



# OFFICE OF INSPECTOR GENERAL

## U.S. Agency for International Development

### MEMORANDUM

**DATE:** November 29, 2021

**TO:** Millennium Challenge Corporation, Chief Risk Officer, Lori Giblin

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

**SUBJECT:** Financial Audit of MCC Resources Managed by MiDA Under the Compact Agreement Between the United States of America and the Republic of Ghana, April 1, 2019, to March 31, 2020 (3-MCC-22-003-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Development Authority (MiDA), for the period from April 1, 2019, to March 31, 2020. MiDA contracted with the independent certified public accounting firm Ernst & Young Chartered Accountants 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 have an external peer review because no such program is offered by professional organizations in Ghana. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MiDA'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 MiDA's internal controls; (3) determine whether MiDA complied with agreement terms and applicable laws and regulations, other implementing guidance, and the terms of 609(g) Agreement Compact, related agreements, conditions of award, and generally accepted accounting principles or other comprehensive basis of accounting; (4) review the cost-sharing schedule; and (5) determine if MiDA has taken adequate corrective actions on prior audit recommendations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MiDA for the period from April 1, 2019 to March 31, 2020. Costs incurred for this period were \$54,586,255.

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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.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed under the agreement for the period audited except for five significant deficiencies in internal control and two instances of material noncompliance. The audit firm did not question any costs. Additionally, nothing came to the audit firm's attention that caused it to believe that MiDA 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. Further, the audit firm reported that four significant deficiencies on internal control, as well as one material noncompliance remain open from last year. These findings were integrated into the current year's findings in the report on internal control, which are (1) Lack of clarity on the use of accrued interest on Government of Ghana contribution to the Compact, (2) Logbooks not updated, (3) Lack of evidence of review of Super User activities, (4) Non-performance of vulnerability and penetration tests, and (5) Inadequate monitoring of IT control processes. The report on compliance had (1) Travel advances not retired on time, and (2) Taxes on bonus not properly computed which are material noncompliances. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that MCC Chief Risk Officer determine if the recipient addressed the issues noted.

To address the problems identified in the report, we recommend that MCC's Chief Risk Officer:

**Recommendation I.** Verify that Millennium Development Authority corrects the two instances of material noncompliance detailed on pages 42 through 43 of the audit report.

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

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").