



## 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 Challenge Account-Morocco, for the period April 1, 2021 to March 31, 2022 (3-MCC-23-018-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Morocco (MCA-Morocco), for the period from April 1, 2021 to March 31, 2022. MCA-Morocco contracted with the audit firm Fizazi & 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 external quality control review and a continuing education program 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 MCA-Morocco'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 Fund Accountability Statements for the MCC-funded programs present fairly, in all material respects, revenues received, costs incurred, assets and technical assistance directly procured by MCC and the Government for the period audited; (2) evaluate and obtain a sufficient understanding of the MCA's internal controls related to the MCC-funded programs; (3) perform tests to determine whether the recipient complied, in all material respects, with the Compact Development Funding Agreement, Compact, supplemental agreements, and applicable laws and regulations related to MCC-funded grants, contracts and implementing agreements; (4) determine if MCA-Morocco has taken adequate corrective action on prior audit report recommendations; and (5) conduct a review engagement of the cost-sharing schedule to determine if the schedule is fairly

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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.

presented in accordance with the basis of accounting used by MCA-Morocco. To answer the audit objectives, Fizazi: (a) reviewed direct and indirect costs billed to and reimbursed by the recipient, and costs incurred but pending reimbursement by the recipient, to identify and quantify any questioned costs; (b) reviewed procurement procedures to determine they were conducted in a manner consistent with the MCC Program Procurement Guidelines; (c) obtained an understanding of each of the five components of internal control (control environment, risk assessment, information and communication, monitoring and control activities) sufficient for assessing the risks of material misstatement of the fund accountability statements, whether due to error or fraud; and (d) reviewed the cost-sharing schedule to determine whether the schedule is fairly presented in accordance with the basis of accounting used by MCA-Morocco. Fizazi examined costs of \$165,246,328 for the period audited.

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 the modified cash basis of accounting. Fizazi did not identify any questioned costs. Fizazi identified three significant deficiencies in internal control. Also, the results of Fizazi's tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. Fizazi, reported that except for the one significant instance already reported in the report on internal control, Fizazi is not aware of any material modifications that should be made to the cost-sharing schedule, in order for it to be in conformity with the basis of accounting used to prepare the cost-sharing schedule. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that MCC's Chief Risk Officer, determine if the MCA-Morocco addressed the significant deficiencies on pages 39 through 44 of the audit report. Fizazi determined that for the four prior period audit recommendations, MCA-Morocco implemented two of the recommendations, one was partially implemented, while one was not implemented.

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").