



MEMORANDUM

DATE: July 17, 2019

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

FROM: Acting Director of External Financial Audits Division, Steven Shea /s/

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Account Liberia, Under the Compact Agreement Audit Report for the Period Audited January 20, 2016 to March 31, 2017 (3-MCC-19-008-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account (MCA)-Liberia, for the period for the period of January 20, 2016, to March 31, 2017. MCA-Liberia contracted with the independent certified public accounting firm PricewaterhouseCoopers (Liberia) LLC to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and MCC's Guidelines for Financial Audits Contracted by MCC's Accountable Entities.

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 a continuing professional education program or an external peer reviews in accordance with generally accepted government auditing standards. No external peer review program that complies with generally accepted government auditing standards is offered by professional organizations in Liberia. The audit firm reported it did not believe that the effect of this departure was material because the audit firm participates in the PricewaterhouseCoopers Global network quality control review program which requires their office to be subjected, every year, to an extensive quality control review by partners and managers from other affiliated offices. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Liberia's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.¹

¹ 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-Liberia's internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; and (3) determine whether MCA-Liberia complied, in all material respects, with agreement terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted an audit of MCA-Liberia Fund Accountability Statement and review of internal controls for the period from January 20, 2016, to March 31, 2017. Costs incurred for this period were \$ 80,959,929.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MCC under the agreement for the period audited. The audit firm noted two significant deficiencies in internal controls (see page 20, Report on Internal Controls). The audit firm did not identify any material weaknesses or material instances of noncompliance that were required to be reported under U.S. Government Auditing Standards. In addition, although we are not making a recommendation for significant deficiencies noted in the report, we suggest that MCC determine if the recipient addressed the issues noted.

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").