



MEMORANDUM

DATE: May 20, 2020

TO: Millennium Challenge Corporation, Acting Risk Officer and Director, Internal Controls and Audit Compliance, Jude G. Koval

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Financial Audit of MCC Resources Managed by MCA-Liberia Under the Compact Agreement, October 1, 2017 to September 30, 2018 (3-MCC-20-012-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Liberia (MCA-Liberia), for the period from October 1, 2017, to September 30, 2018. MCA-Liberia contracted with the independent certified public accounting firm PricewaterhouseCoopers (Liberia) LLC to conduct the audit of all MCC resources, including those managed by Liberia Electricity Corporation. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and 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. In addition, the audit firm reported it did not have an external peer review because no such program is offered by professional organizations in Liberia. 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

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-Liberia's internal controls; and (3) determine whether MCA-Liberia complied with agreement terms and applicable laws and regulations. To answer the audit objectives, the audit

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.

firm conducted an audit of MCC resources managed by MCA-Liberia for the period from October 1, 2017, to September 30, 2018. Costs incurred for this period were \$39,797,667.

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 identified two significant deficiencies in internal control. The audit firm did not identify any material weaknesses in internal control. The audit firm found no instances of material noncompliance that are required to be reported under generally accepted government auditing standards. The audit firm did not question any costs. 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.

During our desk review, we noted several minor issues which the audit firm will need to address in future audit reports. We presented these issues in a letter to Jude Koval, dated May 20, 2020.

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").