



MEMORANDUM

DATE: March 25, 2019

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

FROM: USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office, Assistant Audit Director, Saiming T. Wan /s/

SUBJECT: Fund Accountability Statement Audit of Middle East Education Through Technology (MEET), Training Entrepreneurs for Excellence at MEET Program, West Bank and Gaza, Cooperative Agreement 294-A-15-00011, September 24, 2015 to December 31, 2016 (8-294-19-045-R)

This memorandum transmits the final report on the fund accountability statement audit of MEET under the Training Entrepreneurs for Excellence at MEET program, West Bank and Gaza, cooperative agreement 294-A-15-00011, September 24, 2015 to December 31, 2016. MEET contracted with Deloitte & Touche - Middle East 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 (GAGAS) and USAID OIG Guidelines for Financial Audits Contracted by Foreign Recipients.¹

The audit firm states that it performed its audit in accordance with GAGAS except that it did not participate in an external quality control review since professional organizations in the West Bank and Gaza do not offer such program. In addition, the audit firm did not have a continuing education program that fully satisfied the GAGAS requirements. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on MEET's fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.²

¹ On June 30, 2017, USAID OIG rescinded its Guidelines for Financial Audits Contracted by Foreign Recipients, recognizing the Agency's role to impose requirements on its implementing partners and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.

² 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 fund accountability statement is presented fairly in all material respects; (2) evaluate MEET's internal controls; (3) determine whether MEET complied with the award terms and applicable laws and regulations, including cost sharing and compliance with Executive Order 13224—Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism; and (4) determine whether MEET has taken adequate corrective action on prior recommendations. To answer the audit objectives, the audit firm performed the subject audit that covered \$496,025, September 24, 2015 to December 31, 2016.

The audit firm expressed an adverse opinion on the fund accountability statement and identified \$133,500 in questioned costs (\$11,360 ineligible and \$122,140 unsupported). The auditors identified a material weakness in internal controls related to overcharging salaries exceeding the level of effort allowed in the award. In addition, the auditors identified two material non-compliance issues related to lack of documentation to support procurements and failure of MEET to vet a supplier.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, MEET had its activities terminated and currently has no open awards with USAID. USAID OIG Middle East and Eastern Europe (ME/EE) Regional Office is not including a procedural recommendation regarding the material internal controls and noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to MEET, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 21-26 of Deloitte & Touche - Middle East's report.

To address the questioned costs identified in the report, we recommend that USAID/West Bank and Gaza do the following:

Recommendation I. Determine the allowability, and collect as appropriate, \$133,500 of questioned unsupported and ineligible expenses, as detailed on pages 21-26 of Deloitte & Touche's report.

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").