



OFFICE OF INSPECTOR GENERAL U.S. Agency for International Development

MEMORANDUM

DATE: July 14, 2022

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

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

SUBJECT: Closeout Audit of the Financial Audit of MCC Resources Managed by Millennium Challenge Account- Liberia and Liberia Electricity Corporation, Under the Compact Agreement Between MCC and the Government of Liberia, April 1, 2020 to May 20, 2021 (3-MCC-22-015-N)

This memorandum transmits the final audit report on Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account-Liberia (MCA-Liberia) and Liberia Electricity Corporation, under the compact agreement between MCC and the Government of Liberia for the period from April 1, 2020 to May 20, 2021. MCA-Liberia contracted with the independent certified public accounting firm PricewaterhouseCoopers (Liberia) LLC to conduct the audit of all MCC resources, including those managed by Liberia Electricity Corporation. 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, it did not fully satisfy the continuing professional education requirement set forth in generally accepted government auditing standards. In addition, the audit firm reported it did not have an external peer review because no such program is offered by professional organizations in Liberia. The audit firm reported it did not believe that the effect of the departure was material because the audit firm participates in the PricewaterhouseCoopers Global network quality control review program which requires the office to be subjected, every year, to an extensive quality control review by partners and managers from other affiliate offices. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Liberia'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

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.

statement for the period audited, was presented fairly, in all material respects; (2) evaluate MCA-Liberia's internal controls related to the MCC funded programs, assess control risk, and identify reportable conditions, including material internal control weaknesses; (3) determine whether MCA-Liberia complied with in all material respects, agreement terms and applicable laws and regulations; and (4) determine whether MCA-Liberia has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm conducted an audit of MCA-Liberia's Fund Accountability Statement and review of internal controls for the period from April 1, 2020 to May 20, 2021. The cost incurred for this period were \$41,559,797.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MCC for the 14-month period except for \$18,999 in total questioned costs (\$18,999 ineligible); two material weaknesses in internal control for specification of items procured and received not matching and assets not sighted as per signed asset grant agreement; and two instances of non-compliance. Since the questioned costs did not meet OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that MCC determine the allowability of the \$18,999 in questioned costs and recover any amount determined to be unallowable. The audit firm identified four significant deficiencies in internal control. Although we are not making a recommendation for significant deficiencies noted in the report, we suggest that Millennium Challenge Corporation determine if MCA-Liberia addressed the significant deficiencies on pages 33 to 36 of the audit report.

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

Recommendation I. Verify that Millennium Challenge Liberia and Liberia Electricity Corporation corrects the two material weaknesses in internal control detailed on pages 37 to 43 of the 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").