



MEMORANDUM

DATE: April 8, 2019

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

FROM: USAID OIG Middle East and Eastern Europe Regional Office, USDH NFA Coordinator, Abdoulaye Gueye /s/

SUBJECT: Close-out Audit of Save a Child's Heart's Fund Accountability Statement for Funds Under Cooperative Agreement AID-294-13-00016, For the Period January 1, 2016 to September 15, 2016 (8-294-19-046-R)

This memorandum transmits the final audit report on the close out of cooperative agreement AID-294-13-00016 awarded to Save a Child's Heart for the period January 1, 2016 to September 15, 2016. Save a Child's Heart 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 that the audit firm did not have an external peer review because no such programs are offered in West Bank and Gaza. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on Save a Child's Heart fund accountability statement; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were 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

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.

Save a Child's Heart's internal controls; and (3) determine whether Save a Child's Heart complied with award terms and applicable laws and regulations. To answer the audit objectives, the audit firm performed tests of the \$453,021 expenditures reported for the period covering January 1, 2016 to September 15, 2016.

The audit firm concluded the fund accountability statement presented fairly, in all material respects, program revenues and costs incurred under the award for the period audited except for \$2,237 in total ineligible questioned costs; two significant deficiencies in internal control for not having policies and procedures to distribute overhead costs and not capturing actual hours on timesheets; and five instances of material noncompliance. Ernst & Young issued a management letter addressing minor matters identified during the audit. In the management letter the audit firm included two recommendations for Save a Child's Heart to strengthen internal control and compliance with USAID guidance

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Save a Child's Heart had its activities terminated and currently has no open awards with USAID. We are not including procedural recommendations regarding the two significant deficiencies in internal control weaknesses and the five material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to Save a Child's Heart, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 18 to 24 of Ernst & Young's report.

To address the ineligible questioned issues identified in the report, we recommend that USAID West Bank and Gaza:

Recommendation I. Determine the allowability of \$2,237 in ineligible questioned costs on pages 24 and 25 of the audit report and recover any amount that is unallowable.

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

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").