



MEMORANDUM

DATE: June 9, 2020

TO: Millennium Challenge Corporation, Acting Risk Officer and Director, Internal Controls and Audit Compliance, Jude G. Koval

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

SUBJECT: Financial Closeout Audit of MCC Resources Managed by MCA-Malawi Under the Compact Agreement, April 1, 2018, to January 18, 2019 (3-MCC-20-013-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Malawi (MCA-Malawi), for the period from April 1, 2018 to January 18, 2019. MCA-Malawi contracted with the independent certified public accounting firm PricewaterhouseCoopers (PwC) 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 Malawi. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Malawi's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.¹

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 the MCA-Malawi's internal controls; (3) determine whether MCA-Malawi complied with agreement terms and applicable laws and regulations; and (4) review the cost-sharing schedule. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-

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.

Malawi for the period from April 1, 2018, to January 18, 2019. Costs incurred for this period were \$112,479,034.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by MCC under the agreement for the period audited. The audit firm did not identify any material weaknesses or significant deficiencies 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. Additionally, nothing came to the audit firm's attention that caused it to believe that MCA-Malawi did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule.

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").