



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

### MEMORANDUM

**DATE:** June 15, 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:** Closeout Audit of the MCC resources managed by the MCA-Burkina Faso under the Millennium Challenge Compact between the government of Burkina Faso II and the United States of America for the period of April 20, 2018 to July 31, 2022 (3-MCC-23-022-N)

This memorandum transmits the Closeout Audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account - Burkina Faso II (MCA-Burkina Faso) under the Millennium Challenge Compact between the government of Burkina Faso and the United States of America for the period of April 20, 2018 to July 31, 2022. MCA-Burkina Faso contracted with the independent certified public accounting firm Baker Tilly Andah & Andah Chartered Accountants (Baker Tilly) to conduct the audit. Baker Tilly 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, Baker Tilly did not have external quality control review and a continuing education program that fully satisfied the GAGAS requirements. Baker Tilly is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MCA-Burkina Faso's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the Fund Accountability Statement (FAS) for the resources managed by MCA-Burkina Faso under MCC-funded grants, contracts, and implementing agreements using both MCC and the Government of Burkina Faso-funded programs presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets and technical assistance directly procured by MCC and the Government for the period audited; (2) evaluate and obtain a sufficient understanding of MCA-Burkina Faso's internal controls related to the MCC and the Government of Burkina

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<sup>1</sup> 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.

Faso's development and implementation of the Compact using both MCC and Government funds, assess control risk, and identify reportable conditions, including material internal control weaknesses; and (3) determine whether MCA-Burkina Faso complied, in all material respects, with the Compact Development Funding Agreement, Compact (including those MCC rules and regulations regarding Government Contributions), supplemental agreements, and applicable laws and regulations related to MCC-funded grants, contracts, and implementing agreements and to Government funds. To answer the audit objectives, Baker Tilly: (a) reviewed costs billed to and reimbursed with MCC funds, as well as costs incurred but pending reimbursement by MCC, identifying and quantifying any questioned costs; (b) reviewed and evaluated MCA-Burkina Faso's internal control related to MCC program to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures are in operation; and (c) identified the agreement terms and pertinent laws and regulations and determined which of those, if not observed, could have a direct and material effect on the Fund Accountability Statement. Baker Tilly examined MCC costs of \$ 3,467,201 for the audited period.

Baker Tilly concluded that except for the possible effects of the matter described in the Basis of Qualified Opinion section of its report, the Fund Accountability Statement presented 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 Basis of Qualified Opinion section included the following matters which led to Baker Tilly issuing a qualified opinion:

- Management of MCA-Burkina Faso did not provide supporting documentation for revenue and cost incurred amounting to US \$125,560 and US \$133,328 respectively for June 2022.
- No financial records were provided for all revenue and cost incurred in July 2022. Baker Tilly was unable to obtain sufficient appropriate audit evidence about the financial information for June and July 2022 because MCA-Burkina Faso was dissolved in July 2022. The MCC's Board of Directors suspended assistance to Burkina Faso based on the military forces' overthrow of the democratically elected government.

Baker Tilly did not report any material deficiencies in internal controls and its test disclosed no instances of noncompliance or other matters that are required to be reported under the US Government Auditing Standards.

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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting

requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).