



## MEMORANDUM

**DATE:** December 19, 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 MCA-Honduras Under the Threshold Program Grant Agreement, January 1, 2017, to December 31, 2017 (3-MCC-20-005-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account (MCA)-Honduras for the period from January 1, 2017, to December 31, 2017. MCA-Honduras contracted with the independent certified public accounting firm Coca Luque y Asociados to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and the Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable Entities. However, it did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards and did not have an external peer review. The audit firm reported that it did not have an external quality control review because no such program is offered by professional organizations in Honduras. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Honduras' 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 statement for the period audited, was presented fairly, in all material respects; (2) evaluate the MCA-Honduras' internal controls; (3) determine whether MCA-Honduras complied with award terms and applicable laws and regulations; and (4) determine whether MCA-Honduras has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Honduras

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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.

for the period from January 1, 2017, to December 31, 2017. Costs incurred for this period were \$2,273,544.15.

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 award for the period audited except for the balance at the beginning of the year due to \$5,854.36 in questioned costs (\$5,854.36 ineligible) reported in 2016. The audit firm did not identify any material weaknesses or significant deficiencies in internal control. The audit firm found no material instances of noncompliance that are required to be reported under generally accepted government auditing standards. Further, the audit firm reported that the prior audit recommendation related to \$5,854.36 in questioned costs for the payment of sales tax for audit services has not yet been refunded to MCA-Honduras. The audit firm issued a management letter.

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").