



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

### MEMORANDUM

**DATE:** June 5, 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 Development Authority and Millennium Challenge Compact Between Millennium Challenge Corporation and the Government of Ghana, for April 1, 2021 to June 6, 2022 (3-MCC-23-017-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Development Authority, (MiDA) under the Grant Implementation Agreement and Millennium Challenge Compact between MCC and the Government of Ghana, for the period from April 1, 2021 to June 6, 2022. MiDA 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 external quality control review by an unaffiliated audit organization that fully satisfied the GAGAS requirements since no such program is offered by professional organizations in Ghana. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MiDA's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the Consolidated Fund Accountability Statement for the resources managed by MiDA using MCC funds presents fairly, in all material respects, revenues received, costs incurred and reimbursed, and commodities, assets, and technical assistance directly procured by MCC for the period audited; (2) evaluate and obtain a sufficient understanding of MiDA's internal controls related to MiDA's development and implementation of the Compact using both MCC and Government of Ghana funds, assess control risk and identify reportable conditions, including material internal control

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<sup>1</sup> 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.

weaknesses; (3) perform tests to determine whether MiDA complied, in all material respects, with the 609(g) Agreement, Compact (including those MCC rules and regulations regarding Government of Ghana Contributions), supplemental agreements and applicable laws and regulations related to MCC-funded programs; and (4) review prior audit recommendations to ensure corrective actions have been taken in accordance with MCC Guidelines. To answer the audit objectives, EY: (a) examined the fund accountability statement for activities funded with MCC resources, the revenues received for the period covered by the audit in the form of payments into permitted accounts, direct payments, the costs reported by MiDA as incurred during that period; (b) reviewed and evaluated MiDA'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; and (c) determine compliance with agreement terms and applicable laws and regulations related to donor activities. EY examined MCC costs of \$83,815,355 for the audited period.

EY concluded that the consolidated 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. EY did not identify any questioned costs. EY identified one significant deficiency in internal control. Also, the results of EY's tests disclosed three instances 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 MiDA addressed the significant deficiency on page 31 of the audit report. EY determined that for the prior period audit recommendations on internal control, MiDA has implemented one of the recommendations, and one was no longer applicable. For the recommendations on compliance findings, MiDA has implemented two of the recommendations, and two recommendations were not implemented.

To address the problems identified in the report, we recommend that MCC's Chief Risk Officer:

**Recommendation 1:** Verify that MiDA corrects the three instances of material noncompliance detailed on pages 32 to 34 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision.

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