



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

MEMORANDUM

DATE: May 11, 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 the Millennium Challenge Corporation resources managed by Millennium Challenge Account-Morocco's Municipality of Dcheira El Jihadia and Millennium Challenge Compact for the period January 1, 2021 to March 31, 2021 (3-MCC-23-009-N)

This memorandum transmits the Financial Audit of the Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account (MCA)-Morocco's Covered Provider #2 (Municipality of Dcheira El Jihadia) 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 from January 1, 2021 to March 31, 2021. The Municipality of Dcheira El Jihadia contracted with the independent certified public accounting firm Fizazi and 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 a continuing education program and an external quality control review by an unaffiliated audit organization 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 Dcheira El Jihadia'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 in conformity with the terms of the compact agreement and related ancillary agreements and

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.

generally accepted accounting principles; (2) evaluate and obtain a sufficient understanding of the Municipality of Dcheira El Jhadia internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; (3) perform tests to determine whether the Municipality of Dcheira El Jhadia complied, in all material respects, with the compact agreement and related ancillary agreements, and applicable laws and regulations related with MCC funded programs; and (4) determine whether the Municipality of Dcheira El Jhadia 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 to quantify any questioned costs; (b) reviewed procurement procedures to determine whether 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 (c) obtained an understanding of each of the five components of internal control (control environment, risk assessment, information and communication, monitoring, and control activities) were sufficient for assessing the risks of material misstatement of the Fund Accountability Statement, whether due to error or fraud. No costs were incurred during the audit period on MCC's funds.

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 cash basis of accounting. Fizazi identified one significant deficiency in internal control. Also, the results of Fizazi's tests disclosed an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards. 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 Municipality of Dcheira El Jhadia addressed the significant deficiency on pages 26 through 28 of the audit report. No prior audit report recommendations to consider for this project. It is the first financial audit of MCC's funds.

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

Recommendation I. Verify that Municipality of Dcheira El Jhadia corrects the instance of material noncompliance detailed on page 28 of the audit report.

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