



MEMORANDUM

DATE: April 16, 2021

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

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

SUBJECT: Financial Audit of MCC Resources Managed by Millennium Challenge Account Niger, Under the Compact Agreement Between MCC and the Government of Niger, October 1, 2018 to September 30, 2019, (3-MCC-21-005-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Niger (MCA-Niger), Under the compact agreement between MCC and the Government of Niger for the period of October 1, 2018 to September 30, 2019. MCA-Niger contracted with the independent certified public accounting firm Compagnie Fiduciaire De Management ET D' Audit (COFIMA) 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 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. The audit firm reported it did not believe that the effect of the departure was material because the whole audit process and all audit and other reports are reviewed by a partner of the firm on a regular basis. Furthermore, the audit firm stated it has agreements with some chartered accountants of OECCA-Benin (the Institute of Chartered Accountants for Benin) for the external quality review. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Niger's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 whether the fund accountability statement for the period audited, was presented fairly, in all material respects; (2) evaluate MCA-Niger's internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including significant deficiencies or material weaknesses, and (3) determine whether MCA-Niger complied with in all material respects, agreement terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted an audit of MCA-Niger's Fund Accountability Statement and review of internal controls for the period from October 1, 2018 to September 30, 2019. Cost incurred for this period were \$28,182,304.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred and reimbursed, for the period October 1, 2018 to September 30, 2019 in accordance with terms of the agreements, except for \$765,431.79 in total questioned costs (\$765,431.79 unsupported), for costs that were not supported with adequate documentation or did not have required prior approvals or authorizations; and four significant deficiencies in internal control. MCA-Niger did not identify any deficiencies that were considered material weaknesses in internal control or compliance. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that Millennium Challenge Corporation determine if MCA-Niger addressed the significant deficiencies on pages 31 to 34 of the audit report. The audit firm issued a separate management letter to the management of MCA-Niger involving instances of noncompliance and other matters related to internal control and its operations.

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 Lori Giblin, dated April 16, 2021.

To address the issued identified in the report, we recommend that Millennium Challenge Corporation:

Recommendation 1. Determine the allowability of \$765,431.79 in questioned costs (\$765,431.79 unsupported), on pages 14 and 26 of the audit report, and recover any amount that is unallowable.

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").