



## MEMORANDUM

**DATE:** April 16, 2020

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

**FROM:** Director of External Financial Audits Division, IG/A/EFA, David A. McNeil /s/

**SUBJECT:** Financial Audit of MCC Resources Managed by PRONACOM Guatemala Under the Threshold Program Grant Agreement, October 1, 2017 to September 30, 2018 (3-MCC-20-011-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 October 1, 2017, to September 30, 2018. PRONACOM contracted with the independent certified public accounting firm Amory González CPA/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. However, it did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards. In addition, the audit firm reported it did not have an external peer review because no such program is offered by professional organizations in Guatemala and such a revision program is not required by the 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 agreement, laws, and regulations.<sup>1</sup>

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

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<sup>1</sup> 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.

agreement terms and applicable laws and regulations. To answer the audit objectives, the audit firm examined the fund accountability statement prepared by PRONACOM; evaluated and reviewed the internal control structure of PRONACOM with the purpose of obtaining an understanding of designed policies and controls, and performed tests of compliance with the agreement terms, laws and regulations. Costs incurred for the period from October 1, 2017 to September 30, 2018 was \$3,809,579.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, assets and technical assistance directly acquired by MCC under the agreement for the period audited. The audit firm did not identify any material weaknesses in internal control. The audit firm found no instances of material noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm did not question any costs. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that MCC determine if the recipient addressed the issues noted. The audit firm issued a management letter.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to Alice McNutt Miller, dated April 16, 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").