



MEMORANDUM

DATE: May 13, 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-Cote d'Ivoire
Under the Compact Agreement, June 27, 2016 to March 31, 2020
(3-MCC-21-010-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) Resources Managed by Millennium Challenge Account – Cote d'Ivoire (MCA-Cote d'Ivoire) for the period from June 27, 2016 to March 31, 2020. MCA-Cote d'Ivoire contracted with the independent certified public accounting firm BDO Cote d'Ivoire (BDO) to conduct the audit. The audit firm stated that it performed its audit in accordance with generally accepted government auditing standards and The Accountable Entities Guidelines for Contracted Financial Audits. However, it did not have an external peer review because the external quality control program as required by Chapter 5, paragraph 5.60 of U.S. *Government Auditing Standards*. The audit firm believes that the effect of this departure is not material because they participate in BDO worldwide internal quality control review program by partners and managers from other affiliate offices every year. The audit firm also acknowledged it did not have a continuing professional education program that fully satisfies the requirement set forth in Chapter 4, paragraph 4.16 of *U.S. Government Auditing Standards*. The audit firm stated that it complies with the Continuing Professional Development requirements of the Institute of Chartered Accountants in Ivory Coast, of which they are members, which ensure that professionals receive necessary training, including technical updates and subject-specific training, carried out at least annually. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Cote d'Ivoire'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-Cote d'Ivoire's internal controls; and (3) determine whether MCA-Cote d'Ivoire complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm conducted an audit of MCC resources managed by MCA-Cote d'Ivoire for the period from June 27, 2016 through March 31, 2020. Costs incurred for this period were \$17,791,300.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$111,618 total questioned costs (\$111,618 ineligible); and nine significant deficiencies in internal control section 7.2 (Findings #3 to #11); two material weaknesses in internal control section 7.2; (Findings #1 and #2) and four instances of material noncompliance section 7.3 (Findings #1 to #4). Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that Millennium Challenge Corporation determine if MCA-Cote d'Ivoire addressed the significant deficiencies on pages 46 to 57 of the audit report.

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

Recommendation 1. Determine the allowability of \$111,618 in questioned costs. (\$111,618 ineligible), on pages 31 to 38 of the audit reports, and recover any amount that is unallowable.

Recommendation 2. Verify that MCA-Cote d'Ivoire corrects the two material weaknesses in internal control detailed on pages 39 to 45 of the audit report.

Recommendation 3. Verify that MCA-Cote d'Ivoire corrects the four instances of material noncompliance detailed on pages 58 to 64 of the audit report.

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

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