



Office of Inspector General

May 12, 2014

Mr. Kamran Khan
Vice President, Department of Compact Operations
Millennium Challenge Corporation
875 15th Street, NW
Washington, DC 20005

Management Letter No. M-000-14-004-S

Dear Mr. Khan:

The Office of Inspector General (OIG) is following up on an informal recommendation made to the resident country director at the time of the limited scope review of the Millennium Challenge Corporation's (MCC) projects in Mongolia in 2012. At that time, OIG recommended that MCC-Mongolia help the Millennium Challenge Account (MCA)-Mongolia develop and distribute information to beneficiaries of an energy and environment project on proper installation of new stoves.

In the winter of 2011-2012, two small children died in a yurt fire due to an improperly installed energy-efficient stove subsidized by MCC's compact with the Mongolian Government. OIG found that the MCA-Mongolia contractor's responsibility was limited to installing the stoves, while beneficiaries themselves were responsible for creating and installing the stoves' chimneys. No formal standards or directions existed to tell beneficiaries about what chimneys should be made from or how to position them so they would be safe. Having this information is crucial because the chimneys for these stoves get much hotter than those normally used in yurts. In addition, a yurt's roof is often made of cloth, which can catch on fire easily.

OIG is following up on its informal recommendation and asks MCC to provide a response to this letter on the actions taken to prevent any future occurrence of fires associated with the project.

Sincerely,

/s/

Melinda Dempsey
Deputy Assistant Inspector General
Office of Audit

EVALUATION OF MANAGEMENT COMMENTS

On June 12, 2014, MCC provided a formal response to our letter (included as Appendix I). MCC agreed with the OIG's recommendation and made changes to the procedures for stove installation. MCA-Mongolia required new buyers to have fire-proofing preparations completed before installation of the new stoves in the yurts and provided information to previous participants about the fire hazards, proper use and maintenance of stoves, and the need to install fire-proofing.

cc: Karla Chryar, MCC, Administration and Finance
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June 12, 2014

Ms. Melinda Dempsey
Deputy Assistant Inspector General, Office of Audit
Office of Inspector General
U.S. Agency for International Development
1401 H Street, NW, Suite 770
Washington DC, 20005

Dear Ms. Dempsey:

Thank you for your letter of May 12, 2014, inquiring into actions taken in response to informal recommendations made by the Office of Inspector General (OIG) as part of its limited scope review mission to Mongolia in September 2012. As your letter points out, the recommendations were made in response to the unfortunate incident in the winter of 2011-2012, where two small children died in a fire in the home of a beneficiary of the Mongolia Compact's Energy and Environment Project (EEP). The fire was found to be due to the improper installation of a chimney that reached very high temperatures. The chimney was connected to an energy-efficient, low emissions stove subsidized by EEP.

Such incidents are taken very seriously by the Millennium Challenge Corporation (MCC). Adherence to health and safety requirements is an important part of our oversight of MCC-funded projects. MCA-Mongolia, MCC's Mongolia resident mission, and the MCC implementation support team working on the Mongolia compact were carefully monitoring the investigation of the circumstances surrounding the incident for several months prior to the launch of the OIG limited scope review.

During the summer of 2012, MCA-Mongolia made changes to the procedures for stove installation in response to the fire incident, including the following:

- (1) Requiring new buyers to have fire-proofing preparations (which could include metal flashing where the chimney passes through the roof) prior to installation of the new stove. If the ger (yurt) was not properly prepared, the installation would be refused.
- (2) At the time a consumer placed an order for a stove, the consumer was informed that a fee would be imposed and installation would be rescheduled for a later time if the ger was not prepared with the proper fire-proofing or the ger resident was not at home at the scheduled time.

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- (3) All new stove owners were provided updated instructions and guidance on the proper use and maintenance of the stoves, which included additional information on the prevention of fires.
- (4) Previous participants in the program were sent updated information about the fire hazards, proper use and maintenance, and the need to install fire-proofing.
- (5) Materials provided to current owners of the new stove included a phone number through which owners could get additional information and assistance in properly fire-proofing their home and maintenance techniques.

The relevant specialists on the MCC country team made multiple visits to Mongolia to pursue implementation of changes intended to better ensure health and safety. MCC's Environmental and Social Performance and project oversight teams conducted regular checks of EEP. During these oversight visits, MCC reviewed and discussed implementation of the above procedural changes. After the new requirements were put into place, there were no further reports of fires associated with the project-supported stoves program.

The above information was relayed to the OIG through email exchanges from November 7, 2013 to March 11, 2014. The Mongolia Compact completed its final administrative closure on January 15, 2014, and MCA-Mongolia has been dissolved by the Government of Mongolia.

I trust the information herein has sufficiently addressed your request.

Sincerely,



Kamran Khan

Vice President, Department of Compact Operations

Cc Karla Chryar, MCC, Administration and Finance
Don Geiger, MCC, Senior Accountant
Matt Bohn, MCC, Deputy Vice President, Department of Compact Operations