



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

MEMORANDUM

DATE: February 14, 2023

TO: USAID/West Bank and Gaza Mission Director, Amy Tohill-Stull

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Assistant Audit Director, David Clark

SUBJECT: Audit of the Schedule of Expenditures of Catholic Relief Services, ERR- COVID 19 Component Activity Under Envision Gaza 2020 Program in West Bank & Gaza, Cooperative Agreement AID-294-A-16-00002, April 22, 2021 to April 20, 2022 (8-294-23-004-N)

This memorandum transmits the final audit report of the schedule of expenditures of Catholic Relief Services, ERR- COVID 19 component activity under Envision Gaza 2020 Program in West Bank & Gaza, cooperative agreement AID-294-A-16-00002, from April 22, 2021 to April 20, 2022. USAID/West Bank and Gaza contracted with the independent audit firm Mazars to conduct the audit. The audit firm stated that it performed its audit in accordance with Government Auditing Standards issued by the Comptroller General of the United States. However, it did not participate in an external quality control review program because professional organizations in West Bank and Gaza do 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 auditee's schedule of expenditures; 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 schedule of expenditures for the period audited was presented fairly, 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 compliance with 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 \$3,929,004 for the period from April 22, 2021, to April 20, 2022.

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

The audit firm concluded that except for the effects of \$39,811 of ineligible questioned costs, the schedule of expenditures of locally incurred costs of the USAID award presents fairly, in all material respects, the ERR COVID-19's revenues, costs incurred and reimbursed, for the audit period in accordance with the terms of the agreement and in conformity with the accounting basis. The audit firm did not identify any material weaknesses in internal control. However, the audit firm identified two material instances of noncompliance with anti-terrorism and Value Added Tax regulations.

To address the issues identified in the report, we recommend that USAID/West bank and Gaza:

Recommendation 1. Determine the allowability of \$39,811 in ineligible questioned costs on page 18 of the audit report and recover any amount that is unallowable.

Recommendation 2. Verify that Catholic Relief Services corrects the two instances of material noncompliance detailed on pages 18 to 23 of the audit report.

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").