



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

MEMORANDUM

DATE: April 24, 2023

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 Millennium Challenge Corporation Resources Managed by Millennium Development Authority and Millennium Challenge Compact Between Millennium Challenge Corporation and the Government of Ghana, for April 1, 2020 to March 31, 2021 (3-MCC-23-006-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Development Authority, (MiDA) Under the Grant Implementation Agreement and Millennium Challenge Compact Between MCC and the Government of Ghana, for the period from April 1, 2020 to March 31, 2021. MiDA contracted with the independent certified public accounting firm Ernst & Young Chartered Accountants (EY) to conduct the audit. EY stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and The Accountable Entities Guidelines for Contracted Financial Audits issued by MCC. However, EY did not have external quality control review by an unaffiliated audit organization that fully satisfied the GAGAS requirements. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MiDA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

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 the awards' terms and applicable laws and regulations; and (4) determine if MiDA has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, EY: (a) reviewed the revenues received for the period covered by the audit in the form of payments into permitted accounts, direct payments, the costs reported by MiDA as incurred during that period; and

¹ We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

technical assistance directly procured by MCC for the recipient's use; (b) reviewed and evaluated MiDA's internal control structure related to program activities to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation and in compliance with the Fiscal Accountability Plan; and (c) followed guidance contained in the American Institute of Certified Public Accountants Statements on Auditing Standards entitled "Compliance Audits" to determine compliance with agreement terms and applicable laws and regulations related to donor activities. EY examined MCC costs of \$ 95,628,310, for the audited period.

EY concluded that the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed, and assets and technical assistance directly procured by the MCC for the period then ended in accordance with the terms of the agreements and in conformity with the modified cash basis of accounting. EY identified two significant deficiencies in internal control. Also, the results of EY's tests disclosed four instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that MCC's Chief Risk Officer, determine if MiDA addressed the significant deficiencies on pages 32 through 34 of the audit report. EY determined that for the prior period audit recommendations on internal control, MiDA has implemented one of the recommendations, and two of the recommendations were not implemented, while one was no longer applicable. For the recommendations on compliance findings, MiDA has implemented one of the recommendations, and one recommendation was not implemented.

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").