



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

MEMORANDUM

DATE: May 26, 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 MCC Resources Managed by the MCA-Niger under the Grant and Implementation Agreement and the Millennium Challenge Compact between the Government of Niger and MCC for the period April 1, 2021 to March 31, 2022 (3-MCC-23-015-N)

This memorandum transmits the Audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account - Niger (MCA-Niger) under the Grant and Implementation Agreement and the Millennium Challenge Compact between the Government of Niger and the MCC for the period of April 1, 2021 to March 31, 2022. MCA-Niger contracted with audit firm KMC SA (KMC) to conduct the audit. KMC 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, it did not fully satisfy the continuing professional education requirement in generally accepted government auditing standards. In addition, KMC reported it did not have an external peer review because no such program is offered by professional organizations in Niger. KMC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MCA-Niger'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 resources managed by MCA-Niger using MCC funds presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets, and technical assistance directly procured by MCC (including by MCA-Niger) for the period audited; (2) evaluate and obtain a sufficient understanding of MCA-Niger's internal controls; (3) determine whether MCA-Niger complied, in all material respects, with the Threshold Program

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.

Agreement, supplemental agreements, and applicable laws and regulations related to MCC-funded programs; and (4) determine whether MCA-Niger has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, KMC: (a) performed examination of the fund accountability statement for MCC funded programs including the budgeted amounts by project and activity major items; the revenues received from MCC or the Government of Niger for the period covered by the audit; the costs reported by MCA-Niger as incurred during that period; (b) reviewed and evaluated MCA-Niger's internal controls related to MCC funded programs 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 (c) determined compliance with agreement terms and applicable laws and regulations related to MCC programs. KMC examined MCA-Niger's costs of \$90,171,423 for the audited period.

KMC concluded that the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred, and reimbursed for the period audited in accordance with the agreement and in conformity with the modified cash-based accounting basis. KMC did not identify any questioned costs, material weaknesses in internal control, or instances of noncompliance, or other matters that are required to be reported under Government Audit Standards. The report did not contain any prior material audit findings and recommendations. KMC issued a separate management letter to the management of MCA-Niger.

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").