



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

MEMORANDUM

DATE: June 22, 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 MCA-Benin II Under the Compact Agreement, April 1, 2021 to March 31, 2022 (3-MCC-23-024-N)

This memorandum transmits the final audit of the Millennium Challenge Corporation (MCC) Resources Managed by the Millennium Challenge Account Benin II (MCA-Benin II) under the Grant and Implementation Agreement and The Millennium Challenge Compact Program Agreement between the Government of Benin and the United States of America for the Period April 1, 2021 to March 31, 2022. MCA-Benin II 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 an external quality control review by an unaffiliated audit organization that fully satisfied the GAGAS. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MCA-Benin'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 and technical assistance directly procured by MCC for the period audited; (2) evaluate and obtain a sufficient understanding of MCA-Benin II's internal controls related to the MCC-funded programs, assess control risk, and identify reportable conditions, including significant deficiencies or material weakness in the design and effectiveness of internal controls; (3) perform tests to determine whether MCA-Benin II complied, in all material respects, with the Compact Program Agreement and related ancillary agreements, and applicable laws and regulations relating to MCC funded programs. Such tests

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.

must include the compliance requirements related to required cost-sharing contributions; (4) review prior audit recommendations to ensure corrective actions have been taken. To answer the audit objectives, EY: (a) examined the Fund Accountability Statements for activities funded with MCC resources, the revenues received for the period covered by the audit; the costs reported by MCA-Benin II as incurred during the period; and technical assistance directly procured by MCC for the recipient's use; (b) reviewed and evaluated MCA–Benin II'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; (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; and (d) reviewed the cost-sharing schedule based on the multi-year financial plan for the Compact which indicates the expected contributions of the Government of Benin. EY examined MCC costs of \$105,353,233, for the audited period.

EY concluded that the Fund Accountability Statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed for the period audited in accordance with the agreement and in conformity with the modified cash basis of accounting. The auditor did not report any deficiencies in internal controls or material instances of noncompliance with laws and regulations or other matters that are required to be reported under Government Audit Standards. Additionally, based on the reviews of the Cost-Sharing Schedules, the accountant is not aware of any material modifications that should be made to the Cost-Sharing Schedules in order for it to be in conformity with the basis of accounting used to prepare the cost sharing schedule. EY reported that all of the recommendations have been implemented.

During our desk review, we noted an issue that the audit firm will need to address in future audit reports. We presented this issue in a letter to the MCCs Chief Risk Officer, dated June 22, 2023.

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 oinotice_ndaa5274@usaid.gov.