



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

### MEMORANDUM

**DATE:** January 16, 2024

**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 the MCC resources managed by Millennium Challenge Account – Senegal under the Millennium Challenge Compact between the Government of the Republic of Senegal and MCC for the period April 1, 2021, to March 31, 2022 (3-MCC-24-006-N)

This memorandum transmits the Financial Audit of the Millennium Challenge Corporation (MCC) resources managed by Millennium Challenge Account – Senegal II (MCA-Senegal) under the Millennium Challenge Compact between the Government of the Republic of Senegal and MCC for the period April 1, 2021, to March 31, 2022. MCA-Senegal contracted with audit firm Ernst & Young (EY) to conduct the audit. EY stated that it performed its audit in accordance with generally accepted government auditing standards (GAGAS) and The Accountable Entities Guidelines for Contracted Financial Audits issued by Millennium Challenge Corporation. However, it did not fully satisfy the continuing professional education requirement in GAGAS. In addition, EY reported it did not have an external peer review because no such program is offered by professional organizations in Senegal. EY is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MCA-Senegal's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.<sup>1</sup>

The audit objectives were to (1) express an opinion on whether the Fund Accountability Statement for the MCC-funded programs presents fairly, in all material respects, revenues received, costs incurred, assets and technical assistance directly procured by MCC and the Government (including by MCA-Senegal and its Covered Providers) for the period audited; (2) evaluate and obtain a sufficient understanding of MCA Senegal's internal controls related to the MCC-funded programs, assess control risk, and identify significant deficiencies or material

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<sup>1</sup> We reviewed the audit 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 audit firm's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

weaknesses in the design and effectiveness of these internal controls; and (3) determine whether MCA-Senegal complied, in all material respects, with the Compact Development Funding Agreement, Compact (including those MCC rules and regulations regarding Government Contributions), supplemental agreements, and applicable laws and regulations related to MCC-funded grants, contracts, and implementing agreements. To answer the audit objectives, EY: (a) examined the fund accountability statement for activities funded with MCC resources, the revenues received for the period covered by the audit in the form of payments into permitted accounts, direct payments; the costs reported by MCA-Senegal as incurred during that period; and technical assistance directly procured by MCC for the recipient's use; (b) reviewed and evaluated MCA-Senegal's internal control structure related to program activities to obtain a sufficient understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation and in compliance with the Fiscal Accountability Plan; and (c) determined compliance with agreement terms and applicable laws and regulations related to donor activities. EY examined MCA-Senegal costs of \$12,630,669 for the audited period.

EY concluded that the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MCA-Senegal. EY did not identify any questioned costs. However, EY identified one significant deficiency in internal control and two material instances of noncompliance or other matters that are required to be reported under Government Audit Standards. Although we are not making a recommendation for the significant deficiency noted in the report, we suggest that MCC's Chief Risk Officer, determine if MCA-Senegal addressed the significant deficiency on page 48 of the audit report. EY determined that MCA-Senegal implemented four of the six prior period audit recommendations, while two were not implemented.

To address the material instances of noncompliance identified in the report, we recommend that MCCs Chief Risk Officer:

**Recommendation 1:** Verify that the MCA-Senegal corrects the two instances of material noncompliance detailed on pages 50 to 52 of the audit report.

We ask that you provide your written notification of actions planned or taken to reach a 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"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.<sup>2</sup>

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<sup>2</sup> The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to [oignotice\\_ndaa5274@usaid.gov](mailto:oignotice_ndaa5274@usaid.gov).