



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

### MEMORANDUM

**DATE:** February 28, 2022

**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 MCA-Niger Under the Compact Agreement, April 1, 2020, to September 30, 2020 (3-MCC-22-009-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account-Niger (MCA-Niger) for the period from April 1, 2020, to September 30, 2020. MCA-Niger contracted with the independent certified public accounting firm Compagnie Fiduciaire de Management et d'Audit (COFIMA) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and MCC's Interim Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities. However, it did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards. The audit firm also reported that it did not have an external peer review since no such program is offered by professional organizations in Benin. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Niger'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 the MCA-Niger's internal controls; (3) determine whether MCA-Niger complied with agreement terms and applicable laws and regulations; and (4) determine if MCA-Niger has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Niger for the period from April 1, 2020, to September 30, 2020; and determined that the recommendations made during the previous audit (covering award period October 1, 2019 to March 31, 2020) could not be implemented due to the timeframe of the audit (audit period ended September 2020 and final report submitted in December 2020). The audit firm stated that, indeed, the procurement

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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.

process and even the signature of all the contracts awarded for the current period, from April 1, 2020 to September 30, 2020, had already begun before the start of the audit of the prior award phase, and as a result, the recommendations for both phases (prior and current award periods) will be assessed during the next audit. The audit firm further stated that the follow-up of the other internal deficiencies (considered as insignificant) is developed in the Management Letter. Costs incurred for this period were \$17,653,758.

The audit firm issued a modified opinion concluding that, except for the effects of material questioned costs identified, the Fund Accountability Statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MCC for the period audited in accordance with the terms of the agreements and in conformity with the cash basis of accounting. The audit firm identified \$70,131 in total questioned costs (\$70,131 unsupported), characterized by the audit firm as a significant deficiency in internal control. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that Millennium Challenge Corporation, Chief Risk Officer, determine if the recipient addressed the issues noted. The audit firm found no instances of material noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm issued a management letter.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to the Chief Risk Officer, dated February 28, 2022.

To address the problem identified in the report, we recommend that Millennium Challenge Corporation, Chief Risk Officer:

**Recommendation 1.** Determine the allowability of \$70,131 in questioned costs (\$70,131 unsupported), on pages 26 and 34 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.

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").