



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

MEMORANDUM

DATE: January 11, 2024

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 Challenge Account-Morocco, for the period November 1, 2022, to July 29, 2023. (3-MCC-24-005-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Morocco (MCA-Morocco) for the period from November 1, 2022, to July 29, 2023. MCA-Morocco 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. The audit was subject to a scope limitation due to the fact that the audited entity was closed and dissolved on the same day as the closing date of the audit period, July 29, 2023. Therefore, the staff and management of the audited entity were not available after this date to answer questions or sign documents. Also, Fizazi has not been able to conduct some audit procedures after the closing period, obtain a Management Representation Letter and Fund Accountability Statements made and signed as of the date of the auditor's report or communicate with those charged with governance, which is a departure from Government Auditing Standards and applicable MCC audit guidelines' requirements. Additionally, 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 MCA-Morocco'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 Statements for the MCC-funded programs present fairly, in all material respects, revenues received, costs incurred, assets and technical assistance directly procured by MCC and the

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.

Government for the period audited; (2) evaluate and obtain a sufficient understanding of the MCA's internal controls related to the MCC-funded programs; (3) perform tests to determine whether MCA-Morocco complied, in all material respects, with the Compact Development Funding Agreement, Compact, supplemental agreements, and applicable laws and regulations related to MCC- funded grants, contracts and implementing agreements; (4) determine if MCA-Morocco has taken adequate corrective action on prior audit report recommendations; and (5) conduct a review engagement of the cost-sharing schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by MCA-Morocco. To answer the audit objectives, Fizazi: (a) reviewed direct and indirect costs billed to and reimbursed by MCA-Morocco, and costs incurred but pending reimbursement by MCA-Morocco, to identify and quantify any questioned costs; (b) reviewed procurement procedures to determine they were conducted in a manner consistent with the MCC Program Procurement Guidelines; (c) obtained an understanding of each of the five components of internal control (control environment, risk assessment, information and communication, monitoring and control activities) sufficient for assessing the risks of material misstatement of the fund accountability statements, whether due to error or fraud; and (d) reviewed the cost-sharing schedule to determine whether the schedule is fairly presented in accordance with the basis of accounting used by MCA-Morocco. Fizazi examined costs of \$112,913,223 for the period audited.

Fizazi 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. Fizazi did not identify any questioned costs. Fizazi identified one significant deficiency in internal control. Also, the results of Fizazi's tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards. Fizazi is not aware of any material modifications that should be made to the Cost-Sharing Schedule in order for it to be in conformity with the basis of accounting used to prepare the Cost-Sharing Schedule. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that MCC's Chief Risk Officer determine if the MCA-Morocco addressed the significant deficiency on page 44 of the audit report. Fizazi determined that for the two prior period audit recommendations, MCA-Morocco did not implement one of the recommendations, while the second was partially implemented.

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

Recommendation I: Verify that MCA-Morocco corrects the two instances of material noncompliance detailed on pages 46 to 49 of the audit report.

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.