



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: March 2, 2026

TO: Lori Giblin
Chief Risk Officer
Millennium Challenge Corporation

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

SUBJECT: Financial Audit of the MCC Resources Managed by the Millennium Challenge Account - Lesotho II Authority Under the Compact Agreement Between the MCC and the Kingdom of Lesotho, February 20, 2019, to September 30, 2024 (3-MCC-26-001-N)

This memorandum transmits the Financial Audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account (MCA) - Lesotho II Authority (MCA Lesotho II) under the Compact Agreement between the MCC and the Kingdom of Lesotho, February 20, 2019, to September 30, 2024. MCA Lesotho II contracted with the independent certified public accounting firm of PKF Lesotho (PKF) to conduct the audit. PKF stated that it performed its audit in accordance with U.S. Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. PKF stated that it does not have a continuing education program fully satisfying the requirement set forth in GAGAS, and it did not have an external quality control review by an unaffiliated audit organization as required by GAGAS. PKF is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA Lesotho II'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 programs for the period audited, was presented fairly, in all material respects; (2) evaluate and obtain a sufficient understanding of the MCA Lesotho II's internal controls related to the MCC funded programs; (3) determine whether MCA Lesotho II complied, in all material respects, with the Compact Development Funding Agreement,

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.

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; (4) determine whether MCA Lesotho II has taken adequate corrective action on prior audit report recommendations; and (5) conduct a review engagement of the cost-sharing schedule to determine if the schedule is fairly presented in accordance with the basis of accounting used by MCA Lesotho II to prepare the schedule. To answer the audit objectives, PKF: (1) examined the separate fund accountability statement of MCA Lesotho II for activities funded with MCC resources; (2) reviewed the MCA Lesotho II's internal control related to the development and implementation of the Compact Agreement 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; (3) determine compliance with agreement terms and applicable laws and regulations related to MCC programs; and (4) determine whether cost-sharing contributions were provided and accounted for by the Government of Lesotho in accordance with the terms of the agreements. PKF examined costs of \$8,202,766 for the period audited.

PKF concluded that the Consolidated Fund Accountability Statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, assets, and procurement technical assistance funded by the MCC for the period then ended, in accordance with the terms of the agreements. PKF identified one material weakness in internal control and two significant deficiencies. PKF identified one material instance of noncompliance. Although we are not making a recommendation for the significant deficiencies noted in the report, we suggest that MCC's Chief Risk Officer, determine if MCA Lesotho II addressed the issues noted. PKF was not aware of any material modifications that should be made to the accompanying Cost-Sharing Schedule in order for it to be in conformity with the basis of accounting used to prepare the Cost-Sharing Schedule. PKF issued a management letter.

To address the material weakness in internal control and the material instance of noncompliance identified in the report, we recommend that MCC's Chief Risk Officer:

Recommendation 1. Verify that MCA Lesotho II Authority corrects the one material weakness in internal control detailed on pages 42 and 46 of the audit report.

Recommendation 2. Verify that MCA Lesotho II Authority corrects the one instance of material noncompliance detailed on pages 42 and 47 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.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 oinotice_ndaa5274@oig.usaid.gov.

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