



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

MEMORANDUM

DATE: June 27, 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: Closeout Audit of the MCC resources managed by the MFK under the Threshold Program Agreement between the Government of Kosovo and the United States of America for the period April 1, 2022 to January 28, 2023 (3-MCC-23-025-N)

This memorandum transmits the Closeout Audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Foundation Kosovo (MFK) under the Threshold Program Agreement between the Government of Kosovo and the United States of America for the period of April 1, 2022 to January 28, 2023. MFK contracted with the audit firm Audit & Consulting Associates (ACA) to conduct the audit. ACA 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 Millennium Challenge Corporation (MCC). However, it did not fully satisfy the continuing professional education requirement in generally accepted government auditing standards. In addition, ACA reported it did not have an external peer review because no such program is offered by professional organizations in Kosovo. ACA is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MFK'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 resources managed by MFK 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 (including by MFK) for the period audited; (2) evaluate and obtain a sufficient understanding of MFK's internal controls; (3) determine whether

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.

MFK complied, in all material respects, with the Threshold Program Agreement, supplemental agreements, and applicable laws and regulations related to MCC-funded programs; and (4) determine whether MFK has taken adequate corrective action on prior audit report recommendations. To answer the audit objectives, ACA: (a) reviewed the Fund Accountability Statement including the budget amounts by category and major items, the revenues received from MCC during the period covered by the audit, costs reported by MFK as incurred during that period, and the assets and technical assistance procured by MCC for the use of MFK; (b) reviewed and evaluated MFK's internal controls related to MCC-funded programs in order to obtain a sufficient understanding of the relevant policies and whether those policies and procedures have been placed in operation; and (c) reviewed compliance with agreement terms and applicable laws and regulations to determine, conclude and report whether fraud or illegal acts, abuse, or non-compliance has occurred or is likely to have occurred. ACA examined MFK costs of \$27,087,554 for the audited period.

ACA concluded that the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MFK. ACA did not identify any questioned costs, material weaknesses in internal control, or instances of noncompliance, or other matters that are required to be reported under Government Audit Standards. ACA issued 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oignotice_ndaa5274@usaid.gov.