



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: November 9, 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 Morocco, Under the Compact Agreement Between MCC and the Government of Morocco, for the period October 1, 2019 to September 30, 2020 (3-MCC-22-002-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Morocco (MCA-Morocco), under the compact agreement between MCC and the Government of Morocco, for the period October 1, 2019 to September 30, 2020. MCA-Morocco contracted with the independent certified public accounting firm BDO LLP 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' issued by the Millennium Challenge Corporation ('the Guidelines'). 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 review processes embedded within their internal control framework are robust and encompass key elements such as regular reviews of audit files, carried out by persons independent of the audit engagement team. Furthermore, the audit firm stated it is also subject to external reviews by the Audit Quality Review team of the Financial Reporting Council of the UK. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Morocco's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, 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 MCA-Morocco's internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including significant deficiencies or material weaknesses, (3) determine whether MCA-Morocco complied, in all material respects, with agreement terms

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.

and applicable laws and regulations, and (4) assess whether cost sharing contributions were provided and accounted for by the recipient in accordance with the terms of agreement. To answer the audit objectives, the audit firm conducted an audit of MCA-Morocco's Fund Accountability Statement, review of internal controls for the period from October 1, 2019 to September 30, 2020, and a review of the cost sharing schedule of the Millennium Challenge Account Morocco for the period from October 1, 2019 to September 30, 2020. Cost incurred for this period were \$ 36,631,179.49.

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, 2019 to September 30, 2020, in accordance with terms of the agreements. The audit firm identified six significant deficiencies related to issues noted in contract management, lengthy validation process concerning deliverables, low budget execution, SAP password controls that should be strengthened, lack of penetration testing and vulnerability scanning, and lack of formalized business continuity/disaster recovery plan. Additionally, nothing came to the audit firm's attention that caused it to believe that MCA-Morocco did not fairly present the cost-sharing schedule, in all material respects, in accordance with the basis of accounting used to prepare the cost-sharing schedule. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that Millennium Challenge Corporation determine if MCA-Morocco addressed the significant deficiencies on pages 26-39 of the audit report. The audit firm did not issue a management letter.

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").