



Office of Inspector General

MEMORANDUM

DATE: March 15, 2013

TO: Daniel Yohannes
Chief Executive Officer
Millennium Challenge Corporation

FROM: Richard J. Taylor /s/
Deputy Assistant Inspector General for Audit/MCC

SUBJECT: Millennium Challenge Corporation's Compliance with the Implementation of the Improper Payments Elimination and Recovery Act of 2010

In accordance with Section 3(b) of Public Law 111-204, Improper Payments Elimination and Recovery Act of 2010 (IPERA), this memorandum communicates the results of our determination of the Millennium Challenge Corporation's (MCC) compliance with applicable provisions of IPERA. This memorandum covers the MCC's Fiscal Year (FY) 2012 activities.

We have determined that the MCC is compliant with IPERA and applicable guidance, and nothing came to our attention that the corporation is susceptible to significant improper payments.

On July 22, 2010, the President signed into law the Improper Payments Elimination and Recovery Act (IPERA). IPERA amended the Improper Payments Information Act of 2002 (IPIA), repealed the Recovery Auditing Act, and significantly increased recapture efforts for improper payments. The Office of Management and Budget (OMB) issued government-wide guidance on the implementation of IPERA and mandated that each agency's Inspector General annually review improper payment reporting in the agency's Performance and Accountability Report (PAR) or Annual Financial Report (AFR) for the most recent fiscal year¹.

¹ OMB Memorandum M-11-16, Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123, April 14, 2011

Specifically, IPERA requires federal agencies to:

1. review and report each year programs and activities vulnerable to significant improper payments;
2. obtain a valid estimate of the annual amount of improper payment for those programs identified as susceptible;
3. implement a plan to reduce the identified improper payments;
4. report to Congress on steps being taken to reduce such payments.

To meet the IPERA's requirements for the IG's, we:

- reviewed applicable federal laws and Office of Management Budget guidance;
- reviewed MCC Improper Payment Information Act Report under Other Accompanying Information of MCC's FY 2012 Annual Report for completeness and compliance with OMB requirements;
- interviewed appropriate MCC staff;
- reviewed supporting documentation that included a sample of the transactions reviewed by MCC's contractor to determine whether MCC is compliant with the requirements of IPIA, as amended.

Based on OMB's definition of compliance, we have determined that MCC is compliant. MCC published its AFR for the most recent fiscal year and posted that report and any accompanying materials required by OMB on its website. MCC programs were not determined to be susceptible to significant erroneous payments and as such, payment recapture audits were not included in MCC's scope of the FY 2012 review. However, MCC self-identified and reported improper payments in the amount of \$ 237,281 as a result of a technical error that occurred during the implementation of a financial system database management system upgrade. In addition, MCC self-identified and reported noncompliance with the Prompt Payment Final Rule, payment of interest on invoices totaling \$ 4,043, also due to the system upgrade. MCC has implemented a corrective action plan to address the self-identified improper payment.

We appreciate the courtesies and cooperation of the Millennium Challenge Corporation staff during this review. If you have any questions concerning this letter, please contact Fred Jones, Director of Financial Audits, at (202) 216-6963 or fjones@usaid.gov.