



MEMORANDUM

DATE: September 26, 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 MCA-Benin II Under the Compact Agreement, September 24, 2013, to March 31, 2017 (M-680-18-028-N)

This memorandum transmits the final audit report on MCC Resources Managed by MCA-Benin II, for the period from September 24, 2013, to March 31, 2017. MCA-Benin II contracted with the independent certified public accounting firm Compagnie Fiduciaire de Management et d'Audit (COFIMA) 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 the external quality control program of OECCA-Benin (the Institute of Chartered Accountants of Benin) is not operational. The audit firm also acknowledged it did not have a continuing professional education program that fully satisfies the requirements. The audit firm reported it did not believe that the effect of these departures was material. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an

¹ On July 14, 2017, MCC OIG rescinded its Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities, recognizing the Agency's role to impose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

opinion on MCA-Benin II'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 MCA-Benin II's internal controls; (3) determine whether MCA-Benin II 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-Benin II for the period from September 24, 2013, to March 31, 2017. Costs incurred for this period were \$5,913,017.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, commodities and technical assistance directly procured by MCC for the period audited. The audit firm noted one significant deficiency in internal control associated with interest monitoring. Additionally, the audit firm noted one material instance of noncompliance. Further, nothing came to the attention of the audit firm that caused them to believe that the cost-sharing schedule was not presented fairly, in all material respects, in accordance with the basis of accounting used to prepare the schedule. The audit firm issued a management letter that noted 15 matters involving internal controls and its operations.

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

Recommendation 1. Verify that MCA-Benin II corrects the one significant deficiency in internal control detailed on pages 30 to 31 of the audit report.

Recommendation 2. Verify that MCA-Benin II corrects the one instance of material noncompliance detailed on page 32 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.