



MEMORANDUM

DATE: December 16, 2020

TO: USAID/West Bank and Gaza, Acting Mission Director, Courtney Chubb

FROM: USAID/OIG Middle East and Eastern Europe (ME/EE) Regional Office, USDH NFA Coordinator, John Vernon /s/

SUBJECT: Audit of the Fund Accountability Statement of Palestinian Peace Coalition Under Enriching the Dialogue for Peace Program in West Bank and Gaza, Cooperative Agreement AID-294-A-15-00008, From September 10, 2015 to December 31, 2016 (8-294-21-012-R)

This memorandum transmits the final audit report of the fund accountability statement of Palestinian Peace Coalition under Enriching the Dialogue for Peace Program in West Bank and Gaza, cooperative agreement AID-294-A-15-00008, from September 10, 2015 to December 31, 2016. The auditee contracted with the independent certified public accounting firm Ernst and Young-Middle East to conduct the audit. The audit firm stated that it performed its audit in accordance with the U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, it did not have an external quality control review program that fully satisfies the standards' requirements. The audit firm explained that West Bank and Gaza does not offer such a review program. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on the auditee's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited was fairly presented, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations, including testing the auditee's compliance with

¹We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

executive order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the audit objectives, the audit firm performed the subject financial audit that covered total expenditures of \$350,593 from September 10, 2015 to December 31, 2016.

The auditors expressed a qualified opinion on the fund accountability statement and identified \$3,013 of ineligible questioned costs. The auditors did not identify any material internal control weaknesses but identified two material instances of noncompliance with the agreement terms and applicable laws and regulations. The auditors did not identify any instances of noncompliance with Executive Order 13224. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID/West Bank and Gaza determine the allowability of the \$3,013 in questioned ineligible costs and recover any amount determined to be unallowable. In addition, although we are not making a recommendation for the significant deficiency noted in the report, we suggest that USAID/West Bank and Gaza determine if the recipient addressed the issue noted. Further, the audit firm issued a management letter. As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities. Palestinian Peace Coalition has no open awards with USAID. USAID/OIG ME/EE Regional Office is not including a procedural recommendation regarding the material instances of noncompliance. However, if USAID/West Bank and Gaza considers future awards to the auditee, it should ensure that adequate policies and procedures are established and implemented to address these findings, as detailed on pages 18 and 19 of the audit report.

The report does not include any recommendations for your action.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").