



Office of Inspector General

MEMORANDUM

DATE: September 25, 2018

TO: USAID/West Bank and Gaza Mission Director, Monica Stein-Olson

FROM: Regional Inspector General/Frankfurt, James C. Charlifue /s/

SUBJECT: Fund Accountability Statement Audit of USAID Resources Managed by the Near East Foundation, Youth Agribusiness Partnerships Program, Cooperative Agreement AID-294-A-13-00015, January 1 to December 31, 2015 (8-294-18-060-R)

This memorandum transmits the final report of the fund accountability statement audit of USAID resource managed by the Near East Foundation, Youth Agribusiness Partnerships Program, cooperative agreement AID-294-A-13-00015, from January 1 to December 31, 2015. The auditee contracted with the independent certified public accounting firm Ernst & Young to conduct the audit.

The audit firm states that it performed its audit in accordance with generally accepted government auditing standards, except for not participating in an external quality control review program. The audit firm explained that West bank and Gaza does not offer such a review program, however they participate in the Ernst & Young worldwide internal quality control review program which requires their offices to be subjected every three years to an extensive quality control review by partners and managers from other Ernst & Young offices. The audit firm is responsible for the enclosed auditor's 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 controls; or its compliance with the award, laws, and regulations.¹

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 objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period audited was presented fairly, in all material respects; (2) evaluate the auditee's internal controls; (3) determine whether the auditee complied with the award terms and applicable laws and regulations; and (4) determine if the auditee has taken adequate corrective action on prior audit recommendations. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$301,609, for the period from January 1 to December 31, 2015.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The audit firm did not identify any material internal control weaknesses but identified one material instance of noncompliance related to Near East Foundation not incorporating one of the mandatory required provisions related to Executive Order 13224 in its subcontracts with third parties. Further, the audit firm issued a management letter.

The award under audit ended on August 23, 2016 but Near East Foundation still has another ongoing current award with USAID.

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

Recommendation 1. Require Near East Foundation to establish and implement policies and procedures ensuring proper incorporation of the required mandatory provision in its subcontracts with third parties, as detailed on page 14 of Ernst and Young audit report.

We ask that you provide your written notification of actions planned or taken to reach a management decision. We appreciate the assistance extended to the audit staff during the engagement.

The 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").