



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

MEMORANDUM

DATE: March 14, 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 Millennium Challenge Corporation Resources Managed by Millennium Challenge Account Morocco, Under the Compact Agreement Between MCC and the Government of Morocco, for the period October 1, 2020, to March 31, 2021 (3-MCC-23-002-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Morocco (MCA-Morocco), under the compact agreement between MCC and the Government of Morocco, for the period October 1, 2020, to March 31, 2021. MCA-Morocco contracted with the independent certified public accounting firm Fizazi & Associates to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the Accountable Entities Guidelines for Contracted Financial Audits issued by the Millennium Challenge Corporation. The audit firm did not have a continuing professional education program that fully satisfies the requirements set forth in chapter 4, paragraph 4.16 of Government Auditing Standards or an external peer review by an unaffiliated audit organization which is publicly available on external website as required by chapter 5, paragraph 5.60 of the Government Auditing Standards. The audit firm reported it did not believe that the effect of the departure was material because the review processes embedded within their internal control framework are robust and encompass key elements such as regular reviews of audit files, carried out by persons independent of the audit engagement team. Furthermore, they comply with the continuing education requirements of the Order of Chartered Accountants of Morocco (Ordre des Experts Comptables or OEC) and the current program provides for at least 120 hours of continuing education and training every three (3) years. The audit firm is taking appropriate steps to implement a continuing education program that fully satisfies the requirement. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Morocco's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations¹.

¹ We reviewed the audit firm's 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 auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

The audit objectives were to (1) express an opinion on whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate MCA-Morocco's internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including significant deficiencies or material weaknesses; (3) determine whether MCA-Morocco complied, in all material respects, with agreement terms and applicable laws and regulations; (4) assess whether cost sharing contributions were provided and accounted for by the recipient in accordance with the terms of agreement, and (5) determine whether MCA-Morocco has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm conducted an audit of MCA-Morocco's Fund Accountability Statement, reviewed internal controls for the period from October 1, 2020, to March 31, 2021, and reviewed the cost sharing schedule of the MCA-Morocco for the period from October 1, 2020, to March 31, 2021. Costs incurred for this period were \$37,758,024.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed, for the period October 1, 2020, to March 31, 2021, in accordance with terms of the agreements. The audit firm identified four significant deficiencies related to issues noted in contract management: completeness of the fixed asset register, timing for accepting in kind cost sharing contributions, delay in approval of deliverables, and lack of a formalized business continuity/disaster recovery plan. Additionally, nothing came to the audit firm's attention that caused it to believe that MCA-Morocco did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule, except for the no in kind contributions reported from the Moroccan Government for the periods July 2020 to March 2021. The audit firm did not identify any instances of noncompliance or matters that are required to be reported under Government Auditing Standards. The audit firm did not question any costs. The recipient has implemented five (5) of nine (9) recommendations, two were partially implemented, and two were still open. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that MCC determine if MCA-Morocco addressed the significant deficiencies of the audit report. The audit firm did not issue a management letter.

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").