



*Office of Inspector General*

April 15, 2014

Mr. Daniel Yohannes  
Chief Executive Officer  
Millennium Challenge Corporation  
875 Fifteenth Street, N.W.  
Washington, DC 20005-2203

Dear Mr. Yohannes:

This letter transmits the Office of Inspector General's (OIG's) final report on the *Millennium Challenge Corporation's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010* (M-000-14-002-S). Our fiscal year 2013 evaluation determined that the Millennium Challenge Corporation (MCC) complied with the key provisions of the act as stipulated by the Office of Management and Budget. We have received your written comments to the draft report and acknowledge your response.

We will also issue a copy of the final report to the Senate Homeland Security and Governmental Affairs Committee, the House Committee on Oversight and Government Reform, the Comptroller General of the United States, and the Controller of the Office of Management and Budget.

OIG appreciates the cooperation and courtesies extended during this evaluation. We look forward to working with your staff during the next annual evaluation.

Sincerely,

/s/

Michael Carroll  
Acting Inspector General

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# SUMMARY

On July 22, 2010, Congress passed the Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204). The act (IPERA) amended the Improper Payments Information Act, repealed the Recovery Auditing Act, and significantly increased the number of improper-payments audits agencies need to conduct. Auditors must now review all payments and activities with annual outlays of more than \$1 million.

To help agencies implement the act, the Office of Management and Budget (OMB) issued Memorandum M-11-16, providing guidance and requiring agencies to submit plans that describe their current efforts for payment recapture audits. The memorandum specifies that if an agency fails to not meet any of the requirements, it is not in compliance with IPERA. In addition, the agency's inspector general should evaluate the accuracy and completeness of the agency's reporting and performance in reducing and recapturing improper payments.

OMB Memorandum M-11-16 states:

An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments or underpayments that are made to eligible recipients (including inappropriate denials of payment or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments). An improper payment also includes any payment that was made to an ineligible recipient or for an ineligible good or service, or payments for goods or services not received (except for such payments authorized by law). In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

The Office of Inspector General (OIG) performed this evaluation to determine whether Millennium Challenge Corporation (MCC) complied with IPERA for fiscal year 2013.

OIG determined that MCC was in compliance with the requirements of IPERA, as shown in the following table.

## MCC's Compliance With Improper Payments Requirements

Requirement	Compliant
1. Publish a Performance Accountability Report (PAR) or Agency Financial Report (AFR) for the most recent fiscal year, and post that report and any accompanying materials required by OMB on the agency Web site.	Yes
2. Conduct a program-specific risk assessment for each program or activity that conforms with Section 3321, Title 31 of the U.S. Code (if required).	Yes
3. Publish improper payment estimates for all programs and activities identified as susceptible to significant improper payment under its risk assessment (if required).	Not Applicable*
4. Publish programmatic corrective action plans in the PAR or AFR (if required).	Not Applicable*
5. Publish and meet annual reduction targets for each program assessed to be a risk, and measure for improper payments.	Not Applicable*
6. Report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR.	Not Applicable*
7. Report information on its efforts to recapture improper payments.	Not Applicable*

\* MCC did not have to meet OMB Requirements 3-7 above, because it determined that its programs were not susceptible to significant improper payments. Moreover, MCC reported that it did perform statistical samples for four of its funds (Compacts, 609(g), Administrative, and Due Diligence). According to MCC, these samples did not identify any improper payments.

# STATUS OF PRIOR YEAR'S FINDINGS

There were no findings related to IPERA in the prior fiscal year.

# SCOPE AND METHODOLOGY

## Scope

We conducted this evaluation in accordance with the Quality Standards for Inspection and Evaluation issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency. Our evaluation does not provide a legal determination on MCC's compliance with the specified requirements.

MCC management is responsible for (1) complying with IPERA requirements, (2) reporting improper payments in accordance with OMB Circular A-136, Section II.5.8, , as amended by IPERA, and (3) complying with other applicable laws and regulations. OIG is responsible for determining agencies' compliance with IPERA in accordance with OMB Memorandum M-11-16 and reporting the results within 120 days of publication of the organization's AFR.

## Methodology

To fulfill these responsibilities, OIG did the following:

- Obtained an understanding of MCC's internal control over improper payments and compliance with IPERA.
- Reviewed "Management's Decision and Analysis" and improper payments reporting details in MCC's FY 2013 AFR to ensure compliance with IPERA requirements.
- Evaluated the overall presentation of the improper payments and risk assessment in the AFR.
- Tested relevant internal controls over improper payments, and evaluated the design and operating effectiveness of the internal controls.
- Tested MCC compliance with the specific IPERA requirements.

Because of inherent limitations in internal control, noncompliance may occur and not be detected, and such testing may not be sufficient for other purposes.