



MEMORANDUM

DATE: April 16, 2021

TO: Millennium Challenge Corporation, Chief Risk Officer, Administration and Finance, Lori Giblin

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

SUBJECT: Financial Audit of MCC Resources Managed by MCA-Benin II Under the Compact Agreement, April 1, 2017 to March 31, 2019 (3-MCC-21-006-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account - Benin II (MCA-Benin II) for the period from April 1, 2017 to March 31, 2019. MCA-Benin II 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 the Millennium Challenge Corporation's Accountable Entities. However, it did not have an external peer review because the external quality control program of OECCA-Benin (the institute of Chartered Accountants of Benin) is not operational. The audit firm also acknowledged it did not have a continuing professional education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of *U.S. Government Auditing Standards*. The current audit firm's program provides for at least 48 hours of continuing education and training every year. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Benin II'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 the MCA-Benin II's internal controls; (3) determine whether MCA-Benin II's complied with award terms and applicable laws and regulations; and (4) review the cost-sharing schedule. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Benin II for the period from April 1, 2017 through March 31, 2019. Costs incurred for this period were \$ 29,015,139.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by MCC for the period audited. The audit firm noted two significant deficiencies in internal control associated with discrepancies between the opening numbers and closing numbers during the accounting system conversion, and not having clear responsibilities entitled for approving and generating goods receipts. The audit firm found no material instances of noncompliance that are required to be reported under generally accepted government auditing standards. Furthermore, nothing came to the attention of the audit firm that caused them to believe that the cost-sharing schedule was not presented fairly, in all material respects, in accordance with the basis of accounting used to prepare the schedule. In addition, 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. The audit firm did not question any costs. The audit firm issued a management letter.

During our desk review, we noted several issues which the audit firm will need to address in future audit reports. We presented these issues in a memo to Lori Giblin, Chief Risk Officer, Administration and Finance dated April 16, 2021.

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").