



MEMORANDUM

DATE: April 11, 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 Examination Morashtenu's Fixed Obligation Grant AID-294-F-15-00005 awarded, September 29, 2015 to January 29, 2017 (8-294-19-049-R)

This memorandum transmits the final closeout examination report on Morashtenu's compliance with the terms and conditions in its fixed obligation grant AID-294-F-15-00005, Utilizing Media for Change project, for the period covering September 29, 2015 to January 29, 2017. Morashtenu contracted with the independent certified public accounting firm Ernst & Young in Ramallah Palestine to conduct the subject examination. The contract required the audit firm to perform the engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and U.S. Government Auditing Standards, Chapter 5, for *General, Field Work, and Reporting Standards for Attestation*.

The audit firm states that it performed its audit in accordance with the above mentioned standards except that the audit firm did not have an external peer review because no such program is offered by professional organizations in the 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 the effectiveness of its internal control; 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 engagement performed.

The examination objectives were to (1) determine whether Morashtenu complied in all material respects with the fixed obligation grant terms and conditions and laws and regulations; and (2) provide reasonable assurance of detecting fraud, illegal acts, or violations of provisions of the grant. The examination objectives also included testing Morashtenu's compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism. To answer the engagement objectives, the audit firm performed the subject examination that covered the period from September 29, 2015 to January 29, 2017.

The auditors identified four material instances of noncompliance with the terms and conditions of the fixed amount award and one significant deficiency in internal controls due the absence of policies and procedures. The auditors identified one material instances of noncompliance with Executive Order 13224 where Morashtenu did not incorporate the mandatory award provisions in its award to a consultant. Ernst & Young also noted certain immaterial matters involving internal controls that they reported to Morashtenu in a separate letter dated September 29, 2018.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Morashtenu had its activities terminated and currently has no open awards with USAID. We are not including procedural recommendations regarding the one significant deficiency in internal control weaknesses and the four material noncompliance instances. However, if USAID/West Bank and Gaza considers future awards to Morashtenu, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 11 to 17 of Ernst & Young's report.

The report does not contain any recommendation for your action.

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").