



MEMORANDUM

DATE: September 20, 2018

TO: Millennium Challenge Corporation, Acting Vice President, Department of Policy and Evaluation, Thomas Kelly

FROM: Principal Director, Donell Ries /s/

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone Under the Threshold Program Agreement, April 1, 2016, to March 31, 2017 (M-636-18-027-N)

This memorandum transmits the final audit report on MCC Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone (MCCU Sierra Leone) for the period from April 1, 2016, to March 31, 2017. MCCU Sierra Leone contracted with the independent certified public accounting firm Ernst & Young Chartered Accountants 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 because no such program is offered by professional organizations in Ghana, where the audit firm is located. The audit firm reported they did not believe the effect of this departure was material because the firm participates in Ernst & Young Global's worldwide 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 is responsible for the auditor's report and conclusions expressed in it. We do not express an opinion on MCCU

¹ On July 14, 2017, MCC OIG rescinded its Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities, recognizing the Agency's role to impose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.

Sierra Leone'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 respect; (2) evaluate MCCU Sierra Leone internal controls; and (3) determine whether MCCU Sierra Leone complied with agreement terms and applicable laws and regulations. To answer their audit objectives, the audit firm conducted an audit of MCC's resources managed by MCCU Sierra Leone for the period from April 1, 2016, to March 31, 2017. Costs incurred for this period were \$950,564.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed under the agreement for the period audited. The audit firm noted four significant deficiencies in internal control associated with no automated accounting software, inadequate fixed assets register, no formal fixed assets inventory report, and lack of support of bid exchange rates used. Additionally, the audit firm noted two material instances of noncompliance.

To address the problems identified in the report, we recommend that MCC:

Recommendation 1. Verify that Millennium Challenge Coordinating Unit Sierra Leone corrects the four significant deficiencies in internal control detailed on pages 18 to 21 of the audit report.

Recommendation 2. Verify that Millennium Challenge Coordinating Unit Sierra Leone corrects the two instances of material noncompliance detailed on pages 24 to 26 of the audit report.

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.