



Office of Inspector General

MEMORANDUM

DATE: April 24, 2019

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

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

SUBJECT: Closeout Audit of Fund Accountability Statement of USAID Resources Managed by Palestinian Peace Coalition Under Enriching the Dialogue for Peace Program in West Bank and Gaza, Cooperative Agreement AID-294-A-15-00008, for the Year Ended 2017 (8-294-19-059-R)

This memorandum transmits the final report on closeout audit of the fund accountability statement of USAID resource managed by Palestinian Peace Coalition under Enriching the Dialogue for Peace Program in West Bank and Gaza, Cooperative Agreement AID-294-A-15-00008, for the year ended 2017. The auditee contracted with the independent certified public accounting firm Ernst and 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.

The audit firm is responsible for the enclosed 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 control; or its compliance with the award, laws, and regulations.¹

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; and (3) determine whether the auditee complied with the award terms and applicable laws and regulations, including compliance with Executive Order 13224 – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$344,981 for the year ended 2017.

The auditors expressed an unmodified opinion on the fund accountability statement and did not identify any questioned costs. The auditors identified one significant deficiency in internal control related to not complying with the overhead allocation policies and procedures. The auditors identified one material instance of noncompliance related to submission of the close-out plan. The audit firm did not identify any instances of non-compliance with the Executive Order 13224. Further the audit firm issued a management letter.

As of January 31, 2019, USAID/West Bank and Gaza terminated its foreign assistance activities, and as a result, Palestinian Peace Coalition had its activities terminated and currently has no open awards with USAID. RIG/Frankfurt is not including procedural recommendations regarding the significant internal control deficiency and the material noncompliance instance. However, if USAID/West Bank and Gaza considers future awards to Palestinian Peace Coalition, it should ensure that adequate policies and procedures are implemented to address these findings, as detailed on pages 16 and 17 of Ernst & Young audit report.

We appreciate the assistance extended 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").

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.