidelines for information retention, we selected five closed MCC compacts—with Armenia, Benin, El Salvador, Ghana, and Mali—to use as case studies.<sup>5</sup> We reviewed certain documentation compiled by each MCA or partner government in accordance with MCC's guidelines<sup>6</sup> and conducted a test of MCC's ability

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<sup>3</sup>See GAO, *Information Management: The Challenges of Managing Electronic Records*, [GAO-10-838T](#) (Washington, D.C.: June 17, 2010).

<sup>4</sup>See GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>5</sup>We chose these countries because they were subject to MCC's *Program Closure Guidelines*, which were finalized in May 2011.

<sup>6</sup>We focused on the following three documents: *Records and Information Management Policy* (June 2011), *Policy and Procedures for Compact-Related Federal Recordkeeping* (September 2012), and *Program Closure Guidelines* (May 2011).

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to retrieve compact-related information after compact closure. For this test, we drew a random sample of MCA documents that had been used for audits conducted by the U.S. Agency for International Development's (USAID) Office of the Inspector General in our case-study countries.<sup>7</sup> We provided MCC with a list of about 20 documents<sup>8</sup> for each case-study country and asked that the partner governments provide the documents to us within a specific timeframe. (See app. I for further details of our scope and methodology.)

We conducted this performance audit from September 2012 to June 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

In accordance with the Federal Records Act and NARA's implementing regulations for records management and retention, MCC is responsible for managing the records that it generates. MCC has established policies and issued guidance intended to ensure that the records generated by the governments receiving compact and threshold assistance are properly identified and transferred to MCC for storage and management.<sup>9</sup>

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## Federal Records Act Requirements

The Federal Records Act, as amended,<sup>10</sup> requires each federal agency to make and preserve records that (1) document the organization, functions, policies, decisions, procedures, and essential transactions of the agency;

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<sup>7</sup>USAID's Office of the Inspector General is also responsible for overseeing MCC activities.

<sup>8</sup>We requested 20 documents each from Benin, Ghana, and Mali. We requested 18 documents from El Salvador and 15 documents from Armenia because these were the complete sets of appropriate documents from the Inspector General's audit files.

<sup>9</sup>In addition to compact agreements, MCC provides foreign assistance through its Threshold Program, which is designed to assist a country in becoming compact eligible by supporting target policy and institutional reforms.

<sup>10</sup>The relevant provisions of the Federal Records Act of 1950 and subsequent records management statutes are largely codified in chapters 21, 29, 31, and 33 of Title 44 of the U.S. Code.

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and (2) provide the information necessary to protect the legal and financial rights of the government and of persons directly affected by the agency's activities.<sup>11</sup> Such records must be managed and preserved in accordance with the act's provisions.

To ensure that they have appropriate systems for managing and preserving their records, the act requires agencies to develop records management programs.<sup>12</sup> These programs are intended, among other things, to provide for accurate and complete documentation of the policies and transactions of each federal agency, to control the quality and quantity of records they produce, and to provide for judicious preservation and disposal of federal records. A records management program identifies records and sources of records and provides records management guidance, including agency-specific recordkeeping practices that establish what records need to be created to conduct agency business, among other things.

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## NARA Records Management Oversight and Requirements

Under the Federal Records Act, NARA has general responsibilities for oversight of agencies' federal records management.<sup>13</sup> These responsibilities include issuing guidance for records management; working with agencies to implement effective controls over the creation, maintenance, and use of records in the conduct of agency business; providing oversight of agencies' records management programs; approving the disposition (destruction or preservation) of records; and providing storage facilities for agency records on a fee-for-service basis.

NARA has issued regulations requiring that records be effectively managed throughout their life cycle, including records creation and receipt, maintenance and use, and disposition. One key records management process is scheduling, the means by which NARA and agencies identify federal records and determine timeframes for disposition. Creating records schedules involves identifying and

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<sup>11</sup>The definition of a record is given at 44 U.S.C. 3301.

<sup>12</sup>44 U.S.C. § 3102.

<sup>13</sup>Under the Federal Records Act, NARA shares a number of records management responsibilities and authorities with the General Services Administration. In addition, the Office of Management and Budget has records management oversight responsibilities under the Paperwork Reduction Act and the E-Government Act.



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inventorying records, appraising their value, determining whether they are temporary or permanent, and determining how long they should be kept before they are destroyed or turned over to NARA for archiving. Scheduling records requires agencies to invest time and resources to analyze the information that an agency receives, produces, and uses to fulfill its mission. Such an analysis allows an agency to set up processes and structures to associate records with schedules and other information to help it find and use records during their useful lives and dispose of those no longer needed. Scheduling involves broad categories of records rather than individual documents or file folders.

Since 2009, NARA has required federal agencies to complete an annual self-assessment of their records management practices, to determine whether the agencies are compliant with statutory and regulatory records management requirements. The 2012 self-assessment survey called for agencies to evaluate themselves in four areas: (1) records management activities, (2) oversight and compliance, (3) records disposition, and (4) electronic records. NARA scores the self-assessments, and the accompanying agency documentation, and uses the scores to categorize each agency as low, moderate, or high risk in terms of compliance with federal regulations.

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## **MCC Has Established a Records and Information Management Program but Has Not Reviewed Its Inventory of Compact Management Records**

Beginning in 2006, MCC established a records and information management program and subsequently established guidelines for handling compact management records and other compact-related information. However, MCC has not created a policy for—or conducted—periodic reviews of the extent to which it has received the compact management records that it requires MCAs to provide to MCC for storage. In 2012, MCC's score on the NARA survey placed the agency in the moderate risk category—an average rating—for compliance with federal requirements.

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## MCC's Records and Information Management Program Includes Guidelines Defining Records

MCC established its records and information management program in 2006.<sup>14</sup> The program's stated objectives, according to the 2011 version of its Records and Information Management Policy, are to create, maintain, and preserve adequate and proper documentation of its policies, transactions, and decisions; ensure the security and integrity of MCC's federal records, including the safeguarding of records against unauthorized access or disposition; and prevent the removal of records and control the removal of other materials from the agency.

MCC's Records and Information Management Policy defines "federal record" consistently with the Federal Records Act's definition of "record." According to the policy, MCC catalogues its federal records into four major series, based on the records' functions.<sup>15</sup>

- **Administrative:** Records commonly found at any federal agency, such as accounting and finance files, and budget, personnel, and procurement files.
- **Governance:** Records related to the Millennium Challenge Act of 2003, authorities, laws, and legislation, such as Board of Directors meeting minutes and resolutions, legal opinions, and ethics program records.
- **Communications:** Exchanges with external entities, such as MCC's annual report, congressional notifications, press releases, and official speeches, among other things.
- **Millennium Challenge Account Assistance:** MCC mission development, implementation, oversight, results, and closeout information pertaining to threshold programs and compacts. This category also includes compact management records, which are generated at least in part by the MCAs.

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<sup>14</sup>MCC hired a records management officer in 2006 to establish the records and information management program.

<sup>15</sup>A "record series" is the basic unit for organizing and controlling files. It is a group of files or documents kept together because they relate to a particular subject or function, result from the same activity, document a specific type of transaction, take a particular physical form, or have some other relationship arising out of their creation, receipt, maintenance, or use.

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## MCC Has Issued Guidance for Managing Compact Management Records and Other Compact-related Information

MCC provides guidance regarding the maintenance of compact management records and the retention and storage of compact-related information. In 2007, MCC issued Policy and Procedures for Compact-Related Federal Recordkeeping,<sup>16</sup> which was updated in 2012. The policy outlines specific policies and procedures regarding compact management records—which MCC refers to as a subset of federal records—and other compact-related information.<sup>17</sup> The policy also includes a list specifying the types of documents that MCC classifies as compact management records. The policy and procedures apply regardless of whether the records and other compact-related information are created by MCC staff, partner governments, MCA entities, contractors, or other parties.<sup>18</sup>

- **Maintenance of compact management records.** According to MCC’s Policy and Procedures for Compact-Related Federal Recordkeeping, all information defined as a compact management record must be maintained at MCC headquarters during compact development and implementation and after compact closure. For example, under the policy, the following monitoring and evaluation documents are classified as compact management records, to be maintained at headquarters: indicator tracking tables, monitoring and evaluation plans and revisions, reviews and final impact evaluations, and data quality reviews.
- **Retention and storage of compact-related information.** MCC’s Policy and Procedures for Compact-Related Federal Recordkeeping further states that the partner governments must retain, for at least 5 years after compact closure, types of information that are not defined as records but are important to the implementation and closure of compacts.<sup>19</sup> The policy specifies, as examples of such information, (1)

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<sup>16</sup>The document was originally titled “Recordkeeping Procedures for the Implementation of Compacts Policy.”

<sup>17</sup>MCC considers other compact-related information to be “non-records.”

<sup>18</sup>MCC compact management records fall into 10 categories: (1) compact core document, (2) program oversight, (3) MCC decisions and approvals, (4) program procurement, (5) monitoring and evaluation, (6) environment and social assessment, (7) infrastructure, (8) fiscal accountability, (9) program MCA documents, and (10) compact close and post-compact.

<sup>19</sup>In addition, the five compacts we reviewed contained a provision that requires the partner governments to maintain compact documents for at least 5 years after compact closure.

documents to support audits by MCC’s Office of the Inspector General and GAO and (2) program evaluation documents to support ongoing analysis of MCC assistance. In another policy document, Program Closure Guidelines, MCC also requires MCAs to provide to MCC certain compact-related information for storage at MCC headquarters. For example, MCAs are required to provide the following information related to compact monitoring and evaluation: all MCC-funded survey data sets and supporting materials, such as questionnaires, enumerator field guides, data entry manuals, data dictionaries, and final reports; other analyses; evaluations; and data quality reviews and special studies that were funded through the compact’s monitoring and evaluation budget.

Table 1 describes compact management records and other compact-related information.

**Table 1: Descriptions of MCC Compact Management Records and Other Compact-Related Information**

Type of information	Description
<b>Compact management records</b>	A subset of the Millennium Challenge Account Assistance series of federal records that must be maintained by MCC headquarters during implementation and after compact closure.
<b>Compact-related information</b>	
<ul style="list-style-type: none"> <li>To be retained by partner governments for at least 5 years after compact closure.</li> </ul>	Documents that may be needed to support future audits or analysis of MCC assistance.
<ul style="list-style-type: none"> <li>To be provided by MCAs for storage by MCC headquarters.</li> </ul>	Documents or copies of documents that must be provided to MCC during implementation or at compact closure, such as survey data sets and supporting materials.

Source: GAO analysis of guidance from MCC, Policy and Procedures for Compact-Related Federal Recordkeeping (2012) and Program Closure Guidelines (2011).

MCC’s Policy and Procedures for Compact-Related Federal Recordkeeping assigns the responsibility for ensuring that the country’s compact management records are transmitted and received at MCC

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headquarters to the MCC Resident Country Director serving in each partner country.<sup>20</sup> The policy states that MCC has the responsibility to ensure that MCAs are taking reasonable steps to meet records management requirements. The policy also states that MCC is responsible for ensuring that the partners understand (1) what is covered by both compact management records and other compact-related information and (2) that MCC or a U.S. government audit, legal, or oversight entity may need to have access to such information for at least 5 years after the compact end date.

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### MCC Has Not Reviewed Its Compact Management Records for Completeness

MCC policy does not call for, and MCC has not performed, reviews of the extent to which it has received the compact management records that it requires MCAs to provide to MCC for storage. According to Standards for Internal Control in the Federal Government,<sup>21</sup> a federal agency should have in place control activities—that is, policies, procedures, techniques, and mechanisms, including reviews of performance—to help ensure that management’s directives are carried out. MCC’s Policy and Procedures for Compact-Related Federal Recordkeeping assigns to the MCC Resident Country Director in each partner country the responsibility for ensuring the transmittal and receipt of the country’s compact management records at MCC headquarters. However, MCC policy does not require periodic reviews of the records received from the MCAs to ensure that all required records have been transferred. In addition, MCC’s Records Management Officer stated that MCC has not reviewed the compact management records it has received, for the following reasons: (1) the first compacts ended only recently, and (2) the records management program has limited resources. However, of the 11 compacts that have closed or been terminated, 5 ended in 2011 and 2 ended in 2010. Without periodically reviewing the compact management records it receives from the MCAs, MCC cannot be sure that it is meeting the Federal Records Act’s requirement that it preserve all records documenting its functions, activities, decisions, and other important transactions.

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<sup>20</sup>Prior to compact signature, MCC’s Country Team Leader is responsible for ensuring that the appropriate records are retained.

<sup>21</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, DC: November 1999.)

**MCC’s Records Management Program Received an Average Rating on NARA Survey in 2012**

In 2012, MCC received a revised score of 77 out of 100 on NARA’s self-assessment survey, which placed MCC in the moderate risk category in terms of compliance with federal requirements (see table 2). A NARA official characterized this score as an “average rating” for federal agencies. In the previous 3 years, MCC received the following scores: 92 (2009), 83 (2010), and 76 (2011) (see app. II for more information.) MCC’s Records Management Officer also stated that meeting NARA requirements, especially for electronic records, is difficult for small federal agencies with limited resources and that MCC, in conjunction with other small agencies, has appealed to NARA for assistance.<sup>22</sup>

**Table 2: MCC’s Score on 2012 NARA Survey, by Section**

Survey section	MCC points received	Total possible points	Percentage
Records management activities	21	21	100%
Oversight/compliance	23	31	74
Records disposition	15	15	100
Electronic records	18	33	55
<b>Total score</b>	<b>77</b>	<b>100</b>	<b>77%</b>

Source: GAO analysis of MCC results on the NARA survey.

**Partner Countries’ Implementation of MCC Document Retention Requirements and Their Ability to Provide Requested Documents Vary**

For the five closed compacts that we reviewed—MCC’s compacts with Armenia, Benin, El Salvador, Ghana, and Mali—the MCAs provided varying levels of detail about their plans for retaining compact-related information to address MCC requirements. In addition, the five partner governments showed varying capacity to provide the documents that we asked MCC to retrieve.

<sup>22</sup>According to NARA, it has not received a specific appeal for assistance from MCC. However, NARA noted that smaller agencies that have limited resources, like MCC, and experience similar challenges have generally appealed for assistance.

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## MCAs Provided Varying Levels of Detail about Document Retention Plans

For the five compacts that we reviewed, the MCAs provided varying levels of detail about their plans for retaining compact-related information. MCC's Program Closure Guidelines instruct accountable entities to develop program closure plans describing their strategy for retaining and storing compact-related information. The guidelines state that each accountable entity should provide the following three items for MCC approval prior to the compact end date:

- a list of the types of documents the partner government will retain,
- a document retention schedule, and
- a brief description of the form and manner in which the documents will be stored.<sup>23</sup>

MCC's compact closure guidelines do not provide a sample document retention schedule specifying standard types of compact-related information that most compacts would need to retain or provide.

All five program closure plans that we reviewed contained some discussion of filing and storing documents, but each MCA addressed the guidelines' three requirements differently. Such variation in approaches to scheduling and storing compact documentation will make it more difficult for MCC to verify that standard compact information is being retained in all partner countries after the compacts have closed.

**Types of documents to be retained.** The program closure plans for the Armenia, Ghana, and Mali compacts specified that the respective partner governments would retain all compact-related information. The program closure plan for the Benin compact did not list the types of documents that the government would retain but stated that the MCA would provide further information in the document retention schedule. The program closure plan for the El Salvador compact stated that the government, through a contractor, would retain original files related to personnel, projects, procurement, finance, monitoring and evaluation, and studies.

**Document retention schedule.** The MCAs' document retention schedules also varied. Armenia and Benin did not provide document

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<sup>23</sup>According to the *Program Closure Guidelines*, the documents must be maintained at a site that is secure, locked, and acclimatized to ensure the documents' viability and the proper treatment of sensitive information.

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retention schedules.<sup>24</sup> El Salvador provided a comprehensive listing, by category, of all documents to be retained; however, it provided this list for the purposes of our review in April 2013, after the compact end date. Ghana's schedule, submitted after the compact end date but within the 3-month compact closure period, specified document types to be retained. Mali provided an undated printout of its electronic file system. According to MCC officials, the disparity among the MCAs' document retention schedules stemmed from insufficiently specific guidance provided by MCC.

**Form and manner of document storage.** The MCAs' program closure plans specified varying forms and manners of storage for compact-related information after compact closure. According to the plans:

- Armenia will store the documents at three different government agencies: the state archives, the Ministry of Transport and Communications, and the Foreign Financing Projects Management Center (a foreign donor coordination unit);
- Benin will store the documents at its national archives;
- El Salvador has made a contractor responsible for the safekeeping of compact-related files and documents;
- Ghana's MCA will continue as a foreign donor coordination unit after compact closure and will retain all MCC documents; and
- Mali will store compact-related information at the Office of the Secretary General of the President (the "Office of the Segal"), which was the office of the principal government representative under the compact.

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## Countries' Ability to Provide Specific Documents Varied

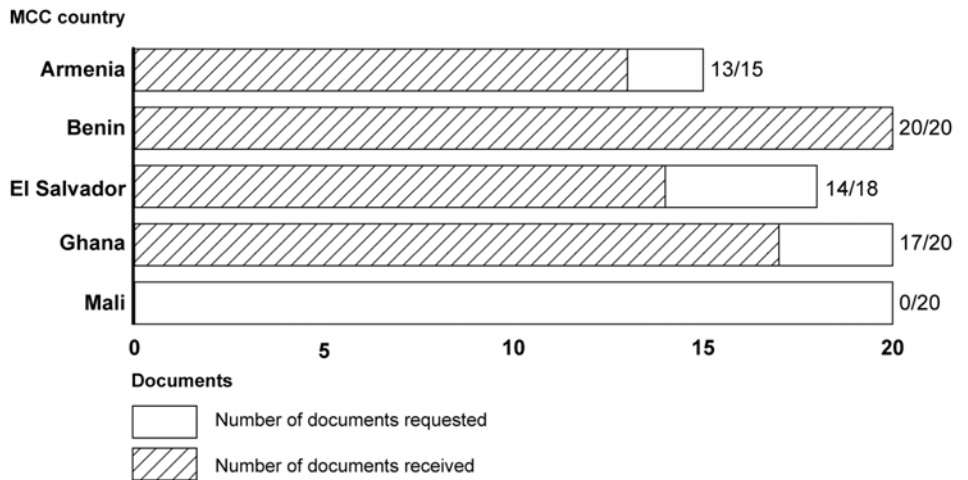
Our test of MCC's ability to retrieve compact-related information from the five countries produced varying results that depended on the stability of the governments. Four of the governments provided all or most of the documents we requested. In contrast, Mali's government, which is in transition, provided none of the requested documents. Figure 1 displays the test results.

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<sup>24</sup>Armenia provided a draft contract that it would sign to create physical archives. Benin provided the protocol that it had signed with the government entity that maintains the country's archives.



**Figure 1: Number of Requested Documents Returned within 30 Days, by Country**



Source: GAO.

Note: El Salvador provided two additional documents after the 30-day period.

Owing to its policy of relying on partner governments to retain and store compact-related information, MCC lost access to this information for 2 of the 11 closed compacts when, because of political turmoil, it terminated its compacts with Mali and Madagascar. Mali's government has been in transition since March 2012, when the administration at that time was overthrown. According to MCC, the transitional government in Mali will establish an office to handle post-compact issues but has not provided a point of contact. As a result, MCC officials reported that although they believe the information related to the Mali and Madagascar compacts exists and has been maintained in an organized fashion, they are currently unable to access the requested documents. MCC has previously noted that political turmoil in Madagascar, whose government was overthrown in 2009, impeded MCC's ability to access documents.<sup>25</sup>

MCC officials stated that they considered the response rate to our test to be good, particularly since the people retrieving the documents were not

<sup>25</sup>In June 2009, MCC terminated its compact with Madagascar because of an undemocratic transfer of power in March of that year. MCC has stated that it has no diplomatic authority to independently engage with the post-coup government in Madagascar.

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necessarily the same people who created or stored them. Previously, MCC has stated that its ability to retrieve documents from partner countries is reliant on its ability to access key individuals.<sup>26</sup> MCC officials further stated that the difference in document return rates among the four countries that provided all or most of the requested documents may have been due to our test methodology. According to these officials, some of the documents we requested were not “critical path” documents, and our descriptions of the documents may not have been specific enough to allow the partner countries to identify them. However, all of the documents we requested were used in audits by the USAID’s Office of the Inspector General. They thus serve as examples of the types of documents that might be needed to support future audits—one of the purposes for which MCC requires the partner governments to retain compact-related information for at least 5 years.

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## Conclusions

Records and information management is important in all government agencies, in part because it helps ensure that the agencies remain transparent and accountable to the public and allows for congressional and executive branch oversight. MCC established a records management program that, according to NARA, is comparable to many others in the federal government. Yet, as an international aid agency providing bilateral assistance to partner governments, MCC’s situation regarding records and information management is atypical: Much of the information related to its core business is generated by the partner governments’ accountable entities, the MCAs. In accordance with NARA guidelines, MCC has established policies and guidelines stipulating that the MCAs must provide it with the compact management information it classifies as U.S. federal records. However, because its policies do not call for, and it does not conduct, systematic reviews of the records it receives, MCC cannot be sure that it is meeting the Federal Records Act’s requirement that it preserve all records documenting its functions, activities, decisions, and other important transactions.

MCC also has established policies that require partner governments to retain other compact-related information for at least 5 years after the

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<sup>26</sup>MCC does not require that MCAs designate points of contact for document retention issues. However, MCC guidelines do require each MCA to identify designated representatives who will serve as the primary points of contact for any monitoring- and evaluation-related obligation of the government.

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compact closes, to support audits and its own program evaluations. However, for the five closed compacts that we reviewed, the variations in the partner governments' plans for retaining compact-related information could make it difficult for MCC to verify that the appropriate information is being retained. While MCC provides the partner governments a list specifying what types of documents it classifies as compact management records needed for storage at MCC headquarters, it does not provide such a list for other compact-related information expected to be retained in-country by the partner governments. A standardized schedule of compact-related information to be retained by each partner government would improve MCC's ability to find and use this information and increase MCC's efficiency in comparing similar information across compacts.

Last, while four of the five partner governments were able to provide the information we requested in our test of MCC's system, the inability of one country—Mali, whose government is in transition—to produce any of the requested documents calls into question MCC's policy of relying on partner governments to retain and store most compact-related information. While the situation in Mali is unusual, the recent political turmoil in Madagascar, another former MCC partner, shows that such situations are not unique. Given that the countries that MCC targets for aid are, by definition, in transition, MCC could benefit from taking precautionary steps—such as weighing the costs and benefits of storing more compact-related information at MCC headquarters—to protect and ensure access to compact-related information.

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## Recommendations

We recommend that MCC's Chief Executive Officer take the following three actions to strengthen MCC's records and information management program:

1. Develop a policy requiring—and conduct—periodic reviews of each set of compact management records that MCC receives from partner governments, to ensure that the records are complete.
2. Revise program closure guidelines to include a sample document retention schedule, specifying standard types of compact-related information that most compacts would need to retain.
3. Review MCC's policy of delegating the storage of compact-related information to partner governments, weighing the costs and benefits of storing more of this information at MCC headquarters.

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## Agency Comments and Our Evaluation

In written comments about a draft of this report, MCC stated that it agrees with our recommendations and is taking steps to implement them.

- With respect to our first recommendation—to develop a policy requiring, and to conduct, periodic reviews of each set of compact management records received from partner governments—MCC stated that, although it has been conducting selected reviews of compliance with compact records management requirements, making the practice more systematic would be useful. To that end, its Department of Compact Operations will ensure that reviews of MCC and MCA compliance with compact management records polices are incorporated in both implementation and close-out procedures.
- With respect to our second recommendation—to revise program closure guidelines to include a sample document retention schedule—MCC stated that it will consider how best to structure a standardized list of core documents that also preserves a country’s flexibility to tailor its document retention schedule in light of local laws and the specific types of compact projects.
- With respect to our third recommendation—to weigh the costs and benefits of storing more compact-related information at MCC headquarters—MCC stated that it will review, and revise as necessary, its Policy and Procedures for Compact-Related Federal Record Keeping to ensure that it specifies all documents that should be defined as federal records.

We have reprinted MCC’s comments in appendix III. We have also incorporated technical comments from MCC in our report where appropriate.

NARA also provided technical comments on a draft of this report, which we have incorporated as appropriate. In addition, NARA stated that having reviewed our description of MCC’s classification of federal records and “non-records” as they pertain to the MCAs, it will contact MCC to ensure that proper classification is occurring.

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We are sending copies of this report to interested congressional committees and the Millennium Challenge Corporation. In addition, this report is available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff members have any questions about this report, please contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff members who made major contributions to this report are listed in appendix IV.

Sincerely yours,

A handwritten signature in black ink, appearing to read "David Gootnick". The signature is written in a cursive, flowing style with a large initial "D".

David Gootnick  
Director  
International Affairs and Trade

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# Appendix I: Objectives, Scope, and Methodology

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Our objectives were to (1) examine the Millennium Challenge Corporation's (MCC) records and information management program and practices and (2) assess partner-country governments' implementation of MCC guidelines for retention and storage of compact-related information.

To examine MCC's records and information management program and practices, we reviewed MCC's policies and guidelines regarding records and information management, focusing in particular on three documents: *Records and Information Management Policy* (June 2011), *Policy and Procedures for Compact-Related Federal Recordkeeping* (September 2012), and *Program Closure Guidelines* (May 2011). We also reviewed the results of MCC's annual self-assessment surveys from 2009 through 2012, a tool that the National Archives and Records Administration (NARA) developed to assess agencies' self-compliance with the Federal Records Act and other laws and regulations related to records management, and we reviewed relevant laws, regulations, and circulars produced by the Office of Management and Budget. In addition, we interviewed officials at MCC and NARA.

To assess partner governments' implementation of MCC's guidelines for retention and storage of compact-related information, we selected five closed compacts—Armenia's, Benin's, El Salvador's, Ghana's, and Mali's—to use as case studies. We chose these compacts because they closed after May 2011 and therefore were subject to MCC's *Program Closure Guidelines*, which were finalized that month. We reviewed the documentation that the partner governments or their accountable entities (usually referred to as Millennium Challenge Accounts, or MCAs) had provided to MCC in response to those guidelines. Regarding MCC's requirement that the partner governments make provisions for the form and manner of document storage, we reviewed the compacts' program closure plans to ensure that provisions for document storage were included, but we did not verify that specific storage requirements—such as security and acclimatization—were met.

We also conducted a test of MCC's ability to retrieve compact-related information from partner governments after compact closure. For this test, we asked MCC to request that the partner governments for the case-study compacts provide copies of documents that the U.S. Agency for International Development's (USAID) Office of the Inspector General (OIG) had collected during the course of performance and financial audits

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of the five countries.<sup>1</sup> We selected the audits from a list that the OIG provided, and we drew from those audits a random sample of documents that we requested from the partner governments. We used OIG files because it has conducted audits in all 5 countries, whereas GAO has not.

- **Selection of performance and financial audits.** The OIG provided a list of 10 performance and 4 financial audits that it considered relevant to our case studies. We removed one performance audit from the list, because the OIG had conducted the audit prior to any MCC compact's entry into force and the audit therefore would not yield valid documents. We then selected three performance audits and one financial audit to review for each of the case-study compacts (except Armenia's, for which the OIG did not conduct a financial audit). Several of the performance audits on the OIG's list covered more than one of the case-study compacts. Because Armenia and Benin's compacts were both covered in two performance audits and Mali's compacts was covered by three performance audits, we included all of these audits in our sample. Because Ghana's and El Salvador's compacts were each covered by more than three performance audits, we randomly selected among the relevant audits. Because the OIG conducted only one financial audit per compact (except Armenia's), we selected all of the listed financial audits. See table 3 for a list of the audits that we selected from which we randomly drew supporting documents for our case studies.

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<sup>1</sup>USAID's Office of the Inspector General is responsible for overseeing MCC activities.

**Table 3: Selected USAID Office of the Inspector General Audit Reports, by Title and Number**

Report title	Report number
Audit of the Millennium Challenge Corporation’s Resettlement Activities	M-000-13-002-P
Review of Millennium Challenge Corporation’s Branding and Marking Policies and Practices	M-000-12-002-S
Review of the Millennium Challenge Corporation’s Compact Modifications	M-000-12-006-S
Audit of Millennium Challenge Corporation-Funded Programs in El Salvador	M-000-11-005-P
Review of Millennium Challenge Corporation-Funded Contracts with Government-Owned Enterprises in Mali	M-000-11-004-S
Audit of the Millennium Challenge Corporation’s Access to Markets Program in Benin	M-000-10-001-P
Audit of the Agricultural Credit Program in Ghana	M-000-09-005-P
Audit of Compliance with Procurement Requirements by the Millennium Challenge Corporation and its Compact Countries	M-000-08-002-P
Review of Millennium Challenge Corporation Funded Projects in Benin	M-000-12-005-S
Limited Scope Review of Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Development Authority (MiDA), Under the Compact Agreement Between MCC and the Government of Ghana	M-000-11-002-S
Limited Scope Review of Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Challenge Account-Mali (MCA-Mali), Under the Compact Agreement Between the MCC and the Government of Mali	M-000-10-004-S
Millennium Challenge Corporation and Accountable Entities Compliance with “Policies and Procedures for Common Payment System”	M-000-09-001-S

Source: USAID Office of the Inspector General.

- Random sample of audit documents.** Each audit contained multiple files, from which we randomly drew a sample of 93 documents: 20 documents for Benin’s, Ghana’s, and Mali’s compacts; 18 documents for El Salvador’s compact; and 15 documents for Armenia’s compact. The number of documents that we sampled per compact varied for two reasons: (1) because the OIG has not conducted a financial audit for Armenia’s compact, we were unable to select any financial-audit-related documents for our sample, and (2) the performance audit files for El Salvador’s compact contained only 18 appropriate documents. Table 4 shows the number of documents we sampled per compact, by type of audit (financial or performance).



**Table 4: Number of Documents in Random Sample, per MCC Compact and Type of Audit**

Country	Financial audit documents	Performance audit documents	Total documents
Armenia	n/a	15	15
Benin	5	15	20
El Salvador	3	15	18
Ghana	5	15	20
Mali	5	15	20
<b>Total</b>	<b>18</b>	<b>75</b>	<b>93</b>

Source: GAO.

- Requests for sampled documents.** We provided a list of the randomly sampled documents for each case-study compact to MCC. We identified each document using, as appropriate, its title, date, and other identifying information (e.g., contract number, payment order number, beneficiary name, letter recipient). For Benin’s, Ghana’s, El Salvador’s, and Mali’s compacts, we listed the document titles and other information in the document’s original language (English, French, or Spanish). For Armenia, we translated the title and other information into English when necessary. We asked MCC to share these lists with the five partner governments and to request that they send us copies of the documents, either electronic or paper, within 20 business days, in keeping with the Freedom of Information Act’s (FOIA) requirement. In response to an MCC comment that the documents we requested would not, as “non-records,” be subject to the FOIA requirement, we have reported the numbers of documents that the partner governments returned within 30 calendar days—the requirement stated in MCC’s Program Closure Guidelines. However, the numbers of documents returned within 20 business days were identical to the numbers returned within 30 calendar days.
- Verification of requested documents.** To verify that the partner governments provided the documents we requested, we conducted two separate comparisons of the documents we received with corresponding electronic copies, which USAID’s OIG had allowed us to retain in our files.

We conducted this performance audit from September 2012 to June 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

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findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: MCC Scores on NARA Self-Assessment Survey, 2009-2012

Since 2009, the National Archives and Records Administration (NARA) has administered a survey to assess federal agencies' compliance with federal records-keeping laws and regulations. The Millennium Challenge Corporation (MCC) has received the following scores: 92 (2009), 83 (2010), 76 (2011), and 77 (2012). See tables 5 through 8 below for more information.

**Table 5: MCC Scores on NARA Self-Assessment Survey, by Section, 2009**

Survey sections	MCC score	Total possible score	Percentage
Records management program	22	26	85%
Records disposition	18	18	100
Email	30	30	100
Electronic records	14	18	78
Vital records	8	8	100
<b>Total score</b>	<b>92</b>	<b>100</b>	<b>92%</b>
NARA rating of overall risk factor: Low			

Source: GAO analysis of MCC results on NARA survey

**Table 6: MCC Scores on NARA Self-Assessment Survey, by Section, 2010**

Survey sections	MCC score	Total possible score	Percentage
Records management program	14	14	100%
Records management activities	12	15	80
Electronic records	12	15	80
Records disposal	16	18	89
Vital records	8	8	100
Records management training	21	30	70
<b>Total score</b>	<b>83</b>	<b>100</b>	<b>83%</b>
NARA rating of overall risk factor: Moderate			

Source: GAO analysis of MCC results on NARA survey

**Table 7: MCC Scores on NARA Self-Assessment Survey, by Section, 2011**

Survey sections	MCC score	Total possible score	Percentage
Records management activities	20	20	100%
Oversight/compliance	31	37	84
Records disposition	16	18	89
Electronic records	9	25	36
<b>Total score</b>	<b>76</b>	<b>100</b>	<b>76%</b>
NARA rating of overall risk factor: Moderate			

Source: GAO analysis of MCC results on NARA survey

**Table 8: MCC Scores on NARA Self-Assessment Survey, by Section, 2012**

Survey sections	MCC score	Total possible score	Percentage
Records management activities	21	21	100%
Oversight/compliance	23	31	74
Records disposition	15	15	100
Electronic records	18	33	55
<b>Total score</b>	<b>77</b>	<b>100</b>	<b>77%</b>
NARA rating of overall risk factor: Moderate			

Source: GAO analysis of MCC results on NARA survey

# Appendix III: Comments from the Millennium Challenge Corporation



June 3, 2013

David Gootnick  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

**Re: MCC Response to Draft Report GAO-13-615**

Dear Mr. Gootnick:

Thank you for the opportunity to review and comment on the U.S. Government Accountability Office's (GAO) draft report, "Millennium Challenge Corporation: Review of Compact Records and Information Management Program."

We were pleased to see the report acknowledge the challenges the Millennium Challenge Corporation (MCC) faces working in countries characterized by major operational and capacity issues. As the report notes, four of the five countries included in the review were able to provide all or most of the documents requested, and the exception – Mali – is literally in the midst of a civil war. As the draft report recognizes, MCC has put significant effort into establishing policies on records management. In regard to meeting federally-mandated record-keeping requirements, the GAO audit did not identify any material failure to adhere to required standards. MCC, as the report notes, has scored as average among much longer-established Federal agencies, and we are working to improve those scores.

As discussed in the draft report, since MCC was created nine years ago, the agency has established a records and information management program; has established record series and retention schedules with the National Archives and Records Administration (NARA); and has issued several policies on records, including *Records and Information Management Policy*, the *Policy and Procedures for Compact-Related Federal Recordkeeping*, which identifies numerous compact-related documents as Federal Records in its Annex 1, and *MCC Program Closure Guidelines* which provides guidance to accountable entities (MCAs) regarding the maintenance of non-records.

However, as the draft report concludes, there are areas in which MCC can improve its records management performance, something to which MCC is committed as a matter of principle. In that spirit, MCC found the recommendations set out in the GAO report of its records management review very helpful. The report makes three recommendations. We are in agreement with them and are already taking steps to implement them.

Please find more detailed responses below:

- 1. Develop a policy requiring and conduct periodic reviews of each set of compact management records that MCC receives from partner governments, to ensure that the**

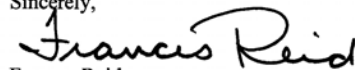
875 Fifteenth Street NW | Washington, DC | 20005-2221 | p: (202) 521-3600 | f: (202) 521-3700 | [www.mcc.gov](http://www.mcc.gov)

**records are complete.** MCC has been conducting selected reviews of compliance with compact records management requirements. However, MCC agrees that making this more systematic would be useful and therefore agrees with this recommendation. MCC's Department of Compact Operations will ensure that reviews of MCC and MCA compliance with compact management records policies are incorporated in both implementation and close-out procedures.

2. **Revise program closure guidelines to include a sample document retention schedule, specifying standard types of compact-related information that most compacts would need to retain.** MCC has provided sample schedules in the past and has worked with MCAs on the development of country-specific schedules. It is necessary to retain the flexibility to tailor document retention schedules to each compact in order to ensure compliance with the laws of the partner country and/or to accurately document a specific compact. However, MCC agrees in principle that a standardized listing of core documents would be useful, so long as it is not read to exclude documents that may not be listed but which should be retained due to the laws in the specific partner country and/or subject of the compact, and will consider how best to structure such a list.
3. **Review MCC's policy of delegating the storage of compact-related information to partner governments, weighing the costs and benefits of storing more of this information at MCC headquarters.** We agree with this recommendation in that it recognizes the need for continuous review and weighing of costs and benefits. We note, however, that MCC currently retains all compact-related Federal Records and has not delegated this responsibility to the MCA's. We also note that each MCA is subject to the laws of the partner country and may be required to retain certain documents pursuant to local law, such that it is not appropriate to store the original documents at MCC headquarters. Nonetheless, MCC reviews and updates its policies on an ongoing basis, and we will review and revise as necessary Annex I to the Policy and Procedures for Compact-Related Federal Recordkeeping, to ensure that it includes all documents that should be defined as Federal Records.

We would like to take this opportunity to thank you and your staff for the professional manner in which this audit was conducted and for the opportunity to provide additional information and feedback on the GAO draft report.

Sincerely,



Frances Reid  
Senior Investment and Risk Officer  
Office of the Chief Executive  
Millennium Challenge Corporation

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# Appendix IV: GAO Contact and Staff Acknowledgments

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## GAO Contact

David Gootnick, (202) 512-3149, or [gootnickd@gao.gov](mailto:gootnickd@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Emil Friberg, Jr. (Assistant Director) and Miriam Carroll Fenton made key contributions to this report. Additional technical assistance was provided by Reid Lowe, Christopher Mulkins, Justin Fisher, Martin de Alteriis, Nancy Hunn, Mark Bird, Etana Finkler, and Ernie Jackson.

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