



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

MEMORANDUM

DATE: April 21, 2025

TO: Lori Giblin
Chief Risk Officer
Millennium Challenge Corporation

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

SUBJECT: Financial Audit of Resources Managed by Millennium Challenge Account-Senegal II under the Millennium Challenge Compact for the period April 1, 2022, to March 31, 2024 (3-MCC-25-006-N)

This memorandum transmits the financial audit of resources managed by Millennium Challenge Account-Senegal II (MCA Senegal) under the Millennium Challenge Compact for the period April 1, 2022, to March 31, 2024. MCA Senegal contracted with audit firm Ernst & Young (E&Y) to conduct the audit. E&Y 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 Millennium Challenge Corporation. However, E&Y did not fully satisfy the continuing professional education requirement in GAGAS and reported it did not have an external peer review because no such program is offered by professional organizations in Senegal. E&Y 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.¹

The audit objectives were to (1) express an opinion on whether the fund accountability statement presents fairly, in all material respects, revenues received, costs incurred, assets and technical assistance directly procured for the period audited conformed with the terms of the agreements and generally accepted accounting principles or other comprehensive basis of accounting; (2) evaluate and obtain a sufficient understanding of MCA Senegal's internal

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.

controls, assess control risk, and identify significant deficiencies or material weaknesses in the design and effectiveness of these internal controls; (3) determine whether MCA Senegal complied, in all material respects, with the agreement, compact, supplemental agreements, and applicable laws and regulations related to grants, contracts, and implementing agreements; (4) review the cost-sharing schedule based on the multi-year financial plan; and (5) review prior audit recommendations to ensure corrective actions have been taken in accordance with Audit Guidelines. To answer the audit objectives, E&Y: (a) examined the fund accountability statement for activities, revenues in the form of payments into permitted accounts, direct payments, the costs reported by MCA Senegal as incurred during that period, and technical assistance; (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; (c) determined compliance with agreement terms and applicable laws and regulations related to donor activities; (d) noted that it was not aware of any material modifications needed to be made to the cost-sharing schedule for the schedule to conform with the basis of accounting used to prepare the cost-sharing schedule; and (e) evaluated status of implementation of prior period audit recommendations and determined that MCA Senegal had no provisional indirect cost rate. E&Y examined MCA Senegal costs of \$126,618,009 for the audited period.

E&Y 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 for the period April 1, 2022, to March 31, 2024, in accordance with the terms of the agreements and in conformity with the modified cash basis method of accounting. E&Y did not identify any questioned costs. Further, EY noted that MCA Senegal implemented corrective actions associated with the one prior year's internal control finding and one prior year's noncompliance finding but had not implemented corrective action associated with one prior year's noncompliance finding. In addition, E&Y identified seven significant deficiencies in internal control and six instances of noncompliance or other matters required to be reported under Government Audit Standards. Although we are not making a recommendation for the seven significant deficiencies noted on pages 60 to 67 of the audit report and six instances of noncompliance or other matters required to be reported under Government Audit Standards, we suggest that Millennium Challenge Corporation's Chief Risk Officer determine whether MCA Senegal addressed them.

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.