



MEMORANDUM

DATE: September 12, 2018

TO: Millennium Challenge Corporation, Acting Vice President, Department of Compact Operations, Kyeh Kim

FROM: Principal Director, Donell Ries /s/

SUBJECT: Financial Audit of MCC Resources Managed by Yayasan Pendidikan dan Kesejahteraan Islam Hadji Kalla Under the Agreement with MCA-Indonesia, December 18, 2015, to March 31, 2017 (M-497-18-025-N)

This memorandum transmits the final audit report on MCC Resources Managed by Yayasan Pendidikan dan Kesejahteraan Islam Hadji Kalla (Yayasan Kalla), a covered provider of MCA-Indonesia, for the period from December 18, 2015, to March 31, 2017. MCA-Indonesia contracted with the independent certified public accounting firm Gani Sigiros & Handayani, a member of Grant Thornton International Ltd, to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and OIG's Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review. The audit firm reported it did not believe that the effect of this departure was material because the firm participates in Grant Thornton International Ltd's internal quality control review program, which requires their office to be subjected to an extensive quality control review from other affiliated offices every three years. The audit firm also acknowledged it did not have a continuing professional education program that fully satisfies the requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express

¹ On July 14, 2017, MCC OIG rescinded its Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

an opinion on Yayasan Kalla's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.²

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 Yayasan Kalla's internal controls; and (3) determine whether Yayasan Kalla complied with agreement terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by Yayasan Kalla for the period from December 18, 2015, to March 31, 2017. Costs incurred for this period were \$529,598.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, revenues received, costs incurred, and assets directly procured by MCC for the period audited, except for \$10,068 in total questioned costs (\$10,068 unsupported). The audit firm did not report any significant deficiencies or material weaknesses in internal control; however, it reported five instances of material noncompliance. Additionally, the audit firm issued a management letter that noted one matter involving internal control and its operations.

We are not making recommendations specific to the findings reported as material noncompliance because the compact is closed. However, to address the questioned costs identified in the report, we recommend that MCC:

Recommendation 1. Determine the allowability of \$10,068 in questioned costs (\$10,068 unsupported), on pages 17 to 21 of the audit report, and recover any amount that is unallowable.

We ask that you provide your written notification of actions planned or taken to reach management decision. 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").

² 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.