



MILLINIUM CHALLENGE CORPORATION

Agency Financial Report

Fiscal Year 2021

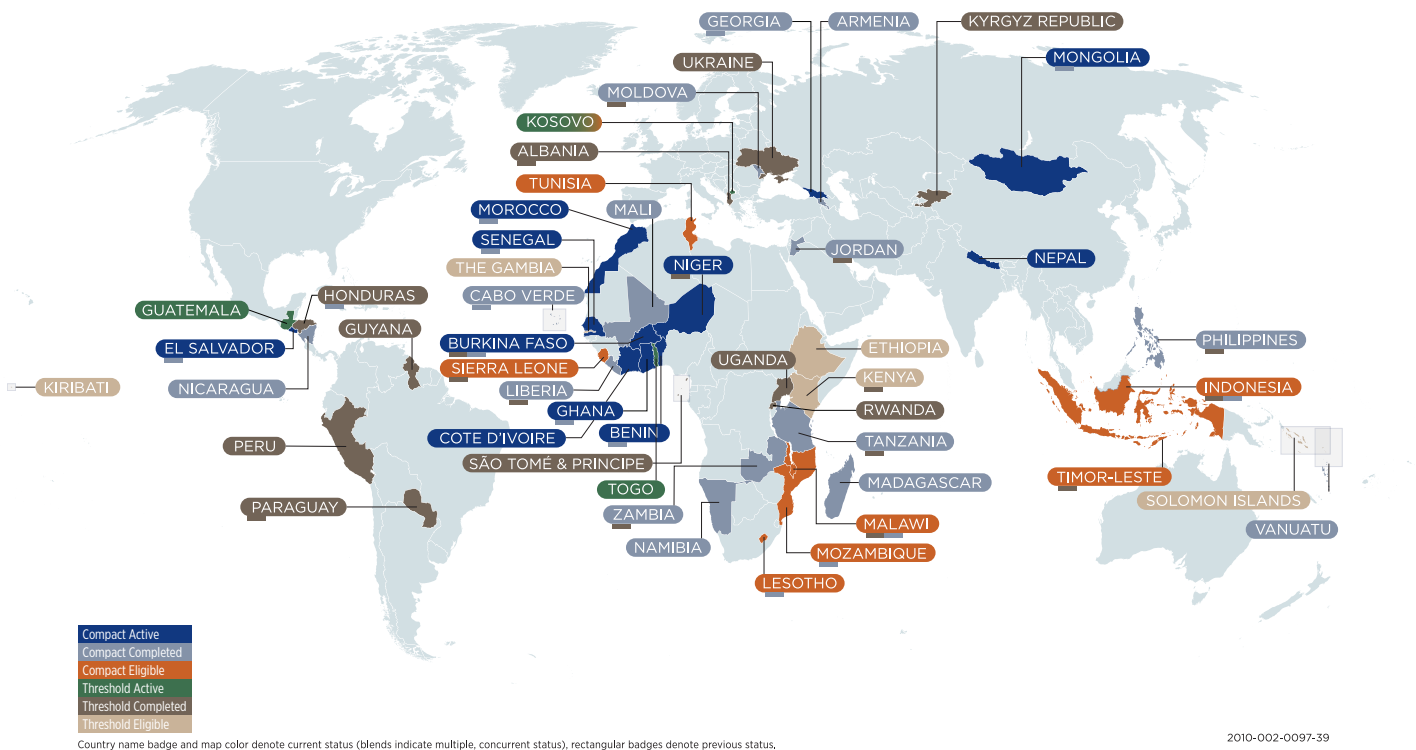


MILLENNIUM
CHALLENGE CORPORATION

UNITED STATES OF AMERICA



Compact, Threshold Program and Eligible Countries





MILLENNIUM
CHALLENGE CORPORATION

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Fiscal Year 2021

October 1, 2020 - September 30, 2021

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Introduction

The Agency Financial Report (AFR) for the Millennium Challenge Corporation (MCC) for fiscal year (FY) 2021 provides the results that enable the President, Congress, and the American people to assess MCC's performance for the reporting period beginning October 1, 2020 and ending September 30, 2021. In particular, the AFR provides an overview of MCC's programs, accomplishments, and challenges, and its management's accountability over the resources entrusted to MCC. This report was prepared in accordance with the requirements of the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

MCC will prepare an Annual Performance Report (APR) for FY 2021 that will be incorporated into MCC's FY 2023 Congressional Budget Justification (CBJ). The APR, along with the CBJ, is projected to be posted on MCC's website in February 2022. Together, the AFR and APR provide a comprehensive presentation and disclosure of important financial and programmatic information related to MCC's operations and results, including a fair assessment of MCC's leadership and stewardship of the resources entrusted to the agency. Not later than March 31, 2022, MCC will also provide further information related to its activities in an Annual Report to Congress.

All of these reports and related materials will also be made available to the public on MCC's website at www.mcc.gov.

Organization of This Report

The FY 2021 AFR includes a message from the Chief Executive Officer (CEO), followed by three sections and one appendix:

- **Section I:** Management's Discussion and Analysis integrates performance and financial information with key performance results, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address problems.
- **Section II:** Financial Section contains a message from the Vice President, Department of Administration and Finance and Chief Financial Officer (CFO), the financial statements and accompanying notes, and the independent auditor's report.
- **Section III:** Other Information includes the United States Agency for International Development Office of Inspector General's (USAID/OIG) Top Management Challenges, MCC management's response to the USAID/OIG's Top Management Challenges, MCC's Summary of Financial Statement Audit and Management Assurances, MCC's Payment Integrity Report, and Fraud Reduction Report.
- **Appendix A** includes a list of acronyms used in this report.

For more information about MCC, visit its website at <http://www.mcc.gov>



Message from the Millennium Challenge Corporation's Acting Chief Executive Officer

November 12, 2021

I am pleased to submit the Millennium Challenge Corporation's Agency Financial Report for FY 2021.

While the COVID-19 pandemic continued to create unprecedented challenges, the strong commitment of our staff and country partners enabled the agency to deliver on its mission of reducing poverty through sustainable and inclusive economic growth.

FY 2021 was a busy but productive year with the entry into force of the Mongolia and Senegal compacts and the closure of the Liberia and El Salvador compacts. MCC also completed work on the Sierra Leone threshold program.

MCC's Board of Directors approved a nearly \$500 million compact with Tunisia to strengthen the country's transportation, trade, and water sectors and a \$20 million threshold program with the Solomon Islands to facilitate land access for tourism investment and enhance forestry resources management. MCC continued work to develop two regional compacts: a regional energy program with Côte d'Ivoire and Burkina Faso and a regional transport program between Benin and Niger.

As we move forward, I am very pleased with the work underway on our strategic planning to lay the foundation and prepare for MCC@20. To maximize the impact of MCC's investments and adapt to challenges facing our partner countries including the adverse impact of the COVID-19 pandemic, MCC has identified three strategic priorities - climate, inclusion and gender, and catalyzing private sector investment.

Climate change directly affects MCC's ability to reduce poverty through sustainable economic growth and country partners are at the forefront of asking for investments in agriculture, water and sanitation, renewable energy, and other climate-related infrastructure investments. Inclusion and addressing gender inequalities remain a key priority for MCC and is fundamental to achieving the agency's mission. MCC has a long track record of promoting women's economic empowerment and the agency recently hired its first Chief Diversity Officer. Work is now underway to develop a comprehensive inclusion and gender strategy to make certain we are reaching those most in need.

Catalyzing Private Sector Investment to further leverage MCC's grant dollars is essential in closing the development finance gap. MCC's focus on sectoral policy, institutional reforms, and capacity building create and strengthen the enabling environment to attract and facilitate private investment. This means connecting with other development partners, both within the United States, as well as with our international partners.

I am pleased to report that management's annual assessment of risks and review of controls as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and Office of Management and Budget (OMB) Circular-A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, disclosed no material weaknesses and the financial and performance data presented here reasonably and fairly represent the result of MCC's operation.

Looking ahead, MCC remains committed to effectively delivering on our mission while prioritizing the health and safety of our staff and country counterparts. We remain grateful to our supporters and stakeholders, who continue to champion our work around the globe as we work to produce cost-effective, data-driven investments on behalf of the American people.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Mahmoud Bah', written over a light blue circular background.

Mahmoud Bah
Acting Chief Executive Officer
Millennium Challenge Corporation



Management's Discussion and Analysis

Mission, Values and Organizational Structure

Mission

The Millennium Challenge Act of 2003, 22 United States Code (U.S.C.) §§7701-7718, established MCC as a government corporation, as defined in 5 U.S.C. § 103. MCC's mission is to reduce poverty by supporting sustainable and inclusive economic growth in select developing countries that demonstrate a commitment to ruling justly, economic freedom, and investing in people. Ruling justly includes democratic rights and the rule of law, respect for human and civil rights, protection of private property rights, transparency and accountability in governance, and a commitment to fighting corruption. Economic freedom covers policies that enable citizens and firms to participate in global capital markets, promote private sector growth, and limit direct government interference in the economy. Investing in people encompasses investments in education and health care for a country's own citizens, with a particular emphasis on women and children.¹

MCC achieves its mission by providing grant assistance for programs that focus on the binding constraints to economic growth in partner countries, coupled with policy and institutional reform support to deliver sustainable impact. MCC's approach employs development best practices on selection, country ownership, transparency, and accountability; stimulates policy reform with analysis and data-driven decision-making; and leverages partnerships with donors, the private sector, and other federal agencies engaged in foreign assistance.

Specifically, MCC provides assistance through three types of grants:

- **Compact programs** are bilateral programs with a country that meets MCC's eligibility criteria and is selected for assistance by MCC's Board of Directors. The compact establishes a five-year implementation plan of partnership between the country and MCC to achieve shared development objectives. The compact establishes an assistance program designed to reduce poverty through sustainable economic growth and is built on the principles of country ownership, transparency, and accountability, with input from the private sector, partner governments, other development partners, and civil society organizations. The compact defines each party's responsibilities and includes benchmarks, timetables, and performance goals and metrics.
- **Threshold programs** are programs for countries that have shown political will and commitment toward improving their policy performance but have not been selected for Compact by MCC's Board of Directors. Threshold programs are smaller in size than compacts and support policy and institutional reforms through technical assistance, capacity building, and selected pilot projects. MCC uses a rigorous, structured diagnostic process to develop threshold programs prior to program design and implementation.
- **Regional compacts** are programs that facilitate regional integration or cross-border collaborations. Congress provided MCC this authority in 2018 which further enables the agency to promote trade and investment, economies of scale, access to larger markets, and more efficient production. MCC is finalizing the development of two regional programs – one is a road and trade program involving Benin and Niger and the second is an energy program involving Côte d'Ivoire and Burkina Faso.

MCC's grants are "high-quality" in that they are large, predictable, multi-year and do not add to a country's debt burden. MCC's governing statute requires MCC to provide assistance in a manner that promotes economic growth and the elimination of extreme poverty. MCC's programs thus focus on the binding constraints to economic growth in a country through a combination of infrastructure, policy, and institutional reform. Typically, this has included work in the following sectors: energy; transportation; infrastructure (road, water and air); water supply and sanitation; agriculture and irrigation; governance and land; financial services; and health, education and community services.

¹ MCC's statute, § 607(b)(3)(C).

Country ownership is a core MCC principle. MCC's engagement with a partner country often stands as a cornerstone of the U.S. economic relationship in that country – visible proof that U.S. economic assistance leads to tangible results – and helps to create a more attractive environment for private sector led growth. Partner countries generally also make a financial and/or in-kind contribution, a signal of their commitment and ownership of the programs. In an increasingly globalized economy, these investments are a down payment on poverty reduction, increased growth, and stability.

MCC works closely with the Department of State, the United States Agency for International Development (USAID), United States International Development Finance Corporation (DFC) and other agencies to ensure that MCC programs complement related U.S. Government (USG) efforts and therefore maximize the impact of both MCC and the USG around the world. Strengthening the next generation of emerging markets that will trade and do business with U.S. companies leads to market opportunities for American businesses and job creation in the United States. As emerging economies prosper in an inclusive manner, they become more stable and secure, a result that promotes U.S. national security, commercial, development, and environmental interests.

Values

MCC's values define how we operate on a daily basis, both as individuals and as an institution, in pursuit of MCC's mission. Our values identify who we are and what is important to us. They guide how we make decisions, set priorities, address challenges, manage trade-offs, recruit and develop staff, and work together with our partner countries and stakeholders.

MCC's values are **CLEAR**:

Embrace Collaboration — We work together toward clear, common goals with a spirit of creativity and teamwork. We believe that bringing different perspectives to the table leads to the best solutions.

Always Learn — We question assumptions and seek to understand what works, what doesn't, and why. We recognize that failing to reach a goal can be an important learning opportunity, and we apply and share those lessons broadly.

Practice Excellence — We envision MCC as a leader in global development, and we have high standards for ourselves, our partner countries, and the investments we make. We bring out the best in ourselves and in one another to advance the fight against global poverty.

Be Accountable — We own our actions, are honest about our limits and missteps, and hold ourselves and each other responsible for good performance. We are transparent and explain our decisions.

Respect Individuals and Ideas — We are inclusive, act with humility, and value diverse ideas. We listen and foster strong working relationships with our colleagues at MCC, in our partner countries, and throughout the development community.

Organizational Structure

Board of Directors

MCC is overseen by a nine-member Board of Directors that is chaired by the Secretary of State. The Board of Directors also includes the Secretary of the Treasury, who acts as the Vice Chair, the U.S. Trade Representative, the USAID Administrator, MCC's CEO, and four private sector representatives appointed by the President of the United States with the advice and consent of the U.S. Senate. The Board of Directors generally meets four times each year. Among other responsibilities, the Board provides policy guidance to MCC, makes annual eligibility and selection determinations, and approves compact and threshold programs.

Executive Offices

MCC accomplishes its mission through the executive offices contained in the following organizational chart as of September 30, 2021:

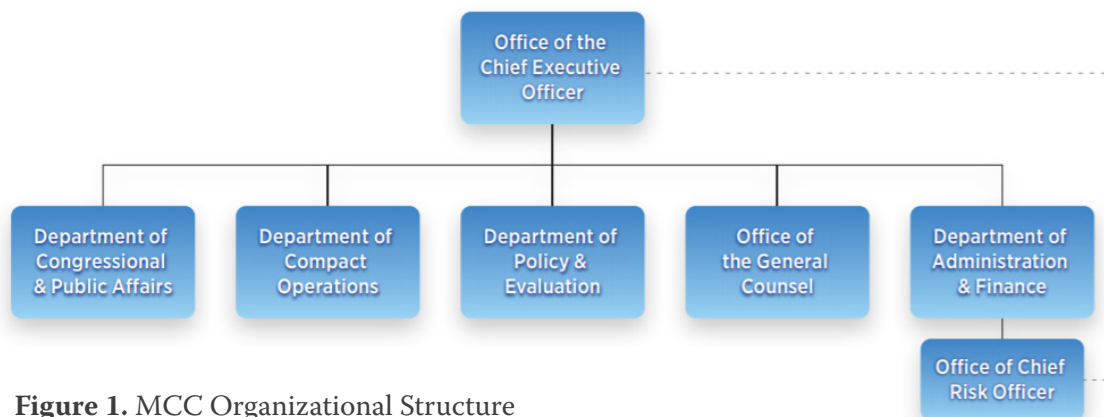


Figure 1. MCC Organizational Structure

Additional details regarding responsibilities of the executive offices may be found at <https://www.mcc.gov/about/org-chart>.

Performance Goals, Objectives, and Results

MCC’s mission is to reduce poverty through economic growth, and the agency utilizes an innovative and tested approach to carry out this mission. MCC’s operations are guided by its founding principles that remain as relevant today as at the time of the agency’s inception 17 years ago. These principles are centered on a competitive selection process that reflect American values and the conditions for economic growth; a business-like approach with bedrock commitments to data, accountability, cost-benefit analysis and evidence-based decisions, and a laser-focus on creating the right circumstances for private investment. In short, MCC focuses on “what works.”

MCC’s competitive selection process, using a “scorecard” with externally available metrics, assesses candidate countries in the three categories of ruling justly, economic freedoms, and investing in people. MCC thus works in countries that are committed to democratic governance and rewards transparency and accountability. Specifically, MCC’s rigorous selection process creates an incentive for countries to improve their policy performance, while also targeting MCC’s funding to those countries most likely to use it well.

To achieve maximum impact and value for money, MCC holds itself to a high standard of accountability for achieving results. MCC’s focus on transparency and accountability for results has been consistently recognized. In December 2020, Results for America released the [2020 Invest in What Works Federal Standard of Excellence Report](#), an annual scorecard for how federal agencies use evidence and data to achieve better results. For the sixth consecutive year, MCC received the highest score of all federal agencies featured in the report for having built the infrastructure necessary to be able to use data, evidence and evaluation in budget, policy and management decisions.

An APR will be provided as part of MCC’s FY 2023 CBJ, which is projected to be made available in February 2022. A high-level summary of MCC’s strategic direction and performance during FY 2021 follows.

Strategic Direction

MCC established the following corporate priorities for FY 2021 to guide agency activities:

- **Human Capital: empower our people for optimal performance:** MCC developed a Human Capital Strategy to better align MCC’s hiring practices, existing resources, and learning tools with the agency’s mission to ensure MCC is appropriately staffed to achieve its strategic priorities and implement programs.
- **Innovation: establish a culture of creativity that encourages smart risk:** MCC made further progress on operationalizing the concurrent compact authority. Markets do not stop at borders, and neither do MCC’s investments.
- **Private Investment: crowd-in and enable private investment:** MCC developed a strategy to expand and deepen MCC’s blended finance capacity, portfolio, and leverage, and a partnerships strategy to increase MCC impact, innovation, scale, and sustainability of assistance programs through partnerships.
- **Accountability: hold ourselves and partners accountable for results:** MCC continues to intensify its focus on data and evidence-driven results. In FY 2021, MCC issued 33 Evaluation Briefs, summaries of the key results and learning from MCC’s independent evaluations in a user-friendly, four-page packet.

Subsequent to the transition to a new administration in January of 2021, MCC immediately focused on Diversity, Equity and Inclusion while emphasizing additional strategic priorities around climate; inclusion and gender; and catalyzing private sector investment which are detailed in the “Looking Forward” section below. The FY 2021 corporate priorities are reflected in the work and activities discussed in this AFR.

Snapshot of MCC Portfolio and Programming

As of September 30, 2021, MCC is engaged in partnerships across 27 programs with 24 countries (including compacts and threshold programs). Table 1 displays the number of programs in the development and implementation phases of compacts and threshold programs.

Table 1. MCC Portfolio as of September 30, 2021

10 Compacts in development, including 2 Regional concurrent compacts
2 Compacts in pre-implementation
7 Compacts in implementation
5 Thresholds in development
3 Threshold in implementation

In FY 2021, MCC’s compacts with Mongolia and Senegal entered into force and the compacts with Liberia and El Salvador closed. Additionally in FY 2021, the Sierra Leone Threshold closed.

Table 2 displays grant totals, net of de-obligated amounts, for MCC compact signed since the agency's inception in 2004 through September 30, 2021.

Table 2. Value of Compact Grants as of September 30, 2021 (in thousands)

Value of Closed Compact Grant Since Agency Inception as of September 30, 2021

Total	\$	9,266,369
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Value of Compact Grants in Implementation as of September 30, 2021 (in thousands)

Total	\$	3,018,615	100.0%		
Senegal II	\$	550,000	18.2%	Benin II	\$ 391,000 13.0%
Côte d'Ivoire	\$	524,740	17.4%	Mongolia II	\$ 350,000 11.6%
Morocco	\$	450,000	14.9%	Ghana II	\$ 315,851 10.5%
Niger	\$	437,024	14.5%		

Value of Compact Grants Signed but yet to Enter-into-Force as of September 30, 2021

Total	\$	950,000	100.0%		
Nepal	\$	500,000	52.6%	Burkina Faso II	\$ 450,000 47.4%

Table 3 displays grant totals, net of de-obligated amounts, for every MCC threshold signed since the agency's inception in 2004 through September 30, 2021.

Table 3. Value of Threshold Grants as of September 30, 2021 (in thousands)

Value of Threshold Grant Since Agency Inception as of September 30, 2021

Total	\$	524,009
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Value of Threshold Grants in Implementation as of September 30, 2021

Total	\$	112,000	
Kosovo	\$	49,000	Guatemala \$ 28,000
Togo	\$	35,000	

In total, since 2004, 29 countries have received funding through 38 compacts (Benin, Burkina Faso, Cabo Verde, El Salvador, Georgia, Ghana, Mongolia, Morocco, and Senegal have signed two compacts each), and 26 countries have received funding through 28 threshold programs (Albania and Paraguay each signed two). Burkina Faso, Honduras, Indonesia, Jordan, Liberia, Malawi, Moldova, Niger, Philippines, Tanzania, and Zambia have signed both compacts and threshold program agreements. A full listing of MCC's past and present programs may be found at <https://www.mcc.gov/where-we-work>.

MCC's Approach to Results and Performance Measurement

Overview

MCC is committed to achieving and measuring results; holding itself accountable for those results; transparently reporting results, data, and evaluations; and learning from the evidence to improve current and future programs. To fulfill this commitment, data-driven decision-making and monitoring and evaluation (M&E) are integrated into the entire program lifecycle, from country selection to program conceptualization, to implementation and beyond. For additional information, visit <https://www.mcc.gov/our-impact>.

Monitoring Program Performance

MCC monitors progress by using performance indicators that measure progress at all levels. Lower-level process and output-level indicators are typically drawn from project and activity work plans, whereas higher-level targets are often linked directly to the economic rate of return analysis. MCC conducts this analysis to estimate the impacts of a compact, drawing from benefit streams. MCC reviews data quarterly to assess whether results are being achieved and subsequently integrates this information into project management decisions. Data for performance monitoring and reporting comes from baseline and follow-up surveys, project implementers, and other entities.

MCC supports comprehensive, high-quality data collection conducted by local resources. Program funds are frequently used for surveys fielded by both private firms and national statistical agencies and other government entities. All the data collected, whether from surveys or implementers, undergoes regular quality checks that are monitored by MCC to ensure integrity and accuracy.

Evaluating Program Performance and Results

MCC's programs aim to reduce poverty, while spurring entrepreneurship and economic growth and helping build more stable, accountable, sustainable, and inclusive societies. With a data-driven, evidence-based approach to decision-making, MCC invests heavily in tracking the impact and outcomes of its programs. Every MCC project is evaluated, with nearly 40 percent of independent evaluations consisting of rigorous impact evaluations led by third-party entities. In terms of beneficiaries, MCC's programs in areas like water and sanitation, agriculture, education, and energy are expected to benefit more than 188 million people around the world. MCC is also committed to assessing the cost-effectiveness of its programs to ensure that U.S. taxpayer dollars achieve a significant economic rate of return.

MCC aggregates results and program outputs in key sectors to measure progress in those areas across its entire investment portfolio. Currently, MCC calculates aggregate results and program outputs on a quarterly basis in six categories: roads, agriculture and irrigation, water and sanitation, education, power, and property rights and land policy.

MCC works with the development community to reassess its indicators periodically. MCC may complete early process-level indicators, such as contract dollars disbursed, more quickly than other indicators. The actual construction of a road, for example, will take more time and will be a more relevant indicator as time passes.

Table 4 presents MCC's program results across a representative set of select output indicators as of June 30 in 2021, 2020, and 2019, respectively. The table aggregates country-specific output targets and performance data by sector. It represents only a fraction of the performance data that MCC collects and assesses on a quarterly basis. MCC and the accountable entities in its partner countries collaborate to establish these targets. MCC assesses performance data across all compact programs on a quarterly basis and, where necessary, takes action to address deficiencies, mitigate risks, and ensure that the compacts use U.S. taxpayer funding effectively and responsibly.

Additional data on these sectors may be found on MCC's website under Sector Results and Learning located here: <https://www.mcc.gov/our-impact/sector-results>.

Table 4: Program Results by Sector on Select Output Indicators for FYs 2021, 2020, and 2019

		Cumulative	Actual			Performance on Targets		
		Target Through FY 2021	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019
Sector - Roads								
Indicator:	Value of signed contracts for road work (dollars in millions)	\$2,302	\$2,501	\$2,445	\$2,405	109%	106%	105%
Indicator:	Kilometers of roads under works contracts	3,930	4,043	3,960	3,969	103%	100%	100%
Indicator:	Kilometers of roads completed	3,550	3,035	3,035	3,035	85%	85%	85%
Countries Tracked:	Armenia, Burkina Faso, Cabo Verde, El Salvador, El Salvador II, Georgia, Ghana, Honduras, Mali, Moldova, Mongolia, Mozambique, Nicaragua, Niger, Philippines, Senegal, Tanzania, Vanuatu							
Sector - Agricultural and Irrigation								
Indicator:	Hectares under new or improved irrigation	292,362	203,963	203,963	273,074	70%	70%	93%
Indicator:	Value of agricultural and rural loans (dollars in millions)	\$87	\$87	\$87	\$88	100%	100%	101%
Indicator:	Farmers trained	368,644	405,482	405,482	354,179	110%	110%	110%
Indicator:	Enterprises assisted	3,564	4,224	4,224	4,223	119%	119%	118%
Countries Tracked:	Armenia, Burkina Faso, Cabo Verde, El Salvador, El Salvador II, Georgia, Ghana, Honduras, Indonesia, Madagascar, Mali, Moldova, Morocco, Mozambique, Namibia, Nicaragua, Niger, Senegal							
Sector - Water and Sanitation								
Indicator:	Value of signed contracts for water and sanitation works (dollars in millions)	\$776	\$817	\$817	\$817	105%	105%	105%
Countries Tracked:	Cabo Verde II, El Salvador, Georgia, Ghana, Jordan, Lesotho, Mozambique, Tanzania, Zambia							
Sector - Education								
Indicator:	Students participating	281,527	291,144	248,266	232,799	103%	88%	83%
Indicator:	Facilities completed	911	844	842	833	93%	92%	91%
Indicator:	Value of signed contracts for construction and/or equipping of educational facilities (dollars in millions)	\$229	\$304	\$290	\$238	133%	127%	104%
Countries Tracked:	Burkina Faso, Côte d'Ivoire, El Salvador, El Salvador II, Georgia II, Ghana, Mongolia, Morocco, Morocco II, Namibia							
Sector - Land								
Indicator:	Stakeholders trained	30,440	78,064	78,064	78,160	256%	256%	257%
Indicator:	Land administration offices established	280	399	399	399	143%	143%	143%
Countries Tracked:	Benin, Burkina Faso, Cabo Verde II, Ghana, Indonesia, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Namibia, Niger, Senegal							

Table 4: Program Results by Sector on Select Output Indicators for FYs 2021, 2020, and 2019

		Cumulative	Actual			Performance on Targets		
		Target Through FY 2021	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019
Sector - Power								
Indicator:	Value of signed power infrastructure construction contracts (dollars in millions)	\$551	\$898	\$648	\$537	163%	118%	97%
Indicator:	Installed Generation Capacity	5,401	7,141	7,141	5,387	132%	132%	100%
Countries Tracked:	Benin II, Ghana II, Liberia, Malawi, Tanzania							

Post-Program Evaluations

MCC commissions independent **performance** and **impact** evaluations to help evaluate the longer-term results of its investments.

- **Performance evaluations** estimate the contribution of MCC programs to changes in trends on outcomes, including household income. Performance evaluations serve an accountability purpose by comparing changes to the situation before and after MCC program implementation.
- **Impact evaluations** are the most rigorous form of evaluation because they estimate the causal impact of MCC programs on key outcome indicators. They make it possible to know whether the observed impacts were caused specifically by an MCC program or were the result of external factors. Impact evaluations compare what happened with the program to what would have happened without it, through use of a counterfactual.

Country Selection Process

The MCC Board of Directors selects countries to be eligible for MCC assistance. For a country to be selected for an MCC assistance program, it must demonstrate commitment to ruling justly, economic freedom and investing in its people. MCC's Board of Directors examines this commitment primarily by consulting annual country "scorecards" of policy performance comprised of 20 independent, third-party, objective indicators, as well as relevant supplemental information. It then considers the overall opportunity to reduce poverty and generate economic growth in a country, as well as the funding available.

MCC's country selection process relies heavily on these public, data-driven country scorecards, which allow Congress, taxpayers, beneficiaries, and other stakeholders to hold the agency accountable for its decisions. Additional information on MCC's selection process and criteria, including country scorecards and selection indicators may be found at <https://www.mcc.gov/who-we-select>.

MCC Effect

MCC's approach to country selection encourages all candidate countries—and not just MCC partner countries—to improve their economic and social policies before MCC grants a single dollar, in the hope of qualifying for an MCC program. This clear incentivizing effect is called the "MCC Effect." MCC sees this effect when government and civil society groups contact MCC or indicator institutions to learn about and improve their scorecard performance.

A number of countries have set up teams within their governments dedicated to improving their scorecard performance in the hope of qualifying for an MCC program. An independent global survey of development stakeholders found that they repeatedly identified MCC's eligibility criteria as among the most influential external assessments of government performance. Many countries also regard their MCC scorecard performance as a stamp of approval that signals to their citizens and the private sector that the country is well governed. More information about the MCC Effect can be found at <https://www.mcc.gov/who-we-select/mcc-effect>.

Compact Development, Implementation, and Closure

Countries seeking to sign a compact with MCC must first be selected as eligible for compact assistance by MCC's Board of Directors, based on the process described above. Several principles are key to ensuring countries develop successful compact proposals. Eligible countries should demonstrate **country ownership and commitment** by providing leadership, mobilizing resources, and engaging broad groups of stakeholders and potential beneficiaries throughout the compact development process. Countries should directly address constraints to poverty-reducing **economic growth**, even when doing so may involve difficult public policy decisions. Compact programs should be based upon a **strong program** logic that clearly ties proposed projects to measurable results and **high economic returns** to be achieved by increasing incomes for beneficiaries. Well-developed compact programs also have **manageable technical, financial, environmental, and social risks** and allow for timely implementation within a fixed, five-year term, given each country's own oversight and management capacities.

Looking Forward

MCC remains focused on its strategic direction established for FY 2021 and its core investments in compacts, threshold programs, and concurrent regional compacts. As the agency prepares for MCC@20, to maximize the impact of MCC investments and adapt to challenges facing emerging economies including the adverse impact of the COVID-19 pandemic, MCC has identified Diversity, Equity and Inclusion as critical area of focus while emphasizing three additional strategic priorities - climate, inclusion and gender, and catalyzing private sector investment.

Diversity, Equity, and Inclusion

Diversity, equity, and inclusion (DEI) is a top priority for MCC and the agency continues to take action to advance racial and gender equity and promote DEI. This approach combines immediate and short-term actions to build capacity and promote a culture of inclusion as well as medium-term opportunities so that the agency can reach those most in need and fully deliver on its mission to reduce poverty through economic growth.

In the immediate term MCC has:

- Appointed a member of the leadership team as the senior champion for diversity, equity, and inclusion.
- Established a Diversity and Equal Employment Opportunity division within the Office of the Chief Executive Officer and hired the agency's first Chief Diversity Officer reporting directly to the CEO.
- Formalized a new Diversity Council for MCC employees, increasing training opportunities for staff, and making resources and MCC demographic and workforce trends data available to promote transparency with staff to continue identifying areas for improvement.
- Fostered a safe and inclusive environment by launching a leadership conversation series and implementing a new "signature block challenge" to reaffirm MCC's "CLEAR" values as well as encouraging staff to add pronouns to their signature block.
- Increased awareness through internal communication with staff around key events linked to anti-discrimination and racism, helping to create an environment where open dialogue, tolerance, and empathy is prioritized.

On the program side, MCC is probing whether there is more it can do to reach the poor where they are, given the pervasive nature of poverty for some groups, the reversals seen during the pandemic and exposure to new vulnerabilities linked to climate and migration. This will be reflected in the agency's inclusion and gender strategy noted above.

New Compacts and Threshold Programs

In December 2020, MCC's Board of Directors selected Sierra Leone as eligible to develop a new compact program and selected Kiribati as eligible to develop a new threshold program. Sierra Leone was an existing partner country with a threshold program that ended in 2021. The Board also re-selected Malawi, Mozambique, Timor-Leste, and Tunisia for continued compact development, and Ethiopia, The Gambia, and Kenya for continued threshold program development. The Gambia's re-selection recognized the country's elevation from Tier 3 to Tier 2 Watchlist on the June 2020 Department of State's Trafficking in Persons (TIP) Report. The country completed threshold program development during FY 2021 and brought it to the Board at the September 2021 meeting. Additionally, the Board re-selected four partner countries – Benin, Burkina Faso, Côte d'Ivoire, and Niger – for continued concurrent regional compact development. Though Kosovo and Indonesia are not eligible for re-selection due to their status as upper middle-income countries (UMICs), the Board approved a resolution reaffirming support for continued compact development with both countries. Lesotho was not eligible for re-selection this year due to its Tier 3 ranking on the Department of State's TIP Report, however, the Board approved a resolution reaffirming support for continued compact development and Lesotho has since improved its TIP rating.

During FY 2021, MCC completed the development of a compact with Tunisia that will strengthen the country's transportation, trade, and water sectors. Following successful negotiations between MCC and the Government of Tunisia by videoconference, MCC's Board of Directors approved the \$498.7 million compact. The Government of Tunisia will contribute \$34.8 million toward the compact. Given President Saïed's actions on July 25, and consistent with MCC's model and its long running partnership with Tunisia, MCC is looking for clarity that Tunisia is on a democratic path, that freedom of expression remains protected and that the President's extraordinary measures are temporary.

During FY 2021, MCC's Board of Directors approved a \$23 million threshold program with the Solomon Islands. This program aims to facilitate private investment for increased tourism and generate more reliable and sustainable benefits from the country's forest resources. Pending the conclusion of negotiations and signing of a threshold program grant agreement, MCC expects implementation to begin in early FY 2022.

Concurrent Regional Compact Authority

In FY 2021, MCC has continued working with partner countries to develop two regional compacts: a regional transport program with Benin and Niger, and a regional energy program with Côte d'Ivoire and Burkina Faso.

The potential Benin-Niger Regional Transport Integration Program would involve rehabilitating road segments of the existing transport corridor between Cotonou in Benin and Niamey in Niger, one of the most heavily traveled corridors in West Africa, while addressing institutional and market constraints that raise transportation costs. This potential investment would have a clear link to the MCC investment at the Port of Cotonou through Benin's first compact, as well as the current MCC compact program in Niger, which is focused on agriculture and roads. The Governments of Benin and Niger have pledged to commit staffing resources to work with MCC in further developing this potential investment.

MCC is focused on three potential road segments—Bohicon-Dassa and Parakou-Gberouboe in Benin, and Dosso-Niamey in Niger—and the border crossing bridge. In addition, MCC is assessing critical institutional reforms. Key design elements under consideration include expanding road segments within Benin, improvements to traffic junctions, truck parking/rest areas, and toll stations, as well as improvements to protect pedestrians. In Niger, proposed work includes improvements to existing lanes to meet minimum technical requirements. At

the border crossing, potential work may involve rehabilitation and widening of border bridges to improve safety and traffic. MCC is also exploring better coordination along the corridor through the institution of a governing highway authority between the two countries. MCC is conducting an analysis on the gender and social inclusion opportunities along the road segments, including expanding economic opportunities for women and youth.

MCC also is currently assessing a Côte d'Ivoire - Burkina Faso Regional Energy Interconnection Program which includes a proposed electricity transmission line linking Ferkessédougou in northern Côte d'Ivoire with Bobo-Dioulasso in southern Burkina Faso and continuing to Burkina Faso's capital, Ouagadougou. The proposed project is expected to include a new 330kv double circuit transmission line between Ferkessédougou and Bobo-Dioulasso per the West African Power Pool Master Plan. The proposed project also includes equipment on either end that will allow for more power trade between Burkina Faso and Côte d'Ivoire, as well as greater control and stability of the interconnected network. A detailed study of associated transmission lines between Bobo-Dioulasso and Ouagadougou and Bobo-Dioulasso and Sikasso in Mali will enable the team to assess whether these lines are in fact required for the interconnection's viability. A study is also underway to identify opportunities for increasing access along the proposed transmission corridor, as well as interventions to increase women's participation in the sub-regional energy sector.

Due to the alignment of this proposed project with (1) the objectives of the current Burkina Faso compact, (2) the Government of Côte d'Ivoire's aim to become a net exporter of power in the region, and (3) a request by the Government of Burkina Faso for MCC to consider further study of this project, MCC included funding for a design feasibility study in the Burkina Faso Power Compact, signed on August 13, 2020. MCC signed a Cooperative Agreement with the West African Power Pool, effective May 7, 2021, to support MCC in procuring and managing the contract for the feasibility study. The procurement was launched on July 16, 2021. The results of this study would give MCC enough information to determine its suitability for further program development. In June 2021, MCC signed a Memorandum of Understanding (MOU) with the governments of Burkina Faso and Côte d'Ivoire to further reinforce the collaboration and communication framework between the two countries and MCC in developing and assessing all aspects of the proposed project.

Climate

The impacts of climate change directly affect MCC's mission to reduce poverty through sustainable economic growth. Despite being the least responsible for global carbon emissions, developing countries are the most at risk from climate change and the least able to afford its consequences. Without significant interventions, climate change, combined with the economic fallout from the COVID-19 pandemic, will reverse significant development gains made in these countries and exacerbate global poverty and inequality. Indeed, reversal of development gains is already a reality, with the first increase in global poverty in 20 years. Investing in climate-smart development and sustainable infrastructure is critical to respond to countries' interest in enhancing their resilience to future crises, adapting to new climate realities, reducing emissions, and stimulating growth.

MCC was an early mover in addressing climate change and has a strong track record of integrating climate change resilience, adaptation, and mitigation considerations throughout its investment cycle. In the earliest stages, MCC considers how climate change affects the countries where it works and what risks climate change poses to the sector(s) considered for investment. As individual investments are explored, MCC considers potential risks facing the programs and develops measures to avoid or mitigate those risks. Key sectors of relevance often include energy, transportation, agriculture, and water.

Between FY 2015 and FY 2020, MCC devoted \$1.7 billion, or roughly 40 percent of the agency's program funds, to climate related activities. The Benin Power Compact, for example, has the potential to leverage \$100 million in private investment and increase utility-scale and off-grid solar power generation, creating an enabling environment for independent power producers. This potential could deliver electricity to nearly 630,000 people in the poorest areas of Benin for the first time. In Indonesia, MCC reduced reliance on fossil fuels by expanding renewable energy, reduced land-based greenhouse gas emissions by improving land use practices and management of natural resources, and supported policy improvements through participatory land use planning.

Consistent with the Biden-Harris Administration policy that “climate considerations shall be an essential element of United States foreign policy and national security,” and to further elevate its climate ambition, MCC will expand and deepen the emphasis on climate change across its investment portfolio and business operations. MCC has committed that more than 50 percent of its program funds will go towards climate-related activities over the next five years.

To achieve this, MCC will work with partner countries to promote climate-smart development and sustainable infrastructure through its well-established model. Specifically, MCC has developed an agency-wide climate strategy to support climate-smart development and sustainable infrastructure with the following core objectives:

- ***Strengthen the integration of climate and environmental considerations in the agency's suite of analytical tools and decision-making*** important to program development, design, and implementation;
- ***Fully integrate climate and related environmental considerations into all stages of program development and implementation*** to support countries' transition away from fossil fuels. Maintain a coal-free policy across the investment portfolio and align programs with countries' nationally determined contributions (NDCs);
- ***Support policy and institutional reforms to broaden the impact of investments***, including support to partner country sectoral, master, and investment planning to advance climate-resilient, lower emissions development as well as helping countries implement their NDCs;
- ***Leverage blended finance to catalyze private capital for*** climate adaptation, resilience, and mitigation;
- ***Expand and deepen partnerships to further climate objectives*** with other USG entities, funders and donors, finance institutions, industry, civil society, and academic institutions; and
- ***Align MCC's internal operations with its climate aspirations, looking at ways to reduce the agency's carbon footprint*** and strengthen its climate efficiency and resilience.

To learn more about MCC's role in climate-smart development, visit <https://www.mcc.gov/about/priority/climate>.

Inclusion and Gender

Promoting inclusion and addressing gender inequities is a key priority for MCC and is fundamental to achieving the agency's mission to reduce poverty through sustainable and inclusive economic growth. To reflect this increased ambition, MCC is currently developing a new agency-wide Inclusion and Gender Strategy. The strategy will articulate the link between gender, inclusion, and the agency's mission of poverty reduction and economic growth and identify specific approaches to achieve more inclusive impact on poverty.

With respect to MCC compact and threshold programs, in FY 2022 MCC will reinforce its data-driven model by enhancing its analytical and diagnostic tools to better assess and ensure that the needs of, and potential impact on, the poor, women, youth, and other marginalized groups are incorporated into the assessment, selection, design, and implementation of MCC programs. These efforts will help such groups overcome financial, legal, and cultural barriers that prevent them from fully engaging in their countries' economies. In doing so, MCC programs will better ensure that growth is broad-based, reinforcing the sustainability of growth and contributing to regional stability.

An example of this priority, and an area where MCC intends to deepen its commitment in FY 2022, is gender inclusion. Building on its track record of prioritizing the incorporation of gender into its programming, MCC added investment criteria to further advance and institutionalize how MCC prioritizes women's economic empowerment. MCC is also working to strengthen and expand its diagnostic tools to better account for social and

gender inequities and gender-specific constraints to growth during early program development, which will allow an even greater focus on developing and implementing projects that better reach the poor, promote inclusive growth, and advance women's economic empowerment. Towards that end, the agency has also been organizing a series of learning sessions with top experts in the field, on topics such as the potential for inclusive growth through productive employment.

Below are several examples of MCC's programs addressing inclusion and gender:

- The **Kosovo** Threshold Program's Reliable Energy Landscape Project is providing technical assistance and matching grants for female entrepreneurs to upgrade their enterprises through energy efficiency measures and other energy solutions.
- In September 2020, MCC concluded the **El Salvador** Investment Compact, which strengthened the adoption of inclusive teaching practices and other measures to eliminate inequalities and discrimination in schools. The compact supported the development of the Ministry of Education's Gender Policy and trained more than 1,200 teachers and principals on gender equality.
- The **Senegal** Power Compact will support the construction of electrical grid infrastructure in rural areas—including one of the country's poorest regions—and will facilitate access for women and youth to labor-saving devices and productive use of equipment.

MCC is also working with partners inside and outside the U.S. Government to enhance learning and accelerate progress on women's economic empowerment. MCC signed an inter-agency agreement with USAID to establish a women's data lab in Côte d'Ivoire to support female entrepreneurs with technology, training, and assistance in growing their companies. MCC is currently seeking a local partner to design and implement the activity and is collaborating with Microsoft to support a virtual network of digitally enabled female entrepreneurs within the country. Another partnership with the World Bank's Gender Innovation Lab will enhance MCC's capacity to integrate women's economic empowerment into program logics, project designs, and monitoring and evaluation plans. MCC has also partnered with Innovations for Poverty Action to leverage global expertise in identifying solutions for women's financial inclusion in upcoming programs in Lesotho and Indonesia.

Catalyzing Private Sector Investment

MCC is well positioned to catalyze private investment through the strategic use of public funds to mobilize private resources in ways that support sustainable, long-term, economic development in developing countries and leverage US taxpayer funds. MCC has honed its ability to help its partner countries design, strengthen, and harness private financial markets through a range of tools, including capital structure grants, grant facilities, parallel investments, co-investments, public-private partnerships, and catalytic investment strategies that increase the impact and sustainability of MCC programs. MCC's blended finance tools also improve investor confidence and help overcome some of the impediments to private sector investment in challenging markets in its partner countries. MCC seeks to target its resources where commercial financing is not available for deployment towards development outcomes. The majority of lower income countries (LICs) and lower middle income countries (LMICs) have below investment grade or no credit rating, making it impossible in many instances to raise commercial capital. MCC strives to catalyze private investment without subsidizing companies or crowding out private finance.

In FY 2022, MCC will work to expand and deepen its blended finance capacity, portfolio, and leverage by continuing to develop three new innovative blended finance initiatives:

American Catalyst Facility for Development, in collaboration with DFC: The BUILD Act charges the U.S. International Development Finance Corporation (DFC) with increased coordination and collaboration among U.S. development agencies, including USAID and MCC. MCC and DFC (previously Overseas Private Investment Corporation (OPIC)) have collaborated in the past, but opportunities were constrained by significant limitations

on investment timing and alignment of business models. To overcome these limitations, MCC and DFC developed a new MCC-funded blended finance mechanism, the American Catalyst Facility for Development (ACFD). The ACFD creates a formal platform to optimize MCC-DFC collaboration, leveraging the strengths of both agencies to catalyze and enable DFC investments that would not otherwise be viable, and which are consistent with the objectives and missions of both MCC and DFC. The ACFD enables coordinated catalytic investments by providing strategic grants aimed at crowding-in the private sector and maximizing the overall impact of U.S. Government development efforts. Funds have been included in the Tunisia Compact Program to facilitate and operationalize the use of the ACFD mechanism. MCC and DFC are also exploring the applicability of ACFD in other MCC's country programs currently in development such as Indonesia, Malawi, Kosovo, and Lesotho. As MCC and DFC gain experience in the initial countries, the agencies will assess the results and continue to refine the approach and mechanisms to maximize the impact of the ACFD as new countries are added.

Millennium Impact Infrastructure Accelerator (MIIA): The MIIA is an independent project preparation facility that seeks to mobilize much-needed private capital to the most impactful infrastructure projects in the power, water, sanitation, health, education, and transport sectors. MIIA will attract impact capital by supporting tailored project preparation to develop innovative financing and project structures for bankable infrastructure projects, as well as linking impact investors to bankable deals that meet their impact criteria.

In October 2020, MCC signed a MOU with Africa50 to jointly explore development of a regional MIIA for Africa. Because MIIA is envisioned as an independent entity, MCC chose to initially explore and assess the concept in partnership with Africa50, an infrastructure investment platform that contributes to Africa's growth by developing and investing in bankable projects and leveraging public sector capital to mobilize private sector funding, with differentiated financial returns and impact. Africa50's investor base is currently composed of 28 African countries, the African Development Bank, the Central Bank of West African States, and Bank Al-Maghrib.

Innovation Technology Program, in collaboration with SBA: In FY 2021, MCC signed a MOU with the U.S. Small Business Administration (SBA) to create the Innovation Technology Program (ITP). ITP unlocks American technologies for MCC partner countries by sourcing innovations validated by evidence, helping partner country governments and the private sector scale and sustain them. MCC is positioned to assist partner countries by facilitating access to proven US-developed high-impact technologies, while simultaneously providing a pathway to commercialization and scale for proven solutions and providing early-stage grant funding to ventures that want to adapt proven innovations and business models with the potential to reduce poverty.

Through this work, MCC seeks to contribute to an expanded and enhanced capacity among U.S. Government agencies to create jobs, expand markets and reduce poverty through economic growth, and to support the effective transition of countries in the developing world from aid to trade and private sector-led economic growth.

Managing Risk — Enterprise Risk Management

MCC continues to mature its Enterprise Risk Management (ERM) program. In accordance with OMB Circular A-123, MCC employs its ERM program to identify, assess, and evaluate the top risks that it faces in meeting its mission, goals and objectives. In the last year, the agency has monitored and refreshed its overall risk profile to incorporate the new administration's goals and continues to respond to risks through risk mitigation. MCC recently updated its governance framework and structure. MCC has approved an ERM Policy, established a governance structure and developed a risk capture process that provides for input and discussion of risk issues by staff at all levels across the agency. MCC's ERM program helps internal communications about key risk areas, highlights potential future pitfalls, and leads to more effective decision-making. As the agency continues to develop its ERM program, it will work toward fuller integration of ERM with its strategic planning, performance assessment, and resource allocation activities and mature its risk mitigation strategies.

Analysis of MCC's Financial Statements

At the end of FY 2021, MCC prepared four basic financial statements with accompanying notes pursuant to the requirements of 31 U.S.C. § 3515(b), and presented them to the USAID/OIG for audit by an independent accounting firm. The principal statements include a Consolidated Balance Sheet, a Consolidated Statement of Net Cost, a Consolidated Statement of Changes in Net Position, and a Combined Statement of Budgetary Resources. The Financial Section of this report contains the financial statements and notes, and the auditor's report. In addition, reports used to monitor and control budgetary resources are prepared from the same records. Users of MCC's financial statements are advised that the statements are for a component of the U.S. Government.

Preparing MCC's financial statements is a vital component of sound financial management, and provides accurate, accountable, and reliable information that is useful for assessing performance, allocating resources, and targeting areas for future programmatic emphasis. MCC's management is responsible for the integrity and objectivity of the financial information presented in the statements. MCC is committed to excellence in financial management and maintains a rigorous system of internal controls to safeguard its widely dispersed assets against loss from unauthorized acquisition, use, or disposition.

A summary of MCC's major financial activities in FY 2021 and FY 2020 appears in the Changes in Financial Position table (Table 5). This table represents the resources available, assets on hand to pay liabilities, and the corresponding net position. The net cost of operations is the cost of operating MCC. Budgetary resources are funds available to the Agency to incur obligations and fund operations. This summary section also includes an explanation of significant fluctuations on each of MCC's financial statements.

Table 5: Changes in Financial Position (in thousands)

Net Financial Condition	FY 2021	FY 2020	Variance (in \$)	Change (in %)
Fund Balance with Treasury	\$ 5,962,129	\$ 5,774,489	\$ 187,640	3.2%
Advances	53,789	57,458	(3,669)	-6.4%
Other Assets	3	3	-	0.0%
Property, Plant, and Equipment (net)	9,919	14,237	(4,318)	-30.3%
Total Assets	\$ 6,025,840	\$ 5,846,187	\$ 179,653	3.1%
Accounts Payable	\$ 14,198	\$ 8,633	\$ 5,565	64.5%
Accrual-Grant Liabilities	115,209	97,576	17,633	18.1%
Other Liabilities	17,363	13,414	3,949	29.4%
Total Liabilities	146,770	119,623	27,147	22.7%
Unexpended Appropriations	5,878,985	5,721,158	157,827	2.8%
Cumulative Results of Operations	85	5,406	(5,321)	-98.4%
Total Net Position	5,879,070	5,726,564	152,506	2.7%
Total Liabilities and Net Position	\$ 6,025,840	\$ 5,846,187	\$ 179,653	3.1%
Net Cost of Operation	\$ 762,005	\$ 649,732	\$ 112,273	17.3%
Budgetary Resources	\$ 4,557,522	\$ 3,841,762	\$ 715,760	18.6%

Balance Sheet

The balance sheet is a representation of MCC's financial condition at the end of the fiscal year. It shows the resources available to meet its statutory requirements (assets); the amounts it owes that will require payment from available resources (liabilities); and the difference between assets and liabilities (MCC's net position).

Assets

As of September 31, 2021, MCC held total assets of \$6.0 billion compared to \$5.8 billion reported in FY 2020. The majority of MCC's assets (99 percent) are held in its Fund Balance with Treasury (FBwT), which increased by \$187.6 million primarily due to differences in Appropriations Received and Gross Outlays. Advances decreased by \$3.7 million due primarily to advances liquidations for compacts in the countries of Benin II and Ghana II. MCC has very few capital assets in relation to total assets because it does not own its facilities or other real property and does not capitalize its leases. There have been no additions to property, plant and equipment during the year and the decrease in the net balance represents the depreciation and amortization charge for the year.

Liabilities

As of September 30, 2021, MCC had \$146.8 million in liabilities, which represents amounts owed to grantees, vendors, contractors, trading partners, and employees. The increase in Accounts Payable reflects timing differences dependent on the disbursement cycle. Grant liabilities comprise \$115.2 million, or approximately 78.5 percent of MCC's total liabilities. Grant liabilities and retentions increased by \$17.6 million, primarily the result of an increase in retentions for Benin II, Ghana II, Morocco II, and Niger compacts as these programs entered the final years of their compact lifecycle and an increase in the grant accrual for the Morocco II and Niger compacts as increased expenditures were incurred as the programs entered the final years of the compact period.

Net Position

MCC's overall net position as of September 30, 2021, was \$5.9 billion, an increase of \$152.5 million, 2.7 percent, from FY 2020. The available appropriations reported in MCC's positive net position represent the resources necessary to fund future compacts.

Statement of Net Cost

During FY 2021, MCC incurred \$762.0 million in net program costs, compared to \$649.7 million in FY 2020 as reflected below:

Table 6: Condensed Statement of Net Costs (in thousands)

	FY 2021	FY 2020	Variance (in \$)	Change (in %)
Compact, Threshold, and Program Development Activities	\$ 637,923	\$ 525,973	\$ 111,950	21.3%
Administrative and Other Costs	124,082	123,759	323	0.3%
Net Cost of Operations	<u>\$ 762,005</u>	<u>\$ 649,732</u>	<u>\$ 112,273</u>	17.3%

The net increase of \$111.9 million in Compact, Threshold and Program Development activities costs is primarily the result of the increase in costs for the Benin II, Ghana II, Morocco II, and Niger compacts as these compacts enter the later stages of their life-cycle.

Statement of Changes in Net Position

This statement shows the change in net position during the reporting period. MCC's net position on September 30, 2021, was \$5.9 billion, an increase of \$152.5 million from September 30, 2020. MCC's net position is affected by changes to its two components: Cumulative Results of Operations and Unexpended Appropriations. As of September 30, 2021, Cumulative Results of Operations amounted to \$0.1 million, a decrease of \$5.3 million from September 30, 2020. This balance is the cumulative difference, for all previous FYs, between funds available to MCC from all financing sources and the net costs incurred. The second component of net position, Total Unexpended Appropriations, amounted to \$5.9 billion, an increase of \$157.8 million, or approximately 2.8 percent, from FY 2020.

Statement of Budgetary Resources

This statement and related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement derived predominantly from the entity's budgetary general ledger in accordance with Federal accounting rules. The Statement of Budgetary Resources (SBR) reflects the format prescribed by OMB Circular No. A-136, *Financial Reporting Requirements*. For FY 2021, MCC reported total budgetary resources of \$4.6 billion compared to \$3.8 billion in FY 2020. Budgetary resources of \$912.0 million were provided through FY 2021 appropriations and \$3.6 billion were carried forward from appropriations in FY 2020 and prior years.

Analysis of MCC's Systems, Controls, and Legal Compliance

Systems

MCC's financial management systems strategy employs the use of a shared service provider (SSP) to achieve its financial and budget management goals. MCC has benefited from economies of scale provided by the SSP strategy since its inception in 2004 and plans to continue utilizing the SSP for the foreseeable future. Currently, the Interior Business Center (IBC), operated by the Department of the Interior, is MCC's SSP for financial and payroll management systems. IBC maintains and operates the following systems on MCC's behalf:

- **Oracle Federal Financials (OFF)** — the system of record for MCC's Financial Statements and Notes. The system processes financial and budgetary transactions. OFF is also the main system of record for USAspending.gov reporting compliant with the Digital Accountability and Transparency Act of 2014 (DATA Act) and OMB Memorandum M-15-12, *Increasing Transparency of Federal Spending by Making Federal Spending Data Accessible, Searchable, and Reliable*.
- **Federal Personnel Payroll System (FPPS)** — Provides support for the full lifecycle of personnel and payroll transactions. FPPS is integrated with OFF to account for payroll transactions.

MCC is responsible for overseeing IBC to ensure that the SSP complies with pertinent federal financial management system and internal control requirements applicable to those systems used for MCC's financial transaction processing and reporting and complying with federal requirements for its financial management operations, systems, controls, and reporting. The American Institute of Certified Public Accountants (AICPA) Statements on Standards for Attestation Engagements (SSAE) No. 18 prescribes requirements for assessing SSPs. MCC obtains the SSAE 18 Report for both IBC administered systems and reviews it for observations and risks

which may require risk mitigation and compensating controls. Additionally, MCC verifies that complementary end user controls are in place and operating effectively as part of its internal control assessment related to OMB Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996* (OMB A-123 Appendix D). Based on its OMB A-123 Appendix D Assessment, MCC believes that its financial management systems strategy successfully upholds its responsibilities to comply with the applicable guidance and requirements.

Controls

On an annual basis, MCC assesses the vulnerability of its programs and systems in alignment with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) and its implementing guidance, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, as well as the associated guidelines issued by the CFO Council. OMB Circular No. A-123, Appendix A, *Management of Reporting and Data Integrity Risk*, provides guidance to Federal managers on improving the accountability and effectiveness of Federal programs and operations by establishing, assessing, correcting, and reporting on internal control over reporting. OMB Circular A-123 Appendix A allows for modified implementation to fit the circumstances, conditions, and structure of each entity. MCC continued its efforts to reassess, improve, and enhance its financial, systems, program, and performance information during the current fiscal year.

Legal Compliance

MCC complies with all applicable Federal statutes and regulations. Key legal requirements include:

Anti-Deficiency Act

MCC maintains compliance with the Anti-Deficiency Act (codified as amended in 31 U.S.C. §§1341, 1342, 1351, 1517) through several tiers of process and system controls to maintain funds control. Apportionments are developed in consultation with OMB and designed to provide MCC with funds consistent with MCC's authorities in appropriations and authorization legislation. MCC's financial management system records apportionments and establishes automated funds controls. All obligations are centralized in the financial management system, and through those processes, MCC maintains control of its funding.

Prompt Payment Act

The Prompt Payment Final Rule (Code of Federal Regulations Title 5, Part 1315) requires Federal agencies to pay commercial obligations within certain periods and to pay interest penalties when payments are late. With certain exceptions, payments to vendors are due within 30 days of the latter of (1) receipt of properly prepared invoices or (2) the receipt of goods or services. For amounts owed and not paid within the specified payment period, agencies are required to pay interest on the amount owed at a rate established by the Department of the Treasury. MCC measures the percentage of all payments made within the specified timeframes for all payments subject to the Prompt Payment Final Rule. In FY 2021, MCC's prompt payment performance registered 99 percent. MCC is taking steps to reduce any likelihood of future unnecessary interest payments.

Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1966 requires all Federal agencies to refer for collection to the Department of the Treasury's Bureau of the Fiscal Service past due, legally enforceable, non-tax debts that are more than 180 days delinquent. During FY 2021, MCC referred no debt to the Department of the Treasury.

Federal Information Security Modernization Act of 2014

In FY 2021, MCC continued to focus efforts to improve its Cybersecurity program consistent with applicable laws, Executive Orders, Cybersecurity and Infrastructure Security Agency (CISA) guidance, and other best-practices. MCC implemented Information Technology (IT) modernization through upgrades of its infrastructure including a laptop refresh, updating operating systems, and its intranet. MCC automates management of its hardware, software, and mobile device services, and is 100 percent compliant in obtaining a valid security authorization to operate for its information systems. The FY 2021 Federal Information Security Modernization Act of 2014 (FISMA) Inspector General's audit report concluded that MCC implemented an effective information security program. MCC will continue to improve its program in the future and address recommendations in a timely manner.

Digital Accountability and Transparency Act of 2014 (DATA Act)

The DATA Act builds on the Federal Funding Accountability and Transparency Act of 2006 (FFATA) as amended by the Government Funding Transparency Act of 2008. It requires agencies to disclose direct Federal agency expenditures and link Federal contract, loan, and grant spending information to agency programs.

Additionally, it establishes government-wide data definition standards to make spending data consistent and reliable throughout the USG, and improve the data reported by Federal agencies under FFATA. The law aligns with OMB Memorandum M-10-06, issued on December 8, 2009, to increase transparency and create a more data-driven Federal Government. The USAID/OIG audited MCC's DATA Act compliance and reported two recommendations in its report titled, "MCC Complied in Fiscal Year 2021 With the Digital Accountability and Transparency Act of 2014." MCC is in compliance with all facets of the DATA Act and will continue to make improvements based on relevant recommendations and new requirements.

Management Assurances

FY 2021 Acting Chief Executive Officer Statement of Assurance

November 12, 2021

The Millennium Challenge Corporation's (MCC) management is responsible for establishing, maintaining, evaluating, and reporting on MCC's internal control and financial systems to meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In accordance with Section 2 of FMFIA and the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, MCC conducted an assessment of risk and internal control over reporting, and compliance with applicable laws and regulations. Additionally, as set forth in the updated OMB Circular No. A-123, Appendix A, *Management of Reporting and Data Integrity Risk*, MCC developed a Data Quality Plan to achieve the objectives set forth in the Digital Accountability and Transparency Act of 2014 (DATA Act). MCC's Data Quality Plan addresses the incremental risks to data quality in Federal spending data and identifies the necessary controls needed to manage those risks in accordance with OMB Circular No. A-123. MCC conducted detailed testing to evaluate the effectiveness of controls that support the agency's Data Quality Plan. Based on the results of its assessment, MCC can provide unmodified reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2021. Accordingly, the assessment did not identify any material weaknesses in the design or operation of the controls.

The Federal Financial Management Improvement Act of 1996 (FFMIA) was designed to advance federal financial management by ensuring that federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers. Compliance with the FFMIA provides the basis for the continuing use of reliable financial management information by program managers, as well as by the President, Congress, and public. The FFMIA requires agencies to have financial management systems that comply substantially with federal financial management system requirements, applicable federal accounting standards, and the application of the U.S. Government Standard General Ledger (USSGL) at the transaction level.

The vulnerability of MCC programs and systems was assessed in accordance with FMFIA and OMB guidance. Based on the results of the OMB Circular A-123 assessment, MCC has determined that its financial management systems comply with financial management system requirements and are in substantial conformance with the Section 4 requirements of FMFIA as of September 30, 2021.



Mahmoud Bah
Acting Chief Executive Officer
Millennium Challenge Corporation

Statement of Assurance from Service Provider

October 1, 2021



United States Department of the Interior

INTERIOR BUSINESS CENTER
Washington, DC 20240

Dear Valued Customer:

The purpose of this letter is to provide assurance that the Oracle Federal Financial application controls remained unchanged for the period August 1, 2021, through September 30, 2021.

You were previously notified that KPMG LLP examined the description of the Oracle financial application controls at the Department of the Interior (Department), Interior Business Center (IBC). The results of their review and analysis were provided in a Service Organization Control Report (SSAE18) covering the period July 1, 2020, through July 31, 2021. A softcopy version of the report provided to you in September 2021

The SSAE 18 review was conducted for the purpose of expressing an opinion as to whether (1) IBC's description of the Oracle Federal application controls presents fairly in all material respects the aspects of the IBC controls that may be relevant to a user organization's internal control; (2) the controls included in the description were suitably designed to achieve the control objectives specified in the description if those controls were complied with satisfactorily; and (3) such controls had been placed in operation as of July 31, 2021. KPMG also performed testing procedures designed to determine the effectiveness of the specified controls in meeting control objectives specified by the IBC.

This letter provides representations and assurances related to Oracle Federal Financial application controls at the IBC for the period August 1, 2021, through September 30, 2021. This time period was not covered by the SSAE 18 examination report previously provided. To the best of my knowledge and belief, there have been no subsequent events that would have a significant effect on user organizations that have not been disclosed to you. The controls that have been placed in operation as of July 31, 2021, did not change for the period of August 1, 2021, through September 30, 2021. The description of controls in the FY 2020 SSAE 18 examination report presents fairly the aspects of IBC controls that were in place as of September 30, 2021.

The IBC also conducted an assessment of the effectiveness of internal control over financial reporting for customers where the IBC processes your financial transactions, which includes safeguarding of assets and compliance with applicable laws and regulations in accordance with the requirements of Appendix A of OMB Circular A-123 and the CFO Council's Implementation Guide dated July 31, 2005, as implemented by the Department. The assessment focused on the specific IBC financial business processes such as financial reporting, revenue management, funds management, and procurement in place as of June 30, 2021. As of that date, the IBC noted no material or significant deficiencies verified through A-123 Appendix A financial transaction testing. Thus, the IBC asserted internal controls over financial reporting were suitably designed and operating effectively. The procedures and management controls for processing financial transactions have not changed since June 30, 2020. As a result, the IBC continues to assert substantial compliance with financial accounting and reporting controls in place from July 1, 2021, through September 30, 2021.

If you have any questions on this assurance statement, please contact Ted Aymami, Audit Liaison Officer, Theodore_A_Aymami@ibc.doi.gov, 303-969-5187.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wendell Bazemore', with a stylized flourish at the end.

Wendell Bazemore
Associate Director
Financial Management Directorate

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.



Financial Section



Message from the Vice President, Department of Administration and Finance and Chief Financial Officer

November 12, 2021

As the Millennium Challenge Corporation (MCC) continues to successfully fight poverty around the world by promoting sustainable economic growth, we take seriously our responsibility to effectively measure, monitor, and improve the performance of the funds that we and our partners manage. We are strongly committed to rigorous management and responsible oversight of our investments, and we continue to work with our partner countries to raise the standards of accountability and to adopt practices that maximize the value of American tax dollars.

This year underscored the positive impact MCC's programs have on our partner countries. I am pleased that in Fiscal Year (FY) 2021, MCC successfully closed compacts in El Salvador and Liberia and the threshold program in Sierra Leone while continuing to oversee and develop 27 other programs.

In FY 2021, MCC's Department of Administration & Finance strengthened the agency's ability to administer the Integrated Planning, Budgeting and Execution, or IPBE, framework through the implementation of an automated Software as a Service (SAAS) budgeting and reporting tool, OneStream. The OneStream system will allow MCC to improve funds management; create efficiencies in budgeting and planning; integrate budget execution and formulation; and strengthen data analytics, reporting, and oversight in support of critical resourcing decisions in meeting MCC's mission.

I am pleased that MCC received an unmodified opinion on its financial statements for the eleventh consecutive year and I am especially proud to report that FY 2021 is the seventh year with no material weakness findings in our internal controls. As we continue to support MCC's mission through responsive and transparent financial management, we will utilize the recommendations provided by our independent auditors and the Office of the Inspector General as opportunities for continuous improvement to continue to build on this strong record.

MCC's FY 2021 Agency Financial Report reflects our efficient and transparent use of the funds entrusted to us by the President and the U.S. Congress to deliver meaningful programs with sustainable results despite the challenges facing emerging economies including the adverse impact of the COVID-19 pandemic. Transparency and accountability continue to be our guiding principles and our FY 2021 financial results are documented in this report.

A handwritten signature in blue ink that reads "Fouad Saad".

Fouad Saad

Vice President, Finance and Administration and Chief Financial Officer
Millennium Challenge Corporation

Financial Statements

The principal financial statements have been prepared to report the financial position and the results of operations of MCC. The financial statements have been prepared from MCC's books and records in accordance with formats prescribed in OMB Circular No. A-136, *Financial Reporting Requirements* (revised on August 10, 2021). The financial statements should be read with the understanding that they are for a component of the USG, a sovereign entity. Comparative data for September 30, 2020 has been included. MCC is presenting the following financial statements and notes to the financial statements:

- Balance Sheet
- Statement of Net Cost
- Statement of Changes in Net Position
- Statement of Budgetary Resources
- Notes to the Financial Statements

Note that totals may vary slightly due to rounding.

BALANCE SHEETS

As of September 30, 2021 and 2020
(in thousands)

	2021	2020
Assets:		
Intragovernmental		
Fund Balance with Treasury (Note 2)	\$ 5,962,129	\$ 5,774,489
Advances and Prepayments (Note 3)	6,538	8,260
Total Intragovernmental	5,968,667	5,782,749
With the Public:		
Accounts Receivable, net (Note 4)	3	3
General Property, Plant, and Equipment, net (Note 5)	9,919	14,237
Advances and Prepayments (Note 3)	47,251	49,198
Total with the Public	57,173	63,438
Total Assets:	\$ 6,025,840	\$ 5,846,187
Liabilities:		
Intragovernmental		
Accounts Payable	\$ 698	\$ 651
Advances from Others and Deferred Revenue	4,000	-
Other Liabilities (Note 7)	242	219
Total Intragovernmental	4,940	870
With the Public		
Accounts Payable	13,500	7,982
Federal Employee [and Veteran] Benefits Payable	5,402	5,560
Other Liabilities		
Accrued Grant Liabilities (Note 9)	115,209	97,576
Other (Note 7)	7,719	7,635
Total with the Public	141,830	118,753
Total Liabilities	\$ 146,770	\$ 119,623
Commitment and Contingencies (Note 10)		
Net Position		
Unexpected Appropriations-Funds from Other than Dedicated Collections	\$ 5,878,985	\$ 5,721,158
Total Unexpended Appropriations	5,878,985	5,721,158
Cumulative Results of Operations-Funds from other than Dedicated Collections	85	5,406
Total Cumulative Results of Operations	85	5,406
Total Net Position	5,879,070	5,726,564
Total Liabilities and Net Position	\$ 6,025,840	\$ 5,846,187

The accompanying notes are an integral part of these statements.

STATEMENTS OF NET COST

For the Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020
Program Costs:		
Compact Assistance	\$ 541,370	\$ 412,353
Compact Development Funding	14,187	22,800
Threshold	23,380	23,500
Due Diligence	58,986	67,320
Audit	3,316	4,489
Administrative	120,766	119,270
Net cost of Operations	\$ 762,005	\$ 649,732

The accompanying notes are an integral part of these statements.

STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020
Unexpended Appropriations		
Beginning Balance, as Adjusted	\$ 5,721,158	\$ 5,459,097
Appropriations Received	912,000	905,000
Other Adjustments	11	-
Appropriations Used	(754,184)	(642,939)
Change in Unexpended Appropriations	157,827	262,061
Total Unexpended Appropriations	5,878,985	5,721,158
Cumulative Results of Operations		
Beginning Balance, as Adjusted	5,406	10,007
Appropriations Used	754,184	642,939
Donations and Forfeitures of Property (Note 11)	22	53
Imputed Financing	2,478	2,139
Net Cost of Operations	(762,005)	(649,732)
Change in Cumulative Results of Operations	(5,321)	(4,601)
Cumulative Results of Operations	85	5,406
Net Position	\$ 5,879,070	\$ 5,726,564

The accompanying notes are an integral part of these statements.

STATEMENTS OF BUDGETARY RESOURCES

For the Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (<i>Note 12</i>)	\$ 3,641,522	\$ 2,936,762
Appropriations (Discretionary and Mandatory)	912,000	905,000
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	4,000	-
Total Budgetary Resources	\$ 4,557,522	\$ 3,841,762
Status of Budgetary Resources		
New Obligations and Upward Adjustments (total)	\$ 1,097,317	\$ 248,992
Unobligated Balance, end of year		
Apportioned, Unexpired Accounts	3,421,316	3,571,780
Unapportioned, Unexpired Accounts	38,889	20,990
Unexpired Unobligated Balance, end of year	3,460,205	3,592,770
Unobligated Balance, end of year (total)	3,460,205	3,592,770
Total Budgetary Resources	\$ 4,557,522	\$ 3,841,762
Outlays, Net, and Disbursements, Net		
Outlays, Net (total) (Discretionary and Mandatory)	724,361	607,376
Agency Outlays, Net (Discretionary and Mandatory)	\$ 724,361	\$ 607,376

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

The Millennium Challenge Act of 2003, 22 U.S.C. 7701-7718, established MCC as a wholly owned Government corporation, as defined by the Government Corporation Control Act of 1945. MCC's mission is to reduce poverty through grants by supporting sustainable, transformative economic growth in developing countries that maintain sound policy environments.

MCC is a component entity of the U.S. Government. For this reason, some of the assets and liabilities reported by MCC may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

B. Reporting by Operational Components

MCC reports the results of its operations, as a whole, by its major programs or appropriation fund categories, which consist of the following:

- **Compact Assistance** – Compact Assistance funds comprise large, five-year grants for countries meeting MCC's eligibility criteria. Under the Consolidated Appropriations Act, 2021 MCC may, subject to the availability of funds, extend any compact in effect as of January 29, 2020, for up to one additional year, to account for delays related to coronavirus subject to notification to the appropriate congressional committees prior to providing any such extension. As of September 30, 2021 an extension had been approved for the Ghana II Compact for 9 months and the Benin II Compact for 12 months (see also Note 16).
- **Compact Development Funding** – Contracts or grants that facilitate the development of a compact between MCC and a partner country.
- **614(g) of the Millennium Challenge Act of 2003** – 614(g) funds comprise research contracts to improve data related to eligibility criteria. The contracts may be with a university, independent foundation, government entity, or other organization in the U.S. or a candidate country where such entity or country is undertaking research to improve data related to eligibility criteria under this title.
- **Threshold** – Threshold programs are smaller grants awarded to countries that come close to meeting the eligibility criteria for compacts.
- **Due Diligence** – Due Diligence funds generally support the cost of evaluating and appraising compact projects, compact implementation performance oversight, and compact assessment of results during and after implementation.
- **Administrative** – Administrative funds cover MCC's operating expenses.

C. Basis of Accounting and Presentation

The accompanying financial statements have been prepared in accordance with GAAP in the U.S. and accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB) in the format prescribed by the OMB Circular No. A-136, *Financial Reporting Requirements*, as amended. FASAB is recognized by the AICPA as the official accounting standards-setting body for USG entities. The financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of MCC, as required by the CFO Act of 1990, the Government Management Reform Act of 1994, and the Government Corporation Control Act (31 U.S.C. §9106).

The accounting structure of Federal activities is designed to reflect both the accrual and budgetary basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position are prepared using the accrual method of accounting. The Statement of Net Cost reports MCC's gross and net cost of operations. MCC has no earned revenue. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. Budgetary accounting principles are designed to recognize the obligation of funds according to legal requirements, which may be prior to the occurrence of an accrual-based transaction. The SBR is prepared in accordance with budgetary accounting rules.

While the financial statements have been prepared from the books and records of MCC in accordance with the formats prescribed by OMB, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. Intradepartmental transactions and balances have been eliminated from the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position.

D. Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions, and exercise judgment that affects the reported amounts of assets, liabilities, net position, and disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of financing sources, expenses, and obligations incurred during the reporting period. The assumptions made and estimates used by MCC Management to prepare the financial statements are based upon the facts that exist when the statements are prepared, and on various other assumptions that are believed to be reasonable under the circumstances. Changes in estimates are reflected in the period in which they become known. Actual results may differ from those estimates. The Notes to the Financial Statements include information to assist the reader in understanding the effect of changes in assumptions on the related information.

The most significant estimates are a result of the accrued expenses recorded by MCC for grant liabilities incurred by their respective accountable entities (AE's). The majority of those liabilities are related to large infrastructure projects and estimates made on works performed but not yet invoiced as of the end of the FY. Due to the nature of the infrastructure contracts, the variability in quantities estimated or projected may differ from actual quantities billed through interim or final invoicing.

E. Budgetary Basis of Accounting

As a component of the Government-wide reporting entity, MCC is subject to the Federal budget process, which involve no-year appropriations that are provided annually and appropriations that are provided on a permanent basis. The financial transactions that are supported by budgetary resources, which include appropriations, are generally the same transactions reflected in agency and the Government-wide financial report.

Appropriations are recognized as an accrual-based financing source at the time they are used to pay program or administrative expenses, except for expenses to be funded by future appropriations. These funds are available for obligation without FY limitation and remain available until expended. OMB apportions MCC program and administrative funds on an annual basis pursuant to statutory limitations in the annual appropriations bill both current and past.

MCC's budgetary resources reflect past congressional action and enable MCC to incur budgetary obligations, but they do not reflect assets to the Government as a whole. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions (e.g., Social Security benefits).

F. Accrual – Grant Liabilities

MCC's partner countries, through their respective AE's, maintain their accounting records on a modified cash basis. The AE's are allocated a spending authority each quarter or as appropriate. A spending authority for a given period is the portion of the compact or threshold that MCC authorized, approved, and made available to AEs for current and past works, goods, and services incurred/delivered/received and for which AE's can request disbursement in a given quarter.

For AEs with large infrastructure projects are structured to include retentions on invoices. The contract retentions represent a percentage of invoice amounts retained by the AEs as a guarantee for completion of works contractually agreed upon. The contract retentions are for works completed and are owed to the contractor contingent upon the fulfillment of specific requirements stipulated in the respective contracts. AEs do not release the retentions or request MCC payment for the retentions until the AEs have verified that the contractor has met all the requirements and obligations under the contract.

Where an AE has expenditures under the grant at the end of each quarter that have not been paid, such amounts are recorded as an accrual by MCC as grant expenses at the end of each quarter. Similarly, MCC recognizes AE contract retentions that have not been paid as part of the Grant Accrual Liability.

G. Fund Balance with Treasury

Fund Balance with Treasury (FBwT) represents the aggregate amount of MCC's accounts with the Department of the Treasury available to pay current and future liabilities and finance authorized purchases, except where prohibited by law. As such the FBwT is reported as an asset by MCC and a liability of the General Fund.

The Department of Treasury processes all cash receipts and disbursements on behalf of MCC. When MCC seeks to use FBwT to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus). MCC's records are reconciled with those of The Department of Treasury on a monthly basis.

H. Advances

MCC makes funding available to Federal agencies, AEs, and local vendors. Federal agencies are funded through Inter Agency Agreements. AEs are funded either directly through a local bank account called the permitted account, or indirectly through vendor advance payments in accordance with the compact agreement. The provision of such funding is mainly to address cash flow flexibility for operating and administrative cost, to leverage better foreign exchange translation for the AEs, or to meet contractual requirements of AEs such as mobilization of equipment on large infrastructure projects. MCC records advances as assets. The advances are liquidated or amortized as follows: the funding made available to AEs through the local permitted account is tracked and liquidated on a monthly basis via the *Monthly Commitments and Disbursements Reports* provided by the AEs to MCC. The funding advanced to contractors or vendors (mobilization advances) is amortized via contractually agreed upon schedules.

I. Accounts Receivable, Net

Accounts receivable reflect overpayments of payroll, travel, and other MCC current and former employee expenses. Accounts receivable also reflect disallowed and sustained AE expenditures. Receivables that exist with foreign countries are considered sovereign debt. Public accounts receivables are presented net of an allowance for doubtful accounts, which is based on analyses of debtors' ability to pay, specific identification of probable losses, aging analyses of past-due receivables, or historical collection experience.

J. General Property, Plant, and Equipment, Net

MCC's general Property, Plant, and Equipment (PP&E) consists of capitalized general equipment costs. MCC's capitalization threshold is \$100,000 for all assets, except for IT equipment, for which the capitalization threshold

is \$200,000. The basis for recording purchased PP&E is the full cost of the acquired asset, including all costs required to bring the asset to the form and location suitable for its intended use.

MCC controls, values, and reports purchased or developed software as tangible property assets, in accordance with the FASAB Statement of Federal Financial Accounting Standards (SFFAS) No. 10, *Accounting for Internal Use Software*. MCC identifies software investments as capital property for items that, in aggregate, cost \$500,000 or more to purchase, develop, enhance or modify a new or existing system. Software projects that are not completed at year end and are expected to exceed the capitalization threshold are recorded as software in development. All internal use software meeting the capitalization threshold is amortized over a five-year period using the straight-line half-year convention.

Leasehold improvements and furniture are depreciated using the straight-line method of depreciation over the estimated useful lives of the improvements (10 years). All other general PP&E is depreciated using the straight-line method over an estimated useful life of five years.

K. Liabilities

Liabilities represent the probable and measurable future outflow or other use of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or for which funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available Congressionally appropriated funds or other amounts, where there is no certainty that the appropriations will be enacted.

L. Accounts Payable

Accounts payable represent amounts due to Federal and Non-Federal entities for goods and services received by MCC that have not been paid at the end of the accounting period. Intragovernmental accounts payable represents payable transactions with other Federal Government agencies (e.g., USAID, Department of the Interior, etc.), while Non-Federal accounts payable represents transactions with Non-Federal entities.

M. Other Liabilities – Intragovernmental

Accrued Payroll

Accrued payroll consists of salaries, wages, and other compensation earned by the employees but not disbursed as of September 30, 2021 and September 30, 2020, respectively. The liability is estimated for reporting purposes based on historical pay information.

Employee Retirement Benefits

MCC's employees participate in either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS). FERS was established by Public Law (PL) 99-335. Pursuant to this law, most USG employees hired after December 31, 1983, are covered by FERS and Social Security. FERS consists of Social Security, a gross annuity plan, and a Federal Thrift Savings Plan (TSP). MCC and the employee contribute to Social Security and the gross annuity plan at rates prescribed by law. In addition, each year MCC is required to contribute to the Federal TSP a minimum of one percent of the gross pay of employees covered by this system, match voluntary employee contributions up to three percent of the employees' gross pay, and match one-half of contributions between three and five percent of the employees' gross pay, for a maximum MCC contribution of five percent of pay. For FERS employees, MCC also contributes the employer's share of Medicare.

Federal employees hired prior to January 1, 1984, were allowed to elect whether they desired to participate in FERS (with Social Security coverage) or remain in CSRS. For employees covered by CSRS, MCC contributes seven percent of their gross pay toward their retirement benefits. A matching contribution of seven percent is required and is automatically deducted from the employees' gross pay. Employees under CSRS may participate in the TSP but will not receive MCC's automatic or matching contributions.

Federal employee benefit costs paid by the Office of Personnel Management (OPM) and imputed by MCC are reported on the Statement of Net Cost. Contributions for FERS, CSRS, and other retirement benefits are insufficient to fund the programs fully and are subsidized by OPM. MCC imputes its share of the OPM subsidy, using cost factors provided by OPM, and reports the full cost of the programs related to its employees.

N. Liabilities Not Covered by Budgetary Resources

As of September 30, 2021, and September 30, 2020, budgetary resources have not yet been made available to fund certain liabilities reported on the Balance Sheet. Liabilities not covered by budgetary resources represent amounts for which Congressional appropriation is required and funding is generally made available in the year payments are due or anticipated. Liabilities not covered by budgetary resources include the Judgment Fund, unfunded leave, Federal Employees Compensation Act (FECA), unemployment compensation, and unamortized rent abatement liability.

Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, which is to borrow from the public if the Government has a budget deficit (and to use current receipts if the Government has a budget surplus).

Judgment Fund

Certain legal matters to which MCC can be named as a party may be administered, and in some instances, litigated and paid by other Federal agencies. In general, amounts paid for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from a special appropriation administered by The Department of Treasury called the Judgment Fund. Although the ultimate disposition of any potential Judgment Fund proceedings cannot be determined, MCC Management expects that any liability or expense that might ensue would not be material to MCC's financial statements.

Unfunded Leave

A liability for annual and other vested compensatory leave is accrued as earned and reduced when taken. The value of employees' unused annual leave at the end of each fiscal quarter is accrued as a liability. At the end of each fiscal quarter, the balance in the accrued annual leave account is adjusted to reflect current pay rates and leave balances. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed when used, and in accordance with Federal requirements, no accruals are recorded for unused sick leave.

Unfunded Federal Employees Compensation Act

FECA (established by PL 103-3) provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred work-related occupational diseases, and beneficiaries of employees.

Claims incurred for benefits for MCC employees under FECA are administered by the Department of Labor (DOL) and later billed to MCC. MCC's liability for workers' compensation includes any costs incurred but unbilled as of quarter end, as calculated by DOL, and not funded by current appropriations.

Unfunded Unemployment

DOL's unemployment programs provide unemployment benefits to eligible workers who become unemployed through no fault of their own and meet certain other eligibility requirements. The Unemployment Compensation for Federal Employees program provides benefits for eligible, unemployed, former civilian Federal employees. MCC's liability for unemployment includes any costs incurred but unbilled as of quarter end, as calculated by DOL, and not funded by current appropriations.

Unamortized Rent Abatement Liability

The rent abatement represents MCC's period of free rent awarded by the lessor of the Franklin Court building. MCC maintains a 10-year operating lease for office space at Franklin Court, on which lease payments commenced in FY 2017. Per the terms of the contract, MCC was awarded approximately 15 months of rent abatement beginning on December 1, 2015. As a result of this 15-month rent abatement, and in accordance with the Financial Accounting Standards Board Accounting Standards Codification No. 842, *Leases*, MCC recorded a liability which will be amortized on a monthly basis utilizing a straight-line approach over the 10-year lease period.

O. Net Position

Net position is composed of unexpended appropriations and cumulative results of operations. Unexpended appropriations are funds appropriated by Congress to MCC that are still available for expenditure. Cumulative results of operations represent the net differences between financing sources and expenses since MCC's inception.

P. Parent/Child Relationships with Other Federal Agencies

MCC is a party to allocation transfers with other Federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one department of its ability to obligate budget authority and outlay funds to another department. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are also charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived. Per OMB guidance, child transfer activities are to be included and parent transfer activities are to be excluded in trial balances. In accordance with OMB guidance, child transfer activities are to be included in and parent transfer activities are to be excluded from the trial balances.

As the parent entity, MCC allocated funds to USAID. As a result, there are amounts reported in MCC's Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and SBR for which the activity was performed by USAID acting as the child in this financial relationship. The relationship under this allocation ended on June 30, 2021. MCC was allocated funds from the U.S. President's Emergency Plan for AIDS Relief, Office of the U.S. Global AIDS Coordinator through the Department of State. These activities are reported in Department of States' financial statements based on an exception applicable to funds for which the Executive Office of the President is the parent.

Q. Intragovernmental Transactions and Relationships

Intragovernmental transactions are transactions in which only Federal entities are parties to the transaction. MCC has intragovernmental relationships with various Federal entities. Transactions with the public are transactions in which one party to the transaction is a Federal entity and the other is a Non-Federal entity.

If a Federal entity purchases goods or services from another Federal entity and sells them to the public, the exchange revenue is classified as with the public, but the related costs are classified as intragovernmental. The purpose of the classification is to enable the Federal Government to prepare consolidated financial statements which eliminate intragovernmental transactions.

R. Foreign currency transactions

The functional currency of the agency is United States Dollars (USD) and these financial statements are presented in that currency. Each MCC compact's budget amount is fixed and denominated in USD. The financial execution

of our compacts cannot exceed the total budgeted amount. Disbursements occurring in other currencies are translated into USD and recorded in USD. The AEs bear all currency translation risk, and as such, MCC does not record any foreign translation gain or loss in its financial statements.

S. Classified activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Note 2 – Fund Balance with Treasury

MCC's FBwT balance is comprised of only General Funds, which primarily consist of no-year appropriated funds. As of September 30, 2021 and 2020, respectively FBwT is comprised as follows:

Status of Fund Balance with Treasury (in thousands)

	2021	2020
Unobligated Balance		
Available	\$ 3,421,316	\$ 3,571,780
Unavailable	38,889	20,990
Obligated Balance not yet Dispersed	2,501,867	2,181,663
Non-Budgetary FBwT	57	56
Total	\$ 5,962,129	\$ 5,774,489

MCC's fund balance with Treasury is classified as unobligated balance available and unavailable, obligated balance not yet disbursed, and non-budgetary fund balance with Treasury. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated balances unavailable represent the amount remaining in appropriated funds subject to OMB apportionment. Obligated balances not yet disbursed include undelivered orders or orders received but not yet paid. Non-budgetary fund balance with Treasury includes unavailable receipt accounts and clearing accounts that do not have budget authority.

Note 3 – Advances

As of September 30, 2021, the amounts reported in intragovernmental advances and to the public were \$6,538 thousand and \$47,251 thousand respectively. As of September 30, 2020, MCC reported intragovernmental advances totaling \$8,260 thousand and public advances totaling \$49,198 thousand. Intragovernmental advances decreased due to advance refunds and liquidations. Public advances decreased primarily due to advance liquidations for the Benin II and Ghana II compacts, and the El Salvador II Compact which ended on September 9, 2020.

Note 4 – Accounts Receivable, Net

Total receivables as of September 30, 2021 and 2020 were \$3 thousand (net of allowance for doubtful accounts of \$1 thousand) and \$3 thousand (net of allowance for doubtful accounts of \$16 thousand), respectively. The accounts receivable balance represents net valid claims by MCC to cash or other assets of other entities. A periodic evaluation of public accounts receivable is performed to estimate any uncollectible amounts based on current status. An allowance for doubtful accounts is recorded for accounts receivable due from the public, to bring accounts receivable to its net realizable value in accordance with SFFAS No. 1, *Accounting for Selected Assets and Liabilities*.

Note 5 – General Property, Plant, and Equipment, Net

MCC reports depreciation expense using the straight-line method over an asset's estimated useful life, beginning with the month the asset is placed in service. General PP&E is presented net of accumulated depreciation.

General Property, Plant, and Equipment, Net as of September 30, 2021 (in thousands)

	Estimated Useful Life	Cost	Accumulated Depreciation	Book Value
General PP&E:				
Leasehold Improvements	10 Years	\$ 8,392	\$ (4,835)	\$ 3,557
Furniture	10 Years	3,788	(2,199)	1,589
Internal Use Software	5 Years	15,094	(10,326)	4,768
Vehicles	5 Years	232	(227)	5
Total		\$ 27,506	\$ (17,587)	\$ 9,919

General Property, Plant, and Equipment, Net as of September 30, 2020 (in thousands)

	Estimated Useful Life	Cost	Accumulated Depreciation	Book Value
General PP&E:				
Leasehold Improvements	10 Years	\$ 8,392	\$ (3,982)	\$ 4,410
Furniture	10 Years	3,788	(1,817)	1,971
Internal Use Software	5 Years	15,095	(7,290)	7,805
Vehicles	5 Years	316	(265)	51
Total		\$ 27,591	\$ (13,354)	\$ 14,237

The table below provides a reconciliation of the carrying value of net Property, Plant and Equipment between October 1 and September 30 (in thousands):

	2021			2020
	Cost	Accumulated Depreciation	Book Value	Book Value
General PP&E:				
Balance Beginning of Year	\$ 27,591	\$ (13,354)	\$ 14,237	\$ 18,561
Dispositions	(85)	85	-	-
Depreciation and Amortization	-	(4,318)	(4,318)	(4,324)
Balance at End of Year	\$ 27,506	\$ (17,587)	\$ 9,919	\$ 14,237

Note 6 – Liabilities Not Covered by Budgetary Resources

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. MCC's liabilities not covered by budgetary resources primarily consist of accrued unfunded annual leave and unamortized rent abatement. As of September 30, 2021 and 2020, liabilities not covered by budgetary resources were as follows:

Liabilities Not Covered by Budgetary Resources as of September 30, 2021 (in thousands)

	2021	2020
Intragovernmental		
Other Unfunded Unemployment Related Benefits	\$ 46	\$ 9
Total Intragovernmental	46	9
Annual Leave Liability	5,258	5,459
Franklin Court Unamortized Rent Abatement	4,534	5,296
Total Liabilities Not Covered by Budgetary Resources	9,838	10,764
Total Liabilities Covered by Budgetary Resources	136,932	108,859
Total Liabilities	\$ 146,770	\$ 119,623

Note 7 – Other Liabilities

MCC's total other liabilities as of September 30, 2021 and 2020, respectively is comprised as follows:

Other Liabilities as of September 30, 2021 (in thousands)

	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	\$ -	\$ 186	\$ 186
Liabilities for Non-Entity Assets	-	56	56
Total Intragovernmental Other Liabilities	\$ -	\$ 242	\$ 242
With the Public			
Employer Contributions & Payroll Taxes Payable	\$ -	\$ 3,185	\$ 3,185
Rent Abatement Liability	3,724	810	4,534
Total Other Liabilities With the Public	\$ 3,724	\$ 3,995	\$ 7,719
Total Other Liabilities	\$ 3,724	\$ 4,237	\$ 7,961

Other Liabilities as of September 30, 2020 (in thousands)

	Non-Current Liabilities	Current Liabilities	Total
Intragovernmental			
Employer Contributions & Payroll Taxes Payable	\$ -	\$ 163	\$ 163
Liabilities for Non-Entity Assets	-	56	56
Total Intragovernmental Other Liabilities	\$ -	\$ 219	\$ 219
With the Public			
Employer Contributions & Payroll Taxes Payable	\$ -	2,339	2,339
Rent Abatement Liability	4,534	762	5,296
Total Other Liabilities With the Public	\$ 4,534	\$ 3,101	\$ 7,635
Total Other Liabilities	\$ 4,534	\$ 3,320	\$ 7,854

Note 8 – Leases

MCC leases office space at the Franklin Court building in Washington, DC. The lease is an operating lease with a 10-year lease term with an effective date of December 1, 2015, and a termination date of November 30, 2025. The total Franklin Court lease is valued at \$28,437 thousand with a termination liability as of September 30, 2021 in the amount of \$13,996 thousand excluding rent.

MCC also has short-term leases for 19 copier machines (through October 31, 2022). The future lease payments due for the building, vehicle, and copier machines are depicted below.

Future Lease Payments Due (in thousands)

Fiscal Year	Asset Category				Federal	Non-Federal
	Vehicle	Copier	Building	Totals		
FY 2022	\$ 11	\$ 55	\$ 6,622	\$ 6,688	\$ 55	\$ 6,633
FY 2023	11	5	6,749	6,765	5	6,760
FY 2024	9	-	6,880	6,889	-	6,889
FY 2025	-	-	7,013	7,013	-	7,013
FY 2026	-	-	1,173	1,173	-	1,173
After FY 2027	-	-	-	-	-	-
Total Future Lease Payment	\$ 31	\$ 60	\$ 28,437	\$ 28,528	\$ 60	\$ 28,468

Note 9 – Accrual - Grant Liabilities

As of September 30, 2021, the grant accrual liabilities reported were \$115,209 thousand, comprised of grant accruals of \$90,151 thousand and retentions of \$25,058 thousand. As of September 30, 2020, MCC reported grant accrual liabilities of \$97,576 thousand, comprised of grant accruals of \$87,524 thousand and retentions of \$10,052 thousand. Grant accruals and retentions increased primarily due to the Benin II, Ghana II, Morocco II, and Niger compacts. This was offset by a decrease in both grant accrual and retentions for the El Salvador II and the Liberia Compact which ended on September 9, 2020 and January 20, 2021, respectively.

Note 10 - Commitments and Contingencies

MCC's program execution results in commitments of future obligations with country-specific accountable entities. Upon signing the agreement with the government, MCC obligates a smaller portion of the funding to support the pre-implementation activities and commits the remainder of the funding until Entry into Force (EIF). When the necessary milestones for EIF are met, the committed funds are recorded as an obligated. As of September 30, 2021, MCC had commitments for the Burkina Faso II and Nepal compacts totaling \$876,079 thousand. Similarly, as of September 30, 2020, MCC had commitments for the Burkina Faso II, Mongolia II, Nepal, and Senegal II compacts totaling \$1,710,219 thousand and the Togo Threshold for \$34,407 thousand.

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to MCC. The uncertainty ultimately should be resolved when one or more future events occur or fail to occur. The likelihood that the future event or events will occur confirms the loss; the incurrence of a liability can range from probable to remote. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended by SFFAS No. 12, *Recognition of Contingent Liabilities from Litigation*, contains the criteria for recognition and disclosure of contingent liabilities.

MCC could be a party to various administrative proceedings, legal actions, and claims brought by or against it. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not to occur, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely to occur, and the related future outflow or sacrifice of resources is measurable.

Certain contracts entered into by AE's may contain performance guarantees which may or may not result in the AE being reimbursed for nonperformance. These performance guarantees are not recorded until the non-performance event is triggered and result in a receivable to the AE. As of September 30, 2021, seven AEs had agreements subject to performance guarantees which in aggregate are not to exceed \$47,538 thousand.

Note 11 – Donated Services

On occasion, MCC may utilize donated services from other Federal agencies, individuals, and private firms in the course of its normal business operations. The approximate fair market value of donated services was \$22 thousand for FY 2021 and \$53 thousand for FY 2020.

Note 12 – Net Adjustments to Unobligated Balance, Brought Forward, October 1

During the years ended September 30, 2021 and 2020, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2020 and 2019. These adjustments include, among other things downward adjustments to undelivered orders that were obligated in a prior fiscal year. The adjustments for the years ended September 30, 2021 and 2020, are presented as follows:

Net Adjustments to Unobligated Balance, Brought Forward, October 1 (in thousands)

	2021	2020
Unobligated balance brought forward from prior year	\$ 3,592,770	\$ 2,721,058
Adjustments to budgetary resources made during current year		
downward adjustments of prior year orders	48,752	215,704
Unobligated budgetary resources from prior year budget authorities, (net discretionary and mandatory)	\$ 3,641,522	\$ 2,936,762

Note 13 – Undelivered Orders at the End of the Period

Undelivered Orders represent the amount of goods and/or services ordered to perform MCC's program activities, which have not been received. MCC's undelivered orders as of September 30, 2021 and 2020, respectively is comprised as follows:

Undelivered Orders at End of Period (in thousands)

	2021	2020
Intragovernmental		
Paid	\$ 6,538	\$ 8,260
Unpaid	12,043	13,752
Total Intragovernmental	18,581	22,012
Public		
Paid	47,251	49,198
Unpaid	2,356,931	2,059,092
Total Public	2,404,182	2,108,290
Total	\$ 2,422,763	\$ 2,130,302

Note 14 – Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the U.S. Government

The table below documents the differences between the FY 2020 Statement of Budgetary Resources and the actual amounts reported for FY 2020 in the Budget of the U.S. Government released in 2021. Since the FY 2021 financial statements will be reported prior to the release of the Budget of the U.S. Government, MCC is reporting for FY 2020 only. Typically, the Budget of the U.S. Government with the current year actual data is published in February of the subsequent year. Once published, the FY 2021 actual data will be available on <https://www.whitehouse.gov/omb/budget/>.

Explanation of Differences between the Combined Statement of Budgetary Resources and the Budget of the U.S. Government (in thousands)

	Budgetary Resource	New Obligations & Upward Adjustments (Total)	New Outlays
Statement of Budgetary Resources	\$ 3,842	\$ 249	\$ (607)
Budget of the U.S. Government	\$ 3,842	\$ 249	\$ (607)

Note 15 – Reconciliation of Net Cost to Net Outlays

SFFAS 53, *Budget and Accrual Reconciliation*, requires a reconciliation of the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. The reconciliation of net outlays (reported on the Statement of Budgetary Resources) and net cost (reported on the Statement of Net Cost) clarifies the relationship between budgetary and financial accounting information. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs

paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

Reconciliation of Net Cost to Net Outlays (in thousands)

	Intragovernmental	With the Public	Total
Net Cost	\$ 36,502	\$ 725,503	\$ 762,005
Components of Net Cost Not Part of the Budgetary Outlays			
Property, Plant, and Equipment Depreciation Expense	-	(4,318)	(4,318)
Increase/(Decrease) in Assets:			
Other Assets	(1,722)	(1,947)	(3,669)
Increase/(Decrease) in Liabilities:			
Accounts Payable	(47)	(5,518)	(5,565)
Federal Employee and Veteran Benefits Payable	-	158	158
Other Liabilities	(4,023)	(84)	(4,107)
Accrues Grant Liabilities	-	(17,633)	(17,633)
Financing Sources:			
Imputed Cost	(2,478)	-	(2,478)
Total Components of the Net Operating Cost Not Part of the Budgetary Outlays	(8,270)	(29,342)	(37,612)
Financing Sources:			
Donated Revenue	-	(22)	(22)
Total Components of the Budget Outlays that are Not Part of the Net Operating Cost	-	(22)	(22)
Misc Items			
Other Temporary Timing Differences	(10)	-	(10)
Total Other Reconciling Items	(10)	-	(10)
Total Net Outlays	\$ 28,222	\$ 696,139	\$ 724,361
Budgetary Agency Outlays, Net			\$ 724,361

Note 16 - COVID-19 Activity

In FY 2021, MCC did not receive any supplemental appropriations to respond to COVID-19 under the Families First Act; P.L. 116-127 or the CARES Act; P.L. 116-136.

As set out in Note 1 the Consolidated Appropriations Act, 2021 authorized MCC, subject to the availability of funds, to extend any compact in effect as of January 29, 2020, for up to one additional year, to account for delays related to COVID-19. MCC has used budgetary resources from prior year appropriations for COVID-19 related activities obligating \$7.7 million and \$16.0 million in support of the extension of the Ghana II and Benin II Compact, respectively, to mitigate implementation delays due to the COVID-19 pandemic and to complete infrastructure projects as originally contemplated. As of September 30, 2021 there has been minimal impact on costs and no impact on, liabilities, costs, and net position.

Note 17 - Reclassification of Statement of Net Cost and Statement of Changes in Net Position for Financial Report Compilation Process

To prepare the Financial Report (FR) of the U.S. Government, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the MCC's financial statements (specifically the Statement of Net Cost and the Statement of Changes in Net Position) and the MCC reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2020 FR can be found here: <https://www.fiscal.treasury.gov/reports-statements/> and a copy of the 2021 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government. The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2021 (in thousands)			
FY 2021 MCC Statement of Net Cost		Line Items Used to Prepare FY 2021 Government-wide Statement of Net Cost	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement
Gross Costs	\$ 762,005		
			Non-Federal Costs
		\$ 725,503	Non-Federal Gross Cost
		725,503	Total Non-Federal Costs
			Intragovernmental Costs
		10,878	Benefit Program Costs
		2,477	Imputed Costs
		19,962	Buy/Sell Costs
		3,185	Other Expenses (w/o Reciprocal)
		36,502	Total Intragovernmental Costs
Total Gross Costs	762,005		
Net Cost	\$ 762,005	\$ 762,005	Net Cost

**Reclassification of Statement of Changes in Net Position to Line Items
Used for the Government-wide Statement of Changes in Net Position for the Year Ending
September 30, 2021 (in thousands)**

FY 2021 MCC Statement of Changes in Net Position		Line Items Used to Prepare FY 2021 Government-wide Statement of Changes in Net Position	
Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
Unexpended Appropriations			
Unexpended Appropriations, Beginning Balance	\$ 5,721,158	\$ 5,721,158	Unexpended Appropriations, Beginning Balance
Appropriations Received	912,000	912,011	Appropriations Received
Other Adjustments	11	-	Other Adjustments
Appropriations Used	754,184	754,184	Appropriations Used
Total Unexpended Appropriations	\$ 5,878,985	\$ 5,878,985	Total Unexpended Appropriations
Cumulative Results of Operations			
Cumulative Results, Beginning Balance	\$ 5,406	\$ 5,406	Cumulative Results, Beginning Balance as adjusted
Non-Exchange Revenues			Non-Federal Non-Exchange Revenues
Donations and Forfeitures of Property	22	22	Miscellaneous Taxes and Receipts
		22	Total Non-Federal Non-Exchange Revenues
Total Non-Exchange Revenues	22	22	Total Non-Exchange Revenues
Imputed Financing	2,478	2,478	Imputed Financing Sources
Total Financing Sources	2,478	2,478	Total Financing Sources
Net Cost of Operations	762,005	762,005	Net Cost of Operations
Ending Balance - Cumulative Results of Operations	85	85	Cumulative Results of Operations
Total Net Positions	\$ 5,879,070	\$ 5,879,070	Net Position

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

Audit of MCC's Financial Statements for Fiscal Years 2021 and 2020

Audit Report 0-MCC-22-006-C
November 12, 2021



Financial Audits Division



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

MEMORANDUM

DATE: November 12, 2021

TO: Millennium Challenge Corporation, Vice President, Department of Administration and Finance and Chief Financial Officer, Fouad Saad

FROM: Deputy Assistant Inspector General for Audit, Alvin Brown /s/

SUBJECT: Audit of MCC's Financial Statements for Fiscal Years 2021 and 2020 (0-MCC-22-006-C)

Enclosed is the final audit report on the Millennium Challenge Corporation's (MCC's) financial statements for fiscal years 2021 and 2020. The Office of Inspector General (OIG) contracted with the independent certified public accounting firm of RMA Associates LLC (RMA) to conduct the audit. The contract required the audit firm to perform the audit in accordance with generally accepted government auditing standards and Office of Management and Budget Bulletin No. 21-04, "Audit Requirements for Federal Financial Statements".

In carrying out its oversight responsibilities, OIG reviewed the audit firm's report and related audit documentation and inquired of its representatives. Our review, which was different from an audit performed in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on MCC's financial statements. The audit firm is responsible for the enclosed auditor's report and the conclusions expressed in it. We found no instances in which RMA did not comply, in all material respects, with applicable standards.

The audit objectives were to: (1) express an opinion on whether the financial statements as of September 30, 2021, were presented fairly, in all material respects; (2) evaluate MCC's internal controls over financial reporting; and (3) determine whether MCC complied with applicable laws, regulations, contracts and agreements. To answer the audit objectives, the audit firm assessed risk, considered internal controls, and designed audit procedures relevant to MCC's fair presentation of its 2021 financial statements.

RMA concluded that MCC's financial statements for the fiscal year ending September 30, 2021, are presented fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America. Additionally, the audit firm found no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements. The audit firm found no material weaknesses but reported one significant deficiency related to MCC oversight and internal control over the Millennium Challenge Accounts' financial reporting (modified repeat finding).

The financial statements of MCC as of September 30, 2020, were audited by CliftonLarsonAllen LLP, whose report dated November 13, 2020, expressed an unmodified opinion on those financial statements.¹

To address the deficiency RMA identified in the report, we recommend that MCC's Chief Financial Officer:

Recommendation 1. Ensure that Millennium Challenge Account project directors receive additional training on the documentation requirements they are responsible for to ensure timely processing of payments in accordance with the Fiscal Accountability Plan.

Recommendation 2. Institute controls, such as automated system reminders (i.e., Outlook Calendar Reminders), with the appropriate personnel within MCC to help mitigate the risk of Millennium Challenge Accounts not meeting the Monthly Commitment and Disbursement Reports reporting time requirement.

Recommendation 3. Provide additional training to the Millennium Challenge Accounts regarding revisions to be made to MCC's Grant Accrual Guidance. Specifically, emphasize the responsibility of the Millennium Challenge Accounts to identify all open contracts and require the project director/engineer over those contracts to provide an accrual estimate or a written explanation for why one is not needed to obtain full coverage.

Recommendation 4. Revise MCC's Grant Accrual Guidance to incorporate current data call requirements for the Millennium Challenge Accounts to identify open contracts.

Recommendation 5. Provide additional training to the Millennium Challenge Accounts to ensure the Millennium Challenge Accounts have a clear understanding of the grant accrual validation requirements.

Recommendation 6. Include the instructions provided to the accountable entities regarding the validation process within the Grant Accrual Guidance.

In finalizing the report, the audit firm evaluated MCC's responses to the recommendations. After reviewing that evaluation, we consider recommendations 1 through 6 resolved but open pending completion of planned activities. For recommendations 1 through 6, please provide evidence of final action to OIGAuditTracking@usaid.gov.

We appreciate the assistance provided to our staff and the audit firm's employees during the engagement.

¹ USAID OIG, "[Audit of USAID MCC's Fiscal Years 2020 and 2019 Financial Statements](#)" (0-MCC-21-002-C), November 14, 2020.

MILLENNIUM CHALLENGE CORPORATION

**Independent Auditors' Report
of Millennium Challenge Corporation's Financial Statements
for the Period Ending September 30, 2021**

To the Inspector General
United States Agency for International Development

To the Board of Directors
Millennium Challenge Corporation

Independent Auditors' Report

In our audit of fiscal year 2021 financial statements of the Millennium Challenge Corporation (MCC), we found:

- MCC's financial statements as of and for the fiscal year ended September 30, 2021, are presented fairly, in all material respects, in accordance with the U.S. generally accepted accounting principles;
- no material weaknesses, but one significant deficiency in internal control over financial reporting for fiscal year 2021 based on the limited procedures we performed; and
- no reportable noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)¹ such as Management's Discussion and Analysis (MD&A) and other information² included with the financial statements; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) MCC's response to our findings and recommendations.

¹ The RSI consists of Management's Discussion and Analysis, which are included with the financial statement.

² Other information consists of Management Challenges, Summary of Financial Statement Audit and Management Assurances and information included with the financial statements, other than the RSI and the auditors' report.

Report on the Financial Statements

We have audited the accompanying financial statements of MCC which comprise the balance sheet as of September 30, 2021, and the related statement of net cost, changes in net position, and budgetary resources (hereinafter referred to as “financial statements” or “basic financial statements”), for the year then ended; and the related notes to the financial statements. The financial statements of MCC as of September 30, 2020 were audited by other auditors whose report dated November 13, 2020, expressed an unmodified opinion on those financial statements.

We conducted our audit in accordance with United States (U.S.) generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 21-04, “Audit Requirements for Federal Financial Statements.” We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management’s Responsibility for the Financial Statements

MCC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with the U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors’ report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted government auditing standards and OMB Bulletin No. 21-04, “Audit Requirements for Federal Financial Statements” require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about account balances and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the auditors’ assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MCC’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MCC’s internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the

financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on the Financial Statements

In our opinion, MCC's financial statements present fairly, in all material respects, MCC's financial position as of September 30, 2021, and its net cost, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Predecessor Auditor

The financial statements of MCC for the year ended September 30, 2020, were audited by another auditor, who expressed an unmodified opinion on those statements on November 13, 2020.

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

MCC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. In addition, management has included references to information on websites or other data outside of the Agency Financial Report. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on MCC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audit of MCC's financial statements, we considered MCC's internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to MCC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

MCC management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

In planning and performing our audit of MCC's financial statements as of and for the year ended September 30, 2021, in accordance with U.S. generally accepted government auditing standards, we considered the MCC's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MCC's internal control over financial reporting. Accordingly, we do not express an opinion on MCC's internal control over financial reporting or on management's assurance statement on the overall effectiveness on internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies or to express an opinion on the effectiveness of the MCC's internal control over financial reporting and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified one deficiency in internal control, summarized below and described in Exhibit 1, that we consider to be a significant deficiency:

- MCC oversight and internal control over the Millennium Challenge Accounts' (MCA) financial reporting (modified repeat finding)

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of MCC's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of MCC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of MCC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of MCC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

MCC's management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to MCC.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to MCC that have a direct effect on the determination of material amounts and disclosures in MCC's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to MCC.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to MCC. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

MCC's Response to Audit Findings and Recommendations

MCC's response to the findings and recommendations identified in our report is described in Exhibit 2. MCC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Status of Prior Year Recommendations

We have reviewed the status of MCC's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 13, 2020. The status of prior year recommendations is presented in Exhibit 3.

RMA Associates

Arlington, Virginia
November 10, 2021

Exhibit 1 - Significant Deficiency in Internal Control

MCC's oversight and internal controls over MCAs' financial reporting needs to be strengthened (Modified Repeat Finding)

The Department of Compact Operations, through collaboration with the Department of Administration and Finance, establishes operational oversight and financial reporting controls and procedures to govern the conduct and administration of MCC's Compact/Threshold portfolio by the MCA entities. The MCAs' financial operations, including their compliance with applicable laws, regulations, contracts, and grant agreements are crucial to MCC's financial statements as their financial activities are material and significant. During our virtual site visits to three selected MCAs, we evaluated the MCAs' design and effectiveness of internal controls. As a result of procedures performed, we identified the following control deficiencies that collectively we considered a significant deficiency in controls over financial reporting. Some of the control deficiencies we identified this year were repeat deficiencies reported in prior years.

Oversight over MCA's Financial Reporting — Every quarter, MCC obtained financial data through the data calls from MCAs for its financial statement reporting. As in the past years, our audit disclosed that MCC continues to have challenges in ensuring that MCAs accurately, completely, and properly report financial activities and balances that are significant and relevant to MCC's financial statements. For example:

MCA invoices paid late and late Monthly Commitment and Disbursement Reports (MCDR) submission — MCA Department of Administration and Finance and its relevant Program Directors did not timely provide the required invoice support documentation to the MCA Fiscal Agent to process the Payment Request Form. An MCA submitted the MCDR for November 2021 to MCC on December 23, 2020, which was nine days after the submission deadline. The delay was due to:

- Lack of training to ensure that MCA project management provides complete and timely invoice support documentation addressing issues concerning late deliverables and payment penalties, so the Fiscal Agent can approve the invoice for payment.
- Lack of management oversight to ensure that the MCDR was submitted on time.

Grant accrual liability and validation reporting errors — One MCA did not report a grant accrual estimate in accordance with MCC guidance resulting in an understatement of \$648,218 in quarter one and \$581,710 in quarter two. For another MCA, one out of nine grant accrual validation (GAV) transactions tested was incorrect due to the project engineer not providing the accurate percentage of completion resulting in an overstatement of \$60,497 in quarter one; three out of nine GAV transactions tested were not reported, resulting in an understatement of \$627,161 in quarter one and \$509,695 in quarter two; and two out of nine GAV transactions tested resulted in an overstatement of \$684,781 in quarter one and \$3,401,521 in quarter two. We also noted an MCA could not provide evidence that it reported an accrual estimate of \$100,000 for two out of eight GAV transactions. The reporting errors were due to incomplete MCC guidance and MCA procedures which do not establish a responsibility for the MCA to identify all open contracts and

require the project director/engineer over those contracts to provide an accrual estimate or written explanation for why one is not needed to obtain full coverage.

We recommend that MCC's Department of Administration and Finance and the Chief Financial Officer:

Recommendation 1 – Ensure that MCA project directors receive additional training on the documentation requirements they are responsible for to ensure timely processing of payments in accordance with the FAP.

Recommendation 2 – Institute controls such as automated system reminders (i.e., Outlook Calendar Reminders) with the appropriate personnel within MCC to help mitigate the risk of MCAs not meeting the MCDR reporting time requirement.

Recommendation 3 – Provide additional training to the MCAs regarding revisions to be made to MCC's Grant Accrual Guidance. Specifically, emphasize the responsibility of the MCA to identify all open contracts and require the project director/engineer over those contracts to provide an accrual estimate or a written explanation for why one is not needed to obtain full coverage.

Recommendation 4 – Revise MCC's Grant Accrual Guidance to incorporate current data call requirements for the MCAs to identify open contracts.

Recommendation 5 – Provide additional training to the MCAs to ensure the MCAs have a clear understanding of the grant accrual validation requirements.

Recommendation 6 – Include the instructions provided to the accountable entities regarding the validation process within the Grant Accrual Guidance.

Exhibit 2 – Management’s Response to the Audit Findings



DATE: November 9, 2021

TO: Alvin Brown
Deputy Assistant Inspector General for Audit
Office of Inspector General
United States Agency for International Development
Millennium Challenge Corporation

FROM: Fouad P. Saad
Vice President and Chief Financial Officer
Department of Administration and Finance
Millennium Challenge Corporation

SUBJECT: MCC’s Management Response to the Draft Audit Report, “Audit of MCC’s Financial Statements for Fiscal Years 2021 and 2020,” dated November 4, 2021

FOUAD P SAAD
(affiliate)

Digitally signed by FOUAD P
SAAD (affiliate)
Date: 2021.11.09 23:30:13 -05'00'

The Millennium Challenge Corporation (MCC) appreciates the opportunity to respond to the draft report on the Office of Inspector General (OIG)’s audit, “Audit of MCC’s Financial Statements for Fiscal Years 2021 and 2020,” dated November 4, 2021. MCC concurs with the conclusions of the report and provides a management response, which includes the management decision, to each recommendation below.

OIG Recommendation 1 – Ensure that MCA project directors receive additional training on the documentation requirements they are responsible for to ensure timely processing of payments in accordance with the Fiscal Accountability Plan.

MCC Response – MCC concurs with the recommendation. MCC will ensure that the management of each MCA is providing additional training to relevant MCA staff on the responsibilities and requirements inherent in the timely processing of payments in accordance with each Fiscal Accountability Plan, as applicable. MCC will complete the final action no later than April 29, 2022.

OIG Recommendation 2 – Institute controls, such as automated system reminders (i.e., Outlook Calendar Reminders), with the appropriate personnel within MCC to help mitigate the risk of MCAs not meeting the Monthly Commitment and Disbursement Reports reporting time requirement.

MCC Response – MCC concurs with the recommendation. Recognizing that MCC's controls are those which we institute over MCC's systems and personnel rather than those of each MCA, MCC will institute a step as part to the quarterly disbursement process whereby the agency will send a regular, periodic reminder to the appropriate MCA personnel to remind them of monthly financial reporting responsibilities in order to mitigate the risk of late Monthly Commitment and Disbursement Reports. MCC will complete the final action no later than March 18, 2022.

OIG Recommendation 3 – Provide additional training to the MCAs regarding revisions to be made to MCC's Grant Accrual Guidance. Specifically, emphasize the responsibility of the MCA to identify all open contracts and require the project director/engineer over those contracts to provide an accrual estimate or a written explanation for why one is not needed to obtain full coverage.

MCC Response – MCC concurs with the recommendation. MCC will provide additional training to the MCAs related to future Grant Accrual Guidance, including MCA responsibility to identify open contracts and the effects on the grant accrual estimate. MCC will complete the final action no later than March 18, 2022.

OIG Recommendation 4 – Revise MCC's Grant Accrual Guidance to incorporate current data call requirements for the MCAs to identify open contracts.

MCC Response – MCC concurs with the recommendation. MCC will revise the Grant Accrual Guidance to incorporate current MCA data call requirements related to open contract identification. MCC will complete the final action no later than March 18, 2022.

OIG Recommendation 5 – Provide additional training to the MCAs to ensure the MCAs have a clear understanding of the grant accrual validation requirements.

MCC Response – MCC concurs with the recommendation. MCC will provide additional training to the MCAs to improve their understanding of the grant validation requirements no later than March 18, 2022.

OIG Recommendation 6 – Include the instructions provided to the accountable entities regarding the validation process within the Grant Accrual Guidance.

MCC Response – MCC concurs with the recommendation. MCC will provide instructions related to the validation process within the Grant Accrual Guidance to the accountable entities no later than March 18, 2022.

If you have any questions or require additional information, please contact me via phone, 202-521-3885; or by email at saadfp@mcc.gov. Additionally, you can also contact Jude Koval, Senior Director of Internal Controls and Audit Compliance (ICAC) via phone, 202-521-7280; or by email at kovaljg@mcc.gov.

CC: Damian Wilson, Principal Director, OIG, USAID
Anna Elias, Assistant Audit Director, Financial Audits Division, OIG, USAID
Adam Bethon, Deputy Chief Financial Officer, FMD, A&F, MCC
Lori Giblin, Chief Risk Officer, A&F, MCC
Michael Wright, Controller, FMD, A&F, MCC
Jude Koval, Senior Director, ICAC, A&F, MCC

Exhibit 3 – Status of Prior Year Recommendations

FY 2020 Recommendations	Type	FY 2021 Status
1. Revise MCC's Grant Accrual Estimation: Millennium Challenge Account Guidance to state when an MCA identifies an advance, the MCA will exclude the advance amount from the grant accrual amount to ensure that the advance is not included in the grant accrual estimate reported to MCC.	Significant Deficiency	Closed
2. Request the MCAs to establish a documented control mechanism to verify that the grant accrual estimates reported to MCC agrees with the support document used by the MCAs to complete grant accrual estimates data call template.	Significant Deficiency	Open
3. Provide additional training to the MCAs to ensure the MCAs have a clear understanding of the grant accrual estimation and validation requirements.	Significant Deficiency	Closed
4. Require the MCAs to document improved budgeting process to ensure future payment needs are properly considered at the detail compact program/activity level as part of its quarterly budgeting process.	Significant Deficiency	Closed
5. Require the MCA Director of Administration and Finance and relevant Program Directors to (1) determine the root cause for delayed payments and report that information to MCC, and (2) timely provide all relevant and applicable payment support and approval documentation (including but not limited to purchase order, contract, acceptance note, delivery note, delivery confirmation receipt, etc.) to the MCA Fiscal Agent for required payment verification procedures and timely process the invoice for payment.	Significant Deficiency	Open

FY 2020 Recommendations	Type	FY 2021 Status
6. Provide an additional reminder to the MCAs regarding the payment requirements in the Fiscal Accountability Plan and instruct them to monitor their compliance.	Significant Deficiency	Closed
7. Revise the “Accountable Entities Guidelines for Contracted Financial Audits” to address the timing of the audit review process to ensure that independent public accountant firms are able to meet the 90-day delivery deadline for issuing the audit report.	Significant Deficiency	Open
8. Revise the “Accountable Entities Guidelines for Contracted Financial Audits” to establish a requirement after the initial compact or threshold audit to determine if the 90-day audit report deadline is still appropriate for the next audit given the circumstances (i.e., prior audit delays). If not, then issue an Implementation Letter to establish the new audit report deadline.	Significant Deficiency	Open
9. Revise the “Audit, Risk, and Control (ARC) Branch Process for Screening Potential Independent Public Accountant Firms” to clarify when ARC will begin and complete the screening process for a new compact or threshold program.	Significant Deficiency	Closed



Other Information



MEMORANDUM

DATE: October 28, 2021

TO: Millennium Challenge Corporation (MCC), Acting Chief Executive Officer, Mahmoud Bah

FROM: Assistant Inspector General for Audit, Thomas Yatsco /s/

SUBJECT: Fiscal Year 2022 Management Challenges for MCC

The USAID Office of Inspector General (OIG), which provides independent oversight of MCC to help ensure maximum return on its investments in compact countries, annually identifies the agency's top management challenges and the progress it has made in managing those challenges. In keeping with the Reports Consolidation Act of 2000 (Public Law 106-531), we submit this summary for inclusion in MCC's agency financial report.

This summary captures the examples pertaining to MCC in OIG's Top Management Challenges report for fiscal year 2022.¹ In that report, we highlighted challenges relevant to MCC in two broader reporting areas: Sustaining International Development Gains, and Implementing Core Management Functions.

Sustaining International Development Gains. MCC continues to face risks to sustainability of the programmatic outcomes of compacts, tied to assessing progress under the Threshold program. Our audit of MCC's Threshold program found the agency has not assessed progress on the Threshold Program's overall objectives—boosting the “MCC Effect,” investing in policy and institutional reforms, and assessing the opportunity for compact partnership—because it lacked a process for doing so.² Under the Threshold program, MCC has committed \$172 million to support difficult reforms, and had performance indicators in place to assess progress for individual country projects. Although MCC collected data from individual partner countries to ensure the timely completion of projects in a manner consistent with MCC standards, it did not use the data to assess progress in achieving the three overall objectives of the Threshold Program.

¹ USAID OIG's annual Top Management Challenges reports are available on our [website](#). These reports summarize the top challenges facing all of the agencies under the Inspector General's purview.

² USAID OIG, “[MCC Should Do More to Assess the Threshold Program's Progress in Achieving Its Overall Objectives](#)” (M-000-21-001-P), September, 2, 2021.

Office of Inspector General, U.S. Agency for International Development
Washington, DC
<https://oig.usaid.gov>

Thus, MCC lacked an important tool to measure the effectiveness of the program. In addition, the audit found MCC recommended four countries for compact without substantially implementing project activities, and denying the agency an opportunity to fully assess country capacity, government support, and political will to enact policy and institutional reform, as MCC asserted when it redesigned the Threshold Program in 2010. Since then, two of those countries have experienced delays in their compacts due to capacity issues, a lack of government support, or political instability. MCC discontinued one of the compacts due to a lack of government support in the host country.

In addition, the transparency of MCC's Economic Rate of Return (ERR) analyses—cost-benefit analyses to indicate whether a potential project's economic benefit will exceed its costs by MCC's required 10 percent threshold over 20 years—has caught the interest of Congress, which requires MCC to report the economic justification of a proposed compact program. MCC's further identified in its risk register³ that not mitigating risks to ERR analyses could result in the agency making uninformed or untimely decisions that could compromise operational effectiveness and efficiency. MCC relies on a peer review process to ensure that ERRs are objective and reliable. We are concluding an audit that is assessing the extent to which MCC's guidance and procedures for developing and reviewing ERR analyses address identified risks and how MCC used the peer review process to inform investment decisions in select compacts.

Implementing Core Management Functions. Our audit of MCC's fiscal year 2020 financial statements did not identify any instances of noncompliance but did note one significant deficiency related to oversight and controls over financial reporting that is a repeat finding.⁴ Specifically, the audit noted that Millennium Challenge Accounts (MCAs) continue to have challenges ensuring that financial activities and balances are accurately, completely, and properly reported. We made nine recommendations, four of which are awaiting completion by MCC. On October 14, 2021, MCC submitted a request to close three of the four recommendations related to this audit. We consider the recommendations to be resolved but open pending our review of the closure request. Another audit found MCC complied with requirements tied to legislation preventing improper payments.⁵ However, our assessment of MCC's charge card program found a moderate risk of illegal, erroneous or improper payments or purchases.⁶ We made three recommendations to MCC to improve controls over the charge card program, all of which remain open.

The Federal Information Security Modernization Act (FISMA) report noted some control issues

³ MCC's Enterprise Risk Management risk register includes additional, possible risks that are not included in the agency's risk profile. The Office of Management and Budget Circular No. A-123 requires that each Federal government agency maintain a risk profile.

⁴ USAID OIG, "[Audit of MCC's Fiscal Years 2020 and 2019 Financial Statements](#)" (0-MCC-21-002-C), November 14, 2020.

⁵ USAID OIG, "[MCC Complied in Fiscal Year 2020 With the Payment Integrity Information Act of 2019](#)" (0-MCC-21-006-C), May 14, 2021.

⁶ USAID OIG, "[Assessment of MCC's FY 2020 Charge Card Programs Identified a Moderate Risk of Illegal, Improper, or Erroneous Purchases and Payments](#)" (0-MCC-21-008-C), July 29, 2021.

also affected MCC's program and procedures in fiscal year 2020.⁷ While the audit concluded that MCC generally implemented an effective information security program, it identified weaknesses related to data protection and privacy, security training, and contingency planning (repeat finding). We made two recommendations to the issues with data protection and privacy and security training. MCC agreed with the recommendations to further strengthen MCC's information security program and they were closed on October 19th.

Our oversight of MCC and these top management challenge areas will continue in the upcoming fiscal year. We have four audits planned for the coming year: an audit of MCC's oversight of compact procurement, an audit of grant facilities, an audit of pre-compact development funding, and an audit that will look at data quality for monitoring and evaluation. Our oversight plan also includes mandatory audits and assessments of the systems that facilitate MCC's core management functions. Our investigative efforts will continue to focus on detecting, deterring, and neutralizing fraud and corruption in infrastructure projects.

If you have any questions or would like to discuss this document further, please contact me at 202-712-1750; or Gary Middleton, Audit Director for MCC, at 202-216-3170.

⁷ USAID OIG, "[MCC Generally Implemented an Effective Information Security Program for Fiscal Year 2020 in Support of FISMA](#)" (A-MCC-21-001-C), November 5, 2020.

MCC Management's Response to the Inspector General



November 12, 2021

Mr. Thomas J. Ullom
Acting Inspector General
U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523

Dear Mr. Ullom:

I am writing in response to the U.S. Agency for International Development (USAID) Office of Inspector General's (OIG) Fiscal Year (FY) 2022 Top Management Challenges, which highlighted Millennium Challenge Corporation's (MCC) management challenges related to "Sustaining International Development Gains" and "Implementing Core Management Functions."

Attached to this transmittal is an update for the OIG and our stakeholders that highlights MCC's progress in these areas. MCC intends to continually collaborate with the OIG to enhance our ability to perform MCC's mission both effectively and efficiently in the future.

Sincerely,

Mahmoud Bah
Acting Chief Executive Officer
Millennium Challenge Corporation

Fiscal Year 2021 Top Management Challenges Identified by the Inspector General

MCC's Response to the OIG's FY 2022 Top Management Challenges Letter



The Millennium Challenge Corporation's ("MCC") response to the U.S. Agency for International Development ("USAID") Office of Inspector General's ("OIG") Fiscal Year 2022 Top Management Challenges (the "OIG 2022 Statement") is presented below. The OIG 2022 Statement identified the following management challenges for MCC:

- Sustaining International Development Gains
- Implementing Core Management Functions

MCC is committed to enhancing the effectiveness of its operations both domestically and abroad. MCC would like to note some initiatives related to each challenge and share its plans for continuing to address the challenges in 2022.

Sustaining International Development Gains

- Threshold Program – MCC is in the process of identifying a set of agency-wide strategic priorities to shape MCC's work over the next four years. As part of this process, the agency may reassess the objectives of the Threshold Program. Following this reassessment, MCC will develop a method to track and assess performance indicators to demonstrate the extent to which the Threshold Program is meeting its targets and achieving its overall objectives. MCC will develop indicators and targets no later than six months after establishing new agency-wide strategic priorities. If the agency decides to undertake a broader reassessment of the Threshold Program as part of these new strategic priorities, this timeline may need to be extended.

Regarding the OIG's recommendations to define "substantial implementation" for threshold programs, and to develop and implement a process for informing the MCC Board of Directors on the progress made toward substantial implementation by countries implementing a threshold program, MCC will implement these recommendations and complete final action during FY 2022.

- **Economic Rate of Return** – Based on the conclusions and recommendations in the draft Economic Rate of Return Report, MCC reiterates that the corporation’s commitment to rigorous standards of cost-benefit analysis underlying its investment portfolio is unique among international development donors, as the auditors learned during their interviews with officials with experience in MCC and other organizations. Notwithstanding MCC’s leadership in the field, the corporation recognizes the opportunities for expanding sector-specific guidance on cost-benefit analysis and improving the documentation of peer reviews conducted to enhance the reliability of the economic rate of return estimates that serve as a key pillar for MCC’s investment decisions. MCC will act to address the opportunities noted by OIG within the overall framework of the compact development process and MCC’s goals to launch investments that will deliver benefits in a timely manner for the intended beneficiaries.

Implementing Core Management Functions

- **Financial Statement Audit Recommendations** – MCC utilized past Financial Statement Audit Recommendations to improve its controls and oversight related to financial reporting. MCC diligently addressed and closed five out of the nine FY 2020 Financial Statement Audit Recommendations during FY 2021. Additionally, the agency submitted Final Actions in October 2021 for three out of the four remaining open recommendations with the expectation that the OIG will officially close these recommendations. MCC plans to address the last open FY 2020 Financial Statement Audit Recommendation during this fiscal year.
- **MCC Charge Card Program** – MCC received the Charge Card Report in late July 2021. It identified \$50 related to two transactions which were deemed illegal, erroneous, or improper payments or purchases which led to the moderate risk level. MCC submitted its corrective action plans to the OIG during mid-October related to the three recommendations and will submit our Final Actions by December 31, 2021.
- **FISMA Audit Recommendations** – MCC successfully submitted Final Actions on the two FY 2020 FISMA Recommendations in February and March 2021. The OIG officially closed both recommendations in October 2021. MCC will continue to improve its control environment and address future FISMA Audit Recommendations.

MCC appreciates the OIG’s commitment to oversight and improvement, and MCC shares the OIG’s interest in the prudent use of resources of both organizations. As OIG initiates and conducts audits of MCC programs, we look forward to continuing to work closely with the auditors with a goal of timely reports offering original solutions that enhance the benefits of MCC’s investments for the beneficiaries in our partner countries.

Summaries of Financial Statements Audit and Management Assurances

Table 7: Summary of Financial Statement Audit

Audit Opinion Unmodified Opinion
Restatement No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0				0
Total Material Weaknesses	0				0

Table 8: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA §2)

Statement of Assurances Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0					0
Total Material Weaknesses	0					0

Effectiveness of Internal Control over Operations (FMFIA §2)

Statement of Assurances Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0					0
Total Material Weaknesses	0					0

Conformance with Federal Financial Management System Requirements (FMFIA §2)

Statement of Assurances System conforms

Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0					0
Total Non-Conformances	0					0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FMFIA)

	Agency Auditor	Auditor
1. System Requirements	No lack of compliance noted	No lack of compliance noted
2. Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) was enacted to prevent and reduce improper payments and improve the integrity of the Federal government's payments and the efficiency of its programs and activities. OMB issued Memorandum M-21-19, Appendix C to OMB Circular No. A-123, *Requirements for Payment Integrity Improvement*, which modified previous guidance related to improper payments and payment integrity beginning with the Improper Payment Information Act of 2002. OMB Circular A-123 Appendix C contains requirements in the areas of improper payment identification and reporting. It requires agencies to review all programs and activities, identify those that may be susceptible to significant improper payments, estimate annual improper payments in susceptible programs and activities, and report the results of their improper payment activities. Additionally, it defines significant improper payments as annual improper payments in a program that exceed both 1.5 percent of program annual payments and \$10 million, or that exceed \$100 million, regardless of the error rate. Once those highly susceptible programs and activities are identified, agencies are required to estimate and report the annual amount of improper payments. Generally, an improper payment is any payment that should not have been made or that was made in an incorrect amount under a statutory, contractual, and administrative or other legally applicable requirement.

MCC is dedicated to reducing fraud, waste, and abuse by adequately reviewing and reporting programs susceptible to improper payments. MCC defines its programs in alignment with its major fund categories. MCC conducts risk assessments over all programs at least one time in a three-year period. MCC will perform risk assessments on a more frequent basis if funds experience any significant legislative changes and/or significant increases.

Recapture of Improper Payment Reporting

OMB Circular No. A-123, Appendix C requires agencies to have a cost-effective program of internal control to prevent, detect, and recover overpayments. For agencies that have programs and activities that expend more than \$1 million in a fiscal year, a payment recapture audit program is a required element of their internal controls over payments if conducting such audits is cost-effective. During previous assessment periods, MCC did not identify any funds susceptible to significant improper payments based on the risk assessment methodology. Although MCC self-identified improper payments, the improper payments did not exceed the OMB thresholds, and were identified as isolated incidents. These improper payments have been recovered or will be recovered during the upcoming fiscal year. Based on previous testing history and isolated nature of self-identified improper payments, MCC concluded that a payment recapture audit would not be cost effective and add benefit to the MCC internal control structure for all MCC funds.

MCC leverages the results of USAID/OIG audits, audits conducted at the AE's, and contract and grant closeouts to identify payment anomalies, and to target areas for improvement. In FY 2021, MCC conducted periodic data calls, in which key financial and acquisition personnel were asked to identify known, self-identified improper payments that have occurred and include details as to the transaction date, vendor, amount, explanation, and recovery date (if applicable).

Annually, MCC responds to a data call from OMB regarding improper payments. Further detail about MCC's recapture efforts in FY 2021 have been reported to OMB through the annual payment integrity data call and may be viewed at <https://paymentaccuracy.gov/>.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

Accurate and timely processing of payments is a high priority for MCC. The Improper Payment Elimination and Recovery Improvement Act of 2012 requires agencies to review pre-payment and pre-award information, determine program or award eligibility, and prevent improper payments before the release of any Federal funds.

MCC works diligently with its financial SSP to maintain oversight, identify, and prevent erroneous payments. MCC adjudicates those potential erroneous payments on the U.S. Department of Treasury's Do Not Pay (DNP) portal and researches all matches or flags payments for any probable or possible improper payments. During FY 2021, MCC issued no stop payment orders and the Treasury DNP system portal did not report any payments with matches either through the Death Master File or the System for Award Management system of the USG.

Managing Fraud

MCC utilized the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* and OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* to establish MCC's Anti-fraud and Corruption Program to ensure compliance with the Act, along with GAO's *A Framework for Managing Fraud Risks in Federal Programs* as a best practice. MCC's Anti-fraud and Corruption Program is managed by the Anti-Fraud and Corruption (AFC) Team, led by the Office of the General Counsel. The AFC Team provides direction and oversight to the agency as it relates to preventing and detecting fraud in MCC-funded operations under its compact and threshold programs. Compacts and Thresholds are carried out by MCC and its AE's, which implement each country's MCC Compact or Threshold Program.

In conjunction with the agency's ERM Program and efforts to meet Circular A-123 requirements, MCC conducted a fraud risk assessment to identify inherent fraud risks and subsequently fraud schemes which could potentially affect the agency's programs, in alignment with the GAO's, *A Framework for Managing Fraud Risks in Federal Programs*. The fraud risk assessment was conducted to:

1. Identify inherent fraud risks affecting the agency's programs
2. Assess the likelihood and impact of identified inherent fraud risks

The results of the fraud risk assessment were used by MCC management to determine the agency's fraud risk tolerance, assess the suitability of existing fraud controls and prioritize residual fraud risks, and document an agency fraud risk profile. MCC will use the fraud risk profile in conjunction with the results of the fraud risk assessment to continue to strengthen the agency's capabilities to prevent, detect, and reduce fraud in FY 2022.

Grant Programs

Below is a summary (Table 9) of the total number of awards and balances for which closeout has not yet occurred, but for which the period of performance has elapsed by two years or more prior to September 30, 2021 (i.e., on or before September 30, 2019).

Table 9: Summary of Expired, but not Closed, Federal grants and cooperative agreements (awards) as of September 30, 2021

Category	2-3 Years	> 3-5 Years	> 5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	1	-	-
Number of Grants/Cooperative Agreements with Undispersed Balances	-	-	-
Total Amount of Undispersed Balances (in thousands)	\$ -	\$ -	\$ -

Appendix A: Acronyms

Acronym	Definition
A	
ACFD	American Catalyst Facility for Development
AE	Accountable Entity
AFC	Anti-Fraud and Corruption
AFR	Agency Financial Report
AICPA	American Institute of Certified Public Accountants
APR	Annual Performance Report
C	
CBJ	Congressional Budget Justification
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CISA	Cybersecurity and Infrastructure Security Agency
CSRS	Civil Service Retirement System
D	
DATA Act	Digital Accountability and Transparency Act of 2014
DEI	Diversity, Equity, and Inclusion
DFC	United States International Development Finance Corporation
DNP	Do Not Pay
DOL	Department of Labor
E	
EIF	Entry into Force
ERM	Enterprise Risk Management
ERR	Economic Rate of Return
F	
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FERS	Federal Employees Retirement System
FFATA	Federal Funding Accountability and Transparency Act of 2006
FFMIA	Federal Financial Management Improvement Act of 1996

Acronym	Definition
FISMA	Federal Information Security Modernization Act of 2014
FMFIA	Federal Managers Financial Integrity Act of 1982
FPPS	Federal Personnel Payroll System
FR	Financial Report
FY	Fiscal Year
G	
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
I	
IBC	Interior Business Center
IT	Information Technology
ITP	Innovation Technology Program
L	
LIC	Lower Income Countries
LMIC	Lower Middle-Income Countries
M	
M&E	Monitoring and Evaluation
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MD&A	Management's Discussion and Analysis
MIIA	Millennium Impact Infrastructure Accelerator
MOU	Memorandum of Understanding
N	
NDC	Nationally Determined Contributions
O	
OFF	Oracle Federal Financials
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPIC	Overseas Private Investment Corporation
OPM	Office of Personnel Management
P	
PIIA	Payment Integrity Information Act of 2019
PL	Public Law
PP&E	Property, Plant, and Equipment

Acronym	Definition
S	
SAAS	Software as a Service
SBA	U.S. Small Business Administration
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
SSAE	Statement on Standards for Attestation Engagements
SSP	Shared Service Provider
T	
TIP	Trafficking in Persons
TSP	Thrift Savings Plan
U	
UMIC	Upper Middle-Income Countries
USAID	United States Agency for International Development
USAID/OIG	United States Agency for International Development Office of the Inspector General
U.S.C.	United States Code
USD	United States Dollars
USG	United States Government
USSGL	U.S. Standard General Ledger



MCC Welcomes Your Comments

MCC welcomes comments and suggestions regarding this report.

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