



MEMORANDUM

DATE: March 13, 2020

TO: Millennium Challenge Corporation, Chief Risk Officer, Alice McNutt Miller

FROM: Director of External Financial Audit Division, David A. McNeil/s/

SUBJECT: Financial Audit of Threshold Program Grant Agreement of the Government of Guatemala and the Millennium Challenge Corporation for the Period, April 8, 2015, to September 30, 2017 (3-MCC-20-008-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Programa Nacional de Competitividad De Guatemala (PRONACOM) for the period from April 8, 2015 to September 30, 2017. PRONACOM contracted with the independent certified public accounting firm Amory González, C.P.A./ DFK International to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and *Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities* issued by the Office of the Inspector General. However, it did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards and did not have an external peer review. The audit firm reported that it did not have an external quality control review because no such program is offered by professional organizations in Guatemala and such a revision program is not required by local auditing standards accepted in Guatemala. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on PRONACOM's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

The audit objectives were to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate PRONACOM's internal controls; and (3) determine whether PRONACOM complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm evaluated and reviewed the internal control structure of PRONACOM with the purpose of obtaining an understanding of designed policies and controls. In addition, as part of obtaining reasonable assurance whether the FAS is free of material errors, the audit firm performed tests of compliance with the agreement terms, laws and regulations. However, the objective was not to express an opinion on compliance; therefore, the audit firm did not express an opinion. The incurred cost of MCC resources managed by PRONACOM for the period from April 8, 2015 to September 30, 2017, was \$1,199,113.

The audit firm concluded that, in its opinion, the fund accountability statement presented fairly, in all material aspects, program revenues, costs incurred, and reimbursed assets and technical assistance directly acquired by MCC for the period audited. The audit firm did not identify any material weaknesses in internal control. The audit firm found no material instances of noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm did not question any costs.

During our desk review, we noted an issue with the fund accountability which the audit firm will need to address in future audit reports and has agreed to do so. We presented these issues in a letter of comment to Alice McNutt Miller, dated March 13, 2020.

We appreciate the assistance extended during the engagement.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").