



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: April 30, 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 - Indonesia II Under the Compact Agreement Between the MCC and the Government of Indonesia, February 4, 2021, to September 30, 2024 (3-MCC-26-005-N)

This memorandum transmits the financial audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account – Indonesia II (MCA-Indonesia II) under the Compact Agreement between the MCC and the Government of Indonesia, February 4, 2021, to September 30, 2024. MCA-Indonesia II contracted with the independent certified public accounting firm of Lochan & Co (Lochan) to conduct the audit. Lochan stated that it performed its audit in accordance with U.S. Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Lochan 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. Lochan is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA-Indonesia 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 sufficient understanding of accountable entity's internal controls related MCA-Indonesia II's development and implementation of the Compact; and (3) determine whether MCA-Indonesia II complied, in all material respects, with the

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 Development Funding (CDF) Agreement, Compact, supplemental agreements, and applicable laws and regulations related to MCC-funded grants. To answer the audit objectives, Lochan: (1) examined the separate fund accountability statement of MCA-Indonesia II for activities funded with MCC resources; (2) reviewed and evaluated MCA-Indonesia II'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 (3) determined compliance with agreement terms and applicable laws and regulations related to related to MCC programs. Lochan examined costs of \$10,338,910 for the period audited.

Lochan concluded that the fund accountability statement presents fairly, in all material respects, program revenues, costs incurred and reimbursed, assets and MCC's procurement technical assistance for the period then ended in accordance with the terms of the agreements. Lochan did not identify any material weaknesses in internal control or any instances of material noncompliance with applicable laws, regulations, and agreement terms. Lochan issued 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@oig.usaid.gov.