



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: September 27, 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: Audit of the MCC resources managed by MCA-Morocco, Municipality of Tétouan, under the Grant and Implementation Agreement and the Millennium Challenge Compact for the period of April 1, 2022, to April 30, 2023 (3-MCC-23-028-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account - Morocco's (MCA-Morocco) Covered Provider #1, Municipality of Tétouan, under the grant and implementation agreement and the Millennium Challenge Compact between the Government of Morocco and the United States of America for the period of April 1, 2022, to April 30, 2023. Municipality of Tétouan contracted with the audit firm Fizazi & Associates (Fizazi) to conduct the audit. Fizazi 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, Fizazi did not have external quality control review and a continuing education program that fully satisfied the GAGAS requirements. Fizazi is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the Municipality of Tétouan'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 MCC-funded programs presents fairly, in all material respects, revenues received, costs incurred, and assets directly procured with MCC funds for the period audited; (2) evaluate and obtain a sufficient understanding of the Municipality of Tétouan internal controls related to the MCC-funded programs; (3) perform tests to determine whether the Municipality of Tétouan complied, in all material respects, with the compact agreement and related ancillary agreements, and applicable laws and regulations related to MCC-funded

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.

programs; and (4) determine if Municipality of Tétouan has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, Fizazi: (a) reviewed costs billed to and reimbursed with MCC funds, as well as costs incurred but pending reimbursement by the recipient, to identify, and quantify any questioned costs; (b) reviewed the procedures for control of funds and reviewed the bank accounts and the controls on those bank accounts; and (c) reviewed procurement procedures to determine whether they were conducted in a manner consistent with the MCC Program Procurement Guidelines. Fizazi examined costs of \$983,722 for the period audited.

Fizazi concluded that except for the effects of unsupported questioned costs of \$162,372 related to additional equipment still not yet delivered and received, and overvalued development work, the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, assets and MCC's procurement technical assistance for the period then ended in accordance with the terms of the agreements. Fizazi did not identify any material weaknesses in internal control. However, the results of Fizazi's tests disclosed two instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Fizazi determined that for the two prior period audit recommendations, Municipality of Municipality of Tétouan implemented one of the recommendations, while the second was no longer applicable.

To address the problems identified in the report, we recommend that MCCs Chief Risk Officer:

Recommendation 1: Determine the allowability of the \$162,372 unsupported questioned costs on page 32 of the audit report and recover any amount that is unallowable.

Recommendation 2: Verify that the Municipality of Tétouan corrects the instance of material noncompliance detailed on pages 31 to 33 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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"). 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.²

² 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.