



MEMORANDUM

DATE: May 21, 2019

TO: Millennium Challenge Corporation, Chief Risk Officer, Alice McNutt Miller

FROM: Acting Director of External Financial Audit Division, Steve Shea /s/

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Account Zambia Limited Under the Compact Agreement, January 1, 2014 to January 31, 2019 (3-MCC-19-004-N)

This memorandum transmits the final audit report on MCC Resources Managed by Millennium Challenge Account Zambia Limited (MCA-Zambia), for the period from January 1, 2014 to January 31, 2019. MCA-Zambia contracted with the independent certified public accounting firm KPMG Chartered Accountants (KPMG) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and OIG's Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities.¹

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards except that the audit firm did not have an external peer review because no such program is offered in Zambia. The audit firm reported that it did not believe that the effect of this departure was material because it participates in KPMG International's audit quality control performance review program which requires the office to be at least once every three years to be subjected to an extensive quality control review. The audit firm acknowledges it does have a continuing professional education program that fully satisfies the requirements of generally accepted government auditing standards. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Zambia's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.²

¹ On July 14, 2017, MCC OIG rescinded its Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

² We reviewed the audit firm's 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 auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

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-Zambia's internal controls; (3) determine whether MCA-Zambia complied with agreement terms and applicable laws and regulations; and (4) review the cost-sharing schedule, if applicable. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Zambia for the period from January 1, 2014 to January 31, 2019. Costs incurred for this period were \$4,170,029.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance procured directly by MCC for the period audited. The audit firm did not identify any significant deficiencies or material weaknesses in internal control or material instances of noncompliance that were required to be reported.

We appreciate the assistance extended during the engagement.

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”).