



## MEMORANDUM

**DATE:** July 25, 2018

**TO:** Millennium Challenge Corporation, MCC Vice President, Department of Compact Operations, Robert I. Blau

**FROM:** Principal Director, Donell Ries /s/

**SUBJECT:** Financial Audit of MCC Resources Managed by MCA-Cabo Verde II Under the Compact Agreement, April 1, 2017, to November 30, 2017 (M-655-18-017-N)

This memorandum transmits the final audit report on MCC resources managed by MCA-Cabo Verde II for the period from April 1, 2017, to November 30, 2017. MCA-Cabo Verde II contracted with the independent certified public accounting firm of PricewaterhouseCoopers & Associados (PwC) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and MCC Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities.<sup>1</sup>

The audit firm stated 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. The audit firm reported it did not believe the effect of this departure was material because the firm participates in the PwC worldwide internal quality control review that requires the firm to be subject to an extensive review by other affiliated offices. The firm is also subjected annually to a sample quality review by an oversight organization in Portugal. The firm also acknowledged that it did not have a continuing education program that fully satisfies requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not

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<sup>1</sup> On July 14, 2017, MCC OIG rescinded its Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities, recognizing the Agency's role to impose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.

express an opinion on MCA-Cabo Verde II's fund accountability statement; the effectiveness of its internal control; or its compliance with the agreement, laws, and regulations.<sup>2</sup>

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 Cabo Verde II's internal controls; (3) determine whether Cabo Verde II complied with agreement terms and applicable laws and regulations; and (4) review the cost-sharing schedule. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Cabo Verde II for the period from April 1, 2017, to November 30, 2017. Costs incurred for this period were \$16,061,788.

The audit firm concluded that 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, under the agreement for the period audited. The firm did not identify any significant deficiencies or material weaknesses or instances of noncompliance that were required to be reported. In addition, nothing came to the attention of the audit firm that caused them to believe that the cost-sharing schedule was not presented fairly, in all material respects, in accordance with the basis of accounting used to prepare the schedule.

OIG is not making any recommendations for your action. 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").

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<sup>2</sup> 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.