

**NATIONAL PROGRAM FOR COMPETITIVENESS -PRONACOM-**

**Financial Audit of Threshold Program Grant Agreement between the  
Government of Guatemala and the United States of America through  
Millennium Challenge Corporation**

**From October 1, 2019 to September 30, 2020**

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Boulevard Los Próceres 13-50 Zona 10, Edificio Centro Corporativo  
Los Próceres, Torre 2, Nivel 4, Oficina 402, Guatemala, C. A.  
PBX: (502) 2224-7700  
e-mail.: [director@amorycpa.com](mailto:director@amorycpa.com)

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Guatemala, November 11, 2020

Ms. Francisca de Jesus Cardenas Moran  
**Director**  
**National Program for Competitiveness –PRONACOM-  
Guatemala**

Dear Ms. Cardenas:

This report contains the results of our financial audit to Threshold Program Grant Agreement between the Government of Guatemala and the United States of America acting through Millennium Challenge Corporation for the period from October 1, 2019 to September 30, 2020.

### **BACKGROUND**

Our firm was hired in April 2018 by the Ministry of Economy through the National Program for Competitiveness –PRONACOM- to perform a “Financial Audit of MCC Resources Administered by PRONACOM” coming from Threshold Program Grant Agreement signed between the Government of Guatemala and the United States of North America acting through Millennium Challenge Corporation for the period from April 8, 2015 to September 30, 2017.

On December 20, 2018, MCC's no objection was notified for the final report of the base period audit.


With the no objection to the base period report, the continuity for the review of option 1 of the Program is confirmed for the period from October 1, 2017 to September 30, 2018.

On November 19, 2019 MCC confirmed its no objection to our continuity as the external auditors hired for the period from October 1, 2018 to September 30, 2019.

On August 14, 2020, approval was received to perform the audit of option three, corresponding to the year from October 1, 2019 to September 30, 2020.

### **THE ENTITY**

National Program for Competitiveness –PRONACOM-, is a participative program, facilitator of efforts and inter-institutional alliances among public and private sector, civil society and academy, for the development of human and business capital that generate investment, and contribute to decentralized development of the country,



improving the quality of life of Guatemalan citizens and generate opportunities to formal employment.

The activities coordinated by PRONACOM come from the National Agenda for Competitiveness (ANC), whose purpose is to increase productivity levels for local economy, addressing constraints that limit business development and investment.

PRONACOM was established through Grant Agreement 306-2204 modified through Governmental agreements 21-2008, 39-2016 and 192-2016. The agreement established PRONACOM is integrated by three organs: a. The Executive Committee, b. the Advisory Commission and c. the Special Unit for Execution.

The objective of the threshold program is to support the reforms promoted by the Government to improve the quality and relevance of the level of secondary education in Guatemala and increase the tax revenues that allow the Government to address the restrictions on economic growth. The Program includes the following Projects and activities:

**Education Project:**

Activity 1: Improvement of the Educational Quality in Support of School Success in the Basic Cycle.

Activity 2: Improve Training for Diversified Cycle Work.

Activity 3: Strengthen the Institutional and Planning Capacity.

**Resource Mobilization Project:**

Activity 1: Improvement of the Tax and Customs Administration.

Activity 2: Strengthening the Capacity to Form Public-Private Partnerships (PPP).

**THE AGREEMENT**

On April 08, 2015, the Government of Guatemala signed the Threshold Program Grant Agreement with the Government of the United States of America, acting through the Millennium Challenge Corporation –MCC– with the purpose to assist Guatemala in supporting the implementation of fundamental institutional and policy reforms that address binding constraints to economy growth in the country.

The program financing is through MCC subject to grant agreement terms and conditions not to exceed USD 28,000,000.00; the agreement term is from April 08, 2015 to April 30, 2019.

The implementation letter dated July 20, 2018 is issued with the purpose to extend the Agreement's termination date for the Threshold Program Grant Agreement (the agreement), dated April 8, signed between the United States of America, 2015,

acting through the Millennium Challenge Corporation (MCC) and the Government of the Republic of Guatemala.

According to Section 6.1 of the agreement, April 19, 2019 was initially agreed as the termination date. On June 20, 2017 the termination date was extended to April 30, 2020. A further request was issued by PRONACOM to extend the termination date through December 31, 2020.

Therefore, in conformity with section 7.7 (b) (ii) of the agreement, MCC agrees to confirm a second extension to the termination date, from April 30, 2020 to December 31, 2020.

The proposed extension will be financed through the reallocation of the grant remaining funds and should be determined by PRONACOM and MCC no later than September 30, 2018.

The objective of the threshold program is to support reforms initiated by the Government to support the quality and relevance of secondary education in Guatemala and to increase fiscal revenues to enable the Government to address constraints to economic growth.

## **OBJECTIVES**

### **General:**


The Objective of this assignment is to perform a financial and compliance audit to the Fund Accountability Statement –FAS- of Threshold Program Grant Agreement implemented by Ministry of Economy through the National Program for Competitiveness – PRONACOM for the period from October 1, 2019 to September 30, 2020.

Our audit was performed in conformity with Government Auditing Standards approved by the Comptroller General of the United States of America and the Interim Guidelines for Financial Audits contracted by the Millennium Challenge Corporation's Accountable Entities (MCC's Interim Guidelines) and consequently included those tests to the accounting records we considered necessary under the circumstances.

### **Specific objectives:**

The audit specific objectives are:

- Issue an opinion about whether the Fund Accountability Statement fairly presents, in all material aspects the income received by the program, incurred and reimbursed expenses, acquired assets and technical assistance directly



provided to PRONACOM for the period ended, in conformity with agreement and complementary terms under the accounting basis described in accompanying financial notes.

- Evaluate and obtain an understanding of the internal controls of PRONACOM related to the program financed by MCC, evaluate control risks and identify reportable conditions, including material and significant weaknesses in the internal control. This evaluation should include those internal controls related to contributions on shared expenses, while established in the agreement.
- Conduct test to determine whether PRONACOM has complied, in all material aspects, with the agreement, complementary agreements, laws and regulations applicable to the program financed by MCC. Any observed material noncompliance or illegal act should be identified. Audit test should include requirements on contributions to shared costs if applicable. Specifically, the auditor should perform tests to determine whether PRONACOM has complied, in all material aspects, with the guidelines on program procurement issued by MCC and the fiscal responsibility plan valid for the audit period.
- Determine whether PRONACOM has implemented adequate corrective actions related to finding on prior audits, while applicable.


### **Scope limitations**

- There were no limitations to our scope, nor were there uncertainties related to the reliability or validity of the examined evidence, used as the basis for our conclusions.

### **PRELIMINARY AUDIT STEPS**

The scope of our work included non limitative review of applicable documents considered necessary as to conduct our audit:

1. The grant and/or any preliminary agreement between MCC and the Government of Guatemala. We have reviewed the documents applicable to the agreement to improve our understanding of the Project.
2. Other documents, including on a non limitative basis: the Fiscal Responsibility Plan (FAP), the Procurement Operational Manual (POM), the procurement plan, the guidelines for public procurement from MCC program, the Monitoring and Evaluation Plan.

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3. All financial and progress program reports; procurement policies and procedures.
  4. Review of Fund Accountability Statement (FAS).

We examined the Fund Accountability Statements (FAS) prepared by PRONACOM, including budgeted amounts by category and important items, disbursements from MCC for the audited period and costs reports as incurred during the period. Our audit opinion was issued according to SAS 62 (AU623).

The scope of our review to the Fund Accountability Statement (FAS) included:

- a) Review approved expenses and disbursed by MCC, and those incurred expenses pending of payment, identifying and quantifying any questionable expense. All expenses not supported with proper documents or not complying with the agreement terms to be reported as questionable expenses. Those expenses pending to be reimbursed were properly identified in the Fund Accountability Statement.
- b) Questionable expenses were included in the Fund Accountability Statement through two separate categories as (a) non eligible expenses to be non reasonable; forbidden by the agreement and applicable laws and regulations or non related with the program and (b) non documented expenses supported with improper documentation or without proper previous approval or authorization. All questionable expenses resulting from noncompliance with the agreement, laws and regulations should be included as findings in the report on compliance. References included in the Fund Accountability Statement should provide a brief description of questionable expenses and be related with those findings included in the compliance report.
- c) General Ledger and program accounting records were reviewed to determine whether incurred expenses were properly registered. Collected direct expenses and reimbursed by MCC to the program were reconciled to the accounting records.
- d) We determined reimbursement requests to MCC, were supported with proper documents. We verified any financing from MCC was duly registered in the accounting records.
- e) We reviewed the procurement process to determine sound commercial practices were applied including fair competition, obtaining reasonable prices and proper controls to verify quality and amounts received. Approved procurement were made in conformity with the guidelines for

public procurement from MCC program, approved procurement plan and fiscal responsibility plan.

- f) We reviewed direct payment of salaries to determine fair amounts for each position according to MCC approval were required and supported by proper payroll records, including employment contracts for PRONACOM staff. We verified neither overtime payments nor allowance and other complementary payments were paid. We determined salary increases or changes in received benefits were approved according to PRONACOM's policies and procedures and properly reviewed, approved and supported. We verified non allowed salaries were reported.
- g) We reviewed reported charges on travel and transportation to determine proper support and authorization. We verified travel expenses comply with proper support documentation and are according to agreement terms and applicable regulations.
- h) We reviewed the commodities (supplies, materials, equipment, goods, etc.) provided by PRONACOM. We verified the assets exist and are used for program purposes according to agreement terms and related agreements and proper procedures are applied to assure assets protection.
- i) We reviewed the technical assistance and contracted services to determine the assistance and services were used for program purposes according to the agreement terms.

## 5. Internal Control

We reviewed and evaluated the internal controls of PRONACOM regarding the grant agreement financed by MCC according to AICPA guidelines included in SAS 109, 115 and 74, identifying any reportable condition to be considered a significant finding.

Evaluated significant internal controls included but were not limited to the adequacy of accounting system, policies and procedures on purchasing and other related controls necessary to assure than costs and expenses charged to the program were adequate and properly supported and controls related with assets use and protection were implemented. We evaluated and reviewed the internal control structure of PRONACOM with the purpose to obtain an understanding on designed policies and controls and its application.

We evaluated the control environment, the adequacy of accounting system and control procedures, with emphasis on pertinent policies and procedures



applied to register, processing, summarizing and reporting consistent financial information according to assertions included in the accounts reported in the Fund Accountability Statement.

**6. Compliance with Agreement terms, Laws and Applicable Regulations.**

We identified grant agreement terms, laws and applicable regulations, with the purpose to determine those, while not observed, might have a direct material effect in the Fund Accountability Statement according to guidelines included in SAS 74.

We determined payments have been disbursed according to agreement terms, laws and applicable regulations.

We determined funds were expensed according to program purposes and agreement terms.

We identified any cost not considered to be appropriate, classifying and reporting as a questionable cost.

We determined the information included in the financial reports and reimbursement requests of PRONACOM are supported and included in the accounting records.

**7. Follow-up on prior audit recommendations.**

The Reference Agreement has been audited in previous years and we have followed up on the action plan for the implementation of the recommendations to the findings, following for this purpose chapter 4 of the Government Auditing Standards.

**8. Indirect Cost Rate**

The agreement does not establish indirect cost rates.

**AUDIT RESULTS**

As result of the audit for the period from October 1, 2019 to September 30, 2020, the following conclusions were obtained:

**A. Cost-Sharing Contributions**

The agreement does not establish Cost-Sharing Contributions.

**B. Internal Control**

In planning and executing our audit, we considered the internal controls of PRONACOM to determine audit procedures with the purpose to express an opinion on the Fund Accountability Statement and not to provide security of internal control. The results of our audit did not disclose reportable conditions related with the internal control system and its performance.

**C. Compliance with Agreement Terms and Applicable Laws and Regulations**

As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material errors, we performed tests of compliance with the agreement terms, laws and regulations. However, our objective was not to express an opinion on the general compliance of such matters and therefore we do not express any opinion.

The result of our tests did not disclose material instances of non-compliance.

**D. Follow-up on previous audit recommendations**

We reviewed the follow-up on the recommendations included in prior year report. We consider the management of the Threshold program has complied with the implementation of suggested recommendations.

**E. Indirect Cost Rates**

No procedures were performed to review indirect cost rate since the agreements executed by PRONACOM do not include an Indirect Costs rate authorized by MCC.

**MANAGEMENT COMMENTS**

The content of this report was discussed with the management of PRONACOM and representatives of our Firm, and suggested changes were discussed and included.

**AMORY GONZALEZ, CPA**



Lic. H. Amory González C.  
Colegiado No. 035

**INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT**

Ms. Francisca de Jesus Cardenas Moran  
**Director**  
**National Program for Competitiveness –PRONACOM-**  
**Guatemala**

We have audited the Fund Accountability Statement of the Threshold Program Grant Agreement, provided with funds from the Millennium Challenge Corporation, and executed by the National Program for Competitiveness –PRONACOM-, for the period from October 1, 2019 to September 30, 2020. The Fund Accountability Statement is the responsibility of the management of PRONACOM. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit on the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the fund accountability statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- a) We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. However, our current program provides for at least forty (40) hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement. It includes the participation in training programs from AICPA with the support of internet.
- b) We did not have an external quality control review by an unaffiliated external audit control organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, since no such program is offered by professional organizations in Guatemala and such a review program is not required by the local auditing standards accepted in Guatemala. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the DFK International worldwide internal quality control review program, which requires our office to be subject, every

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three years, to an extensive quality control review by partners and managers from other affiliate offices.

In our opinion, the fund accountability statement referred to above presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and assets and technical assistance directly procured by MCC for the year from October 1, 2019 to September 30, 2020 in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 3 (b).

In accordance with U.S. Government Auditing Standards, we have also issued our reports dated November 11, 2020, on our consideration of Threshold Program Grant Agreement, provided with funds from the Millennium Challenge Corporation, and executed by National Program for Competitiveness –PRONACOM-, internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed in accordance with U.S. Government Auditing Standards and should be read in conjunction with this Independent Auditor's Report in considering the results of our audit.

This report is intended for the information of PRONACOM and the Millennium Challenge Corporation. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

**AMORY GONZALEZ, CPA**



Lic. H. Amory González G.  
Colegiado No. 035  
Guatemala, November 11, 2020

**Millennium Challenge Corporation's - PRONACOM  
Threshold Program  
Fund Accountability Statement  
From October 1, 2019 to September 30, 2020  
(Expressed in US Dollars)**

ACTIVITY	BUDGET	ACTUAL COSTS				QUESTIONED COSTS	
		From April 8, 2015 to September 30, 2019	From October 1, 2019 to September 30, 2020	Note	CUMULATIVE	INELIGIBLE	UNSUPPORTED
Funds from MCC	28,000,000	14,434,534	6,279,126	7	20,713,660	-	-
Interest recived from permitted Accounts	-	-	-		-	-	-
<b>Total Revenue</b>	<b>28,000,000</b>	<b>14,434,534</b>	<b>6,279,126</b>		<b>20,713,660</b>	-	-

COSTS INCURRED						QUESTIONED COSTS	
	BUDGET	From April 8, 2015 to September 30, 2019	From October 1, 2019 to September 30, 2020	Note	CUMULATIVE	INELIGIBLE	UNSUPPORTED
<b>1. Education Project (EDU)</b>	<b>19,346,000</b>	<b>11,509,198</b>	<b>5,533,529</b>		<b>17,042,727</b>	-	-
<b>1.1 Improving the Quality of Education (0277)</b>	<b>12,000,000</b>	<b>7,444,289</b>	<b>3,296,064</b>		<b>10,740,353</b>	-	-
1.1.a Education Project Implementation Contract		4,949,714	1,606,713	8	6,556,427	-	-
1.1.b Grants to Universities for Teacher Training (Diploma)		2,494,046	1,689,351	9	4,183,397	-	-
1.1.c Other		529	-		529	-	-
<b>1.2 Developing Technical and Vocational Education and Training (0400)</b>	<b>4,300,000</b>	<b>1,795,444</b>	<b>1,632,953</b>		<b>3,428,397</b>	-	-
1.2.a TVET		1,795,444	1,632,953	10	3,428,397	-	-
<b>1.3 Strengthening Institutional and Planning Capacity (0043)</b>	<b>3,046,000</b>	<b>2,269,465</b>	<b>604,512</b>		<b>2,873,977</b>	-	-
1.3.a Education Project Implementation Contract		2,099,093	518,295	8	2,617,388	-	-
1.3.b Education Project Coordination team		163,102	91,227		254,329	-	-
1.3.c Other		7,270	(5,010)	11	2,260	-	-
<b>2. Resource Mobilization Project (REV RFRM)</b>	<b>6,160,000</b>	<b>1,976,579</b>	<b>289,763</b>	<b>12</b>	<b>2,266,342</b>	-	-
<b>2.1 Improving Tax and Customs Administration (0443)*</b>	<b>2,600,000</b>	<b>436,406</b>	<b>281,760</b>		<b>718,166</b>	-	-
2.1.a Tax and Customs		436,406	281,760		718,166	-	-
<b>2.2 Strengthening Public-Private Partnership Capacity (0414)</b>	<b>3,560,000</b>	<b>1,540,173</b>	<b>8,003</b>		<b>1,548,176</b>	-	-
2.2.a Advisors		469,300	8,003		477,303	-	-
2.2.b Feasibility Studies/ Transaction Advisory Services		1,030,229	-		1,030,229	-	-
2.2.c Other		40,644	-		40,644	-	-
<b>3. M&amp;E (MON &amp; Eval)</b>	<b>1,431,000</b>	<b>336,177</b>	<b>88,622</b>	<b>13</b>	<b>424,799</b>	-	-
<b>Monitoring and Evaluation (0016)</b>	<b>1,431,000</b>	<b>336,177</b>	<b>88,622</b>		<b>424,799</b>	-	-
3.1.a Student Assessment		315,527	63,809		379,336	-	-
3.1.b Teacher Evaluations		-	-		-	-	-
3.1.c Voc Ed Tracer Studies		-	-		-	-	-
3.1 d Other		20,650	24,813		45,463	-	-
<b>4. Program Admin (PGM ADMIN)</b>	<b>1,063,000</b>	<b>612,580</b>	<b>367,212</b>		<b>979,792</b>	-	-
<b>Program Administration (0017)</b>	<b>1,063,000</b>	<b>612,580</b>	<b>367,212</b>		<b>979,792</b>	-	-
4.1.a Staff Compensation		484,985	278,678	14	763,663	-	-
4.1.b Travel		31,815	16,884		48,699	-	-
4.1.c Audit		49,000	36,000		85,000	-	-
4.1.d Other		46,780	35,650		82,430	-	-
<b>Total Costs Incurred</b>	<b>28,000,000</b>	<b>14,434,534</b>	<b>6,279,126</b>		<b>20,713,660</b>	-	-

Excess of Revenue Over Costs Incurred	-	-	-	-	-	-
Fund Balance October 1, 2019	-	-	-	-	-	-
Fund Balance September 30, 2020	-	-	-	-	-	-

\* This activity (0443) is partially MCC-Managed

The enclosed notes are integral part of this statement

**Financial Audit of Threshold Program Grant Agreement between the  
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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
For the period from October 1, 2019 to September 30, 2020  
(Expressed in US Dollars)**

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**1. THE EXECUTING ENTITY**

The National Program for Competitiveness -PRONACOM-, is a participatory national program, facilitating inter-institutional efforts and alliances between the public, private, civil society and academia, for the development of the competitiveness of human and business capital that generates investment, contributes to the decentralized development of the country, improve the quality of life of Guatemalans and generate opportunities for formal employment.

Activities coordinated by PRONACOM are governed by the National Competitiveness Agenda (ANC), whose objective is to make efforts to improve the levels of productivity of the country's economy, addressing constraints that limit business development and investment.

PRONACOM was created through Government Agreement 306-2004, which has been reformed through Government Agreements 21-2008, 39-2016 and 192-2016. This Governmental Agreement establishes that PRONACOM is made up of three organs: a. The Executive Committee, b. The Advisory Board and c. The Special Execution Unit.

It also establishes that the Special Execution Unit will be in charge of executing the guidelines of the Executive Committee, it will be directed by an Executive Director appointed by the Minister of Economy at the proposal of the Executive Committee and attached to the Ministry of Economy.

Reason for which the Special Unit of Execution of the Program was created through Ministerial Agreement number 675-2012 dated December 14, 2012, of the Ministry of Economy, in compliance with the terms and stipulations contained in the IADB Loan Agreement 1734 / OC-GU, signed on August 24, 2012, between the Republic of Guatemala and the Inter-American Development Bank (IADB), attached to the Vice Ministry of Investment and Competition, which is derived from the cooperation and / or donation agreements signed with national and international organizations, had to be updated by means of a new legal provision. This being Ministerial Agreement 320-2016 of the Ministry of Economy.

According to the Governmental Agreement 192-2016, it establishes the following work attributions:

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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
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- Promote actions and policies that improve the conditions for productive investment in the country.
- Support the formation of productive conglomerates and services, identified as potentially competitive and monitor their strengthening and development.
- Support the formation of Local Development Agendas, at the municipal or regional level, aimed at promoting sustainable human and productive development.
- Execute projects and programs of agreements agreed with Governments and Organizations, national and international, signed by the competent authorities, when assigned.

**2. THE AGREEMENT**

On April 8, 2015, the Grant Agreement for the Threshold Program between the Republic of Guatemala and the United States of America was signed, acting through the Millennium Challenge Corporation -MCC- in order to assist Guatemala, supporting the implementation of institutional reforms and fundamental policies that address the restrictions binding on economic growth in Guatemala.

The financing of the Program is through MCC subject to the terms and conditions of the Agreement, for an amount not exceeding US\$ 28,000,000.00, the validity of the Agreement is from April 8, 2015 to April 30, 2019.

According to implementation letter dated July 20, 2018, it is issued for the purpose of extending the date of the Grant Agreement of the Threshold Program of the Millennium Challenge Corporation (the Agreement), dated April 8, 2015, signed between the States United of America, acting through the Millennium Challenge Corporation (the MCC) and the Republic of Guatemala (Guatemala), acting through its government.

In accordance with section 6.1 of the Agreement, it was initially designated on April 19, 2019 as the end date. On June 20, 2017, the Program was extended until April 30, 2020. A request was received from PRONACOM to extend the end date until December 31, 2020.

**Financial Audit of Threshold Program Grant Agreement between the  
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**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
For the period from October 1, 2019 to September 30, 2020  
(Expressed in US Dollars)**

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Therefore, in accordance with section 7.7 (b) (ii) of the Agreement, the MCC agrees to extend for the second time the end date, from April 30, 2020 to December 31, 2020.

It should be noted that this proposed expansion will be financed through the reallocation of the remaining funds of the Grant, which must be determined by PRONACOM and the MCC no later than September 30, 2018.

The objective of the Program is to support the reforms promoted by the Government to improve the quality and relevance of the level of secondary education in Guatemala and increase the tax revenues that allow the Government to address the restrictions on economic growth. The Program includes the following Projects and activities:

**Education Project:**

Activity 1: Improvement of the Educational Quality in Support of School Success in the Basic Cycle.

Activity 2: Improve Training for Diversified Cycle Work.

Activity 3: Strengthen the Institutional and Planning Capacity.

**Resource Mobilization Project:**

Activity 1: Improvement of the Tax and Customs Administration.

Activity 2: Strengthening the Capacity to Form Public-Private Partnerships (PPP).

The budget assigned to the Threshold Program is as follows:



**Financial Audit of Threshold Program Grant Agreement between the Government of Guatemala and the United States of America through Millennium Challenge Corporation**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
For the period from October 1, 2019 to September 30, 2020  
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Project (code)	Act	Original Program Multi-Year Financial Plan in Grant Agreement	Increase	Decrease	Proposed Adjusted Multi-Year Financial Plan
<b>Activity (code)</b>					
<b>1. Education Project (EDU)</b>		<b>19,700,000</b>	<b>763,100</b>	<b>- 400,000</b>	<b>20,063,100</b>
1.1 Improving the Quality of Education (277)	0277	12,000,000	-	-	12,000,000
1.2 Developing Technical and Vocational Education and Training (0400)	0400	4,700,000	490,000	- 400,000	4,790,000
1.3 Strengthening Institutional and Planning Capacity (0043)	0043	3,000,000	273,100	-	3,273,100
<b>2. Resource Mobilization Project (REV RFRM)</b>		<b>4,000,000</b>	<b>1,215,000</b>	<b>- 2,022,600</b>	<b>3,192,400</b>
2.1 Improving Tax and Customs Administration (0443)*	0443	-	1,215,000	-	1,215,000
2.2 Strengthening Public-Private Partnership Capacity (0414)	0414	4,000,000	-	- 2,022,600	1,977,400
<b>3. M&amp;E (MON &amp; EVAL)</b>		<b>1,700,000</b>	<b>-</b>	<b>- 269,000</b>	<b>1,431,000</b>
Monitoring and Evaluation (0016)	0016	1,700,000	-	- 269,000	1,431,000
<b>4. Program Admin (PGM ADMIN)</b>		<b>800,000</b>	<b>713,500</b>	<b>- 2,500</b>	<b>1,511,000</b>
Program Administration (0017)	0017	800,000	713,500	- 2,500	1,511,000
<b>Total</b>		<b>26,200,000</b>	<b>2,691,600</b>	<b>- 2,694,100</b>	<b>26,197,500</b>
* This activity (0443) is partially MCC-Managed					
<b>MCC Managed Fund</b>					
<b>2. Resource Mobilization Project (REV RFRM)</b>		<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>1,800,000</b>
2.1 Improving Tax and Customs Administration		1,800,000	-	-	1,800,000
<b>4. Program Admin (PGM ADMIN)</b>		<b>-</b>	<b>-</b>	<b>2,500</b>	<b>2,500</b>
Program Administration (0017)	0017	-	-	2,500	2,500
<b>Total</b>		<b>1,800,000</b>	<b>-</b>	<b>2,500</b>	<b>1,802,500</b>
<b>Grand Total</b>		<b>28,000,000</b>	<b>2,691,600</b>	<b>- 2,691,600</b>	<b>28,000,000</b>

**3. MAIN ACCOUNTING POLICIES**

The following is a summary of the main accounting policies used in the preparation of the Fund Accountability Statement:

- A. Basis of Presentation** - The Financial Statements for the period from October 1, 2019 to September 30, 2020 includes the disbursements and payments made by the agreement described in note 2 above.
- B. Accounting Basis** - The Financial Statements of Accounts were prepared in accordance with modified cash basis, which is an accepted accounting basis and different from the International Financial Reporting Standards (IFRS). This basis differs from the IFRS in that the income is recorded when it is received and the expenses when they are actually disbursed, do

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not accumulate the record of liabilities, purchases of property, plant and equipment are recorded as disbursements and are not capitalized.

- C. Budget Execution** - The budget execution of the Agreement described in note 2 above is approved directly by the administration of the Threshold Program, through amendments to the Agreement, in which all the expenses per activity are authorized. PRONACOM maintains accounting controls and records at the level of expense accounts and not by activity.

**4. AGREEMENTS WITH OTHER ENTITIES**

As of September 30, 2020, Cooperation Agreements were signed with the following entities:

- a) National Agency of Partnerships for the Development of Economic Infrastructure "ANADIE"**

On March 16, 2017 the inter-institutional cooperation agreement between the Ministry of Economy and the National Agency of Partnerships for the Development of Economic Infrastructure "ANADIE" was signed for the implementation of the Resource Mobilization Project, within the framework of the Threshold Program of the Millennium Challenge Corporation.

**Objective of the Agreement**

Establish the operating framework for the implementation of the Resource Mobilization Project, specifically to strengthen the capacity to finance infrastructure through public-private partnerships as a measure to preserve limited public funding for social expenditures such as education.

**Project description**

The project seeks to support the efforts of the Government, mainly the National Agency of Partnerships for the Development of Economic Infrastructure (ANADIE), to foster the capacity to implement Public-Private Partnerships, promote transparency in Public-Private Partnerships, evaluate direct liabilities and contingents of the Public-Private Partnerships and promote one or two Public-Private Partnership

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projects to the market by financing feasibility studies that form the basis of technical, financial and legal structuring, value-for-money analysis and other requirements so that projects can be tendered as well as transaction advisory services.

**Term**

The term of the agreement is subject to the date of termination of the Agreement of the Threshold Program from the date of its subscription.

**b) Ministry of Education**

On March 16, 2017, the Inter-Institutional Cooperation Agreement was signed between the Ministry of Economy and the Ministry of Education, for the execution of the Education Project, within the framework of the Threshold Program of the Millennium Challenge Corporation.

**Objective**

Establish the operating framework for the execution of the Project for Education of the Threshold Program between MINEDUC and MINECO, derived from the objectives as well as coordination mechanisms between both Ministries.

**Project description**

Support efforts aimed at providing quality education that prepares the diverse Guatemalan youth to succeed in the labor market. To achieve this goal, it has been proposed to work on the following activities:

- 1) Improvement of educational quality in support of school success in the basic cycle that includes training processes for teachers and directors in service, the organization of educational networks and educational support at the middle level.
- 2) Improve the training for the work of the diversified cycle: it includes the design of diversified careers according to occupational families, the design of the company-school training program, teacher training in technical areas, and the piloting of the designed careers.

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- 3) Strengthen the institutional and planning capacity: it includes the analysis of the efficiency and effectiveness of delivery modalities of the basic cycle, the strengthening of the planning of educational services at the middle level, as well as actions to improve recruitment and selection of teachers of secondary education level. The MINEDUC in consultation with the MINECO through PRONACOM and the MCC will define the coverage areas of the education project.

**Term**

The term of this agreement is subject to the date of termination of the Threshold Program Agreement from the date of its subscription.

**c) Superintendence of Tax Administration**

On November 21, 2017, the Inter-Institutional Cooperation Agreement between the Ministry of Economy and the Superintendence of Tax Administration -SAT- was signed for the implementation of the Resource Mobilization project, within the framework of the Threshold program of the Millennium Challenge Corporation.

**Project description**

Support Guatemalan government reforms to increase the availability of resources by improving efficiency in tax and customs administration.

**Amount**

The amount of the donation for the activity Improvement in the Tax and Customs Administration amounts to the amount of US \$ 2,600,000.00, which are broken down as follows:

- 1) US \$ 1,800,000.00 for the Improvement of the Tax and Customs Administration; administered directly by MCC, for which MCC has signed an agreement with the Technical Assistance Office of the United States Department of the Treasury (OTA).

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- 2) US \$ 800,000.00 for the support and strengthening of the SAT, whose destination will be determined by common agreement between the SAT and MINECO.

**Validity**

The agreement will enter into force from the date of its subscription, until the date of termination of the Threshold Program Grant Agreement.

**5. AVAILABLE CASH AND BANKS**

PRONACOM does not administer funds from the Threshold Program, due to the Grant Agreement establishes that payments will be made directly by MCC to the suppliers of goods and services, based on the Disbursement Requests.

**6. ASSETS**

The assets acquired by the Threshold Program were recorded as disbursements of the budget execution, however PRONACOM, provided adequate control and custody procedures, through liability cards and administrative records of receipt of assets and the corresponding registration in the fixed asset book.

**7. DISBURSEMENTS**

The disbursements made by MCC, as of September 30, 2020, are as follows:

October - December 2019	1,976,976
January - March 2020	2,279,065
April - June 2020	1,269,519
July - September 2020	753,566
	<u>6,279,126</u>

**8. IMPROVING EDUCATION QUALITY**

On March 30, 2017, the contract No. MCC-FC-001-2017 was signed to carry out a consultancy "Implementation of a program aimed at improving the quality of education in the Basic Cycle", with FAMILY HEALTH INTERNATIONAL, (FHI 360) for a value of US \$ 10,365,892. According to the

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amendment to contract No. PU-MCC-001-2017, on August 13, 2020 MCC gave no objection.

**Objective**

Provide advice and guide MINEDUC to define a plan to reopen educational centers for 2020 or 2021 -as defined by national authorities; advise for decision-making and support in the generation of protocols (for teachers, principals, students) for the return to face-to-face classes that give security and tranquility to parents and recommend on topics such as: school meals, reception of children and young people in educational centers, protocols if they are received gradually, emotional support protocol, among others.

The amount according to the financial proposal of FHI 360 corresponds to US \$ 171,320.93 for the component of Strengthening the MINEDUC'S Planning capacity.

During the year the following payments were made, against delivery of products and their due authorizations:

PRF	PAYMENT DAY	CODE	ACT	CONTRACT	BENEFICIARY	INVOICE	AMOUNT
332	10/23/2019	1.1.a	277	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	38	51,829
370	12/23/2019	1.1.a	277	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	40	518,295
378	1/28/2020	1.3.a	43	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	26R	103,659
400	3/1/2020	1.3.a	43	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	44	103,659
405	3/20/2020	1.1.a	277	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	46	518,295
405	3/20/2020	1.3.a	43	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	45	103,659
410	3/23/2020	1.3.a	43	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	43	103,659
417	4/22/2020	1.3.a	43	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL		103,658
<b>Total</b>							<b>1,606,713</b>
445	25/06/2020	1.1.a	277	MCC-FC-001-2017	FAMILY HEALTH INTERNATIONAL	51	518,295
<b>Total</b>							<b>518,295</b>
<b>Total year 2019 – 2020</b>							<b>2,125,008</b>

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**9. GRANTS TO UNIVERSITIES FOR TEACHER TRAINING**

Cooperation agreements have been signed as of September 30, 2020 with the following universities:

- Del Valle de Guatemala
- Panamericana de Guatemala
- Internaciones

The general purpose is to strength technical skills for trainers and directors with the purpose to improve teaching processes and learning in the classrooms.

One of the main objectives is: Develop and provide a university degree training addressed to trainers to obtain a Teaching staff of Secondary Education –PEM- with specialization in one of the curricular areas (mathematics, Communication and language or Natural Science) in the basic cycle.

The implementation started August 2018 and will be ending June 2020, the program coverage was distributed as follows:

University	Coverage Department
Del Valle de Guatemala	Sololá
Panamericana de Guatemala	Alta Verapaz
Internaciones	Jalapa, Chiquimula y Sacatepéquez

Payments disbursed to the universities are detailed as follows:

BENEFICIARY	CONTRACT	CODE	AMOUNT
UNIVERSIDAD DEL VALLE DE GUATEMALA	MCC-SUBV-002-2018 E3	1.1.b	450,698
UNIVERSIDAD INTERNACIONES	MCC-SUBV-001-2018	1.1.b	771,427
UNIVERSIDAD PANAMERICANA DE GUATEMALA	MCC-SUBV-003-2018	1.1.b	467,226
<b>Total</b>			<b>1,689,351</b>

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**10. DEVELOPING TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING**

This account is mainly recorded in payments made to GOPA Consultants in accordance with the following contracts:

- 1) Contract MCC-FC-002-2018 consulting services “Training for Work, Family occupation for Agricultural and forestry harvesting” it includes among others the following objectives:

Evaluate the provision of job training services in the Diversified Cycle of the Middle Level and formulate recommendations for the coordination and harmonization of job skills and qualification levels in educational establishments.

The contract amount is USD 1,200,000 and the period term is from August 13, 2018 to June 30, 2020.

- 2) Contract MCC-FC-003-2017 consulting services “Training for work” the consultant will support MINEDUC in coordination with the Ministry for Work, the Ministry for Social Development and the Ministry of Economy to improve the design, implementation and evaluation of the curricular mess for new careers on job training in the diversified cycle; this effort should be focused in three occupational areas: tourism and hostels, telecommunications and information systems and vehicles transportation and maintenance; the influence area will include the departments of: Alta Verapaz, Chiquimula, Guatemala, Jalapa, Sacatepequez and Solola.

The deadline is from November 30, 2017 to April 30, 2020; for US\$ 2,239,506.84.

Payments made from October 1, 2019 to September 30, 2020 are shown below:

BENEFICIARY	CONTRACT NUMBER	AMOUNT
GOPA CONSULTANTS	MCC-FC-002-2018	1,366,622
INTECAP	MCC-FC-009-2019	112,760
ANACELI ISABEL AGUILAR BURGOS	PU-MCC-026-2017 E4	38,237



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BENEFICIARY	CONTRACT NUMBER	AMOUNT
MARÍA JOSÉ AZURDIA POOLE	PU-MCC-001-2020	19,917
INSTITUTO GUATEMALTECO AMERICANO IGA	FC/CO MCC-FC-010-2019	18,938
JAIME FRANCISCO YUMÁN RAMÍREZ	PU-MCC-010-2020	14,213
INVERSIONES TURÍSTICAS GM, S.A.	PU-MCC-SNC-006-2019	10,645
MARVIN ROBERTO ZÚÑIGA HERNÁNDEZ	PU-MCC-008-2019	9,340
ROSSANA PATRICIA ZULETA FIGUEROA DE HERNÁNDEZ	PU-MCC-006-2019	9,300
GLADYS CLAUDETTE HERRERA GARCÍA	PU-MCC-009-2019	4,400
JORGE ANTONIO PAQUE	PU-MCC-011-2019	4,080
ABIGAIL LOURDES GALICIA LÓPEZ	PU-MCC-010-2019	3,760
FABIOLA LIZETH HERNÁNDEZ SANTOS	PU-MCC-015-2019	2,560
HEYLIN DIANALIS DUARTE SOLÍS	PU-MCC-012-2019	2,560
JOSÉ ALBERTO GIRÓN MONROY	PU-MCC-013-2019	2,240
INGRID JEANETTE GARCÍA ALVARADO	PU-MCC-015-2020	2,200
VÍCTOR ALFREDO ORDÓÑEZ RAMÍREZ	PU-MCC-017-2020	2,200
JOSÉ MARIANO ESCALANTE ORANTES	PU-MCC-019-2020	2,000
LILIAN VERÓNICA PIEDRA SANTA GRAMAJO	PU-MCC-018-2020	2,000
NEGOCIOS DIVERSOS CORPORATIVOS, S.A.	PU-MCC-SNC-004-2019	1,762
ROSA MARÍA LEÓN LU	PU-MCC-016-2020	1,700
VÍCTOR HUGO MARROQUÍN DÍAZ	PU-MCC-014-2019	1,120
SEGA, SOCIEDAD ANÓNIMA	MCC-FC-011-2020	399
<b>TOTAL</b>		<b>1,632,953</b>

**11. OTHER**

At the closing of the option 2 financial statements according to MCDR of September 2019, there was a record of two invoices entered in the sub-activity 1.3 c Others US. 5,010, in the month of November 2020 it was reclassified in the sub activity corresponding to the 1.3.b Education Project Coordination team. It should be noted that these sub activities are part of the same sub activity.

**12. RESOURCE MOBILIZATION PROJECT**

The resource mobilization project has two objectives: (i) to support the Government's reforms to increase the availability of resources by improving efficiency in the tax and customs administration, and (2) to strengthen the

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Government's capacity to finance infrastructure, through public-private partnerships (PPP) with the purpose of increasing the resources destined to social investment, mainly education.

The two activities proposed for this Project are described in detail below.

Activity 1: Improve tax and customs administration.

The grant funding will provide technical assistance services to the Superintendency of Tax Administration to support the Government's efforts to make institutional changes to:

- a) Implement a solid risk management framework and strategy that integrates internal and customs attributes.
- b) Establish an effective customs clearance Audit program as an extension of Customs control.
- c) Improve control of the physical movement of people and cargo, including the evaluation of the feasibility on implementing an electronic control system for cargo containers in ports.
- d) Implement a process of continuous improvement of the selective control and of the administrative process to collect tax debts, including the training of personnel if necessary, carrying out a pilot plan in the management of large and medium special taxpayers.
- e) Evaluate the adequacy of computer systems with respect to international practices, and if necessary, develop investment proposals to improve the systems, documenting the cost / benefit analysis that supports such proposals.
- f) Identify and implement provisional measures to improve access and usefulness of the information currently available to SAT.
- g) Identify failures in the detection and application of sanctioning and punitive measures for the participation of SAT officials and employees in illicit situations and situations that conflict with ethics, and support the institutionalization of a better control system to prevent and punish those who incur in such situations, as well as training staff in this matter.

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Activity 2: Strengthening the capacity to form public-private partnerships.

The Program will support the efforts of the Government, mainly the National Partnership Agency for Economic Infrastructure Development, to encourage the capacity to implement PPPs, promote transparency in PPPs, evaluate direct and contingent liabilities of PPPs. ; and promote one or two projects to the market by financing feasibility studies that form the basis of technical, financial and legal structuring, value-for-money analysis and other requirements so that projects can be tendered, as well as advisory services to these transactions. The MCC will coordinate this assistance with efforts made by the World Bank, the Inter-American Development Bank, and others; the purpose is to provide general and regular PPP capacity building to government agencies in Guatemala, El Salvador and Honduras to improve the capacity and consistency of PPPs practices throughout the region, as well as increase the impact and sustainability of MCC investments.

**13. LEVELS OF MONITORING AND EVALUATION INDICATORS**

The Monitoring and Evaluation plan is framed and built using the logical framework approach, which classifies the indicators as process, product, result and goal. Goal indicators monitor the progress of the Threshold Program goals and help determine whether PRONACOM and MCC are meeting the main objective of reducing poverty through economic growth. The result indicators measure the intermediate or medium-term effects of an intervention and are directly related through the logic of the program with the product indicators. Product indicators measure the direct result of project activities, most of the time they are goods or services produced by the implementation of an activity. Process indicators record an event or a signal of progress towards the completion of project activities. They are a precursor to the achievement of project results and a way to ensure that the work plan is being carried out on time to sufficiently guarantee that the results are met as projected.

**Classification of indicators**

In accordance with the MCC Monitoring and Evaluation Policy, all indicators must be classified into one of the following types:

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**1) Accumulated:**

- a) Level: used to follow the trend over time
- b) Date: used to monitor a calendar date as a target

**2) Common indicators:**

MCC has introduced common indicators for external reporting of all MCC programs, for certain sectors. Common indicators allow MCC to aggregate and report on country results as a whole, some are mentioned.

a) Indicator documentation matrix

The Indicator Documentation Matrix provides relevant details on each program indicator. This matrix includes descriptions of the structure of the indicators, specifying for each indicator: i) title, ii) definition, iii) unit of measurement, iv) data source, v) collection method, vi) collection frequency, and vii) responsible parties. In addition to the indicator documentation table, which summarizes the indicator information, MCC and PRONACOM developed indicator reference sheets (PIRS).

b) Data Collection Methods

Most of the data to monitor the goal and result indicators will be extracted from surveys conducted by MINEDUC and administrative information from other government agencies and implementing entities. The lower level indicators will be extracted from the records of the project implementing entities. Whenever necessary, PRONACOM will carry out surveys to collect special data in coordination with the institutions responsible for each area of the project.

c) Frequency of data collection

Throughout the duration of the Threshold Program, data will be collected monthly, quarterly or annually, depending on the indicator. The information will be reported to PRONACOM, depending on the requirements, quarterly or annually. To ensure

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this, PRONACOM will collaborate with the implementing entities to develop and implement appropriate reporting mechanisms.

d) Data Quality Review.

PRONACOM will hire an independent Data Quality Reviewer (DQR), in accordance with the MCC Program Procurement Guidelines. The entity responsible for the data quality reviews is expected to be hired in the third year of the Threshold Program. The objectives of the data quality review are to provide an independent analysis of the quality and usefulness of the performance information.

e) Reporting Standards

The performance reports are the means by which PRONACOM informs MCC of the progress in the implementation and the reviews on the ongoing execution of the work plans of the Projects. Currently, the MCC requires that PRONACOM submit a quarterly disbursement request and a set of reports. The disbursement request must contain the Indicator Tracking Table, which measures the progress of the indicators of the Monitoring and Evaluation Plan.

**14. STAFF COMPENSATION**

During the year ending September 30, 2020, the following payments have been made, against delivery of products and their authorizations:

STAFF CONSULTANT	CONTRACT NUMBER	POSITION	AMOUNT
ROSA MARÍA AGUILAR RODRÍGUEZ	PU-MCC-004-2016 E4	PROCUREMENT SPECIALIST	36,030
MANFREDO OCTAVIO CHOCANO ALVARADO	PU-MCC-002-2018	RESOURCE MOBILIZATION COMPONENT DIRECTOR	49,401
KAREN MICHELLE MORALES ALECIO	PU-MCC-028-2017 E3	LEGAL ADVISER	34,391
JOSUÉ ANDREÉ RICART VÁSQUEZ	PU-MCC-025-2017 E3	FINANCIAL SPECIALIST	36,464
JORGE ALEXY ARÉVALO FUENTES	PU-MCC-004-2019	FINANCIAL ANALYST	24,949
IRINA AGNETTA REYES MASZICH	PU-MCC-001-2018 E3	MONITORING AND EVALUATION COORDINATOR	48,156
FRANCISCA DE JESÚS CÁRDENAS MORÁN	PU-MCC-003-2020	PROGRAM DIRECTOR	27,638
CARMEN SUSELY CHAMALÉ PÉREZ DE ÁLVAREZ	PU-MCC-016-2019	PROCUREMENT ANALYST	21,649
<b>TOTAL</b>			<b>278,678</b>

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**15. ACCUMULATED COMMITMENTS**

The commitments payable as of September 30, 2020 are as follows:

<b>Description</b>	<b>Committed</b>	<b>Paid</b>	<b>Balance</b>
Commitments acquired	23,521,971	20,713,660	2,808,311

The detail of payable balance is as follows:

<b>BENEFICIARY</b>	<b>ACCOUNT PAYABLE</b>
FAMILY HEALTH INTERNATIONAL	1,363,399
GOPA CONSULTANTS	448,951
INTECAP	133,825
UNIVERSIDAD INTERNACIONES	93,308
NEFTALÍ VALDEZ MARTÍNEZ	66,797
UNIVERSIDAD PANAMERICANA DE GUATEMALA	59,288
MIGUEL ALBERTO TAPIA CONTRERAS	57,898
UNIVERSIDAD DEL VALLE DE GUATEMALA	54,624
BENNY VÁZQUEZ DÍAZ	50,000
HERBIN AMORY GONZÁLEZ CASTELLANOS	35,000
EDUARDO GONZALO ESCOBAL MC EVOY	34,245
INVERSIONES TURÍSTICAS GM, S.A.	28,103
INTERNATIONAL ASOCIATION FOR THE EVALUATION OF EDUCATIONAL ACHIEVEMENT	20,670
MANFREDO OCTAVIO CHOCANO ALVARADO	18,778
ROSEMARIE LUNA JUÁREZ DE ALVARADO	18,538
CARLOS RUBÉN GANDDINI SOLARES	18,480
FRANCISCA DE JESÚS CÁRDENAS MORÁN	17,772
IRINA AGNETTA REYES MASZICH	15,701
ANA LISETH JUÁREZ ESCOBAR	15,235
INSTITUTO GUATEMALTECO AMERICANO IGA	14,357
ÁLVARO DANIEL CASTILLO CARRERA	13,905
KENY ESTUARDO PÉREZ LEMUS	13,905
MAURICIO ÁLVAREZ BLANCO	13,582
MIGUEL ENRIQUE GUERRA CONNOR	12,790
AUTOS DE ALQUILER SOCIEDAD ANÓNIMA	11,727
ANACELI ISABEL AGUILAR BURGOS	11,597

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BENEFICIARY	ACCOUNT PAYABLE
MARIO ALEXANDER RAMÍREZ	11,021
KARLA VERÓNICA LÓPEZ AQUINO	10,949
KAREN MICHELLE MORALES ALECIO	10,893
MARÍA CRISTINA DE LOS ÁNGELES PERDOMO MOSQUERA	10,837
ROSA MARÍA AGUILAR RODRÍGUEZ	10,837
JOSUÉ ANDREÉ RICART VÁSQUEZ	10,539
ÁNGEL ALEJANDRO GABRIEL CRUZ	9,891
EVELYN FABIOLA SANDOVAL GÁMEZ	9,891
FAUSTINO LÓPEZ RAMOS	9,858
JOSUÉ ISAAC FUENTES LÓPEZ	9,858
CARMEN SUSELY CHAMALÉ PÉREZ DE ÁLVAREZ	7,462
JORGE ALEXY ARÉVALO FUENTES	7,183
EURO PROYECTOS, S.A.	6,872
JAIME FRANCISCO YUMÁN RAMÍREZ	5,584
LAURA MAGALY MENÉNDEZ SÁNCHEZ	5,500
MARVIN ROBERTO ZÚÑIGA HERNÁNDEZ	5,300
FRANCISCO RAÚL CRUZ ORELLANA	4,703
ANA NOEMÍ ORTIZ MOREIRA DE CÁCERES	4,400
WILLIAMS ALEJANDRO ÁLVAREZ DE LEÓN	4,400
LUIS FRANCISCO CARRILLO GUTIÉRREZ	3,300
RONALD LEONEL, AYALA GARRIDO	1,942
ITZ DATA	1,116
EVA MARITZA SAZO MORALES DE MÉNDEZ	1,100
INGRID JEANETTE GARCÍA ALVARADO	800
ROSA MARÍA LEÓN LU	800
VÍCTOR ALFREDO ORDÓÑEZ RAMÍREZ	800
<b>TOTAL</b>	<b>2,808,311</b>

**16. MONETARY UNIT**

The Financial Statements of Funds and their notes are presented in Dollars of the United States of America (US \$); however, the transactions made in Quetzales (Q), the official currency of the Republic of Guatemala, are translated into Dollars at the exchange rate prevailing in the financial market on the day the transfer or transaction is made.

**Financial Audit of Threshold Program Grant Agreement between the  
Government of Guatemala and the United States of America through  
Millennium Challenge Corporation**

**NOTES TO THE FUND ACCOUNTABILITY STATEMENT  
For the period from October 1, 2019 to September 30, 2020  
(Expressed in US Dollars)**

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The Bank of Guatemala publishes daily the exchange rate to be used as a reference by the national banking system.

According to resolution No. 126-2006 issued by the Monetary Board, the methodology for calculating the Quetzal reference exchange rate was approved in relation to the United States Dollar, which is based on the weighted average of the exchange rates corresponding to the operations of buying and selling currencies equal to or greater than US \$ 50,000, made by the public and by the institutions that constitute the institutional currency market. Based on this weighted exchange rate and with the exchange rate of the Inter-institutional operations, the Banco de Guatemala calculates the reference exchange rate that will be equal to the weighted average of both components. As of September 30, 2020, the reference exchange rate published by the Banco de Guatemala was Q 7.78602 per US \$ 1.00.



## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

Ms. Francisca de Jesus Cardenas Moran

**Director**

**National Program for Competitiveness –PRONACOM-  
Guatemala**

We have audited the Fund Accountability Statement of the Threshold Program Grant Agreement, provided with funds from the Millennium Challenge Corporation, and executed by National Program for Competitiveness –PRONACOM-, for the period from October 1, 2019 to September 30, 2020 and have issued our report on it dated November 11, 2020.

Except as discussed in the following paragraphs, we conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

- a) We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. However, our current program provides for at least forty (40) hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement. It includes the participation in training programs from AICPA with the support of internet.
- b) We did not have an external quality control review by an unaffiliated external audit control organization as required by Chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, to comply with the MCC Guidelines, since no such program is offered by professional organizations in Guatemala and such a review program is not required by the local auditing standards accepted in Guatemala. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the DFK International worldwide internal quality control review program, which requires our office to be subject, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

The management or those charged with governance of National Program for Competitiveness –PRONACOM- is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the

Boulevard Los Próceres 13-50 Zona 10, Edificio Centro Corporativo

Los Próceres, Torre 2, Nivel 4, Oficina 402, Guatemala, C. A.

PBX: (502) 2224-7700

e-mail.: director@amorycpa.com

Alemania  
Argentina  
Bélgica  
Bolivia  
Brazil  
Canadá  
Chile  
Costa Rica  
El Salvador  
Estados Unidos  
Francia  
Honduras  
Japón  
México  
Panamá  
Perú  
Puerto Rico  
Reino Unido  
Uruguay  
Venezuela

terms of the agreements; and transactions are recorded properly to permit the preparation of the Fund Accountability Statement in conformity with the basis of accounting described in Note 3b to the Fund Accountability Statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, of the Fund Accountability Statement of National Program for Competitiveness –PRONACOM- for the year ended September 30, 2020 in accordance with U.S. Government Auditing Standards, we considered National Program for Competitiveness –PRONACOM- internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Fund Accountability Statement will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of PRONACOM in a separate letter dated November 11, 2020.

This report is intended for the information of National Program for Competitiveness – PRONACOM- and the Millennium Challenge Corporation. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

**AMORY GONZALEZ, CPA**



Lic. H. Amory González.C.  
Colegiado No. 035  
Guatemala, November 11, 2020

## **INDEPENDENT AUDITORS REPORT ON COMPLIANCE**

Ms. Francisca de Jesus Cardenas Moran  
**Director**  
**National Program for Competitiveness**  
**Guatemala.**

We have audited the Fund Accountability Statement of the Threshold Program Grant Agreement provided with funds from the Millennium Challenge Corporation, and executed by National Program for Competitiveness -PRONACOM-, for the period from October 1, 2019 to September 30, 2020 and have issued our report on it dated November 11, 2020.

Except as discussed in the following paragraphs, we conducted our audit of the Fund Accountability Statement in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Fund Accountability Statement amounts.

- a) We do not have a continuing education program that fully satisfies the requirement set forth in Chapter 3, paragraph 3.76 of U.S. Government Auditing Standards. However, our current program provides for at least forty (40) hours of continuing education and training every two years. We are taking appropriate steps to implement a continuing education program that fully satisfies the requirement. It includes the participation in training programs from AICPA with the support of internet.
- b) We did not have an external quality control review by an unaffiliated external audit control organization as required by chapter 3, paragraph 3.96 of U.S. Government Auditing Standards, to comply with the MCC Guidelines, since no such program is offered by professional organizations in Guatemala and such a review program is not required by the local auditing standards accepted in Guatemala. We believe that the effect of this departure from U.S. Government Auditing Standards is not material because we participate in the DFK International worldwide internal quality control review program, which requires our office to be subject, every three years, to an extensive quality control review by partners and managers from other affiliate offices.

Compliance with agreement terms and laws and regulations applicable to National Program for Competitiveness -PRONACOM- is the responsibility of PRONACOM's

management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we of National Program for Competitiveness -PRONACOM- compliance with certain provisions of agreement terms and laws. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests did not disclose any noncompliance we consider to be reportable condition according to U. S. Government Auditing Standards.

This report is intended for the information of National Program for Competitiveness -PRONACOM- and the Millennium Challenge Corporation. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

**AMORY GONZALEZ, CPA**



Lic. H. Amory González C.  
Colegiado No. 035

Guatemala, November 11, 2020

**MANAGEMENT LETTER**

Ms. Francisca de Jesus Cardenas Moran  
**Director Threshold Program**

We have audited the Fund Accountability Statement of the Threshold Program Grant Agreement, provided with funds from the Millennium Challenge Corporation and executed by National Program for Competitiveness –PRONACOM-, for the period from October 1, 2019 to September 30, 2020 and have issued our report on it dated November 11, 2020.

We conducted our audit in accordance with International Standards on Auditing and U. S. Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of National Program for Competitiveness –PRONACOM- is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with the basis of accounting described in Note 3 to the financial statements. Due to inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, a projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

We noted certain matters involving the internal control structure and its operation that we are reporting with the purpose to strength this structure.

Alemania  
Argentina  
Bélgica  
Bolivia  
Brazil  
Canadá  
Chile  
Costa Rica  
El Salvador  
Estados Unidos  
Francia  
Honduras  
Japón  
México  
Panamá  
Perú  
Puerto Rico  
Reino Unido  
Uruguay  
Venezuela

This report is intended for the information of PRONACOM and the Millennium Challenge Corporation. However, upon release by the MCC, this report is a matter of public record and its distribution is not limited.

**AMORY GONZÁLEZ, CPA**

A handwritten signature in black ink, appearing to read "Amory González", with a stylized flourish extending to the left.

Lic. Amory González G.  
Colegiado No.035

Guatemala, November 11, 2020

**Financial Audit of Threshold Program Grant Agreement between the Government of Guatemala and the United States of America through The Millennium Challenge Corporation**

**INTERNAL CONTROL FINDINGS  
For the period from October 1, 2019 to September 30, 2020**

**1. VARIATION IN THE Bimonthly REPORT OF PHYSICAL AND FINANCIAL PROGRESS (IAFF)**

**CONDITION**

In the report presented to SEGEPLAN, Programs / Projects Financed with Non-reimbursable External Cooperation Resources, there is an inconsistency between the disbursements and what was executed as of August 31, 2020.

Description	Figures in Quetzales	T. C.	Figures in Dollars
Disbursements amounts to a total	143,904,539.84	According to report	18,908,854.38
Executed expenditure amounts to a total	(156,513,043.96)	7.639888813	(20,486,298.66)
Variation	(12,608,504.12)	-----	(1,577,444.28)

It is observed that the expense is greater than the disbursements for the amount of Q.12,608,504.12.

It was reconciled with the financial information of the Threshold Program, determining that, in the information generated for the SEGEPLAN report, the following disbursements are not recorded:

BIMESTER/DAY	Figures in Quetzales	T.C.	Figures in Dollars
06/2019 - December 2019	6,820,498.60	7.70412427	885,304.85
03/2020 - June/2020	5,788,005.52	7.70487954	751,212.98
Total	12,608,504.12	----	1,636,517.83

**CRITERIA**

Legal Basis: Article 53 Bis to Decree Number 101-97 of the Congress of the Republic, Organic Law of the Budget (added Decree Number 13-2013, Article 33).

**CAUSE**

Human error, when generating the information to the SEGEPLAN platform.

**EFFECT**

Create confusion when analyzing information.

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**INTERNAL CONTROL FINDINGS  
For the period from October 1, 2019 to September 30, 2020**

**RECOMMENDATION**

Request SEGEPLAN to review and correct the information on the disbursements omitted in the report on Programs / Projects Financed with Non-Reimbursable External Cooperation Resources.

**MANAGEMENT COMMENT**

In accordance with the observation, it is necessary to mention that despite the fact that the referred amounts are not reflected in the report, they were in fact, recorded, which can be verified in the bimonthly reports corresponding to the months of November - December 2019 and May - June 2020. (According to "quetzals" amounts).

In the understanding that the indicated inconsistency does not come from the administration of the program, but it was caused by the system; we proceeded to require SEGEPLAN to review the records in order to find a solution to it, SEGEPLAN indicated that we're authorized to resolve this situation by registering it in November - December 2020 report, keeping the dates in the disbursement records that do not appear, these being "December 2019" USD 885,304.85 and "June 2020" USD 751,212.98, respectively.

Therefore, once the records are updated, a copy will be sent for verification.

**2. LACK OF AN UPDATED WORK PLAN TO REFLECT ADEQUATE MONITORING ON THE EDUCATION PROJECT**

**CONDITION**

- A. The work plan for the Program was requested, but the staff stated that they do not have it because they are guided by the provisions in the grant agreement, although the agreement states the need to develop, adopt or implement the work plan.
- B. There is no baseline for the Monitoring & Evaluation Plan.
- C. There is no one responsible for monitoring and evaluation of the Education Project, who can implement the field-level training process and data collection, to support the program's monitoring and evaluation process.
- D. Lack of methodology to show how the monitoring and evaluation process will evolve.
- E. No data collection format for the different levels of intervention.



**Financial Audit of Threshold Program Grant Agreement between the  
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**INTERNAL CONTROL FINDINGS**

**For the period from October 1, 2019 to September 30, 2020**

- F. No indicator fact sheets were found to display the goal, collection period, format or instrument to collect the information, at what level it is collected, the person performing the survey, the person responsible for the accumulation of indicators and etc.
- G. Absence of an indicator matrix.
- H. Lack of a Monitoring and Evaluation Manual for the program, in which the unit structure, its functions and responsibilities, and the logic behind the monitoring system is defined.

**CRITERIA**

Article 4, Section 4.1 of the PROGRAM THRESHOLD Grant Agreement, states that an Implementation Plan document should be available in addition to the Work Plan document. "The government will develop, adopt and implement a work plan, as well as develop and implement other work plans related to the projects". In addition to this, there must also exist a MONITORING AND EVALUATION PLAN, specifying, a) how progress will be measured to achieve program goals, program objectives and project objectives (monitoring components), b) a process and schedule for monitoring planned activities, ongoing and completed, to determine their efficiency and effectiveness, c) a methodology for diagnosis and thorough evaluation of the program.

**CAUSE**

There has been no proper follow-up as to monitoring and evaluation of the Education project (EDU).

**EFFECT**

Inadequate supervision of program activities.

**RECOMMENDATIONS**

- A. That the program Work Plan as well as the project Work Plan be developed, so that they can contribute to and guide the implementation of the program and the project for compliance with the objectives, activities, indicators, targets, timetables and persons responsible for them.
- B. That the program develop the monitoring and evaluation Manual, to establish the monitoring system, methodology, formats, data collection,

**Financial Audit of Threshold Program Grant Agreement between the  
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**INTERNAL CONTROL FINDINGS**

**For the period from October 1, 2019 to September 30, 2020**

indicator matrix, indicator sheets, levels of data collection, and the collection period, and types of evaluation facilitating elements for the development of the Monitoring and evaluation Plan.

- C. Hire a professional to be responsible for training and data collection to be supplied to the Program monitoring system.

**MANAGEMENT COMMENTS**

- A. As for Monitoring and Evaluation, there is a work plan that was presented for the first time in February 2019, and it has been updated as the program progresses.

In the case of the resource mobilization project, the Activity 1: Improving Tax and Customs Administration has work plans for the main components that serve as the basis for tracking the planned activities.

As for the Education project, it has operational plans that provide guidance for the work related to the various components of the Improving the Quality of Education in Support of Student Success in Lower Secondary activity, Improving Technical and Vocational Education and Training activity and Strengthening Institutional and Planning Capacity activity .

- B. The Monitoring and Evaluation Plan consists of a PDF document and an Excel file, referred to as Annex I and II. On page 16, section 4.1.9, Table of indicator baselines and targets, reference is made to the indicators with their respective baselines being included in the Annex II Excel file, showing that some indicators have a baseline. In the new version of the Monitoring and Evaluation Plan, adopted after the audit period, most of the indicators have baselines and targets.
- C. The implementing firms are responsible for carrying out field monitoring, and have supervisors and coordinators in the field, depending on the scope of the task. Consulting firms hired by MCC are responsible for data gathering and evaluation, Pronacom is only supporting the field information gathering process from student's tests in 2018 and 2019.
- D. The monitoring and evaluation methodology is clearly defined in the Monitoring and Evaluation Plan, in which is included a summary of the monitoring strategy with all indicators related to review of data quality and reporting standards.

**Financial Audit of Threshold Program Grant Agreement between the  
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**INTERNAL CONTROL FINDINGS  
For the period from October 1, 2019 to September 30, 2020**

- E. Data collection formats have been designed, collected and reported, this are shown in the quarterly reports of the FHI 360 consulting firm and is part of the support documentation that is delivered to MCC quarterly, with the indicator tracking table.
- F. The information requested is presented in Annex I of the Monitoring and Evaluation Plan, individual indicator exhibits as such, are found in the new version of the Plan which was approved outside of the audit period.
- G. The indicator matrix for the Threshold Program is presented in Annex I of the Monitoring and Evaluation Plan.

From the analysis of the cause and criteria invoked by the auditor on the finding detail, the lack of an updated work plan has affected an appropriate follow up of the education Project, but this plan does not specifically address what the Program's Monitoring and Evaluation is.

The Program does have a Monitoring and Evaluation Plan attached to the MCC's guidelines which has been developed and updated in direct coordination with MCC. The Monitoring and Evaluation Plan, covering all Program projects, is approved by Pronacom's Executive Committee and MCC Non-Objection.

**AUDIT FINAL COMMENT**

Our comment is referred to the Monitoring and Evaluation Plan delivered by management as of February 2019. This issue was amended in the plan prepared as of November 2019.

**FOLLOW-UP ON PREVIOUS AUDIT RECOMMENDATIONS**  
**INDEPENDENT AUDITOR'S REPORT**

Ms. Francisca de Jesus Cardenas Moran  
**Director**  
**National Program for Competitiveness**  
**Guatemala**

We have audited the Fund Accountability Statement of Threshold Program Grant Agreement signed between the Government of Guatemala and the United States of America, acting through the Millennium Challenge Corporation, administered by National Program for Competitiveness –PRONACOM- for the period from October 1, 2019 to September 30, 2020 and have issued our report dated November 11, 2020.

We have applied our audit procedures related to the prior year findings to determine its implementation.

The implementation of the audit recommendations for the base period, from April 8, 2015 to September 30, 2017, as well as for the years from October 1, 2017 to September 30, 2018 and from October 1, 2018 to September 30, 2019, showing that the Threshold Program administration has complied with the recommendations of this audit.

This report is intended for the information of PRONACOM and the Millennium Challenge Corporation. However, upon release by MCC, this report is a matter of public record and its distribution is not limited.

**AMORY GONZALEZ, CPA**



Lic. H. Amory González C.  
Colegiado No. 035

Guatemala, November 11, 2020

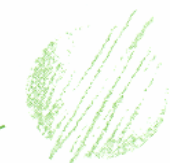
**Financial Audit of Threshold Program Grant Agreement between the Government of Guatemala and the United States of America through The Millennium Challenge Corporation**

**INTERNAL CONTROL FINDINGS  
Follow-up to findings from previous periods  
As of September 30, 2020**

NUMBER	CONDITION	RECOMMENDATION	PRONACOM COMMENT	PRONACOM CORRECTIVE ACTION PLAN	STATUS	AUDITOR'S COMMENT
1	<b>THE EVIDENCE OF THE ELIGIBILITY OF THE SUPPLIERS IN THE FILES AS A DIGITAL CAPTURE DOES NOT CONTAIN THE DATE THAT REFLECTS THE COMPLIANCE IN TIME</b>	Attach to the procurement files, the physical support of the inquiries made on the pages described in the previous paragraphs, evidencing the date, as well as indicating in the eligibility verification form the date on which this procedure was performed, this in order to show that the activities are executed in a timely manner.	The verification is carried out according to procedures established in the applicable regulations and is recorded as part of the process in the digital files of each contract, according to section 4 of "Excluded Parties Verification Procedures in MCA Entity Program Procurements" the eligibility documents can be "printed or captured on the screen and saved as part of the general acquisitions file". The procurement specialist safeguarded the files digitally, but they were not stored in the same location as the files of each individual consultant.	In response to the finding raised, a screen capture of the eligibility inquiries was made, and a report was made that is printed in each of the files, where the dates on which the examination is carried out are reflected. Query. Likewise, in the month of September 2020, the Acrobat Reader Program was installed, which allows printing in PDF and leaves the date printed.	Implemented	
2	<b>LACK OF EXECUTION OF THE BUDGET FOR PUBLIC PRIVATE ASSOCIATIONS TRAINING SERVICE CONTRACTS (APP)</b>	Project leaders must monitor the activities contracted through contracts, in order to assess whether the commitments will be fully executed or whether the obligation is canceled.	<p>The contracts were initially planned for a duration of 3 years, conditional on the performance of the consultants and the progress made in the matter in terms of the training requested. It is necessary to clarify that planning and request for the initiation of spending for these contracts is the responsibility of ANADIE as Project Leader for PPPs in accordance with the provisions of the Fiscal Responsibility Plan, section 3.4. For this reason, the only option that PRONACOM considered, to avoid paying for activities that depend on external conditions, was to use the fixed-price contract with options to be executed in accordance with work orders.</p> <p>The problem in executing the objectives set by ANADIE as the beneficiary and leader of PPP contracts does not depend solely on these or their planning, but on political will and decisions. The low execution of the budgeted amount reveals the lack of political support for the development of the Public Private Partnerships -APP- in the country, which is a factor external to the Program that</p>	Because MCC considered it appropriate, the responsible entity left open some contracts as a window of opportunity for PPPs, Parallel and as an action of the program. Constant monitoring was used of the authorities' commitment to advance in the approval of projects PPP particularly regarding the approval of the first project that reached the Congress of the Republic, corresponding to Initiative 5506, which provides to approve the alliance contract for the development of economic infrastructure of the project called "rehabilitation, administration, operation, maintenance and works complementary to the Escuintla- Puerto Quetzal highway with toll collection ". As part of this follow-up, an appeal was made available to the Constitutional Court, which protected the entity Consorcio de Autopistas de Guatemala, Sociedad de Alianzas for the Development of Economic Infrastructure, ordering the Congress of the Republic that the initiative return to	Implemented	

**Financial Audit of Threshold Program Grant Agreement between the Government of Guatemala and the United States of America through The Millennium Challenge Corporation**

**INTERNAL CONTROL FINDINGS  
Follow-up to findings from previous periods  
As of September 30, 2020**

NUMBER	CONDITION	RECOMMENDATION	PRONACOM COMMENT	PRONACOM CORRECTIVE ACTION PLAN	STATUS	AUDITOR'S COMMENT
			<p>affected the implementation of the activities initially planned.</p> <p>The Program Administration decided to continue with open contracts at any time, leaving the door open to the improvement of circumstances by strengthening political will, since it is the Administration's task to make all its efforts so that the objectives of the Program are met to despite external political conditions at the government level. None of those trained with the support of the Threshold Program took the exam for a certification. In view of this situation, the support of the Threshold Program for PPPs was substantially reduced, being limited to the availability of a consultant to carry out training, awareness-raising and advisory activities on PPP-related issues. For this reason, to date, of the 4 PPP contracts, there is only one open contract to date, which it is about to expire, the previous ones having been canceled.</p>	<p>second debate, so Congress will have to know it again and eventually approve it. Said approval will give certainty about the viability of the PPP project implementation process and will encourage interest in investing in these projects in Guatemala.</p>		
3	<b>PAYMENT AUTHORIZATION FORM</b>	Verify in all cases, compliance with the prerequisites before requesting payment.	The error was corrected. The document already has the signatures. It should be noted that it was an exceptional situation within the entire sample.	As part of the recommendations, the review of the files prior to their filing was reinforced. An analyst from PRONACOM was assigned to review the files prior to payment, and there is also a financial analyst in the Threshold Program, now having more filters prior to safeguarding the files.	Implemented	
4 **	<b>LACK OF AN UPDATED WORK PLAN TO REFLECT ADEQUATE MONITORING ON THE EDUCATION PROJECT</b>	A. That the program Work Plan as well as the project Work Plan be developed, so that they can contribute to and guide the implementation of the program and the project for compliance with the objectives, activities, indicators, targets, timetables	<p>A. As for Monitoring and Evaluation, there is a work plan that was presented for the first time in February 2019, and it has been updated as the program progresses.</p> <p>In the case of the resource mobilization project, the Activity 1: Improving Tax and</p>	B. As a result of the auditor's recommendation, the Threshold Program, through the Monitoring and Evaluation component, expedited the approval of the second version of the Monitoring and Evaluation Plan, which was approved at the end of 2019. This document contains: the methodology,	Not Implemented	

**Financial Audit of Threshold Program Grant Agreement between the Government of Guatemala and the United States of America through The Millennium Challenge Corporation**

**INTERNAL CONTROL FINDINGS  
Follow-up to findings from previous periods  
As of September 30, 2020**

NUMBER	CONDITION	RECOMMENDATION	PRONACOM COMMENT	PRONACOM CORRECTIVE ACTION PLAN	STATUS	AUDITOR'S COMMENT
		<p>and persons responsible for them.</p> <p>B. That the program develop the monitoring and evaluation Manual, to establish the monitoring system, methodology, formats, data collection, indicator matrix, indicator sheets, levels of data collection, and the collection period, and types of evaluation facilitating elements for the development of the Monitoring and evaluation Plan.</p>	<p>Customs Administration has work plans for the main components that serve as the basis for tracking the planned activities.</p> <p>As for the Education project, it has operational plans that provide guidance for the work related to the various components of the Improving the Quality of Education in Support of Student Success in Lower Secondary activity, Improving Technical and Vocational Education and Training activity and Strengthening Institutional and Planning Capacity activity .</p> <p>B. The Monitoring and Evaluation Plan consists of a PDF document and an Excel file, referred to as Annex I and II. On page 16, section 4.1.9, Table of indicator baselines and targets, reference is made to the indicators with their respective baselines being included in the Annex II Excel file, showing that some indicators have a baseline. In the new version of the Monitoring and Evaluation Plan, adopted after the audit period, most of the indicators have baselines and targets.</p> <p>C. The implementing firms are responsible for carrying out field monitoring, and have supervisors and coordinators in the field, depending on the scope of the task. Consulting firms hired by MCC are responsible for data gathering and evaluation, Pronacom is only supporting the field information gathering process from student's tests in 2018 and 2019.</p>	<p>the guidelines for the realization of the formats and the types of elements that facilitate the evaluation, the data collection strategy, and in Appendix B: the indicator sheets; in document 1 &amp; 2: the matrix of indicators, the levels of data collection and the collection period.</p> <p>C. With respect to hiring a professional to be in charge of the training and data collection to be provided to the Threshold Program, it has the basic staff to elaborate all the functions that MCC requires for the program to be implemented, therefore, the Monitoring and Evaluation Coordinator has among its functions to develop a system for the systematic and efficient monitoring of the indicators of the Threshold Program and to train specialist and technical counterparts in monitoring and evaluation, as well as sector and program specialists - inside and outside the Program. Regarding this finding, the education component indicates: During the month of March 2020, the Work Plan for the Education Project was drawn up, which has made it possible to have a more detailed instrument for monitoring all the activities and actions within said project to ensure its implementation on time. This work plan was approved by MCC. Likewise, every 15 days, meetings are held with the education project team, the program management, the M&amp;E coordinator and MCC specialists to monitor the execution of the project, solve</p>		

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**INTERNAL CONTROL FINDINGS  
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			<p>D. The monitoring and evaluation methodology is clearly defined in the Monitoring and Evaluation Plan, in which is included a summary of the monitoring strategy with all indicators related to review of data quality and reporting standards.</p> <p>E. Data collection formats have been designed, collected and reported, this are shown in the quarterly reports of the FHI 360 consulting firm and is part of the support documentation that is delivered to MCC quarterly, with the indicator tracking table.</p> <p>F. The information requested is presented in Annex I of the Monitoring and Evaluation Plan, individual indicator exhibits as such, are found in the new version of the Plan which was approved outside of the audit period.</p> <p>G. The indicator matrix for the Threshold Program is presented in Annex I of the Monitoring and Evaluation Plan.</p> <p>From the analysis of the cause and criteria invoked by the auditor on the finding detail, the lack of an updated work plan has affected an appropriate follow up of the education Project, but this plan does not specifically address what the Program's Monitoring and Evaluation is.</p> <p>The Program does have a Monitoring and Evaluation Plan attached to the</p>	<p>bottlenecks and make decisions in time to streamline processes. The "Work Plan" consists of a monitoring matrix with information related to activities, time and progress in meeting goals, for control and monitoring of the education program. To keep track of the progress of each of the activities, reference colors have been used that allow us to define: green has been achieved, yellow is in process, red is at risk, and blue the changes we have made. had in the advancement of the Program.</p>		



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			MCC's guidelines which has been developed and updated in direct coordination with MCC. The Monitoring and Evaluation Plan, covering all Program projects, is approved by Pronacom's Executive Committee and MCC Non-Objection. Monitoring and evaluation.			

\*\* See Page Number 38 to 41 INTERNAL CONTROL FINDINGS