



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: January 25, 2022

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

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

SUBJECT: Financial Audit of MCC Resources Managed by Fondo del Milenio II under the Compact Agreement, April 1, 2018 to March 31, 2019 (3-MCC-22-006-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Fondo del Milenio II (FOMILENIO II) under the Compact Agreement, April 1, 2018 to March 31, 2019 FOMILENIO II contracted with the independent certified public accounting firm PricewaterhouseCoopers, Ltda. de C. V. to conduct the audit. The audit firm conducted the audit in accordance with generally accepted government auditing standards and the Interim Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable entities. PricewaterhouseCoopers, Ltda. de C. V. stated 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 El Salvador, where the audit firm is located. In addition, the audit firm did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards. The audit firm is responsible for the auditor's report and conclusions expressed in it. We do not express an opinion on FOMILENIO II'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 FOMILENIO II's Fund Accountability Statement for the MCC-funded program presents fairly, in all material respects, revenues, costs incurred, and assets and technical assistance directly procured by FOMILENIO II for the period audited; (2) evaluate FOMILENIO II's internal control's related to the MCC-funded programs to identify any reportable conditions, including material internal control weaknesses as applicable; (3) determine whether FOMILENIO II complied with the terms of the Compact agreement terms between MCC and FOMILENIO II; and applicable laws and regulations (4) perform a review of Cost Sharing and (5) review prior audit recommendations to

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.

ensure corrective actions have been taken. To answer the audit objectives, the audit firm conducted an audit of MCC's resources managed by FOMILENIO II for the period from April 1, 2018, to March 31, 2019. Costs incurred for this period were \$41,462,213.

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. The audit firm did not identify any significant deficiencies or material weaknesses in internal control. The result of the audit firm's test did not disclose any instances of noncompliance required to be reported under generally accepted accounting standards. During the audit firm's review nothing came to FOMILENIO's II attention to cause the firm to believe that the Cost-Sharing Schedule did not fairly present in all material respects, in accordance with the basis of accounting used to prepare the Cost-Sharing Schedule. The audit firm did not issue a management letter.

During our desk review, we noted one issue which the audit firm will need to address in future audit reports. We presented this issue in a letter to MCC, dated January 25, 2022.

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").