



## MEMORANDUM

**DATE:** November 6, 2019

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

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

**SUBJECT:** Closeout Audit of MCC Resources Managed by Millennium Challenge Account Zambia, Under the Compact Agreement Audit Report for the Period Audited, January 1, 2018 to March 15, 2019 (3-MCC-20-002-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resource managed by Millennium Challenge Account (MCA)-Zambia, for the period of January 1, 2018 to March 15, 2019. MCA-Zambia contracted with the independent certified public accounting firm KPMG Chartered Accountants to conduct the audit. The audit firm states that it performed its audit in accordance with generally accepted government auditing standards and the Guidelines for Financial Audits Contracted by MCC's Accountable Entities. However, the audit firm did not have a continuing professional education program or an external peer review, 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 Zambia. The audit firm reported it did not believe that the effect of this departure was material because the audit firm participates in the audit quality performance review program of KPMG International, which requires that individual partners and signing executives be subjected, at least once every three years, to an extensive quality review by partners and executives from other KPMG offices. 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 award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the fund accountability

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<sup>1</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.

statement for the period audited, was presented fairly, in all material respects; (2) evaluate MCA-Zambia's internal controls related to MCC funded programs, assess control risk and identify reportable conditions, including material internal control weaknesses; and (3) determine whether MCA-Zambia's 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-Zambia's Fund Accountability Statement and review of internal controls for the period from January 1, 2018 to March 15, 2019. Costs incurred for this period were \$ 134,850,477.

The audit firm concluded 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 MCC under the agreement for the period audited. 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.

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").