



## MEMORANDUM

**DATE:** February 5, 2019

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

**FROM:** Middle East/Eastern Europe Regional Office (Frankfurt), Assistant Audit Director, David Thomanek /s/

**SUBJECT:** Fund Accountability Statement Audit of Appleseeds Academy Under Net Community Connectors Project in West Bank & Gaza, Cooperative Agreement AID-294-A-14-00002, August 20, 2014, to August 31, 2015 (Report No. 8-294-19-026-R)

This memorandum transmits the final audit report on the fund accountability statement of Appleseeds Academy under Net Community Connectors Project in West Bank & Gaza, cooperative agreement AID-294-A-14-00002, from August 20, 2014, to August 31, 2015. The auditee contracted with the independent certified public accounting firm PricewaterhouseCoopers to conduct the audit. The audit firm stated that the contract required them to perform the audit in accordance with generally accepted government auditing standards and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.<sup>1</sup>

The audit firm stated 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 & Gaza does not offer such a review program. The audit firm is responsible for the enclosed auditor's report and the conclusions stated. 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,

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<sup>1</sup> On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and contractors as a management function. This contracted audit, however, was initiated before that date and follows the Guidelines.

, and regulations.<sup>2</sup>

The audit objectives were mainly to: (1) express an opinion on whether the fund accountability statement for the period from August 20, 2014, to August 31, 2015 was fairly presented, in all material respects; (2) evaluate the auditee's internal controls; and (3) determine whether the auditee complied, in all material respects, with the agreement's terms and applicable laws and regulations. To answer the audit objectives, the auditors performed the subject financial audit that covered \$278,141 in USAID funds from August 20, 2014, to August 31, 2015.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The audit identified one material weakness in internal controls related to overbilling USAID, and one instance of material noncompliance related to not checking suppliers' names against the Excluded Parties List System. The auditors also identified an amount of \$2,930 overbilled to USAID, as well as an amount of \$2,821 representing overbilled cost share. The auditors said that the auditee subsequently adjusted their internal controls procedures and adjusted the \$2,930 in the November 2016 expenditures invoice. Further, the audit firm issued a management letter.

To address the issues identified in the report, we recommend that USAID/West Bank & Gaza do the following:

**Recommendation 1.** Determine the allowability, and collect as appropriate, \$2,821 of questioned unsupported cost share expenses, as detailed on page 18 of PricewaterhouseCooper report.

**Recommendation 2.** Require Appleseds Academy to implement policies and procedures ensuring that it checks suppliers' names against the Excluded Parties List System, as detailed on page 19 of PricewaterhouseCooper report.

We ask that you provide your written notification of actions planned or taken to reach management decision. We appreciate the assistance extended to 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")

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<sup>2</sup> 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.