



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: November 26, 2024

TO: Lori Giblin
Chief Risk Officer
Millennium Challenge Corporation

FROM: David A. McNeil /s/
Director
External Financial Audits Division

SUBJECT: Closeout Audit of MCC and Government of Niger Resources Managed by MCA-Niger for the Period from April 1, 2023, to May 26, 2024 (3-MCC-25-005-N)

This memorandum transmits the Closeout Audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account-Niger (MCA-Niger) for the period from April 1, 2023, to May 26, 2024. MCA-Niger contracted with audit firm KMC SA (KMC) to conduct the audit. KMC stated that it performed its audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States and MCC's Guidelines for Financial Audits Contracted by MCC's Accountable Entities. Further, to fulfill the audit requirement to determine compliance with agreement terms and applicable laws and regulations related to MCC programs, KMC followed guidance contained in the American Institute of Certified Public Accountants (AICPA) Auditing Standards-Clarified (AU-C) section 935 entitled Compliance Audits and AICPA AU-C section 250 entitled Consideration of Laws and Regulations in an Audit of Financial Statements. However, KMC did not have a continuing education program that fully satisfied the requirement set forth in Chapter 4, paragraph 4.16 of Government Auditing Standards and it did not have an external quality control review by an unaffiliated audit organization, as required in Chapter 5, paragraph 5.60 of Government Auditing Standards because no such program is offered by professional organizations in Niger. KMC is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the MCA-Niger'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 MCC funded program presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured

¹ 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.

by MCA-Niger for the period ended in accordance with the terms of the compact and supplemental agreements and in conformity with the basis of accounting described in the notes to the financial statements; (2) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an opinion; (3) evaluate and obtain a sufficient understanding of MCA-Niger's internal controls related to the MCC funds, assess control risk, and identify reportable conditions, including material internal control weaknesses; (4) perform tests to determine whether MCA-Niger complied, in all material respects, with the compact, supplemental agreements, and applicable laws and regulations related to MCC funded programs; and (5) determine whether MCA-Niger took adequate corrective actions on prior audit report recommendations. To answer the audit objectives, KMC reviewed the compact and any pre-compact agreements, agreements between MCA-Niger and contractors and grantees, implementation letters, and written procedures approved by MCC and/or MCA-Niger, program financial and progress reports, charts of accounts, organizational charts, accounting systems descriptions, procurement policies and procedures, and receipts, warehousing and distribution procedures for material, MCC's Cost Principles for Accountable Entity Operations, and previous audits and financial reviews directly relating to the objectives of the closeout audit. KMC examined MCA-Niger's incurred costs of \$118,640,317 for the audited period.

KMC concluded that the fund accountability statement presented fairly, in all material respects, program revenues, costs incurred and reimbursed, assets and MCC's procurement technical assistance for the year then ended in accordance with the terms of the agreements and in conformity with the modified cash-based accounting and the cost principles documented in the Cost Principles for Government Affiliates Involved in MCC compact implementation. Additionally, KMC did not identify any questioned costs, material weaknesses or significant deficiencies in internal control over financial reporting, and any proven cases of non-compliance regarding the compact and related agreement terms and applicable laws and regulations. Finally, KMC reported that it verified the status of implementation of previous audit recommendations, which were almost complete, and the audit finding of \$70,131 reported in the prior audit report related to the period ended September 30, 2020, which was repaid to MCC. KMC noted certain non-major deficiencies in MCA-Niger's internal control system in 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"). 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.²

² 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.