MEMORANDUM

DATE: November 13, 2026

TO: Lori Giblin
Chief Risk Officer
Millennium Challenge Corporation

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

SUBJECT: Closeout Financial Audit of the MCC Resources Managed by MCA Malawi II Under the Compact Agreement Between the Republic of Malawi and the United States of America, April 1, 2024, to April 18, 2026 (3-MCC-27-004-N)

This memorandum transmits the financial audit of the Millennium Challenge Corporation (MCC) resources managed by the Millennium Challenge Account – Malawi II (MCA Malawi II) under the Compact Agreement between the MCC and the Republic of Malawi, April 1, 2024, to April 18, 2026. MCA Malawi II contracted with the independent certified public accounting firm of Nexia Graham Carr to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The audit firm 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. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MCA Malawi 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 Malawi II's internal controls related to the MCC funded programs; (3) determine whether MCA Malawi II complied, in all material respects, with the Compact Development Funding Agreement, Compact, supplemental agreements, and applicable laws and regulations related to MCC-funded

[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 reviews of the audit report itself and excludes reviews of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

grants; and (4) determine if cost-sharing contributions were provided and accounted for by MCA Malawi II in accordance with the terms of the agreement. To answer the audit objectives, the audit firm: (1) examined the consolidated fund accountability statement of MCA Malawi II for activities funded with MCC resources; (2) reviewed MCA Malawi II's internal control structure related to program activities to understand the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation; (3) determined compliance with agreement terms and applicable laws and regulations related to related to MCC activities, and (4) reviewed the cost sharing schedule to determine if the recipient provided such contributions in accordance with terms of the agreement. The audit firm examined costs of $17,673,397 for the period audited.

The audit firm 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 year then ended in accordance with the terms of the agreements. The audit firm did not identify any material weaknesses in internal control or instances of material noncompliance with applicable laws, regulations, and agreement terms. The audit firm stated that based on their review, they were not aware of any material modifications that should be made to the cost-sharing schedule in order for it to be in conformity with the basis of accounting used to prepare the cost-sharing schedule. The audit firm 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.