



MEMORANDUM

DATE: December 7, 2020

TO: Millennium Challenge Corporation, Chief Risk Officer, Lori Giblin

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

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone Under the Threshold Agreement, April 1, 2018 to March 31, 2019, (3-MCC-21-002-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Coordinating Unit Sierra Leone (MCCU Sierra Leone) for the period from April 1, 2018 to March 31, 2019. MCCU Sierra Leone contracted with the independent certified public accounting firm Ernst & Young Chartered Accountants to conduct the audit. The audit firm conducted the audit in accordance with generally accepted government auditing standards and Guidelines for Financial Audits Contracted by the Millennium Challenge Corporation's Accountable entities. Ernst & Young 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 because no such program is offered by professional organizations in Ghana, where the audit firm is located. The audit firm reported they did not believe the effect of this departure was material because the firm participates in Ernst & Young Global's worldwide internal quality control review program, which requires their office to be subjected to an extensive quality control review from other affiliated offices every three years. The audit firm is responsible for the auditor's report and conclusions expressed in it. We do not express an opinion on MCCU Sierra Leone'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 MCCU Sierra Leone's Fund Accountability Statement for the MCC-funded threshold program presents fairly in all material respects, revenues, costs incurred, and assets and technical assistance for the period audited; (2) evaluating and obtaining an understanding of MCCU Sierra Leone's internal control structure related to the threshold program and assessing control risk and identifying reportable conditions including material weaknesses; (3) determining MCCU Sierra Leone's compliance with threshold program agreement terms and applicable laws and regulations related to MCC-funded threshold programs including requirements related to cost-sharing contributions if applicable; and (4) review prior audit recommendations to ensure corrective actions have been taken. To answer the audit objectives, the audit firm conducted an audit of MCC's resources managed by MCCU Sierra Leone for the period from April 1, 2018, to March 31, 2019. Costs incurred for this period were \$6,132,022.

The audit firm concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed under the agreement for the period audited. The audit firm noted three significant deficiencies in internal control associated with the following: Fixed Assets Register not updated after assets verification; No memo or documentation maintained to evidence the assignment of IT equipment to Millennium Challenge Coordinating Unit Consultants; and Procurement Requisition Notes for some procurements not on file. Additionally, the audit firm noted four material instances of noncompliance relating to no evidence of publication of notice of award of contracts, no evidence of full eligibility verification performed before the award of contracts, traveling advances not accounted for within the time limit and late payment of withholding taxes. 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 a minor issue which the audit firm will need to address in future audit reports. We presented this issue in a memo to the Chief Risk Officer, Administration and Finance, dated December 7, 2020.

To address the issues identified in the report, we recommend that MCC:

Recommendation I. Verify that Millennium Challenge Coordinating Unit Sierra Leone corrects the four material instances of noncompliance detailed on pages 23 to 28 of the final audit report.

We ask that you provide your written notification of actions planned or taken to reach management decision.

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").