



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

MEMORANDUM

DATE: May 4, 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 (MCC) Resources Managed by Millennium Challenge Account-Nepal, Under the Compact Agreement Between MCC and the Government of Nepal, for the period October 1, 2021 to March 31, 2022 (3-MCC-23-008-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Nepal (MCA-Nepal), under the compact agreement between MCC and the Government of Nepal, for the period October 1, 2021 to March 31, 2022. MCA-Nepal contracted with the independent certified public accounting firm UHY Suvod Associates (UHY) to conduct the audit. UHY stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and “The Guidelines for Financial Audits Contracted by the MCC’s Accountable Entities” (MCC Guidelines). However, UHY did not have an external quality control review and a continuing education program that fully satisfied the GAGAS requirements. UHY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Nepal’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 period audited was presented fairly, in all material respects; (2) evaluate MCA-Nepal’s internal controls; (3) determine whether MCA-Nepal complied with the awards’ terms and applicable laws and regulations; (4) review cost-sharing contributions to determine whether cost-sharing contributions were provided and accounted for by the MCA-Nepal in accordance with the terms of the agreement; and (5) determine if MCA-Nepal has taken adequate corrective action on prior audit report. To answer the audit objectives, UHY:

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. .

(a) reviewed direct and indirect costs billed to and reimbursed by the recipient; (b) reviewed general and program accounting records to determine whether costs incurred were properly recorded; (c) checked that funding received from MCC was appropriately recorded in MCA-Nepal's accounting records and those records were periodically reconciled with the information provided by the MCA-Nepal; (d) reviewed procedures for control of funds and reviewed the bank accounts and the controls of those bank accounts; and (e) reviewed procurement procedures to determine they were conducted in a manner consistent with the MCC Program Procurement Guidelines to ensure the use of sound commercial practices including competition and price reasonableness, as well as ensuring that adequate controls were in place over the qualities and quantities received and reviewed travel and transportation charges to determine whether they were adequately supported and approved. UHY examined MCC costs of \$ 1,487,199, for the audited period.

UHY concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited. UHY identified one significant deficiency in internal control and five instances of noncompliance. In addition, 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 MCA-Nepal addressed the significant deficiency on page 42 of the audit report. The audit firm did not question any costs. UHY performed a review of the cost sharing contributions as required by the agreement. UHY noted certain matters involving internal control and its operation that were reported to the management of MCA-Nepal in a separate 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").